

**INFLUENCE OF AUDITOR GENERAL'S REPORT ON FINANCIAL  
ACCOUNTABILITY OF NATIONAL GOVERNMENT CONSTITUENCY  
DEVELOPMENT FUND IN KENYA**

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**A Project Submitted to the Institute of Post Graduate Studies of Kabarak University in  
Partial Fulfillment of the Requirements for the Award of the Master of Business  
Administration (Accounting) Degree.**

**KABARAK UNIVERSITY**

**NOVEMBER, 2022**

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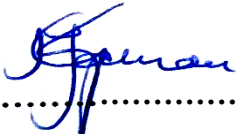
STANLEY KIBIWOT KIPTARUS

GMB/NE/0200/01/18

## RECOMMENDATIONS

**To the institute of Postgraduate Studies:**

The research project entitled *“Influence of Auditor General’s Report on Financial Accountability of National Government Constituency Development Fund: A Case Study of Njoro Constituency”* written by *Stanley Kibiwot Kiptarus*, is presented to the Institute of Postgraduate Studies of Kabarak University. We have reviewed the research thesis and recommend it be accepted in partial fulfillment of the requirement for award of the degree of **Master of Business Administration in (Accounting)**.

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## **DEDICATION**

I dedicate this research work to my beloved wife Pauline Kibiwott and my children Dan Kibiwott, Xavier Kibiwott, and Trixie Kibiwott for their prayers and moral support in the execution of this research project work.

## **ACKNOWLEDGEMENTS**

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## ABSTRACT

The Auditor General plays a critical role in the audit of public finances including the National Government Constituency Development Fund (NG CDF). Public Finance Management Act, 2012 requires that at the end of each financial year the NG CDF shall prepare financial statements. The audit of the financial statements of the NG CDF is critical in ensuring that there is financial accountability in the usage of financial resources and the achievement of objectives of the NG CDF. This study examined influence of auditor General's report on financial accountability of National Government Constituency Development Fund. The study was guided by the following objectives: Management Action on Audit Queries, Types of Auditor General's Audit Exceptions, Attitude towards Auditor General's Audit Reports and Capacity to Close Auditor General's Queries. The study was based on the descriptive research design. Njoro constituency in Kenya was sampled for data collection. The target population of this study were the NG CDF Accounting officers, management committee and the project coordinators of various projects within Njoro constituency. Thus, this study had a target population of 56 members that constitute the 10 NG CDF Accounting Officers, 30 NG CDF management committee and 16 project coordinators of various projects. Reliability of the sets of questions was examined making use of Cronbach's Alpha test of inner consistency. The research study used descriptive statistics and inferential statistics (Correlations as well as multiple direct regressions) in the analysis of data. This study utilized the agency theory, dynamic capabilities theory and policeman theory to explain the relationships between the variables. The study found a coefficient of determination ( $r^2$ ) of 0.652 indicating that 65.2% of the variability in the financial accountability that is attributable to the cumulative independent variables. The achieved beta coefficients for NG CDF management action, auditor General's audit exceptions, attitude towards auditor General's audit report, and capacity to close auditor General's audit queries had beta coefficients of 0.417, 0.596, 0.569, as well as 0.492 respectively. The beta coefficients of all the variables suggested that increase in the respective independent variables were connected with rise in the dependent variable with the remainders of the variables maintained consistent. The research additionally discovered that there was statistically considerable influence in between each of the auditor general report and financial accountability. The research study suggested that NG CDF should observe objectivity in taking management actions in order to enhance financial responsibility of the constituencies. Among the components elements that the NG CDF officers ought to observe include removal of the conflict of interest in the preparation of the financial reports.

**Key Words:** *NG CDF Management Action, Auditor General's Audit Exceptions, Auditor General's Queries, Attitude towards Auditor General's Audit Reports, Financial Accountability*

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## **ABBREVIATIONS AND ACRONYMS**

<b>NG CDF</b>	:	Constituency Development Fund
<b>DOPU</b>	:	Drop Off and Pick UP
<b>NACOSTI</b>	:	National Commission of Science, Technology and Innovation
<b>NG CDF</b>	:	National Government Constituency Development Fund
<b>PAC</b>	:	Public Accounts Committee
<b>RBT</b>	:	Resource Based Theory
<b>RBV</b>	:	Resource Based View

## OPERATIONAL DEFINITION OF TERMS

The study adopts these definitions;

**Auditor General's Report:** This is the report presented by the office of the auditor General's after undertaking statutory audit exercise on the NG CDF operations (Ariga & Gathogo, 2016).

The study adopted this definition for the study.

**Attitude towards Auditor General's Audit Reports:** This is the perception amongst the auditees towards the auditor General's reports (Ariga & Gathogo, 2016). The study adopted this definition for the study.

**Auditor General's Audit Exceptions:** This is the issues noted by the auditor General on the audited financial statements and reports (Mathebula, (2016). The study adopted this definition for the study.

**NG CDF Management Actions on Auditor General's Queries:** These are the actions that are undertaken by the management towards the noted auditor General's queries (Ariga & Gathogo, 2016). The study adopted this definition for the study.

