INFLUENCE OF GOVERNANCE INDICATORS ON DISCLOSURES INPERFORMANCE AUDIT REPORTS: CASE OF NATIONAL GOVERNMENT CONSTITUENCIES DEVELOPMENT FUNDS

ROBERT OUKO ODEK

MASTER OFSCIENCE

(Accounting and Finance)

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Influence of Governance Indicators on Disclosures inPerformance Audit Reports: Case of National Government Constituencies Development Funds

Robert Ouko Odek

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DECLARATION

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

Signature ………………………………….. Date ……………………………….

Robert Ouko Odek

This research project has been presented for examination with our approval as the University Supervisors

Signature ………………………………….. Date ……………………………….

Prof. Luke Oyugi, PhD

JKUAT, Kenya

DEDICATION

Winnie Atieno, Jeffrey Cummings, Robert Jr and Pamela Odek

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ABBREVIATIONS AND ACRONYMS

AAR: Annual Activity Reports

AIE: Authority to incur expenditures

IAS: International Accounting Standard

NG-CDF: National Government-Constituency Development Fund

OAG: Office of the Auditor General

PAC: Parliamentary Accounts Committee

PIC: Parliamentary investment committee

PCOAB: Public Company Accounting Oversight Board

SAGA: Semi-Autonomous Government Agency

SAI: Supreme Audit Institution

OPERATIONAL DEFINITION OF TERMS

Accountability   Denotes duties of the administrators to provide acceptable report regarding their performance and the means in which they have utilized authorities and resources bestowed on them (Ozuomba, 2019).

Disclosures   Refers to essential portion of economic declarations, understood as progressively significant means for those charged with the duty of preparing them to reveal profound comprehensions about the entity's monetary situation and fiscal performance than is conceivable via main financial reports only (International Auditing and Assurance Standard Board exposure draft, 2014).

Financial Regulation Is a form of guideline or direction which subjects financial institutions to certain requirements restrictions and guidelines aiming to maintain the integrity of the financial system (Jomo Kenyatta University of Agriculture & Technology, 2016).

Governance   Comprises of set of procedures, customs, guidelines, Regulations and institutions touching the way an entity is directed, administered or controlled (Robert, Elmad and Anyira, 2018).

Governance effectiveness Comprises of set of procedures, customs, guidelines, Regulations and institutions touching

the way an entity is directed, administered or controlled (Robert, Elmad andAnyira, 2018)

National Government Constituencies Development Fund (NG-CDF) is a fund established in 2003 through an Act of Parliament in Kenya.

Supreme Audit Institutions Are nationwide departments and organizations charged with the responsibility of reviewing government revenue andexpenses (Jack & Rick, 2019).

ABSTRACT

Auditors assume vital role in enabling the reliability of financial information by attesting to the dependability regarding monetary declarations. Conversely, studies evidences that a number of accounting and reporting irregularities and frauds in the last one decade have led to intense scrutiny of corporate governance frameworks and has since drove intense debate about issues such as accounting reports examination, audit approach, audit quality and generally what affects disclosures both in the commercial industry and in government. This study intended to explore the Influence of Governance indicators on Disclosures in Performance Audit Annual Reports: in the National Government Constituencies Development Funds. The main objectives included to find out the relationship between accountability and disclosures, to determine the effect of governance effectiveness on disclosures, to establish how regulation quality influences disclosures in the performance audit and to investigate the extent to which control of corruption affects disclosures in the performance audit report. The research work adds to the knowledge about African states Supreme Audit Institutions and Performance Audit activity by giving propositions on issues affecting disclosures in the performance audit annual reports. The study is anchored on lending credibility theory, policeman theory and agency theory. This study adopted descriptive approaches to explain the influencers of disclosures and how they translate to the final outputs in form of audit reports. The study targeted all the constituencies in Kenya which are 290 with number of target respondents specifically being Fund Account managers, district accountants, Accounts assistants, audit staff at the office of auditor general and Project Management Committee Members totaling to 1,169. Since the respondents targeted were many, and were spread all over the constituencies in Kenya, the sample size approximation used suggestions by Bartlett, Kotrlik and Higgins (2001) to arrive at a sample size of 107 respondents. The questionnaire was the main instrument for collecting primary data. Regression analysis was used to determine the cause-effect analysis while correlation analysis was applied to measure the strength of association between the study variables with the help of SPSS version 25. The findings revealed that accountability (β=0.247, p=0.001), governance effectiveness (β=0.140, p=0.036), regulation quality (β=0.413, p=0.000) and corruption control (β=0.197, p=0.000) have a positive and significant relationship on the performance of audit annual reports in the NG- CDFs in Kenya. This implies that improvement in 1 unit of the aspects related to accountability, governance effectiveness, regulation quality and corruption control improves the performance audit annual reports in the NG-CDFs in Kenya by 0.247 units, 0.140 units, 0.413 units and 0.197 units respectively. It was therefore concluded that corruption control, regulation quality, governance effectiveness, and accountability have a statistically significant and positive influence on the performance audit annual reports in the NG-CDFs in Kenya. The study recommends that NG-CDF Board in Kenya to continue with the continuous training and development of their staff to foster professionalism and quality of service delivery. This will minimize championing of the political aspect intertwined in management of CDF funds and thus will enable production of genuine audit reports which are not influenced. Additionally, the NG-CDF Board should consider liaising with the relevant departments like National treasury to ensure that budgeted funds are available in time and thus disbursements and issuing of Authority to incur expenditure is done in

time. This will hence minimize cases of virement and inappropriate voting of itemsin the CDF vote books.

CHAPTER ONE

INTRODUCTION

1.1 Background of the study

The discipline of accounting developed from the social order. This infers that accounting inspires civilization and accounting is inspired by civilization (Uwhejevwe-Togbolo, 2016). The public fairly expects accounting occupation to stay considering the real-world, to be rational, in addition, possess repute for community. United States (US) congress passed the Sarbanes-Oxley Act of 2002 (SOX) which resulted in many implications for managers and accountants as a result of many fraudulent activities in recent years. It is therefore, mandatoryfor book keeping specialists to prove major principles of independence, focus on objectives and truthfulness and be well-informed of progresses that have influence regarding their line of work. However, the constant failures by private institutions and misuse of public resources both in developing and developed countries raises questions as to whether the accounting practitioners are applying the required practice.

Auditors assume vital role in enabling the reliability of financial information by attesting to the dependability regarding monetary declarations. Conversely, the study of Leisa and James (2015) is among studies which evidences that a number of accounting and reporting irregularities and frauds in the last one decade have led to intense scrutiny of corporate governance frameworks and has since drove intense debate about issues such as accounting reports examination, audit approach, audit quality and generally what affects disclosures bothin the commercial industry and in government. Leisa and James (2015) commented on the irregularities by Safenet Incorporated in the United States (US) on its fraudulent financial reporting where it was involved in the options backdating controversy which contributed to the resulting financial crisis in 2007 therefore making performance audit reports and factors affecting disclosures a top priority.

Adriana and Roxana (2019) allude that as a result of the 2007 financial crisis, the role of government on fiscal and political decisions became more. Stakeholders require information that approves that government resources have been utilized appropriately and in agreement with the set guidelines. They need to recognize the level to which government organizations have accomplished their performance objects. It is an activity of possibly relevant magnitude at an actual scope for the community and for those charged with governance. This calls for Performance Audit (PA) which is among government transformation mechanisms which can increase dependability plus responsibility of government segment. Nevertheless, the range to which performance audit in the public segment portrays the actual fairness of the underlying transactions is what is daunting with specific reference to revelations in the yearly reports of National Government Constituencies Development Funds (NG-CDF) by the Kenyan supreme Audit institution against the actual performance.

Performance Audit in government institutions and departments is conducted by national Supreme Audit Institution (SAI). Performance is about output, results and the outcomes obtained from processes, products, and services that permit evaluation and comparison relative to goals, standards, past results, and other organizations. Performance can be expressed in non-financial and financial terms. Performance Audit permits governments to show to its subjects how they are fulfilling the duties and responsibilities charged to them regarding resource utilization. In order to assess efficiency, it is necessary for economic, efficient and effective gains to be measurable, Stroobants & Bouckaert (2012). Though, for the performance Audit to be successful and of greater magnitude impacting positively to the economy, it all depends on what is disclosed by the government auditors and how governance indicators influence such disclosures which the current study aims to find out among various semi-autonomous government agencies (SAGA) which in this case is the NG-CDFs.

Disclosures are essential portion of economic declarations, understood as progressively significant means for those charged with the duty of preparing them to reveal profound comprehensions about the entity's monetary situation and fiscal performance than is conceivable via main financial reports only, International

Auditing and Assurance Standard Board exposure draft (2014). The board further explains that disclosures include all- embracing decision-useful evidence that is extra exhaustive and frequently relates to issues which are particular including assumptions, models, alternative measurement bases and sources of estimation uncertainty. Some examples include; Quantitative disclosures thus disaggregation and examination of balances and dealings encompassed in the accounting reports, for instance of assets, plant and equipment, intangible assets, provisions, lease obligations, financial instruments. Segmental scrutiny of income, earnings and certain other items, and info relating to main clients (for registered organizations). Summarized accountinginfo in regard to associated organizations and joint ventures. Qualitative disclosures: descriptions of important bookkeeping rules and parts where serious accounting decision hasbeen exercised, and justification for any variations in accounting policies. Validation that the going concern supposition is suitable, or argument of noteworthy uncertainty over going concern. Evidence on interrelated parties, and related party dealings. Clarification of impairment losses recognized in the year. Discussion of areas of risk, for example those relating to financial instruments. The main concern of the present study is to determine the extent to which governance indicators influences disclosures in the annual financial statements audited and presented by the Supreme Audit Institution in Kenya (Office of the Auditor General) and how this is key in enhancing relevant changes in adoption of performance geared activities towards promoting development which is the key object of thefund.

1.1.1 Supreme Audit Institution (Office of the Auditor General)

Supreme Audit Institutions (SAIs) are nationwide departments and organizations charged withthe responsibility of reviewing government revenue and expenses, Jack and Rick (2019).Their main role, though, is to act as overseers over the administration of public coffers as well as the excellence and trustworthiness of testified government financial info. In various nations the SAI examine all government organizations (www1.worldbank.org › publicsector › sai 11.8.2020).

Discussing about the Kenyan Supreme Audit Institution, this study is referring to Office of the Auditor General which is one of the Kenyan public supreme audit institutions and this paper is pointing out what influences how well or badly this institution execute its duties and obligations based on what it discloses in the final reports. Office of the Auditor General is an autonomous office created under Article 229 of the Constitution of Kenya. The Agency is mandated with the crucial oversight/assertion activity of guarantee in answerability within the three segments of government i.e., the Legislature, the Judiciary and the Executive; as well as Constitutional Commissions and Independent Office. Article 229 (4) stipulates that within six months after the close of financial year, the Auditor-General will examine and report in respect to that financial year on the accounts of National and County government, accounts of all funds and authorities of the National and County governments, the accounts of all courts, accounts of every Commission and Independent office established by the Constitution, accounts of the National Assembly, the Senate and the County Assemblies, accounts of political parties funded from public funds, the public debt and the accounts of any entity that legislation requires the Auditor General to audit. Besides, Article 229 (6) of the Constitution necessitates the Auditor-General to approve whether or not public money has been utilized legally and in an effective way. The Agency is authorized to deliver guarantee on responsibility of community possessions by; Endorsement of Financial records, Unceasing Audit presence and Service provision to all Kenyans. Article 229 (8) of the Constitution needs that within three months after getting an audit report, National Assembly or the County Assembly hold discussion and deliberate the report and take suitable act (https://www.oagkenya.go.ke /index.php/kenao-publications11/8/2020).

The audit process as defined by OAG commences by sending communication of understanding to the client, having an entrance seminar with the administration of the agency to be examined , issuing audit queries, communicating and replies sought from auditees, exit meetings with the Management of the audited entity, management Letter capturing un re- solved issues during audit, draft Audit Report, Final Audit Report, reporting to parliament, deliberations of reports by Parliamentary/County Assembly Committees, Reporting by Parliamentary/County Assembly Committees

and finally Follow-up of implementation of Parliamentary /County Assembly recommendations.

The OAG has 23 directors, 33 senior managers and several audit associates/audit staffs. The counties/provinces in Kenya are served by nine hubs, with each hub headed by a director or acting director. The nine are Eldoret, Embu, Garissa, Kakamega, Kisumu, Mombasa, Nairobi,Nakuru and Nyeri.

1.1.2 National Government Constituencies Development Funds

The National Government Constituencies Development Fund (NG-CDF) previously Constituencies Development Fund (CDF), is a fund established in 2003 through an Act of Parliament in Kenya, the CDF Act 2003. The Act was afterwards revised by the CDF (Amendment) Act 2007, and rescinded by CDF Act, 2013 which was afterward succeeded bythe current NG-CDF (Amendment) Act 2016.

Pursuant to section 11 Of NG-CDF Act 2015 of the Kenyan Constitution; the Fund is auditedby the Auditor General who report to Parliament annually. Further, the sub-county internal auditors in every constituency track the utilization of the Fund and regularly reports to the National Treasury with a copy to the NG-CDF Board. In line with section 16 (b) of NG-CDFAct 2015 the Board has instituted its own inner audit subdivision that evaluates constituencyaccounts and provides assurance on efficient utilization of the Fund.

1.2 Statement of the problem

In Kenya, for the financial years ended 2015/2016, 2016/2017 and 2017/2018 it was evidenced by the qualified opinion in the Auditor general's performance audit annual reportsfrom the constituencies' that NG-CDF funds were duly implemented (https://www.oagkenya.go.ke/11.8.2020). The qualified opinions applied to most of the constituencies in the country. According to International Accounting Standards (705), The auditor will express a qualified opinion when: (a) The auditor, having obtained sufficient appropriate audit evidence, concludes that misstatements, individually or in the aggregate, are material, but not pervasive, to the financial

statements; or (b) The auditor is unable to obtain sufficient appropriate audit evidence on which to base the opinion, but the auditor finalizes that the likely influences on the financial reports of unnoticed misstatements, if any, might be material but not pervasive. From this definition of qualified opinion by ISA (705) it implies that the Office of the Auditor General formed qualified opinion on the 2015-2018 NG-CDF audited annual reports and that there were not any materiality that could translate negatively to the bottom line. However, in actual sense, there is no highly rated performance and implementation of the fund as the disclosures in the annual performance audit reports portray from the various constituencies (Special Fund Account Committee report, 2019). The practical aspect where the funds were implemented is not anything to highly rate. Rarely do we have model NG-CDFS where it can be stated with authority that the Fund achieved its intended purpose hundred percent except for some few cases of unqualified opinion; meaning that there are factors that affected information disclosed to the OAG.

Besides, the office of OAG has 23 directors, 33 senior managers and several audit associates/audit staffs. The actual audit is conducted by an audit associate who then reports to the manager/team leader in charge. The manager submits the findings to the director heading the region who later review the findings and forms an opinion. The opinion is reviewed and signed by the Auditor General. Being the stages of reviewing the audit findings, this could lead to information infiltration which then negatively affect disclosures in the final report. This present study therefore questions how the performance audit annual reports are normally generated and what actually do influence the disclosures that the Office of the Auditor General (OAG) portrays in the audited annual financial reports of the constituencies. Are the disclosures in the performance reports affected by weaknesses in the office of the auditor general or are they affected negatively since the declarations in the report are presented with the aim of achieving accountability, governance effectiveness, regulation quality, and control of corruption or do NG-CDFS practice opinion shopping?

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Empirical evidence on this topic is quite limited especially in Africa and specifically in Kenya. Adriana and Roxana (2019) conducted a study on what influences disclosures choice in EU supreme Audit institutions' performance audit annual reports. They concluded that performance audits are directly related to governance indicators of (accountability, political stability, government effectiveness, regulatory quality, rule of law and control of corruption). Being that this area has not been furthered by various studies, this makes the current study pertinent to help determine these factors prompting disclosures in the supreme audit institution in Kenya.

1.3 General Objective

The general objective of this study was to determine the Influence of governance indicators on Disclosures in Performance Audit Annual Reports: in the NG-CDFs, Kenya.

1.3.1 Specific Objectives

The specific objectives were;

1. To determine the relationship between accountability and disclosers in performance audit reports
2. To determine the effect of governance effectiveness on disclosers in performance audit reports
3. To establish how regulation quality influences disclosers in performance audit reports
4. To evaluate the extent to which control of corruption affects disclosers in performance audit reports

1.4 Research Questions

1. What is the relationship between accountability and disclosers in performance audit reports?
2. How does governance effectiveness affect disclosers in performance audit reports?
3. How does regulation quality influences disclosers in performance audit reports?

4. To what extent does control of corruption affects disclosers in performance auditreports?

1.5 Significance of the Study

The research work will add to the knowledge about African states Supreme Audit Institutionsand Performance Audit activity by giving propositions on issues affecting disclosures in the performance audit annual reports. Therefore, scholars interested in accounting, public sector and finance will use this study as a platform for further research to fill the gaps that the studymight have omitted.

This research work would also be of significance and be of attention to Office of the Auditor General in aiding them mirror what factors influences their annual audit report disclosures which are translated in the audit opinions. It would advise on what model best suits the auditprocess at the OAG.

The ministry of planning and devolution may reap from this study in understanding in detailsthe contents of the annual audit reports that have often been presented by the OAG. Its findings will additionally validate some of the outcomes of previous studies.

1.6 Scope of the Study

This research was conducted in National Government Constituency Development Funds (NG- CDFs). NG-CDF is among government agencies classified as Semi-Autonomous Government Agency (SAGA) charged with the responsibility of implementing projects at constituency level. This study exploited the components influencing audit disclosures. The outcomes of this study will be generalized for all NG-CDFS in Kenya.

CHAPTER TWO

LITERATURE REVIEW

2.1 Introduction

This chapter examines relevant past literature from academic books, research papers, newspapers and journals that address the factors influencing audit disclosures choice in the Kenyan audit institution's performance audit annual reports.

2.2 Theoretical Literature

2.2.1 Lending Credibility Theory

Lending credibility theory is one of the theories which has gained popularity since its inception. It has a background in audit and traced back to 1932. Lending credibility theory was proposed in 1932 by the Dutch Professor Theodore Limperg of the University of Amsterdam in his article, the social responsibility of the auditor. It has since been cited in Hayes *et al.* (2005). Lending credibility theory looks for holistic patterns in scientific and metaphysical contexts, and the management approach to audit theory. It is especially effective for recognizing the demand for and supply of audit services.

The theory presupposes that need for audit services is the direct consequence of the association of outside interested parties and the organization. Auditing is about independent examination of the books of accounts involving interplays between various factors which affects the disclosures in the final report. The idea behind lending credibility theory as applied in this study is that the reason why users of audit reports call for auditing is to enable them to base their financial decisions on financial reports that they have been assured of to be containing less inherent ills. Besides, whatever the accuracy level, however skilled the auditors involved in practice, the end result may not reflect the correct view but will simply enable dependability and credibility of the financial reports to the users and interested parties. The requirement by the stakeholders of high accountability from the administration, in return for their investments in the organization is one aspect on

the other hand understanding what influences thedisclosures which reflect in the final performance audit report is another aspect which is crucial in enhancing this accountability requirement. Scrutiny of balances, income and earnings included in the accounting reports, descriptions of important bookkeeping rules, declarations of serious accounting decision exercised in financial statements preparations, justification for any variations in accounting policies, validation that the going concern supposition is apposite, evidence of related party dealings, and discussion of areas of risk determine credibility of the annual performance audit reports. Lending credibility thinking on an audit perspective is a contextual competence required by users of audit reports, auditors and supreme audit institutions and this is a support to the lending credibility theory.

Lending credibility theory developed by Limperg provides analytical framework which can be used to explain accountability which is one of the many factors of disclosures reflected in the annual audit reports. Since the explanations on accountability is provided by the administration, this may make it subjective of which external parties have no direct means of monitoring therefore an audit is essential to guarantee the dependability of this facts (Ittonen,2010).

In the context of this study, there is agreement with other authors that the use of lending credibility theory concepts can help supreme audit institutions and the users of audited financial reports in understanding the complex influences of disclosures at the supreme officeof the auditor general and its staff exercises their due diligence in ensuring credibility of financial reports. Following the arguments of Lending credibility theory, influences ofdisclosures and the final audit reports conform to the lending credibility theory. The stages ofaudit may exhibit different challenges where people assume the financial reports are free fromerrors as reported by the auditees and if the errors exist, then the auditor have to discover theerrors. Empirical study that considers the influences of disclosures and its likely influence on performance audit annual report will most likely form a foundation of "which" question as proposed in this study. Besides, as applied to this study the lending credibility theory has beenrelated to the independent variables of the study. The theory postulates that influence of disclosures include accountability, governance effectiveness, regulation

quality, and corruption control which determines the contents of the annual audit reports. The study is therefore anchored on this theory since it holds that disclosures are about the need for the audit and until the auditors understand their role in determining the disclosures factors you cannot obtain proper reports to be used in advising financial decisions.

2.2.2 Policeman Theory

It is a methodology which presumes to help identify the need and supply of audit services which will then lead to achieving of correct and accurate status of the monetary performance annual audit reports. Theodore Limperg cited in (*Hayes et al.,* 1999) conceived the model and introduced it to a wide audience in 1920s. The theory can be used to understand the role of the auditors of probing, unearthing and thwarting fraud. In the early 20th century this was assuredly the situation. Since then, policeman theory has continued to evolve and develop, and today it is a significant foundation of audit practices which has seen the need of audit transform from detecting fraud to reporting the fairness of the financial reports within the world of management best practices.

This study is based on the policeman theory where detection of fraud by the auditors is still debatable as most of the organizations' managements both public and non-governmental argue that fraud detection and reporting is incidental to audit drudgery and cannot therefore be fully ignored. Therefore, audit doings and final disclosures in the annual audit reports may not accomplish the intended purposes if this theory is not well embraced. However, the policemen theory still needs a closer enquiry in its very disadvantage which is presented in its one major declaration that the need for audit is all about detecting fraud and reporting accurately on the financial statements presented by the company managers. Detecting fraud actually call for specialized investigators.

2.2.3 Agency Theory

Agency theory was founded by (Jensen & Meckling, 1976) and it details the relationship between investors and managers. It is based on the tenet that the agent

(executive) accepts to attain certain onuses for the master (stockholders) and the principal undertakes to reward the agent. This model clarifies that the function of the auditor is to oversee the connection between the administrators and the owners which somehow promotes an expectation gap when the distribution of the responsibility is not properly demarcated. The responsibility of every part must therefore be well re-defined in the regulation. The manager and the owners have to distinguish that the auditor does not have duty of the accounting, but only see that the auditing is done appropriately (Andersson & Emander, 2005).

It is though contended that in an enterprise, in which share possession is broadly spread, administrative behavior does not at all times make the most of the proceeds of the shareholders, Donaldson and Davis (1991). The amount of improbability about whether the agent will chase self-interest instead of complying with the necessities of the agreement characterizes an agent risk for an investor, (Fiet, 1995). Since masters will constantly be concerned with the results produced by their proxies, agency theory proves that accounting and auditing have an imperative chore in availing evidence and this duty is regularly connected with stewardship, in which an agent reports to the principal on the businesses' proceedings, (Ijiri, 1975). The demand for auditing is obtained in the need to have some means of independent verification to minimize record keeping inaccuracies, asset misuse, and fraud within business and business organization. Conversely, an assessment conducted by (Wahdan *et al.*, 2005) discovered that the auditors are believed by business owners in that the auditor's exertion would be used as a guide for investment, estimation of concerns, and occasionally in forecasting bankruptcy.

The theory of agency needs a closer examination. Its very advantages lies in its assertions of the need for the auditor. It postulates that the need for auditing arises in the corporate world as a result of conflict of interest among those charged with the responsibility of managing the company, consequences of depending on inappropriate financial statements, multifaceted company dealings and information asymmetry. Consequently, empirical evidence support that with varying trends in the commerce industry, the need for auditing arises from auditor's monitoring role (Eilifsen & Messier, 2000).

According to this theory, organizations' shareholders depend on the auditor to inform them of the company dealings through audited financial documents which they will use to make decisions leading to the success of the organization; therefore, for any organization to thrive and achieve value for money, appropriately audited reports are indispensable. It is true that when there are conflicts between the company owners and the managers, then the managers are likely to act in their own interest prompting shareholders to initiate audit to assess the managers' activities. Besides, information asymmetry and false impression created by creative accounting by company managers will always mislead investors on understanding multifaceted happenings in the company and in arriving at economic decisions further explaining the purpose for audit. For performance audit annual reports to have value, disclosures are important consideration. These disclosures are in the form of accountability, ability of those charged with governance to carry out their responsibilities effectively, authorities charged with regulating the quality of audit activities alongside the aim of controlling corruption. The view that agency theory integrates disclosures and performance audit reports is relevant for this study since accountability and governance effectiveness are some of the audit disclosures variables investigated in the study.

The public auditor is therefore equated to the agent while the stakeholders including; National Government, citizens and all other interested parties are equated to the masters and principals. The auditor has a duty of working in the interest of the master and therefore he is expected to unearth all the issues relating to the presented financial documents and report back to enable efficiency in decision making.

2.3 Influences of Governance Indicators on Disclosures in Performance Audits Annual Reports

2.3.1 Accountability

Roberts (2003) construe accountability as a give-and-take commitment. That is, how does my action affect me (self-interest) and how does it affect others? How do I gain from my own conduct (account)? How does the other benefit or not benefit? (Laxmikanth, 2006) further discoursed that accountability denotes duties of the administrators to provide acceptable report regarding their performance and the

means in which they have utilized authorities and resources bestowed on them. In the contemporary civilization, accountability is extra multifaceted and has overextended further than the elementary description of "requirement to justify an individual's deeds", (Mulgan, 2000). Ozuomba (2019) confer that accountability therefore includes resources input and with expectation of the output: be it human or capital input. In regard to this study, the operationalized measure of accountability is the money disbursed from the National Government to the Constituencies Development funds in comparison with how those charged with Authority to incur expenditures (AIE holders) comply with set government laws and policies in spending the money, and service delivery to the constituents or the public. Accountability thus include use of strategic plans, spending based on Authority to incur expenditure, virement based on approvals, use of fully supported vouchers, tendering as per the public procurement and disposal act, practice of monitoring and evaluation. Performance Audit is then meant to follow up on the utilization of the received funds from the National Government through disclosures presented in the accounting records maintained by the fund account managers in collaboration with the Sub-County accountant.

2.3.2 Governance effectiveness

Robert, Elmad and Anyira (2018) declares that governance comprises of set of procedures, customs, guidelines, Regulations and institutions touching the way an entity is directed, administered or controlled. Governance also consist of the dealings amongst the countless players involved (stakeholders) and the aims for which an organization or a department is meant to achieve. Effectiveness is associations between inputs and outputs. Therefore governance effectiveness is operationalized to refer to how adequate those charged with stewardship role (fund account managers, project management committee, Constituency Development Fund Committee and the Constituency Development Fund Committee's staffs) implement funds meant for Constituency development. It is measured in terms of factors considered during appointment of the office bearers (NG-CDFC), training/capacity building of the staff, involvement of experts/specialists in projects, and use of project management committees in projects implementations.

2.3.3 Regulation quality

Financial Regulation is a form of guideline or direction which subjects financial institutions to certain requirements restrictions and guidelines aiming to maintain the integrity of the financial system. This may be handled by either a government or non-government organization, Jomo Kenyatta University of Agriculture & Technology, (2016).

Miller (2002) recommends that quality financial reporting can enhance demand driven accounting reporting. Miller contends that quality financial reporting is an attitude and not a set of practices to be adopted. This requires identifying the needs of the users and has to go beyond the minimum compliance with the GAAP. In addition, it calls for voluntary expansion of the scope and quality of reporting financial information to better inform the users.

According to Miller (2002), when financial reporting is of low quality: it has incomplete information which fosters uncertainty, uncertainty creates risk, risk gives incentives for investors to demand higher rate of return, Higher rates results in higher cost of capital and lower security prices. Therefore quality financial reporting offers guidance for all areas of financial reporting and not just its contents. For example it indicates the significance of auditor independence. To obtain quality financial reporting, quality regulations has to be in place.

When there are poor standards, it implies a decline in financial reporting quality because earnings are more difficult to predict and also harder to map into firm value. Regulation can mandate an acceptable level of disclosure and therefore avoid underproduction of information. In addition, regulation serves as a low-cost commitment device, in that firms are forced to reveal all the required information both in bad times and in good times thus reduceduncertainty about the firm. Another benefit is that mandated reporting leads to market-wide cost savings. In addition it is easier for new entrants to raise capital thus increasing competition. Regulation quality is therefore measured in terms of better utilization of the funds, better implementations of the projects and compliance with set policies in line with the public financial management act, constitution of Kenya, CDF act, public

procurement and disposal act and involvement of the EACC.

2.3.4 Control of Corruption

Corruption is a highly multifaceted phenomenon. The people in it does not leave behind any telltale in the form of unquestionable hard indication. Most of the corruption are undertaken in informal method and under the dark cover of inaccessible interactions. It may not even need any spoken word. Just eye interaction can begin a rapport of corruption, Muhammad (2006). Elements of corruption include; bribery, kickbacks, commissions, or other benefits without leaving any trace in the official records. SAIs have a role in deterrence and prevention of corruption in the public sector.

2.4 Empirical Review

2.4.1 Accountability and Disclosers in Performance Audit Reports

Adriana and Roxana (2019) conducted a study on what influences disclosures choice in EU supreme Audit institutions' performance audit annual reports. They used secondary sources of information such that all the websites of the SAIs in the 28 countries of the European Union were analyzed. They also collected all the Annual Activity Reports (AAR) in English. They concluded that performance audits are directly related to governance indicators of (accountability, political stability, government effectiveness, regulatory quality, rule of law and control of corruption) and that writing good quality audit reports is not easy because the subjects covered in the reports are often complex and technical. They also mentioned that annual audit reports may contribute by aiding those engrossed in politics and other government/non-governmental officers who are not aggressively in the administration of the public sector enterprises to accomplish their responsibility purposes. Besides, from the audit reports, those engrossed in politics plus other government/non-governmental officers might hold administrators answerable and decrease the information gap amidst them.

Ozuomba (2019) analyzed Performance Audit and Accountability of Public Sector in Nigeria. His study adopted cross-sectional survey design using secondary data sources with a target population of a 16 year project and funding data. He revealed that there is a connection between accountability and performance audit and that the absence of accountability culture and strong government agencies to enforce laws and rules has significantly influenced poor public sector performance. He further recommended legal mandate in the public to carry out regular performance audit of their activities and programs to ensure proper accountability of resources given to them.

2.4.2 Governance effectiveness and Disclosers in Performance Audit Reports

What influences disclosures choice in EU supreme Audit institutions' performance audit annual reports is a contribution by (Adriana & Roxana, 2019). Their study applied secondary sources of information such that all the websites of the SAIs in the 28 countries of the European Union were analyzed. They exposed that Performance audit is meaningful to the public sector since it provides independent authentication of the savings they have achieved. Besides, it aids to guarantee that public and other third parties have self-assurance that government effectiveness is improved as announced. The association can additionally work the other way around: with audit functioning as a general progress control for gauging what growth has been made against the final program objectives. It can consequently inspire government usefulness by warranting that resources are used parsimoniously and efficiently so as to achieve the anticipated goods and services and the planned effects and impact.

Goodson *et al.* (2012), determined Supplementary guidance: the role of auditing in public sector governance. They explained that auditing is a fundamental element of efficient government as it supports the governance roles of insight, foresight and oversight, to which they added detection and prevention. Since the success of the public sector is measured primarily through its capacity to successfully deliver services to the people and execute its programmes in an equitable manner, it is indispensable for the activities of public sector audit to be directed at evaluating

degree of compliance with financial programmes and to equally measure the efficiency, effectiveness and economy of those activities. It is essential for the auditors to protect the core values of the public sector, which serve all citizens.