**Close Auditor General's Queries:** This is the addressing of the issues noted by the auditor General (Mbuti,(2014). The study adopted this definition for the study.

**Financial Accountability:** The allocation, utilization, tracking and reporting of financial resources in a prudent manner (Mamogale, 2014). The study adopted this definition for the study.

## CHAPTER ONE

### INTRODUCTION

#### 1.1 Background of the Study

The National Government Constituencies Development Fund (NGCDF) is established under the NG-CDF Act, 2015 as amended in 2016. The main objective of the Fund is to address socio-economic development of the people at the constituency level in order to reduce poverty and enhance regional equity. The NG-CDF Act 2015 equates the operations of the Fund to the new constitutional dispensation especially in terms of ensuring that the law strongly embraces the principles of participation of the people, separation of powers, and delineation of functions between National and County governments.

Public bodies provide essential goods and services to the citizens through use of public funds. The need for financial accountability was therefore paramount to ensure that there was prudent utilization of financial resources, value for money, and ability of the public bodies to provide a wider scope of services (Eton *et al.*, 2018; Fedosov & Paientko, 2018). Botlhoko (2017) further noted that financial accountability was important in safeguarding public funds from wastage, corruption and fraudulent activities. Chalam and Ng (2017) further noted that financial accountability enhances service delivery and inspired confidence to the tax payers on the public fund utilization aspects.

According to Doussy and Doussy (2014) financial resources related to the assurance issued to the stakeholders regarding prudent usage of the public financial resources and the decisions utilized to allocate scarce financial resources to specific tasks. In agreement with (Doussy & Doussy, 2014), (Botlhoko, 2017) further noted that financial accountability relates to the allocation, utilization, tracking and reporting of financial resources which was achieved through allocation, budgeting and accounting tools. Building on the ideas of Botlhoko (2017), and Doussy and Doussy (2014), Agwor (2017) introduced the concept of public finance

expenditure assisted in achieving the objective of the finance resources owners. In this context, Agwor (2017) noted that financial accountability was about ensuring that the financial resources stewards gave an accurate and up to date accounts on what they had done with the resources with view of ascertaining on whether they had conformed with, violated, manipulated, achieved or even thwarted the objectives of the owners of the resources.

Doussy and Doussy (2014) asserts that one way of demonstrating financial accountability was through providing financial information to the stakeholders to their satisfaction levels. Botlhoko (2017) asserts that budgeting was one tool of financial accountability aspect. This was attributed to the public bodies being in responsible for the proper management of funds allocated to them. In concurrence with Doussy and Doussy (2014) on the importance of the financial information as a pillar of financial accountability, Botlhoko (2017) noted that budgets contained financial information on the expenditures in financial terms and was measured that public bodies are held accountable on. Agwor (2017) further argued that financial accountability was based on the necessity of reporting on financial expenditure and control over these expenditures which act as basis of financial accountability related to public finances. In agreement with Botlhoko (2017), Eton *et al.*, (2018) indicated that budgets was a tool in financial accountability since it was one tool of expressing the organizational priorities in financial terms explaining the planning and management of the anticipated revenues and expenditure.

In order to achieve the financial accountability within the public sectors, auditing processes was undertaken and audited reports provided. According to Ogbaisi and Asenuga (2018) auditing referred to the systematic and independent of financial records of an organization in order to examine on how the financial statements and disclosures presented a true and fair view of the concern. Within the public sector, the auditor General was the public official responsible



for auditing the public entities within a country (Kagaba & Mulyungi, 2018). The auditor General then presented the auditor General's reports on a periodic basis to various stakeholders. This study examined influence of management actions on auditor General's queries, audit exceptions, audit reports and capacity to close auditor General's queries on the financial accountability of Njoro NG CDF in Kenya.

The management actions on the auditor General's queries implied that the action undertaken by the management of the public institution that had been audited (Office of Auditor General., 2018; Perwita *et al.*, 2019). The management action included discussion of the audit finding and their implication on the organization, implementation of audit recommendations, and making recommendations based on the audit reports (Marete, 2014; Wadesango, Chinamasa, Mhaka, & Wadesango, 2017; Kagaba & Mulyungi, 2018). The management action on the audited queries enhanced financial accountability through prevention of errors and frauds, and proved that financial reports provided a true and fair view of the accounts. The audit exceptions noted by the auditor General related to the issues that the auditor General had noted during the auditing of the financial statements. Diverse audit queries occurred including reduced and unaccounted for revenues, collected revenues that were unbanked, and lacked supporting documents for some of the expenditures (Mutai, Oketch, Namusonge, & Sakwa, 2017; Mutai *et al.*, 2017; Mathebula, 2016). Others included unauthorized, irregular, fruitless and wasteful expenditure being noted as audited exceptions. The capacity to close auditor General's queries was an integral component of improving the financial accountability aspects (Dandago, 2018; Kamau, Kariuki, & Musuya, 2017; Wadesango *et al.*, 2017). The public entities faced challenges in the closing of audit queries due to various aspects including refusal to address audit queries, delay in responding to audit queries, unavailability of information and documents to determine amounts as reflected in financial statements, non-specific audit recommendations,

and imprecise audit recommendations (Nwaobia, Ogundajo, & Theogene, 2016; Mathebula, 2016; Muslimat & Hamid, 2012).