2.4.3 Regulation Quality and Disclosers in Performance Audit Reports

Lennox and Pittman (2010) in their investigation in the US markets of the new Public Company Accounting Oversight Board (PCOAB), auditing the auditors: Evidence on the recent reforms to the external monitoring of audit firms show that there is improved financial reporting quality of publicly traded companies after the enactment of SOX, supporting that regulation quality influences disclosures which translates to the Performance audit reports.

DeFond (2009) in his attempt to place the findings of Lennox and Pittman (2010) examined how should the auditors be audited? Comparing the Public Company Accounting Oversight Board (PCOAB) inspections with AICPA peer reviews in the US markets. The study also affirmed that there is improved financial reporting quality of publicly traded companies.

2.4.4 Control of Corruption and Disclosers in Performance Audit Reports

Jin and Bin (2012) investigates government auditing and corruption control: evidence from China's provincial panel data. Their sample period was between1999-2008 and they constructed simultaneous equation models to examine the interactions among their study variables. They evidenced that the local audit institutions can detect misbehavior and violations in public financial revenues and expenditures and make corresponding decisions onwhether to rectify these problems. They also portrayed that rectification effort after an audit can strengthen effectiveness of government auditing and that the level of corruption can be reduced significantly where rectification is accrued out.

Otalor and Eiya (2013) explore Combating Corruption in Nigeria: The Role of the Public Sector Auditor. The study established that audit is one of the mechanisms to curb dishonesty and the society expects the auditors to play an active duty in

limiting, if not eradicating, corruption. Hence, the public sector auditor cannot be indifferent but have to rise up to the tests of battling corruption by effectively conducting financial audits of government institutions' accounting procedures and financial statements to warrant accuracy and fairness, and compliance audits of reviewing the legality of transactions made by the audited body in addition to the scrutiny of the operational efficiency, economy (cost-effectiveness) and overall effectiveness of government programmes through performance or value for money audits.

Gustavson and Sundström (2016) investigated the impact of auditing conducted in the public sector by SAIs on the degree of corruption. Their findings suggest that good auditing conducted by SAIs has a positive effect on levels of corruption in the public sector. They also found several factors that have constructive influence in reducing corruption in the public sector, including the independent of SAIs from the government, the professionalism of SAIs through acquiring staff with the appropriate skills and education, and SAIs communicating the audit results to the public

Gherai *et al*., (2016) used a statistical method to examine relations between the existence and the activity of the Supreme Audit Institutions and the control of corruption. Their results indicate that the more extensive the work of the SAIs, the more it contributes to reducing corruption and positively associated with a better quality of life. That study did not explain the mechanisms that are used by SAI to detect and prevent corruption or how SAIs reducing public sector corruption.

Hay and Cordery (2018) examined the value of public sector audit: Literature and history in New Zealand where they used a historical review to explain the value of financial statement auditing in the public sector. They concluded that the public sector auditing functions are consistent with explanations of agency theory and management control.

2.5 Conceptual Framework

Independent Variable

Governance Indicators

Accountability

- Acceptable reportsdetailing performance
- Explanations for fundings received by fund implementers

Governance Effectiveness

- Influences of the appointment of CDF office bearers
- Capacity building of staff/committee
- Involvement of experts

Regulation Quality

- Set policies by CDF board on fund implementation
- Utilization of funds Compliance with setpolicies (PFM Act)

Control of corruption

- Performance audits in controlling bribery, kickbacks, and commissions

Independent Variable

Disclosures in Performance Audit Reports

- Examination of earnings/income/grants
- Balances in accounting reports (for assets, investments and general dealings)
- Justification of variations in accounting transactions and policies
- Summarized accounting info relating to operations
- Description of significant book keeping rules
- Discussions of areas of risks (those relating to financial instruments)

Figure 2.1: Conceptual Framework

2.6 Summary of Literature Review and Gaps

This study is anchored on the following theories of auditing: lending credibility theory, policemen theory, and agency theory. All these theories point at the supply and demand for audit. The measure of accountability in this study is the money disbursed from the National Government to the Constituencies Development funds in comparison with how those charged with Authority to incur expenditures (AIE holders/accounting officers) comply with set government laws and policies in spending the money, and service delivery to the constituents or the public. Besides, governance effectiveness is measured in terms of how well the National Government-Constituency Development Fund (NG-CDF) implemented their approved projects to completions. Regulation quality is measured in terms of better utilization of the funds, better implementations of the projects and compliance with set policies while elements of corruption include; bribery, kickbacks, commissions, or other benefits without leaving any trace in the official records.

Even though Adriana and Roxana (2019) reported that accountability is useful to the stakeholders, their study are not clearly offering solutions and models as to how the complex accounting reports can be synthesized to the general public and stakeholders for comprehension and action thereof through audit opinions availed by the SIAs which this study will suggest. Ozuomba (2019) based his study findings in Nigeria of which comparatively, the generalization in Nigeria may not be authentic in Kenyan context necessitating this research.

Mwamini (2014) revealed mixed results; in on one hand the study is a pointer to the need of full support of the National Government in supporting office of the auditor general in Kenya on the other hand, it is not congruent as to the exact effect of performance audit on accountability. The present study hence seeks to establish specifically how accountability influences performance audit which are portrayed in annual audit reports. In regard to regulation of quality and performance audit, there is no empirical study in Kenya which has been done to reveal how the regulating bodies regulate the audit activities. This is therefore a gap to be filled by this study.

The empirical studies by Gustavson and Sundström (2016), Khan (2006), Otalor and Eiya (2013), Kenneth and Rick (1998) and Jin and Bin (2012) on performance audit and corruption all point to the fact that performance audit has a role in curbing corruption. However, these studies are not explicitly suggesting how performance audit help in combating corrupt practices since the main work of an audit is not to detect fraud but to ensure the books of accounts and financial reports are in compliance with the laid down policies.

CHAPTER THREE

RESEARCH METHODOLOGY

3.1 Introduction

The introduction section defines the research design, the targeted population, the approachesof gathering information and finally the techniques of examining the data.

3.2 Research Design

The research design that was adopted is according to Cooper & Schindler (2003) to point out what was done. Cooper and Schindler (2008), categorizes business study designs using descriptors such as the purpose of study, technique of data gathering, power of the researcher to produce effects in the variables under study, time dimension, scope of the study, research location and the perception of the participants of the research activity. Olweny, Namusonge and Onyango (2013) suggests that contingent on the descriptors, a suitable choice of study scheme is carefully chosen ranging from exploratory studies, descriptive studies or causal studies. A descriptive research design may be simple or complex and may be done in several locations. Simple descriptive studies concern a univariate hypothesis or questions about, or state something about size, form, distribution or existence of a variable. A complex descriptivestudy on the other hand, involves collecting evidence leading to causal questions, correlation between independent variables and probabilities of interrelationship among the variables in a research. This study adopted a complex descriptive approach to explain the influencers of governance indicators on disclosures and how they translate to the final outputs in form of audit reports.

3.3 Population of the Study

The study targeted all the constituencies in Kenya which are 290 with number of target respondents being 1,169. Specifically, the study targeted all the Fund Account managers, district accountants, Accounts assistants, audit staff at the office of auditor general and ProjectManagement Committee Members as illustrated in table 3.1.

Table 3.1: Target Population

S/No.	Description	Total
1	Fund Account Managers	290
2	District Accountants	290
3	Accounts Assistants	290
4	Project Management Committee Members	290
5	Audit Directors from OAG	9
	Total target population	**1,169**

3.3.1 Sample size determination

Since the respondents targeted were many, and spread all over the constituencies in Kenya, the sample size approximation used suggestions by Bartlett, Kotrlik and Higgins (2001). Citing other empirical studies, they noted that the alpha level used in determining sample size in most educational research studies is either .05 or .01 (Ary, Jacobs & Razavieh, 1996) such that t-value for alpha level of .05 is 1.96 for sample sizes above 120. Besides, the general rule relative to acceptable margins of error in educational and social research is as follows: for categorical data, 5% margin of error is acceptable, and, for continuous data, 3% margin of error is acceptable (Krejcie & Morgan, 1970). The sample size is hence a in the form shown below:

$$No = \frac{(t)^2 * (s)^2}{(d)^2} \qquad \frac{(1.96)^2 \, 1.167)^2}{(7X0.03)^2}$$

$$118$$

Where;

No=sample size,

t = value for the selected alpha level in each tail to increase precision (1.96) s =estimates of variance (1.167)

d= acceptable margin of error (3%)

Therefore, for a population of 1,169, the required sample size was 118. However, since this exceeds 5% (59), Cochran's (1977) correction formula was used to calculate the final samplesize. These calculations are as follows:

$$\frac{N_o}{(1+N_o/\text{population})} \qquad \frac{N}{118\,(1+118/1{,}169)}$$

107

Where population size = 1,679.

Random sampling was used to randomly select 26 constituencies and the actual respondent since it gives each member of the target population an equal opportunity of being chosen suchthat the study respondents was as follows;

Table 3.2: Sample size

S/No.	Description	Total
1	Fund Account Managers	26
2	District Accountants	26
3	Accounts Assistants	24
4	Project Management Committee Members	23
5	Audit Directors from OAG	8
	Total sample size	**107**

Table 3.3: Random selection of sample size

S/No.	Constituency name	Audit hubs	District Accountants(DA)PMC& Accountsassistant
1	Kasipul	Eldoret	1 DA per constituency=26 per constituency
2	Karachuonyo	Embu	
3	Kisumu East	Kakamega	
4	Awendo	Kisumu	
5	Nandi hills	Mombasa	
6	Kilgoris	Nakuru	
7	Sigowet-soin	Nairobi	
8	Belgut	Nyeri	
9	Malava	**Total=8**	
10	Kisumu West		
11	Shinyalu		
12	Uriri		
13	Vihiga		
14	Jomvu		
15	Luanda		
16	Emuhaya		
17	Sirisia		
18	Webuye West		
19	Starehe		
20	South Mugirango		
21	Embakasi East		
22	Ugenya		
23	Rarieda		
24	Gem		
25	Muhoroni		
26	Ndhiwa		

3.4 Data Collection

The questionnaire was the main instrument for collecting primary data from the target population. The questionnaires were administered to Fund Account Managers, District Accountants, Accounts Assistants, project management committee members and audit directors. The instrument was separated into demographic section and according to each objective.

3.5 Data Analysis

This current study applied probabilistic functional form of opinions about the relevant variables as observed from the responses in the questionnaire to quantify data. Besides, the study further used regression analysis to help quantify data to find the cause-effect relationship between the variables while correlation analysis was applied to establish the strength of the association between the variables. Statistical package for social sciences (SPSS version 25) was used. Likert scale formed the main tool for analyzing data as affirmed by Tain, Corentyne(2013).

3.6 Diagnostic Tests

3.6.1 Test for Linearity

One of the fundamental assumptions of regression analysis is that the relationship between the dependent and independent variables is linear (i.e., the relationship can be illustrated with a straight line). To help arrive at regressions, the researcher performed check for linearity. This was by graphing the variables using a scatter plot. A scatter plot shows the relationship between two variables with the dependent variable (Y) on the vertical axis and the independent variable (X) on the horizontal axis.

3.6.2 Check for alternative approaches

If variables are not linear such then the specified dependent (Y) and independent (X) variables do not have a linear relationship between them, then the researcher would

transform the study variables so that they do have a linear relationship. In the event the transformations would not produce a linear relationship, alternative independent variables would be chosen that better explain the value of the dependent variable.

3.6.3 Check for violations of the assumptions of regression analysis

This analysis carried out a test on autocorrelation by using the Durbin-Watson statistic to find out if the residuals of the regression model may not independent of each other. Multicollinearity test was also carried out by use of variance inflation factor to help eliminate the problem of multiple regression analysis. The normality tests was carried out to ascertain whether the data provided by the dependent variable is normally distributed. The null hypothesis (**Ho**) is that sample distribution is normal. If the test is significant, the distribution is non-normal. The main tests for the assessment of normality including primary data were the Korlgomorov and Shapiro Wilk test and the histogram methods. Likewise, the OLS regression model assumes that the error term is homoscedastic, that is, it has constant variance. If the error variance is not constant, then there is heteroscedasticity in the data. Running a regression model without accounting for heteroscedasticity would lead to biased parameter estimates. The null hypothesis of this study indicates that the error variance is homoscedastic, thus the null hypothesis was rejected if the error term is found to be varying. The study used a histogram method to test for heteroscedasticity.

3.7 Analytical Model

Tain, Corentyne, Guyana (2013) in their study on Likert Data: What to Use, Parametric or Non-Parametric? While using research design consisting of Pearson, Spearman and Kendall tau_b correlations to test the hypotheses posed by the study concluded that the type of analyses conducted on Likert scale data do not affect the conclusions drawn from the results. The findings are consistent with those of Norman (2010) that parametric tests can be conducted on Likert scale data without coming to the wrong conclusions. Pell (2005) also agrees that parametric tests can be conducted on the summed scores of Likert scale data provided that the assumptions are clearly stated and the data is of the appropriate size and shape. Based on the

above empirical evidences, the present study therefore embraced a Likert scale in performing data analysis using correlation analysis, and regression analysis since it has been proven that data from Likert scale can be used in performing any analysis and arrive at the adequate conclusions. Likert Scale was on a scale of 1-5 rank so that 1- strongly disagree (**SD**), 2- disagree (**D**), 3-Neutral (**N**), 4-agree (**A**), 5-strongly agree (**SA**).

This current study applied a probabilistic functional form of opinions about the relevant variables as observed from the responses in the questionnaire to quantify data. Besides, the study further used a regression model to help quantify data and establish the cause effect relationship between governance indicators and disclosures in performance audit report which has been formulated as follows;

$$Y = \beta0 + \beta1X1 + \beta2X2 + \beta3X3 + \beta4X4 + \mu$$

Where;

Y = Disclosures in performance audit reports

$\beta0$ = Constant of the model

$\beta1$ - $\beta1$ = Coefficients of the regression equation

$X1$ = Accountability

$X2$ = Governance effectiveness

$X3$ = Regulation quality

$X4$ = Corruption control

ų = Tolerable error

CHAPTER FOUR

RESULTS AND DISCUSSION

4.1 Introduction

This chapter presents empirical outcomes which include; descriptive statistics, diagnostic tests, correction analysis and analysis.

4.2 Response rate

The results in Table 4.1 give the response rates from the study.

Table 4.1: Response Rate

Response	Frequency	Percentage
Returned	93	86.47%
Unreturned	14	13.53%
Total	**107**	100%

The total questionnaires given were 107. 93 of them were properly filled and returned. This return saw an 86.47% response rate. According to Baruch (1999) and Hardigan, Popovici and Carvajal (2016), a response rate of above 50% is adequate for a descriptive study.

4.3 Pilot Results

The respondents that were piloted were not included in the main study. The pilot results for 15 participants (representing 14.02% of 107) were distributed as per the organization in the table 4.2 below

4.3.1 Reliability Results

Reliability analysis was done to evaluate survey construct using Cronbach's alpha. Cronbach's alpha estimates internal consistency by determining how all items on a test relate to all other items and to the total test- internal coherence of data. The reliability is expressed as a coefficient between 0 and 1.00. A coefficient greater than or equal to 0.7 is acceptable for basic research. The higher the coefficient, the more reliable is the test (Sekaran & Bougie, 2016). The table 2 below shows the reliability results for the pilot study.

Table 4.2: Summary of the Reliability Results

Variables	Cronbach's Alpha	Number of Items	Conclusion
Accountability	0.820	8	Reliable
Governance effectiveness	0.745	7	Reliable
Regulation quality	0.833	6	Reliable
Corruption control	0.864	5	Reliable
Performance audit reports	0.818	6	Reliable
Average	0.816	7	Reliable

Source: Pilot Survey Data (2021).

The reliability results proved that the variable statements were highly reliable with Cronbach's Alpha for the results being 0.820, 0.745, 0.833, 0.864 and 0.818 for accountability, governance effectiveness, regulation quality, corruption control and performance audit reportsrespectively.

4.3.2 Test for Construct Validity

The test for construct validity for the study is the Kaiser-Meyer-Olkin (KMO) test for construct validity which according to Andale (2017), Kaiser put the following KMO Value/Degree of Common Variance: *0.00 to 0.49 unacceptable, 0.50 to 0.59 miserable, 0.60 to 0.69 mediocre, 0.70 to 0.79 middling, 0.80 to 0.89 meritorious and 0.90 to 1.00 marvellous.*

The results are presented in Table 4.3.

Table 4.3: Summary of the Factorial Test Results for Construct Validity

Variable	KMO	Bartlett's Test of Sphericity			Conclusion
		Approx. Chi-Square	df	Sig.	
Accountability	0.697	55.883	14	0.001	Valid
Governance effectiveness	0.555	37.383	14	0.015	Valid
Regulation quality	0.683	58.218	14	0.000	Valid
Corruption control	0.683	58.218	14	0.000	Valid
Performance audit reports	0.737	48.336	14	0.000	Valid
Average	**0.655**				**Valid**

Source: Pilot Survey Data (2021)

The values of the KMO Measure of Sampling Adequacy for all the variables were above 0.4. The significance of the KMO coefficient was evaluated using a Chi-Square test and a critical probability value (p-value) of 0.05. The results further implies that there was a significant correlation between accountability, governance effectiveness, regulation quality, corruption control and performance audit reports respectively. The data collection instrument was therefore regarded as adequate and appropriate.

4.4 Socio- demographic characteristics of participants

Section 4.3 presents the demographic characteristics of the respondents who participated in the study.

4.4.1 Socio- demographic characteristics of Respondents

Table 4.4 shows the gender of the respondents. A total of 93 participants responded to thequestions.

Table 4.4: Gender of the Respondents

Variable	Category	Frequency	Percent
	Female	36	38.7
	Male	57	61.3
Gender	**Total**	**93**	**100**
	Below 25 years	21	22.6
	25 to 34 years	13	14
	35 to 44 years	28	30.1
	Over 45 years	31	33.3
Age Bracket	**Total**	**93**	**100**
	Office of the Auditor General	24	25.8
	Fund Account Manager	28	30.1
	District Accountant	19	20.4
Job category of the respondent	Project Management Committee member	22	23.7
	Total	**93**	**100**
	PhD	20	21.5
	Master's degree	37	39.8
Level of	Bachelor degree	17	18.3
	Diploma	19	20.4
academic qualification	**Total**	**93**	**100**
	Below 3 years.	12	12.9
How many years have you	3 to 5 years	15	16.1
	6 to 10 years	48	51.6
worked with this	Over 10 years	18	19.4
organization?	**Total**	**93**	**100**

The results indicated that majority of respondents (61.3%) are male compared to their femalecounterparts who are 38.7% showing a representation of both genders in the study without bias. Majority of the respondents that is 33.3% were over 45 years

30.1% of them being between 35 and 44 years, 22.6% were below 25 years while 17% were between 25 and 34 years.

The results also indicated that 30.1% of the respondents were Fund Account Managers, 25.8% of them worked at the office of the auditor general, 23.7% of them being project management committee members and 20.4% of them were district accountants. The results indicated that 39.8% of the respondents had Master's degree education, 21.5% of the respondents had PhD level education, 20.4% of them were diploma holders while 18.3% of them were Bachelor degree holders. In addition, the findings indicated that 51.6% of the respondents have worked with the firms for 6 to 10 years, 19.4% of them have worked for over 10 years, 16.1% of them have worked for 3 to 5 years while 12.9% of them have worked with the firms for less than 3 years.

4.5 Descriptive statistics

Descriptive statistics were done to show the summary of the findings by including, percentages, mean and the standard deviation.

4.4.2 Accountability

Respondents were required to respond to statements related to accountability. The conclusions on the Likert responses were made by combining 1 and 2 to imply agreement, 3 to imply neutral decision and 4 and 5 to imply disagreement. The results were analyzed and displayed in table 4.5.

Table 4.5: Percentages, mean and standard deviation of accountability

Statements	1	2	3	4	5	M	S D
a). Are all the projects implemented in line with the strategic plan?	3.20%	4.30%	29.00%	52.70%	10.80%	3.63	0.86

5=Strongly Agree 4=Agree 3=Not Sure 2=Disagree, 1=Strongly Disagree

Table 4.5, 63.50% respondents indicated that all the projects implemented in line with the strategic plan (mean=3.63≈2, SD=0.86).

Table 4.6: Circumstances which occasion implementation of a project outside thestrategic plan

b. Are there circumstances which occasion implementation of a project outside the strategic plan	Frequency	Percent
Emergencies	39	41.9
Newly prioritized activities by the constituents	54	58.1
Total	**93**	**100**

Table 4.6 indicate that 58.1% of the respondents stated that there are Newly prioritized activities by the constituents while 41.9% of them indicated that there are emergencies which occasion implementation of a project outside the strategic plan. This therefore implies that to a given extent, the constituencies do implement project outside the strategic plan as required.

Table 4.7: Project Approvals

Statements	1	2	3	4	5	M	S D
c). Do the approved projects by the board get funding AIEs in time?	2.20%	6.50%	5.40%	41.90%	44.10%	4.19	0.96

5=Strongly Agree 4=Agree 3=Not Sure 2=Disagree, 1=Strongly Disagree, M = Mean and SD = Standard Deviation

Table 4.7, 86% respondents indicated that the approved projects by the board get funding AIEs in time (mean=1.64≈2, SD=0.66).

Table 4.8: Circumstances which force district accountants to pay without the AIEs

d). Are there times that forces you to pay without the AIEs?	Frequency	Percent
Emergencies	15	16.1
Newly prioritized activities by the constituents	78	83.9
Total	**93**	**100**

5=Strongly Agree 4=Agree 3=Not Sure 2=Disagree, 1=Strongly Disagree, M = Mean and SD = Standard Deviation

Table 4.8 indicate that 83.9% of the respondents stated that there are newly prioritized activities by the constituents while 16.1% of them indicated that there are emergencies whichforce them to pay without the AIEs.

Table 4.9: Project accountability

Statements	1	2	3	4	5	M	S D
e). Are there situations that occasion virement?	7.50%	9.70%	10.80%	28.00%	44.10%	3.91	1.27
f). Are the M & E reports well maintained?	8.60%	7.50%	10.80%	44.10%	29.00%	3.77	1.20
g). Are the transaction vouchers properly supported?	6.50%	3.20%	8.60%	41.90%	39.80%	4.05	1.10
Average						**3.91**	**1.19**

5=Strongly Agree 4=Agree 3=Not Sure 2=Disagree, 1=Strongly Disagree, M = Mean and SD = Standard Deviation

Table 4.9, 72.1% respondents indicated that there are situations that occasion virement (mean=3.91, SD=1.27). Likewise, 73.1% of the respondents agreed that the M & E reports are well maintained (mean=3.77≈4, SD=1.20). The findings indicated that 81.70% of the respondents agreed that the transaction vouchers are usually properly supported (mean=4.05≈4 SD=1.10). In conclusion, the average mean of the responses was 3.91 when viewed on a scale of five points presenting a standard deviation of 1.19. This meant that the majority of the respondents agreed that accountability has an influence on the performance audit reports in the NG-CDFs, Kenya.

These findings resonated with Adriana and Roxana (2019) who concluded that performance audits are directly related to governance indicators of (accountability, political stability, government effectiveness, regulatory quality, rule of law and control of corruption) and that writing good quality audit reports is not easy because the subjects covered in the reports are often complex and technical. Ozuomba (2019) also indicated that there is a connection between accountability and performance audit and that the absence of accountability culture and strong government agencies to enforce laws and rules has significantly influenced poor public sector performance.

4.4.3 Governance effectiveness

Table 4.10: Percentages and frequencies on governance effectiveness

Question	Category	Frequency	Percent
	Educational qualification minimum (Semi-skilled, High school, Diploma, Degree)	93	100
c). What factors are considered in appointment of NG-CDFC members?	Political alienation to the current Member of Parliament	0	0
	Total	**93**	**100**
	Ability to add value in CDF committee meetings	51	54.8
	Ability to serve constituents without bias (even those who did not support current regime)	17	18.3
d). How do the appointment factors translate to quality governance?	Ability to only authorize transactions in line with the constitutional policies and Acts of parliament	25	26.9
	Total	**93**	**100**
	CDF committee	56	60.2
	NG-CDF	37	39.8
Who appoint the CDF staff?			
	Total	**93**	**100**
	Political inclination to the MP	22	23.7
	Skills and educational qualifications	56	60.2
f). Are the staffs appointed inregard to?	Rapport with the CDFC members	15	16.1
	Total	**93**	**100**

Table 4.10 indicates that 100% of the respondents indicated that educational qualification minimum (Semi-skilled, High school, Diploma, Degree) is the major factor being considered in appointment of NG-CDFC members. Likewise, the study indicates that 54.8% of the respondents indicated that the appointment factors based on the ability to add value in CDF committee meetings, translate to quality governance, 26.9% of the respondents indicated that the appointment factors based on the ability to only authorize transactions in line with the constitutional policies and Acts of parliament translate to quality governance while 18.3% indicated that the appointment factors based on the ability to serve constituents without bias (even those who did not support current regime) translate to quality governance. The results further indicates that 60.2% of the respondents indicated that the CDF committee appoints the CDF staff, while the NG-CDF appoints the CDF staff as per the 39.8% of the respondents. According to the majority of the respondents (60.2%), the staffs are appointed in regard to their skills and educational qualifications as opposed to their political inclination to the MP (23.7%) and their rapport with the CDFC members (16.1%).

Respondents were also required to respond to statements related to governance effectiveness. The conclusions on the Likert responses were made by combining 1 and 2 to imply agreement, 3 to imply neutral decision and 4 and 5 to imply disagreement. The results were analyzed and displayed in Table 4.11.

Table 4.11: Percentages, mean and standard deviation of governance effectiveness

Statements	1	2	3	4	5	M	S D
a). During implementation of projects, do you involve Project management Committee	10.80%	0.00%	6.50%	33.30%	49.50%	4.11	1.24
b). Are the project management committee members consistently trained on their roles of project management	10.80%	8.60%	11.80%	36.60%	32.30%	3.71	1.30
g). Are the staffs continually capacitated to undertake their daily duties?	6.50%	7.50%	12.90%	38.70%	34.40%	3.87	1.16
h). Is it true that continuous development of the staff impacts on their performance?	20.40%	15.10%	11.80%	36.60%	49.50%	4.15	1.55
Average						**3.96**	**1.31**

5=Strongly Agree 4=Agree 3=Not Sure 2=Disagree, 1=Strongly Disagree, M = Mean and S D = Standard Deviation

From Table 4.11, 82.8% respondents indicated that during implementation of projects, they involve project management committee (mean=4.11≈4, SD=1.24). The findings depicted that68.90% of the respondents agreed that the project management committee members are consistently trained on their roles of project management (mean3.71≈4, SD=1.30). However, 73.10% of the respondents indicated that the staffs are continually capacitated to undertake their daily duties (mean=3.87≈4, SD=1.16). The findings indicated that 86.1% of the respondents indicated that continuous development of the staff impacts on their performance (mean=4.15≈4, SD=1.55). In conclusion, the average mean of the responses was 3.96 when viewed on a scale of five points presenting a standard deviation of 1.31. This meant that the

majority of the respondents agreed that governance effectiveness has an influence on the performance audit reports in the NG-CDFs, Kenya.

These findings agree with Adriana and Roxana (2019) who indicated that governance effectiveness can additionally work the other way around: with audit functioning as a general progress control for gauging what growth has been made against the final program objectives. It can consequently inspire government usefulness by warranting that those resources are usedparsimoniously and efficiently so as to achieve the anticipated goods and services and the planned effects and impact. Goodson *et al.* (2012) explained that auditing is a fundamental element of efficient government as it supports the governance roles of insight, foresight and oversight, to which they added detection and prevention.

4.4.4 Regulation quality

Respondents were required to respond to statements related regulation quality. The conclusions on the Likert responses were made by combining 1 and 2 to imply agreement, 3 to imply neutral decision and 4 and 5 to imply disagreement. The results were analyzed and displayed in Table 4.12.

Table 4.12: Percentages, mean and standard deviation of regulation quality

Statements	1	2	3	4	5	M	S D
a). The Fund Account Manager adheres to the Public Procurement and Asset disposal Act 2015 and the Public Procurement and disposal Regulations, 2006 by putting up advertisements and forming relevant committees to facilitate procurement process	1.10%	0.00%	38.70%	50.50%	9.70%	3.68	0.69
b). Fund Account manager complies with provision of Sec 6(2) and section 8 of the NG-CDF Act, 2015 while doing re- allocation	0.00%	1.10%	4.30%	46.20%	48.40%	4.42	0.63
c). The District Accountant complies with International Public Sector Accounting Standards framework in preparation of financial statements	0.00%	11.80%	31.20%	45.20%	11.80%	3.57	0.85
d). Fund Account Manager and District Accountant complies with provision of Section 62 of the Public audit Act, No. 34 of 2015 and section 68 of the Public finance Management Act, No 18 of 2012 by ensuring that auditors are provided with the original documents	3.20%	7.50%	6.50%	38.70%	44.10%	4.13	1.04
e). Fund Manager complies with provision of section 36(1) of the NG-CDF Act, 2015 by involving relevant government departments in production of tender documents, supervision and authorization	12.90%	16.10%	10.80%	24.70%	35.50%	3.54	1.44
g). Fund Manager complies with provisions of Section 62 of the Public Audit Act, No. 34 of 2015 and Section 68 of the Public Finance Management Act, N0 18 of 2012 by proving relevant documents relating to project implementation to the auditors	21.50%	1.10%	5.40%	53.80%	18.30%	3.46	1.40
Average						**3.80**	**1.01**

5=Strongly Agree 4=Agree 3=Not Sure 2=Disagree, 1=Strongly Disagree, M = Mean and SD = Standard Deviation

From Table 4.12, 60.2% respondents indicated that the Fund Account Manager adheres to the Public Procurement and Asset disposal Act 2015 and the Public Procurement and disposal Regulations, 2006 by putting up advertisements and forming relevant committees to facilitate procurement process (mean=3.68≈4, SD=0.69). Likewise, 94.6% of the respondents agreed that fund account manager complies with provision of Sec 6(2) and section 8 of the NG-CDF Act, 2015 while doing re-allocation (mean=4.42≈4, SD=0.63). The findings indicated that 57.00% of the respondents disagreed that the District Accountant complies with International Public Sector Accounting Standards framework in preparation of financial statements (mean=3.57≈4, SD=0.85).

The findings indicated that 82.80% of the respondents agreed that fund account manager and District Accountant complies with provision of Section 62 of the Public Audit Act, No. 34 of 2015 and section 68 of the Public Finance Management Act, No 18 of 2012 by ensuring that auditors are provided with the original documents (mean=4.13≈1, SD=1.04). The findings indicated that 60.2% of the respondents agreed that fund manager complies with provision of section 36(1) of the NG-CDF Act, 2015 by involving relevant government departments in production of tender documents, supervision and authorization (mean=3.54≈4, SD=1.44). The findings indicated that 72.1% of the respondents agreed that fund manager complies with provisions of Section 62 of the Public Audit Act, No. 34 of 2015 and Section 68 of the Public Finance Management Act, N0 18 of 2012 by proving relevant documents relating to project implementation to the auditors (mean=3.46≈4, SD=1.40). In conclusion, the average mean of the responses was 3.80 when viewed on a scale of five points presenting a standard deviation of 1.01. This meant that the majority of the respondents agreed that regulation quality has an influence on the performance audit reports in the NG-CDFs, Kenya.

Likewise, these findings were consistent with Lennox and Pittman (2010) who showed that there is improved financial reporting quality of publicly traded companies after the enactment of SOX, supporting that regulation quality influences disclosures which translates to the Performance audit reports. DeFond (2009) who attempted to place the findings of Lennox and Pittman (2010) examined how should

the auditors be audited? Comparing the Public Company Accounting Oversight Board (PCOAB) inspections with AICPA peer reviews in the US markets, also affirmed that there is improved financial reporting quality of publicly traded companies.

4.4.5 Control of Corruption

Respondents were required to respond to statements related control of corruption. The conclusions on the Likert responses were made by combining 1 and 2 to imply agreement, 3 to imply neutral decision and 4 and 5 to imply disagreement. The results were analyzed and displayed in Table 4.13.

Table 4.13: Percentages, mean and standard deviation of control of corruption

Statements	1	2	3	4	5	M	S D
a). Are there circumstances where tendering process may be influenced?	29.00%	35.50%	9.70%	25.80%	0.00%	2.32	1.15
b). Are there instances where the PMC upon funding only implement ghost projects	33.30%	25.80%	9.70%	9.70%	21.50%	2.60	1.55
c). Are there incidents where there may be escalation of project costs from the original budget	4.30%	8.60%	37.60%	28.00%	21.50%	3.54	1.06
d). Are there occurrences where the project is poorly done but paid by the PMCs	16.10%	8.60%	18.30%	8.60%	48.40%	3.65	1.54
e). Do you have started and not completed projects (white elephants) in the constituency	11.80%	4.30%	15.10%	44.10%	24.70%	3.66	1.24
Average						**3.15**	**1.31**

From Table 4.13, 64.5% respondents indicated that there are few circumstances where tendering process may be influenced (mean=2.32≈2, SD=1.15). Likewise, 59.1% of the respondents agreed that there are few instances where the PMC upon funding only implement ghost projects (mean=2.60≈2, SD=1.55). The findings showed that 49.5% of the respondents agreed that there are incidents where there may be escalation of project costs from the original budget (mean=3.54≈4, SD=1.06). The findings indicated that 57% of the respondents agreed that there are occurrences where the project is poorly done but paid by the PMCs (mean=3.65≈4, SD=1.54). The findings indicated that 68.80% of the respondents agreed that there are started and not completed projects (white elephants) in the constituency (mean=3.66≈4, SD=1.24). In conclusion, the average mean of the responses was 3.15 when viewed on a scale of five points presenting a standard deviation of 1.31. This meant that the majority of the respondents agreed that control of corruption has an influence on the performance audit reports in the NG-CDFs, Kenya.

The findings agreed with Jin and Bin (2012) who evidenced that the local audit institutions can detect misbehavior and violations in public financial revenues and expenditures and make corresponding decisions on whether to rectify these problems. They also portrayed that rectification effort after an audit can strengthen effectiveness of government auditing and that the level of corruption can be reduced significantly where rectification is accrued out. Otalor and Eiya (2013) established that audit is one of the mechanisms to curb dishonesty and the society expects the auditors to play an active duty in limiting, if not eradicating, corruption.

4.4.6 Performance Audit Reports

Respondents were required to respond to statements related to performance audit reports using the Likert scale: *1=Strongly Agree 2=Agree 3=Not Sure 4=Disagree, 5=Strongly Disagree*. The results were analyzed and displayed in Table 4.14.

Table 4.14: Percentages, mean and standard deviation of performance audit reports

Statements	1	2	3	4	5	M	S D
CDF funds and resources are delivered equally and on timely basis	0.00%	11.80%	33.30%	45.20%	9.70%	3.53	0.83
Projects in the constituencies are timely implemented with the appropriate envisioned quality	1.10%	6.50%	5.40%	41.90%	45.20%	4.24	0.90
PMC constantly prepare their independent progress reports based on the required book keeping rules	9.70%	15.10%	11.80%	24.70%	38.70%	3.68	1.38
Accountants authorize transactions based on expert review and guidance	4.30%	8.60%	37.60%	28.00%	21.50%	3.54	1.06
Variations in accounting transactions and policies are adequately justified	16.10%	8.60%	18.30%	8.60%	48.40%	3.65	1.54
Accounting reports (for assets, investments and general dealings) are justifiably balanced	11.80%	4.30%	15.10%	44.10%	24.70%	3.66	1.24
Average						**3.72**	**1.16**

From Table 4.14, 54.90% respondents indicated that CDF funds and resources are delivered equally and on timely basis (mean=3.53≈4, SD=0.83). Likewise, 87.1% of the respondents agreed that projects in the constituencies are timely implemented with the appropriate envisioned quality (mean=4.24≈4, SD=0.90). The findings showed that 63.40 of the respondents agreed that PMC constantly prepare their independent progress reports based on the required book keeping rules (mean=3.66≈4, SD=1.38). The findings indicated that 49.50% of the respondents agreed that auditors authorize transactions based on expert review and guidance (mean=3.54≈4, SD=1.06). The findings indicated that 57% of the respondents agreed that variations in accounting transactions and policies are adequately justified (mean=3.65≈4, SD=1.54). The findings indicated that 68.8% of the respondents agreed that accounting reports (for assets, investments and general dealings) are justifiably balanced (mean=3.66≈4, SD=1.24). In conclusion, the average mean of the responses was 3.72 when viewed on a scale of five points presenting a standard deviation of 1.16. This meant that the majority of the respondents agreed with the statements regarding the performance audit reports in the NG-CDFs, Kenya.

These findings agree with Stroobants and Bouckaert (2012) that performance audit permits governments to show to its subjects how they are fulfilling the duties and responsibilities charged to them regarding resource utilization. In order to assess efficiency, it is necessary for economic, efficient and effective gains to be measurable. Though, for the performance Audit to be successful and of greater magnitude impacting positively to the economy, it all depends on what is disclosed by the government auditors and how governance indicators influence such disclosures which the current study aims to find out among various semi-autonomous government agencies (SAGA) which in this case is the NG-CDFs.

4.5 Diagnostic Testing

4.5.1 Normality Test

The Shapiro–Wilk test is more appropriate method for small sample sizes (<50 observations) although it can also be used in handling of larger sample size while

Kolmogorov–Smirnov test is used for $n \geq 50$ observations. For both of the above tests, null hypothesis states that data are taken from normal distributed population (Mishra et al., 2019). Normality of data was tested using the Shapiro-Wilk test and the Kolmogorov–Smirnov test due to the sample size being above 50. Here the significance value was measured as well as the Skewness and kurtosis. The criterion is that the probability value (sig) should be greater than 0.05 for the data to be normally distributed. Central limit theorem states that when sample size has 100 or more observations, violation of the normality is not a major issue Therefore, we assume normality given a higher response rate (primary data) (Altman & Bland, 1995; Ghasemi & Zahediasl, 2012).

Table 4.15: Normality Test Results

	Kolmogorov-Smirnova			Shapiro-Wilk		
Tests of Normality	**Statistic**	**df**	**Sig.**	**Statistic**	**df**	**Sig.**
Accountability	0.101	93	0.205	0.978	93	0.117
Governance effectiveness	0.129	93	0.510	0.956	93	0.503
Regulation quality	0.151	93	0.056	0.964	93	0.111
Corruption control	0.106	93	0.078	0.977	93	0.097
Performance Audit Annual Reports	0.120	93	0.082	0.972	93	0.054

a Lilliefors Significance Correction

The results are likewise supported by a histogram plotting the normality results as shown in figure 4.1.

Histogram
Dependent Variable: Adoption of Digitalized Marketing Tactics

Mean = -2.74E-14
Std. Dev. = 0.977
N = 152
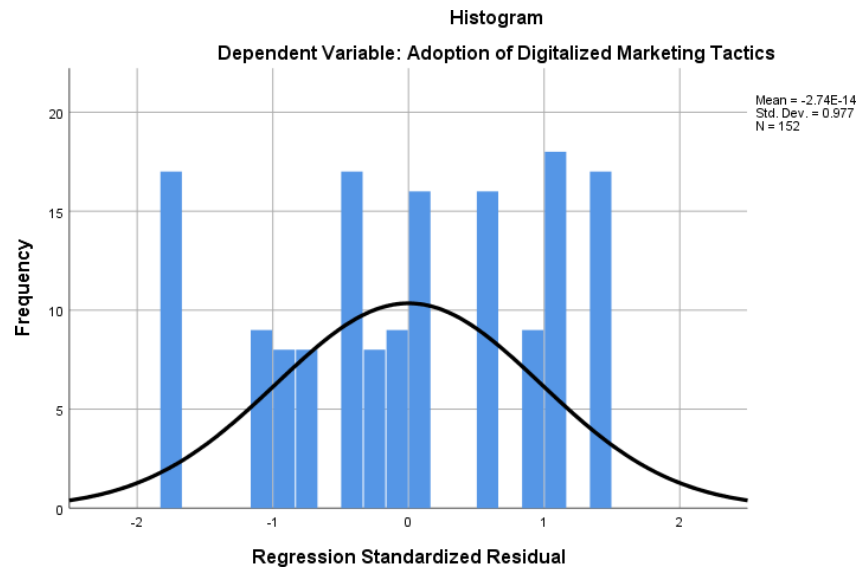
Figure 4.1: Normality plot

The null hypothesis states that the data is normally distributed. From the study it was noted that there were values that indicated the absence of abnormality of data points due to the p- values that were greater than 0.05. Given that there was higher response rate and that the problem of abnormality could not be a challenge, normality was assumed. Thus, the null hypothesis was accepted and the data be normally distributed.

4.5.2 Linearity Test

Linearity was tested using scatter plots, which is used to show whether there is a linear relationship between two continuous variables. It is expected that the relationship between variables should be fairly linear before the regression models are applied (Yusof & Jain, 2017).
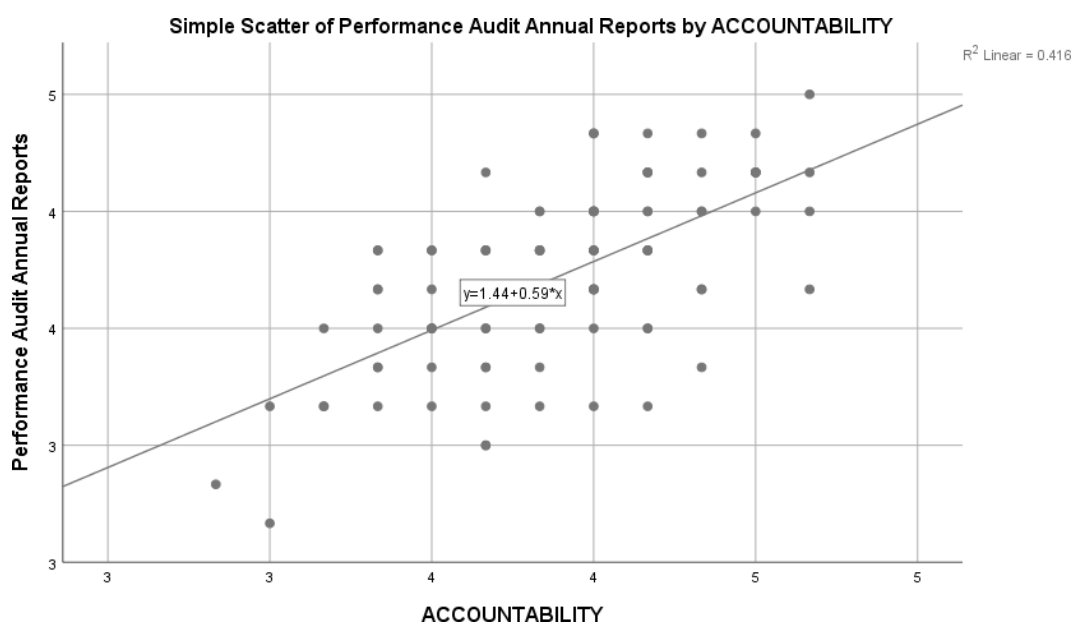
Figure 4.2: Linearity Test for Accountability
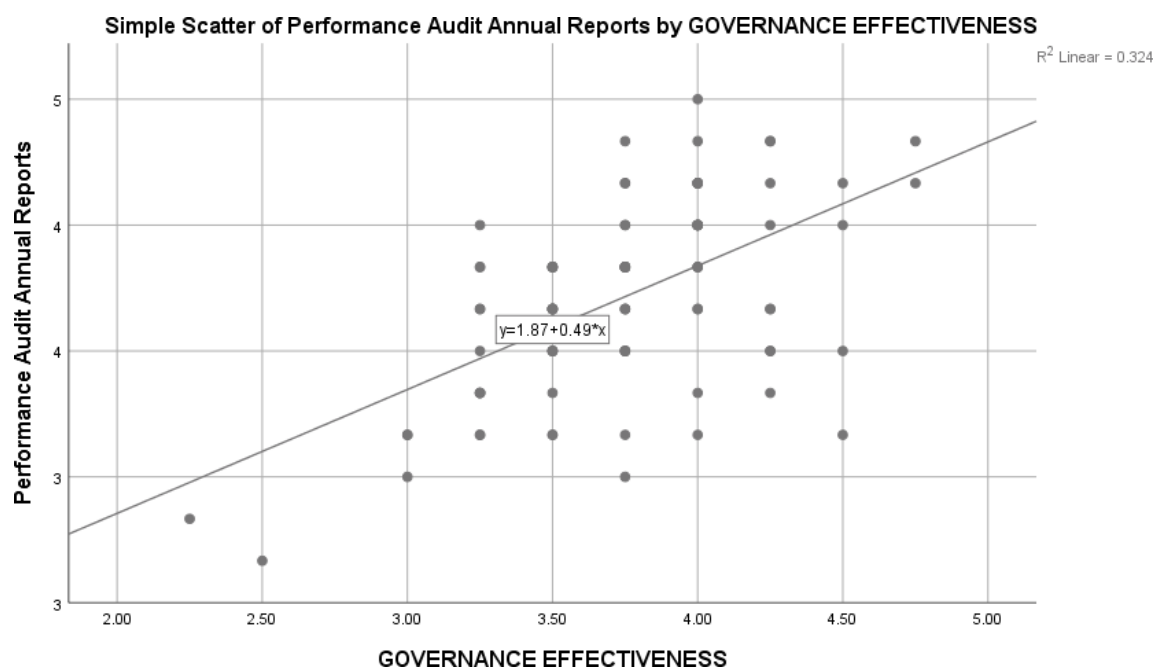
Figure 4.3: Linearity Test for Governance Effectiveness
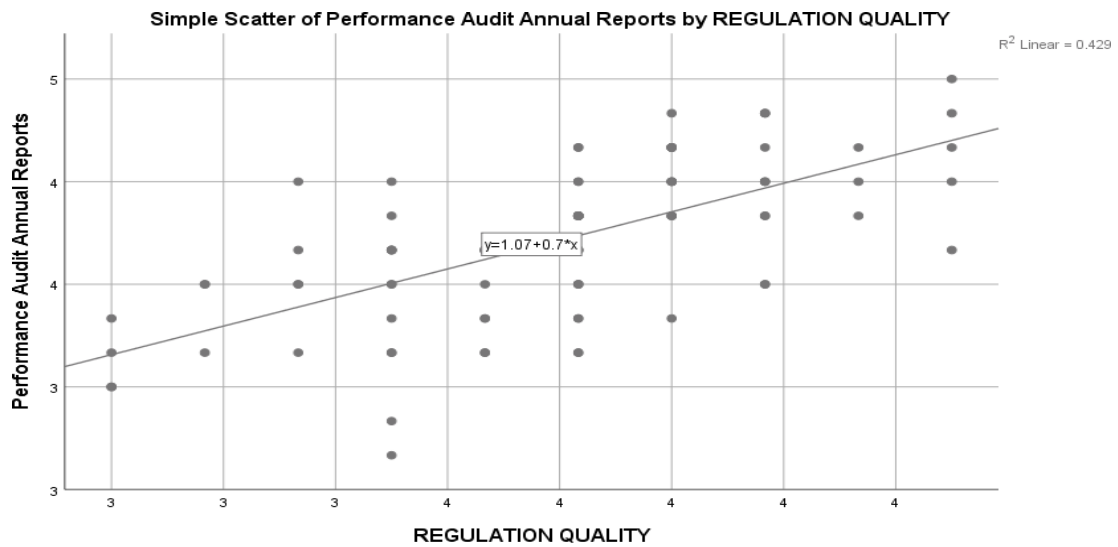
Figure 4.4: Linearity Test for Regulation Quality
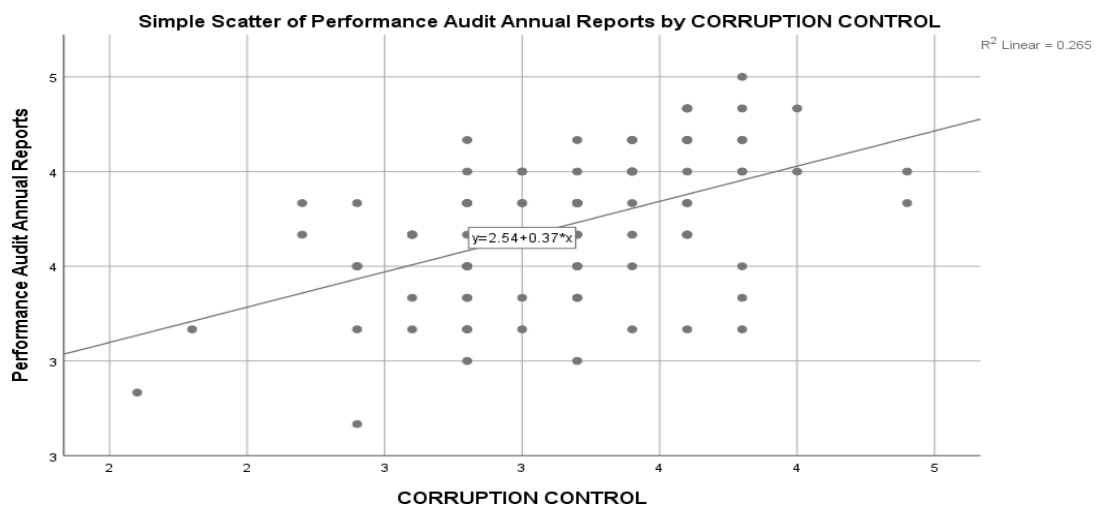
Figure 4.5: Linearity Test for Control of Corruption

The results in Figure 4.2 to Figure 4.5 indicated that the relationship between the independentand dependent variable were linear. This was evidenced by an illustration of fit regression linein each of the plots (which are linear in nature).

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4.5.3 Multicollinearity

Multicollinearity analysis helps in determining the strength of a linear relationship between two variables. In perfect positive correlation, the two variables are positively related. A value of negative 1 represents a perfect negative correlation and that when the values of one variable increase, the value of the other variable decreases (Taylor, 1990; Schober, Boer & Schwarte, 2018). Multicollinearity was assessed in this study using the variance inflation factors (VIF). According to Field (2009) VIF values in excess of 10 and tolerance values of less than 0.2 is an indication of the presence of Multicollinearity. Multicollinearity of variables was tested by using the tolerance value with tolerance level of more than 0.2 and variance inflation factor (VIF) with a tolerance level of less than 10 (Miles, 2014).

Table 4.16: Collinearity Statistics

Variable	Tolerance	VIF
Accountability	0.632	1.583
Governance Effectiveness	0.666	1.500
Regulation Quality	0.687	1.455
Corruption Control	0.801	1.249
Average	**0.697**	**1.447**

The results in Table 4.16 present average variance inflation factors results which were established to be 1.447 which is less than 10 and tolerance of more than 0.2 (0.697). Thus, according to (Miles, 2014) indicates that the problem of Multicollinearity was minimized.

4.5.4 Heteroscedasticity Test

The null hypothesis of this study indicates that the error variance is homoscedastic, thus the null hypothesis is rejected if the error term is found to be varying. If the error variance is not constant, then there is heteroscedasticity in the data. Running a regression model without accounting for heteroscedasticity the error variance would

lead to biased parameter estimates in the model estimate. To test for

Normal P-P Plot of Regression Standardized Residual
Dependent Variable: Performance Audit Annual Reports
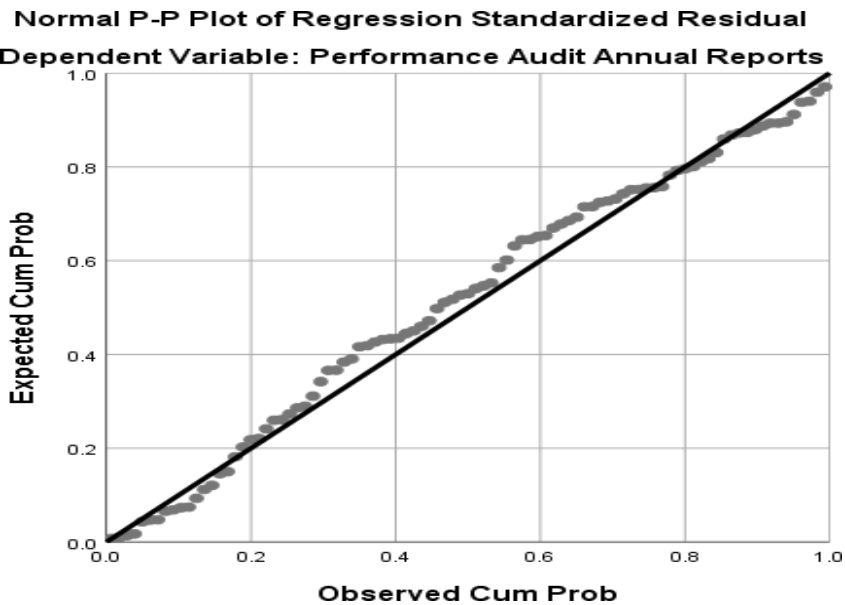
heteroscedasticity, the graphical scatter plot method wasused.

Figure 4.6: Graphical p-p plots

Scatterplot
Dependent Variable: Performance Audit Annual Reports
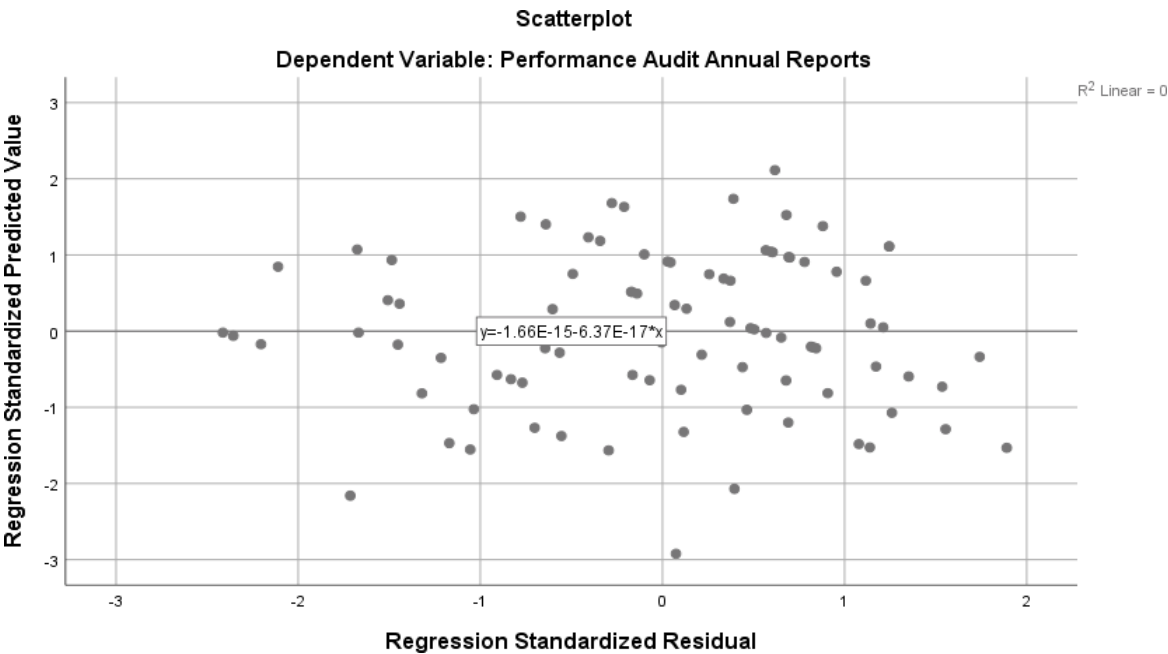
Figure 4.7: Error variance of the residuals

Since, the null hypothesis of this study indicates that the error variance is homoscedastic, the results indicate that there is the no presence of heteroscedasticity in the use of the ordinary least squares (OLS) regression. This is evidenced by the graphical scatter plots which oscillate along the standardized residual regression line.

4.5.5 Test of Autocorrelation

Serial correlation/Auto correlation occurs when the effect of one independent variable on another independent variable travels across time intervals affecting the future levels of the other independent variable. The null hypothesis is that there is no first-order autocorrelation. The Durbin-Watson statistic should range between 1.5 to 2.5 to imply absence of correlation between residual terms (Field, 2000). The study adopted the Durbin-Watson test to test for autocorrelation.

Table 4.17: Test of Autocorrelation

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1	.814a	0.662	0.647	0.224	**2.295**

a Predictors: (Constant), corruption control, regulation quality, governance effectiveness, accountability

b Dependent Variable: Performance Audit Annual Reports

From the Table 4.17 the null hypothesis of no serial correlation between residual terms is accepted given that the Durbin Watson statistic was 2.295 and within the acceptable range of 1.5 and 2.5. Therefore, there is no 1st order correlation between residual terms.

4.6 Inferential statistics

Inferential statistics refers to the techniques that allow a study to make inferences about a population based on the collected data from the respective sample. In essence they allow for the determination of how likely it is to obtain a set of results from a single sample. In the current study inferential statistics were assessed using the Correlation and regression analyses.

4.6.1 Correlation between governance indicators on Disclosures in Performance AuditAnnual Reports in the NG-CDFs, Kenya

The Pearson correlation coefficient was used to determine the association between thevariables which is denoted by **r**. Correlation coefficients (**r**) range from -1 to 1. A *0* signifiesthat the factor is not associated to one another, but a value of *±1* shows that the two parametersare in perfect association. The link between the two variables gets weaker, as the value of the**r** goes to *0*. A + sign indicates a positive relationship and a – sign shows a negative link. Thedirection of the association is represented by the sign of the **r**. (Gogtay & Thatte, 2017).

Table 4.18: Correlation matrix between governance indicators on Disclosures in Performance Audit Annual Reports in the NG-CDFs, Kenya

Correlations		Performace Audit Annual Reports	Accountability	Governance effectiveness	Regulation quality	Corruption control
Performance audit annual reports	Pearson Correlation	1				
	Sig. (2-tailed)					
Accountability	Pearson Correlation	645**	1			
	Sig. (2-tailed)	0.000				
Governance effectiveness	Pearson Correlation	.569**	.473**	1		
	Sig. (2-tailed)	0.008	0.001			
Regulation quality	Pearson Correlation	.655**	.514**	.435**	1	
	Sig. (2-tailed)	0.006	0.000	0.000		
Corruption control	Pearson Correlation	.515**	.355**	.403**	.207*	1
	Sig. (2-tailed)	0.000	0.001	0.001	0.047	

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

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

The results in table 4.18 above showed that there is a positive and significant association between accountability and performance audit annual reports in the NG-CDFs in Kenya (r=.645**, p=0.000). The strong r value of 0.645 indicated a value of greater than 0 which implied that accountability is a linear variable and has a positive association with performanceaudit annual reports in the NG-CDFs in Kenya. These findings resonated with Adriana and Roxana (2019) who concluded that performance audits are directly related to governance indicators of (accountability, political stability, government effectiveness, regulatory quality, rule of law and control of corruption) and that writing good quality audit reports is not easy because

the subjects covered in the reports are often complex and technical. Ozuomba (2019) also indicated that there is a connection between accountability and performance audit and that the absence of accountability culture and strong government agencies to enforce laws and rules has significantly influenced poor public sector performance.

Likewise, the table showed that there is a positive and significant association between governance effectiveness and performance audit annual reports in the NG-CDFs in Kenya (r=0.569**, p=0.008). The strong r value of 0.569 indicated a value of greater than 0 which implied that governance effectiveness is a linear variable and has a positive association with performance audit annual reports in the NG-CDFs in Kenya. These findings agree with Adriana and Roxana (2019) who indicated that governance effectiveness can additionally work the other way around: with audit functioning as a general progress control for gauging what growth has been made against the final program objectives. It can consequently inspire government usefulness by warranting those resources are used parsimoniously and efficiently so as to achieve the anticipated goods and services and the planned effects and impact. Goodson *et al.* (2012) explained that auditing is a fundamental element of efficient government as it supports the governance roles of insight, foresight and oversight, to which they added detection and prevention

The results further showed that there is a positive and significant association between regulation quality and performance audit annual reports in the NG-CDFs in Kenya (r=0.655**, p=0.006). The strong r value of 0.655 indicated a value of greater than 0 which implied that regulation quality is a linear variable and has a positive association with performance audit annual reports in the NG-CDFs in Kenya. These findings were consistent with Lennox and Pittman (2010) who show that there is improved financial reporting quality of publicly traded companies after the enactment of SOX, supporting that regulation quality influences disclosures which translates to the Performance audit reports. DeFond (2009) who attempted to place the findings of Lennox and Pittman (2010) examined how should the auditors be audited? Comparing the Public Company Accounting Oversight Board (PCOAB) inspections with AICPA peer reviews in the US markets, also affirmed that there is improved financial reporting quality of publicly traded companies.

The results further showed that there is a positive and significant association betweencorruption control and performance audit annual reports in the NG-CDFs in Kenya (r=0.515**, p=0.000). The strong r value of 0.515 indicated a value of greater than 0 which implied that corruption control is a linear variable and has a positive association with performance audit annual reports in the NG-CDFs in Kenya. The findings agreed with Gustavson and Sundström (2016) who suggest that good auditing conducted by SAIs has a positive effect on levels of corruption in the public sector. They also found several factors that have constructive influence in reducing corruption in the public sector, including the independent of SAIs from the government, the professionalism of SAIs through acquiring staff with the appropriate skills and education, and SAIs communicating the audit results to the public Gherai *et al*., (2016) indicate that the more extensive the work of the SAIs, the more it contributes to reducing corruption and positively associated with a better quality of life. That study did not explain the mechanisms that are used by SAI to detect and prevent corruption or how SAIs reducing public sector corruption. Hay and Cordery (2018) also concluded that the public sector auditing functions are consistent with explanations of agencytheory and management control.

4.6.2 Relationship between governance indicators on Disclosures in Performance AuditAnnual Reports in the NG-CDFs, Kenya

The study also sought to investigate the causal effect of the independent variables on the dependent variable. The findings represent the model of fitness, ANOVA tests and the regression of coefficients.

Table 4.19: Model of fitness representing governance indicators and PerformanceAudit Annual Reports in the NG-CDFs, Kenya

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.814a	0.662	0.647	0.224

a Predictors: (Constant), corruption control, regulation quality, governance effectiveness,accountability

b Dependent Variable: Performance Audit Annual Reports

Table 4.19 presents the model of fitness of regression used where the results implied that the governance indicators (corruption control, regulation quality, governance effectiveness, accountability) are good and satisfactory predictors of performance audit annual reports in the NG-CDFs in Kenya. This is evident, as shown by the R^2 value which 0.662. This implies that corruption control, regulation quality, governance effectiveness and accountability jointly explain more than 50% (that is 66.2%) of performance audit annual reports in the NG-CDFs in Kenya.

Table 4.20: ANOVA on governance indicators on Performance Audit Annual Reportsin the NG-CDFs, Kenya

	Sum of Squares	df	Mean Square	F	Sig.
Regression	8.66	4	2.165	43.143	.000b
Residual	4.416	88	0.05		
Total	**13.076**	**92**			

a Predictors: (Constant), corruption control, regulation quality, governance effectiveness,accountability

b Dependent Variable: Performance Audit Annual Reports

The Analysis of Variance as shown in table 4.20 was also statistically significant implying that governance indicators (corruption control, regulation quality, governance effectiveness, accountability) have a statistically significant influence on the performance audit annual reports in the NG-CDFs in Kenya. This is further supported by the F statistic 43.143 where the value was greater than the critical value at 0.05 significance level, $F_{statistic} = 43.143 > F_{critical} = 2.475$ (4, 88).

Table 4.21: Regression coefficients for the governance indicators on PerformanceAudit Annual Reports in the NG-CDFs, Kenya

	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
	β	Std. Error	Beta		
(Constant)	0.040	0.285		0.139	0.890
Accountability	0.247	0.071	0.272	3.484	0.001
Governance effectiveness	0.140	0.066	0.161	2.128	0.036
Regulation quality	0.413	0.079	0.389	5.208	0.000
Corruption control	0.197	0.050	0.273	3.940	0.000

a Dependent Variable: Performance Audit Annual Reports

Regression of the coefficients results in table 4.21 revealed that accountability and the performance audit annual reports in the NG-CDFs in Kenya have a positive and significant relationship (β=0.247, p=0.001). This implies that improvement in 1 unit of the aspects related to accountability improves the performance audit annual reports in the NG-CDFs in Kenya by 0.247 units. These findings resonated with Adriana and Roxana (2019) who concluded that performance audits are directly related to governance indicators of (accountability, political stability, government effectiveness, regulatory quality, rule of law and control of corruption)and that writing good quality audit reports is not easy because the subjects covered in the reports are often complex and technical. Ozuomba (2019) also indicated that there is a connection between accountability and performance audit and that the absence of accountability culture and strong government agencies to enforce laws and rules has significantly influenced poor public sector performance.

The results also revealed that governance effectiveness and the performance audit annual reports in the NG-CDFs in Kenya have a positive and significant relationship (β=0.140, p=0.036). This implies that improvement in 1 unit of the aspects related to governance effectiveness improves the performance audit annual reports in the NG-CDFs in Kenya by 0.140 units. These findings resonated with Adriana and Roxana (2019) who indicated that governance effectiveness can additionally work the other way around: with audit functioning as a general progress control for gauging what growth has been made against the final program objectives. It can consequently inspire government usefulness by warranting those resources are used parsimoniously and efficiently so as to achieve the anticipated goods and services and the planned effects and impact. Goodson *et al.* (2012) explained that auditing is a fundamental element of efficient government as it supports the governance roles of insight, foresight and oversight, to which they added detection and prevention.

Regression of the coefficients results revealed that regulation quality and the performance audit annual reports in the NG-CDFs in Kenya have a positive and significant relationship (β=0.413, p=0.000). This implied that improvement in 1 unit of the aspects related to regulation quality improve the performance audit annual reports in the NG-CDFs in Kenya by 0.413 units. These findings corroborate those of Lennox and Pittman (2010) who show that there is improved financial reporting quality of publicly traded companies after the enactment of SOX, supporting that regulation quality influences disclosures which translates to the Performance audit reports. DeFond (2009) who attempted to place the findings of Lennox and Pittman (2010) examined how should the auditors be audited? Comparing the Public Company Accounting Oversight Board (PCOAB) inspections with AICPA peer reviews in the US markets, also affirmed that there is improved financial reporting quality of publicly traded companies.

Regression of the coefficients results revealed that corruption control and the performance audit annual reports in the NG-CDFs in Kenya have a positive and significant relationship (β=0.197, p=0.000). This implies that improvement in 1 unit of the aspects related to corruption control improves the performance audit annual reports in the NG-CDFs in Kenya by 0.197 units. The findings agreed with

Gustavson and Sundström (2016) who suggest that good auditing conducted by SAIs has a positive effect on levels of corruption in the public sector. They also found several factors that have constructive influence in reducing corruption in the public sector, including the independent of SAIs from the government, the professionalism of SAIs through acquiring staff with the appropriate skills and education, and SAIs communicating the audit results to the public Gherai *et al*., (2016) indicate that the more extensive the work of the SAIs, the more it contributes to reducing corruption and positively associated with a better quality of life. That study did not explain the mechanisms that are used by SAI to detect and prevent corruption or how SAIs reducing public sector corruption. Hay and Cordery (2018) also concluded that the public sector auditing functions are consistent with explanations of agency theory and management control.

Therefore, the multivariate regression model can be presented as follows:

$$Y = 0.040 + 0.247X_1 + 0.140X_2 + 0.413X_3 + 0.197X_4 + \varepsilon$$

Where

Y = performance audit annual reports

X_1 = accountability

X_2 = governance effectiveness

X_3 = regulation quality

X_4 = corruption control

ε is the error term

CHAPTER FIVE

SUMMARY, CONCLUSIONS AND RECOMMENDATIONS

5.1 Summary

This study intended to explore the Influence of Governance indicators on Disclosures in Performance Audit Annual Reports: in the National Government Constituencies Development Funds. The main objectives included to find out the relationship between accountability and disclosures, to determine the effect of governance effectiveness on disclosures, to establish how regulation quality influences disclosures in the performance audit and to investigate the extent to which control of corruption affects disclosures in the performance audit report. Theresearch work adds to the knowledge about African states Supreme Audit Institutions and Performance Audit activity by giving propositions on issues affecting disclosures in the performance audit annual reports. The study is anchored on lending credibility theory, policeman theory and agency theory. This study adopted descriptive approaches to explain the influencers of disclosures and how they translate to the final outputs in form of audit reports. The study targeted all the constituencies in Kenya which are 290 with number of target respondents specifically being Fund Account managers, district accountants, Accounts assistants, audit staff at the office of auditor general and Project Management Committee Members totaling to 1,169. Since the respondents targeted were many, and were spread all over the constituencies in Kenya, the sample size approximation used suggestions by Bartlett, Kotrlik and Higgins (2001) to arrive at a sample size of 107 respondents. The questionnaire was the main instrument for collecting primary data. Regression analysis was used to determine the cause-effect analysis while correlation analysis was applied to measure the strength of association between the study variables with the help of SPSS version 25.

5.1.1 Accountability and performance audit annual reports

The correlation findings indicated that there is a positive and significant association between accountability and performance audit annual reports in the NG-CDFs in

Kenya (r=.645**, p=0.000). The strong r value of 0.645 indicated a value of greater than 0 which implied that accountability is a linear variable and has a positive association with performance audit annual reports in the NG-CDFs in Kenya. Likewise, the regression findings revealed that accountability and the performance audit annual reports in the NG-CDFs in Kenya have a positive and significant relationship (β=0.247, p=0.001). This implies that improvement in 1 unit of the aspects related to accountability improves the performance audit annual reports in the NG-CDFs in Kenya by 0.247 units.

These findings resonated with Adriana and Roxana (2019) who concluded that performance audits are directly related to governance indicators of (accountability, political stability, government effectiveness, regulatory quality, rule of law and control of corruption) and that writing good quality audit reports is not easy because the subjects covered in the reports are often complex and technical. Ozuomba (2019) also indicated that there is a connection between accountability and performance audit and that the absence of accountability culture and strong government agencies to enforce laws and rules has significantly influenced poor public sector performance.

5.1.2 Governance effectiveness performance audit annual reports

The correlation findings indicated that there is a positive and significant association between governance effectiveness and performance audit annual reports in the NG-CDFs in Kenya (r=0.569**, p=0.008). The strong r value of 0.569 indicated a value of greater than 0 which implied that governance effectiveness is a linear variable and has a positive association with performance audit annual reports in the NG-CDFs in Kenya. The regression findings revealed that governance effectiveness and the performance audit annual reports in the NG-CDFs in Kenya have a positive and significant relationship (β=0.140, p=0.036). This implies that improvement in 1 unit of the aspects related to governance effectiveness improves the performance audit annual reports in the NG-CDFs in Kenya by 0.140 units.

These findings agree with Adriana and Roxana (2019) who indicated that governance effectiveness can additionally work the other way around: with audit functioning as a general progress control for gauging what growth has been made against the final program objectives. It can consequently inspire government usefulness by warranting those resources are used parsimoniously and efficiently so as to achieve the anticipated goods and services and the planned effects and impact. Goodson *et al.* (2012) explained that auditing is a fundamental element of efficient government as it supports the governance roles of insight, foresight and oversight, to which they added detection and prevention.

5.1.3 Regulation quality performance audit annual reports

The correlation findings indicated that there is a positive and significant association between regulation quality and performance audit annual reports in the NG-CDFs in Kenya (r=0.655**, p=0.006). The strong r value of 0.655 indicated a value of greater than 0 which implied that regulation quality is a linear variable and has a positive association with performance audit annual reports in the NG-CDFs in Kenya. The regression findings revealed that regulation quality and the performance audit annual reports in the NG-CDFs in Kenya have a positive and significant relationship (**β**=0.413, p=0.000). This implied that improvement in 1 unit of the aspects related to regulation quality improve the performance audit annual reports in the NG-CDFs in Kenya by 0.413 units.

These findings corroborated those of Lennox and Pittman (2010) who show that there is improved financial reporting quality of publicly traded companies after the enactment of SOX, supporting that regulation quality influences disclosures which translates to the Performance audit reports. DeFond (2009) who attempted to place the findings of Lennox and Pittman (2010) examined how should the auditors be audited? Comparing the Public Company Accounting Oversight Board (PCOAB) inspections with AICPA peer reviews in the US markets, also affirmed that there is improved financial reporting quality of publicly traded companies.

5.1.4 Corruption control performance audit annual reports

The correlation findings indicated that there is a positive and significant association betweencorruption control and performance audit annual reports in the NG-CDFs in Kenya (r=0.515**, p=0.000). The strong r value of 0.515 indicated a value of greater than 0 which implied that corruption control is a linear variable and has a positive association with performance audit annual reports in the NG-CDFs in Kenya. The regression findings revealedthat corruption control and the performance audit annual reports in the NG-CDFs in Kenya have a positive and significant relationship (β=0.197, p=0.000). This implies that improvement in 1 unit of the aspects related to corruption control improves the performance audit annual reports in the NG-CDFs in Kenya by 0.197 units.

These findings corroborated those of Jin and Bin (2012) who evidenced that the local audit institutions can detect misbehavior and violations in public financial revenues and expenditures and make corresponding decisions on whether to rectify these problems. Gustavson and Sundström (2016) suggest that good auditing conducted by SAIs has a positive effect on levels of corruption in the public sector. They also found several factors that have constructive influence in reducing corruption in the public sector, including the independent of SAIs from the government, the professionalism of SAIs through acquiring staff with the appropriate skills and education, and SAIs communicating the audit results to the public Gherai *et al*., (2016) indicate that the more extensive the work of the SAIs, the more it contributes to reducing corruption and positively associated with a better quality of life. That study did not explain the mechanisms that are used by SAI to detect and prevent corruption or how SAIs reducing public sector corruption. Hay and Cordery (2018) also concluded that the public sector auditing functions are consistent with explanations of agency theory and management control.

5.2 Conclusion

It was therefore concluded that corruption control, regulation quality, governance effectiveness, accountability) have a statistically significant and positive influence on the performance audit annual reports in the NG-CDFs in Kenya. Accountability

in this case is achieved via the training of PMCs by the NG-CDF on the roles of a PMC member who regularly prepare and keep their independent progress reports. Likewise, implementation of projects is done with the help of an expert (quantity surveyor, engineer, building inspector, clerk of works). Furthermore, accountability is achieved by the projects being implemented in line with the strategic plan and their funding being approved by the board in time. There is also proper maintenance of M& E reports as well as the transaction vouchers.

The contribution of governance indicators to performance audit annual reports in the NG- CDFs in Kenya has been concluded to be supported by involving Project management Committee during implementation of projects, consistent training of the project management committee members on their roles of project management and consideration of educational qualification minimum during the appointment of the project management committee members. Some of the appointment factors to be considered include the ability to add value in CDF committee meetings, the ability to serve constituents without bias (even those who did not support current regime) and the ability to only authorize transactions in line with the constitutional policies and Acts of parliament.

The study concluded based on the findings of regulation quality that adherence to public policy and regulation is key to performance audit annual reports in the NG-CDFs in Kenya. For instance, the adherence to the Public Procurement and Asset disposal Act 2015 and the Public Procurement and disposal Regulations, 2006 by putting up advertisements and forming relevant committees helps to facilitate procurement process. Likewise, the performance audit annual reports in the NG-CDFs relies on compliance with provision of Sec 6(2) and section 8 of the NG-CDF Act, 2015 while doing re-allocation.

Corruption was as well concluded to have its significant share in the process since there are instances where the PMC upon funding only implement ghost projects; where there may be escalation of project costs from the original budget; where the project is poorly done but paid by the PMCs; where tendering process may be influenced; and where there are started and not completed projects (white elephants).

In view of the above, the study concludes that poor control of corruption has a negative impact on the performance audit annual reports in the NG-CDFs in Kenya.

5.3 Recommendations

Based on the study findings, the current study therefore, recommends the following:

- The NG-CDF Board in Kenya to continue with the continuous training and development of their staff to foster professionalism and quality of service delivery. This will minimize championing of the political aspect intertwined in management of CDF funds and thus will enable production of genuine audit reports which are not influenced.
- The NG-CDF Board should consider liaising with the relevant departments like National treasury to ensure that budgeted funds are available in time and thus disbursements and issuing of Authority to incur expenditure is done in time. This will hence minimize cases of virement and inappropriate voting of items in the CDF vote books.

5.4 Limitations

Even though caution was observed to acquire precise evidence from the NG-CDFs, there were likelihoods that what were disclosed by the fund Account Managers were not accurate and subject to what they were deemed fit to respond. There was risk that annual performance audit reports of the NG-CDFs in the KENAO website were subject to the inherent disclosures from the fund account managers. This posed a challenge especially for generalization to help advance the performance of the NG-CDFs. However, the researcher believed and used what information that was available.

5.5 Suggestion for Further Studies

The general objective of this study was to determine the Influence of governance indicators on Disclosures in Performance Audit Annual Reports: in the NG-CDFs, Kenya. The focus was on the relationship between accountability, governance effectiveness, regulation quality and the control of corruption on disclosers in

performance audit reports. The study indicated that the four variables influences performance audit annual reports in the NG-CDFs in Kenyaup to 66.2%. This forms a basis for other future scholars to extrapolate on other governance indicators that can help to fill the gap of 33.8% not explained in the current study. The incorporation of more variables in the study can also be done on individual constituencies andcounties in Kenya for a comparative and specific approach to the findings. This will help to enhance robustness of the findings and provide a more holistic recommendation.

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APPENDICES

Appendix I: Questionnaire for Fund Account Managers, District Accountants and Accounts Assistants

Dear Respondent,

I am a Master of Science (Accounting & Finance) student at Jomo Kenyatta University of Agriculture and Technology (JKUAT). I am carrying out a study on **Influence of Disclosures Choice in the Kenyan Audit Institution's Performance Audit Annual Reports: Case of National Government Constituencies Development Funds**. The information you will provide shall be treated with utmost confidentiality and it is purely for academic purposes **ONLY**.

(Please tick (√) where appropriate)

RESPONDENTS GENERAL INFORMATION

1) Gender
   - I. Female   [ ]
   - II. Male   [ ]

2) Age Bracket
   - I. Below 25 years   [ ]
   - II. 25 to 34 years   [ ]
   - III. 35 to 44 years   [ ]
   - IV. Over 45 years   [ ]

3) Job category of the respondent
   - I. Director   [ ]
   - II. Fund Account Manager   [ ]
   - III. District Accountant   [ ]
   - IV. Project Management Committee member   [ ]

4) Level of academic qualification: Tick the highest
   - I. PhD   [ ]
   - II. Master's degree   [ ]
   - III. Bachelor degree   [ ]

IV.   Diploma   [ ]

V.   Professional qualification   [ ]

5) How many years have you worked with this organization?

      I.   Below 3 years   [ ]

      II.   3 to 5 years   [ ]

      III.   6 to 10 years   [ ]

      IV.   Over 10 years   [ ]

PART 1: ACCOUNTABILITY

On a scale of 1-5 rank Accountability aspects 1- strongly disagree (**SD**), 2-disagree (**D**), 3-Neutral (**N**), 4-agree (**A**), 5-strongly agree (**SA**)

Description	SD	D	N	A	SA
a). Are all the projects implemented in line with thestrategic plan?					

b). Are there circumstances that occasion implementation of a project outside the strategicplan;

    Emergencies   [ ]

    Newly prioritized activities by the constituents [ ]

Description	SD	D	N	A	SA
c). Do the approved projects by the board get fundingAIEs in time?					

d). Are there times that forces you to pay without the AIEs?

Emergencies   [ ]

Newly prioritized activities by the constituents [   ]

Description	SD	D	N	A	SA
e). Are there situations that occasion virement?					

f). What are the circumstances, mention a few…………………………………..

Description	SD	D	N	A	SA
g). Are the M& E reports well maintained?					
g). Are the transaction vouchers properly supported?					

h). If the transaction documents are not properly supported, what may prompt missing minutes, M& E reports, forgery of receipts……………………………………………………

Description	SD	D	N	A	SA
i). In your opinion, are you fully accountable to the annual allocations you receive from the NG-CDF board					

j).
Justify…………………………………………………………………….

PART 2: GOVERNANCE EFFECTIVENESS

On a scale of 1-5 rank Accountability aspects 1- strongly disagree (**SD**), 2-disagree (**D**), 3-Neutral (**N**), 4-agree (**A**), 5-strongly agree (**SA**)

Description	SD	D	N	A	SA

a). During implementation of projects, do you involveProject management Committee					
b). Are the project management committee members consistently trained on their roles of project management					

c) What factors are considered in appointment of NG-CDFC members?

1. Educational qualification minimum (Semi-skilled, High school, Diploma, Degree)
2. Political alienation to the current Member of Parliament

d). How do the appointment factors translates to quality governance?

1. Ability to add value in CDF committee meetings
2. Ability to serve constituents without bias (even those who did not support current regime)
3. Ability to only authorize transactions in line with the constitutional policies and Acts ofparliament

e). Who appoint the CDF staff?

1. NG-CDF
2. CDF committee

f). Are the staffs appointed in regard to?

1. Political inclination to the MP
2. Skills and educational qualifications
3. Rapport with the CDFC members

4. Any other…………………………………………

Description	SD	D	N	A	SA
g). Are the staffs continually capacitated to undertaketheir daily duties?					
h). Is it true that continuous development of the staffimpacts on their performance?					

PART 3: REGULATION QUALITY

On a scale of 1-5 rank Accountability aspects 1- strongly disagree (**SD**), 2-disagree (**D**), 3-Neutral (**N**), 4-agree (**A**), 5-strongly agree (**SA**)

Description	SD	D	N	A	SA
a). The Fund Account Manager adheres to the Public Procurement and Asset disposal Act 2015 and the Public Procurement and disposal Regulations, 2006 by putting up advertisements and forming relevant committees to facilitate procurement process					
b). Fund Account manager complies with provision of Sec 6(2) and section 8 of the NG-CDF Act, 2015 while doing re-allocation					
c). The District Accountant complies with International Public Sector Accounting Standards framework in preparation of financial statements					
d). Fund Account Manager and District Accountant complies with provision of Section 62 of the Public audit Act, No. 34 of 2015 and section 68 of the Public finance Management Act, No 18 of 2012 by ensuring that auditors are provided with the original documents					

e). Fund Manager complies with provision of section 36(1) of the NG-CDF Act, 2015 by involving relevant government departments in production of tender documents, supervision and authorization					
g). Fund Manager complies with provisions of Section 62 of the Public Audit Act, No. 34 of 2015 and Section 68 of the Public Finance Management Act, N0 18 of 2012 by proving relevant documents relating to project implementation to the auditors					

PART 4: CORRUPTION CONTROL

On a scale of 1-5 rank these aspects 1- strongly disagree (**SD**), 2-disagree (**D**),
3-Neutral (**N**),4-agree (**A**), 5-strongly agree (**SA**)

Description	SD	D	N	A	SA
a). Are there circumstances where tendering processmay be influenced?					
b). Are there instances where the PMC upon fundingonly implement ghost projects					
c). Are there incidents where there may be escalation of project costs from the original budget					
d). Are there occurrences where the project is poorlydone but paid by the PMCs					
e). Do you have started and not completed projects(white elephants) in the constituency					

b). List the safeguards as regards to the above corruption aspects……………………..

PART 5: PERFORMANCE AUDIT ANNUAL REPORTS

On a scale of 1-5 rank performance audit annual reports aspects 1- strongly disagree (**SD**), 2- disagree (**D**), 3-Neutral (**N**), 4-agree (**A**), 5-strongly agree (**SA**)

Description	SD	D	N	A	SA
a) CDF funds and resources are delivered equally and on timely basis					
b) Projects in the constituencies are timely implemented with the appropriate envisioned quality					
c) PMC constantly prepare their independent progress reports based on the required book keeping rules					
d) Auditors authorize transactions based on expert review and guidance					
e) Variations in accounting transactions and policies areadequately justified					
f) Accounting reports (for assets, investments and generaldealings) are justifiably balanced					

Appendix II: Item Statistics

Cronbach's Alpha if Item Deleted for Accountability

Item-Total Statistics	Scale Mean if Item Deleted	Scale Variance if Item Deleted	Corrected Item-Total Correlation	Cronbach's Alpha if Item Deleted
a). Are all the projects implemented in line with the strategic plan?	20.73	27.781	0.424	0.814
b. Are there circumstances that occasion implementation of a project outside the strategic plan	22.73	30.638	0.478	0.815
c). Do the approved projects by the board get funding AIEs in time?	20.67	25.381	0.575	0.794
d). Are there times that forces you to pay without the AIEs?	22.47	30.695	0.604	0.812
e). Are there situations that occasion environment?	21.73	26.924	0.347	0.834
g). Are the M & E reports well maintained?	20.6	23.543	0.716	0.771
g). Are the transaction vouchers properly supported?	20.2	25.171	0.658	0.782
i). In your opinion, are you fully accountable to the annual allocations you receive from the NG-CDF board	20.73	21.21	0.806	0.752

Source: Pilot Survey Data (2021).

It was found that all the statements had an item statistic value of more than 0.7 . therefore, aallthe questions were considered reliable for data collection.

Cronbach's Alpha if Item Deleted for Governance effectiveness

Item-Total Statistics	Scale Mean if Item Deleted	Scale Variance if Item Deleted	Corrected Item-Total Correlation	Cronbach's Alpha if Item Deleted
a). During implementation of projects, do you involve Project management Committee	15.8	13.743	0.65	0.663
b). Are the project management committee members consistently trained on their roles of project management	16.13	13.124	0.701	0.646
c). What factors are considered in appointment of NG-CDFC members?	18.4	21.114	0.172	0.759
d). How do the appointment factors translates to quality governance?	18.07	19.781	0.205	0.761
f). Are the staffs appointed in regard to?	17.87	19.838	0.293	0.745
g). Are the staffs continually capacitated to undertake their daily duties?	16.2	16.314	0.556	0.693
h). Is it true that continuous development of the staff impacts on their performance?	16.33	14.952	0.588	0.682

Source: Pilot Survey Data (2021).

It was found that all the statements had an item statistic value of more than 0.7 therefore, allthe questions were considered reliable for data collection.

Cronbach's Alpha if Item Deleted for Regulation quality

Item-Total Statistics	Scale Mean if Item Deleted	Scale Variance If Item Deleted	Corrected Item-Total Correlation	Cronbach's Alpha if Item Deleted
a). The Fund Account Manager adheres to the Public Procurement and Asset disposal Act 2015 and the Public Procurement and disposal Regulations, 2006 by putting up advertisements and forming relevant committees to facilitate procurement process	20.33	16.524	0.855	0.744
b). Fund Account manager complies with provision of Sec 6(2) and section 8 of the NG-CDF Act, 2015 while doing re-allocation	19.8	19.457	0.805	0.765
c). The District Accountant complies with International Public Sector Accounting Standards framework in preparation of financial statements	19.73	30.067	-0.183	0.914
d). Fund Account Manager and District Accountant complies with provision of Section 62 of the Public audit Act, No. 34 of 2015 and section 68 of the Public finance Management Act, No 18 of 2012 by ensuring that auditors are provided with the original documents	20.13	16.981	0.937	0.726
e). Fund Manager complies with provision of section 36(1) of the NG-CDF Act, 2015 by involving relevant government departments in production of tender documents, supervision and authorization	20.07	21.781	0.616	0.805
g). Fund Manager complies with provisions of Section 62 of the Public Audit Act, No. 34 of 2015 and Section 68 of the Public Finance Management Act, N0 18 of 2012 by proving relevant documents relating to project implementation to the auditors	20.27	20.352	0.623	0.802

Source: Pilot Survey Data (2021).

It was found that all the statements had an item statistic value of more than 0.7 . therefore, allthe questions were considered reliable for data collection.

Cronbach's Alpha if Item Deleted for Corruption control

Item-Total Statistics	Scale Mean if Item Deleted	Scale Variance if Item Deleted	Corrected Item-Total Correlation	Cronbach's Alpha if Item Deleted
a). Are there circumstances where tendering process may be influenced?	15.8	17.6	0.702	0.832
b). Are there instances where the PMC upon funding only implement ghost projects	16.4	14.686	0.756	0.823
c). Are there incidents where there may be escalation of project costs from the original budget	15.53	21.552	0.554	0.87
d). Are there occurrences where the project is poorly done but paid by the PMCs	15.87	16.552	0.711	0.83
e). Do you have started and not completed projects (white elephants) in the constituency	16.13	17.267	0.775	0.815

Source: Pilot Survey Data (2021).

It was found that all the statements had an item statistic value of more than 0.7 . therefore, allthe questions were considered reliable for data collection.

Cronbach's Alpha if Item Deleted for Performance audit reports

Item-Total Statistics	Scale Mean if Item Deleted	Scale Variance if Item Deleted	Corrected Item-Total Item Correlation	Cronbach's Alpha if Item Deleted
CDF funds and resources are delivered equally and on timely basis	19.2667	33.067	0.083	0.886
Projects in the constituencies are timely implemented with the appropriate envisioned quality	19.2	24.029	0.694	0.763
PMC constantly prepare their independent progress reports based on the required book keeping rules	19.1333	23.552	0.779	0.744
Auditors authorize transactions based on expert review and guidance	19.1333	23.41	0.755	0.748
Variations in accounting transactions and policies are adequately justified	18.9333	29.067	0.454	0.814
Accounting reports (for assets, investments and general dealings) arejustifiably balanced	19	23.857	0.822	0.737

It was found that all the statements had an item statistic value of more than 0.7 . therefore, allthe questions were considered reliable for data collection.

Appendix III: Factor Loadings

According to Kaiser (1974), factor-loading values that are greater than 0.4 should be accepted and values below 0.4 should lead to collection of more data to help researcher to determine the values to include.

Communalities on Accountability

Statements	Initial	Extraction
a). Are all the projects implemented in line with the strategic plan?	1.000	0.491
b. Are there circumstances that occasion implementation of a projectoutside the strategic plan	1.000	0.576
c). Do the approved projects by the board get funding AIEs in time?	1.000	0.602
d). Are there times that forces you to pay without the AIEs?	1.000	0.824
e). Are there situations that occasion environment?	1.000	0.643
g). Are the M & E reports well maintained?	1.000	0.919
g). Are the transaction vouchers properly supported?	1.000	0.684
i). In your opinion, are you fully accountable to the annual allocationsyou receive from the NG-CDF board	1.000	0.772

Extraction Method: Principal Component Analysis.

Source: Pilot Survey Data (2021).

It was found that all the statements had factor-loading values that are greater than 0.4. All the questions have adequate sampling adequacy; thus, they are valid for data collection.

Communalities on Governance effectiveness

Statements	Initial	Extraction
a). During implementation of projects, do you involve Projectmanagement Committee	1.000	0.781
b). Are the project management committee members consistently trainedon their roles of project management	1.000	0.855
c). What factors are considered in appointment of NG-CDFC members?	1.000	0.868
d). How do the appointment factors translates to quality governance?	1.000	0.706
f). Are the staffs appointed in regard to?	1.000	0.823
g). Are the staffs continually capacitated to undertake their daily duties?	1.000	0.767
h). Is it true that continuous development of the staff impacts on theirperformance?	1.000	0.864

Extraction Method: Principal Component Analysis.

Source: Pilot Survey Data (2021).

It was found that all the statements had factor-loading values that are greater than 0.4. All the questions have adequate sampling adequacy; thus, they are valid for data collection.

Communalities on Regulation quality

Statements	Initial	Extraction
a). The Fund Account Manager adheres to the Public Procurement and Asset disposal Act 2015 and the Public Procurement and disposal Regulations, 2006 by putting up advertisements and forming relevant committees to facilitate procurement process	1.000	0.86
b). Fund Account manager complies with provision of Sec 6(2) and section 8 of the NG-CDF Act, 2015 while doing re-allocation	1.000	0.785
c). The District Accountant complies with International Public Sector Accounting Standards framework in preparation of financial statements	1.000	0.962
d). Fund Account Manager and District Accountant complies with provision of Section 62 of the Public Audit Act, No. 34 of 2015 and section 68 of the Public finance Management Act, No 18 of 2012 by ensuring that auditors are provided with the original documents	1.000	0.93
e). Fund Manager complies with provision of section 36(1) of the NG-CDF Act, 2015 by involving relevant government departments in production of tender documents, supervision and authorization	1.000	0.548
g). Fund Manager complies with provisions of Section 62 of the Public Audit Act, No. 34 of 2015 and Section 68 of the Public Finance Management Act, N0 18 of 2012 by proving relevant documents relating to project implementation to the auditors	1.000	0.861

Extraction Method: Principal Component Analysis.

Source: Pilot Survey Data (2021).

It was found that all the statements had factor-loading values that are greater than 0.4. All the questions have adequate sampling adequacy; thus, they are valid for data collection.

Communalities on Corruption control

Statements	Initial	Extraction
a). The Fund Account Manager adheres to the Public Procurement and Asset disposal Act 2015 and the Public Procurement and disposal Regulations, 2006 by putting up advertisements and forming relevant committees to facilitate procurement process	1.000	0.86
b). Fund Account manager complies with provision of Sec 6(2)and section 8 of the NG-CDF Act, 2015 while doing re- allocation	1.000	0.785
c). The District Accountant complies with International Public Sector Accounting Standards framework in preparation offinancial statements	1.000	0.962
d). Fund Account Manager and District Accountant complies with provision of Section 62 of the public audit Act, No. 34 of 2015 and section 68 of the Public finance Management Act, No 18 of 2012 by ensuring that auditors are provided with the original documents	1.000	0.93
e). Fund Manager complies with provision of section 36(1) of the NG-CDF Act, 2015 by involving relevant government departments in production of tender documents, supervision and authorization	1.000	0.548
g). Fund Manager complies with provisions of Section 62 of thePublic Audit Act, No. 34 of 2015 and Section 68 of the Public Finance Management Act, N0 18 of 2012 by proving relevantdocuments relating to project implementation to the auditors	1.000	0.861

Extraction Method: Principal Component Analysis.

Source: Pilot Survey Data (2021).

It was found that all the statements had factor-loading values that are greater than 0.4. All the questions have adequate sampling adequacy; thus, they are valid for data collection.

Communalities on Performance audit reports

Statements	Initial	Extraction

CDF funds and resources are delivered equally and on timely basis	1.000	0.793
Projects in the constituencies are timely implemented with the appropriate envisioned quality	1.000	0.678
PMC constantly prepare their independent progress reports based on the required book keeping rules	1.000	0.860
Auditors authorize transactions based on expert review and guidance	1.000	0.870
Variations in accounting transactions and policies are adequately justified	1.000	0.600
	1.000	

Source: Pilot Survey Data (2021).

It was found that all the statements had factor-loading values that are greater than 0.4. All the questions have adequate sampling adequacy; thus, they are valid for data collection.