### **1.1.1 Global Perspective of Auditor General's Report on Financial Accountability**

The use of the auditor General's reports for establishing the financial accountability of public sector entities was a global perspective. In India, Government of Rajasthan., (2016) noted that the constitution in the country established the Comptroller and Auditor General of India with the authority to audit government institutions and ensured financial accountability. In Canada, the auditor General provided the financial information necessary for ensuring financial accountability amongst the state corporations. Fraser (2006) noted the office of the auditor General provided financial information to the legislature in order to enhance financial accountability aspects. In Belize, Office of the Auditor General of Belize., (2011) noted that the country's constitution under section 120 (4) and section 16 (1) of the finance and Audit act no 12 of 2005 required the auditor General audit government institutions and provide audit reports for the purposes of ascertaining financial accountability of the public bodies.

### **1.1.2 Regional Perspective on Auditor General's Report on Financial Accountability**

In Zimbabwe, the office of the Auditor General was presented with the task of ensuring financial accountability amongst the public sector entities. In this context, (Matamande, 2016) noted that the office of the auditor General was charged with auditing and ensuring best practices in financial management aspects in public sector. Matamande (2016) noted that the office of the auditor General was charged with the financial accountability of the public funds in the country. In Zimbabwe, section 309 (2) of the constitution, section 10 of the audit office act, and sections 35 (6) and (7) of the Public Finance Management Act mandated the office of the auditor General to undertake audits of public accounts and prepare audit reports submitted to the ministry of Finance.

In South Africa, Mawonga (2016) indicated that the office of Auditor General was established by the constitution of the country . The office of the auditor General was charged with the auditing and reporting of the accounts, financial statements and financial management of all government institutions. In Rwanda, Kagaba and Mulyungi (2018) indicated that each public entities were required to present their financial statements to the office of the Auditor General of the state finances.

### **1.1.3 Local Perspective on Auditor General's Report on Financial Accountability**

The Constituency Development Fund (NG CDF) was established in Kenya through the NG CDF Act of 2003 which was later amended in 2007 (Wairu & Gitonga, 2018)(Kiplangat, 2017; Lusesi, 2018). Following the promulgation of Kenya's new constitution, the NG CDF act was further amended in 2016 in order to align it with the constitution (NG-CDF, 2019a)(Sharon, 2019). In this context the Constituency Development Fund (NG CDF) was renamed National Government Constituency Development Fund (NG CDF). This lead to the change in the funding priority to the national government projects in areas of education, security, sports, environment sectors and other national government residual functions (NG-CDF, 2019a). The NG CDF in funding the diverse projects get allocated huge amounts of taxpayer's money. In this context, (NG-CDF, 2019a) indicated that for the 2018/2019 financial year the total amounts that were allocated to the constituencies was Ksh, 31,403,772,170.76 with each constituency allocated Ksh 109,040,875.52. Due to the enormous resources allocated to the NG CDF there was need for the financial accountability to enhance in the use of these resources. The need for financial accountability was anchored on the constitution of Kenya, Public Finance Management Act, and NG – NG CDF act (NG-CDF, 2019a). The use of the resources was further audited similar to all the public entities by the auditor General's. The financial accountability within the NG CDF would improve on the service delivery for the organization and the projects that can be funded by the organization thus translating to better value for

money for the Kenyan tax payer (Lusesi, 2018; Nyakagwa, 2016; Wairu & Gitonga, 2018; Wera, 2016).

The auditor General's reports on NG CDF management typically constitute seven components that is key constituency information and management, statement of constituency management responsibilities, and statement of receipts and payments. Other components include statement of financial assets and liabilities, summary statement of appropriation, significant accounting policies, and notes to the financial statement. The auditor General's report of the Njoro constituency demonstrate various financial accountability challenges. These challenges include inaccurate financial statements which showed a discrepancy of Ksh 822,829.60 in respect to the statement of receipts and payments as checked against sum of individual expenditure items for the financial year 2015/2016 (NG-CDF, 2019). This being the latest reports from auditor General. The auditor General further noted challenges in accounting for Ksh 979,500 on the bursaries disbursed for the specific financial year of the 2015/2016 financial year. The auditor General further raised concerns with the NG CDF funding mock examinations to the tune of Ksh 41,720,063.50 despite there being no request for such funding (Office of Auditor-General, 2017).

## **1.2 Statement of the Problem**

The National Government Constituency Development Fund plays a significant role in the social economic development of constituencies. According to NG CDF (2019), the mandate of the NG CDF is to address socio-economic development of the people at the constituency level in order to reduce poverty and enhance regional equity. The achievement of the NG CDF mandate is subject to the prudent utilization of financial resources allocated to the institutions. To ensure there is financial accountability in the fund's expenditure, the financial books of NG CDF are meant by law to be audited by the auditor General. In this context, section 81(1) of

the Public Finance Management Act of 2012 required that at the end of each financial year the NG CDF management should prepare financial statements (Koigi, 2016). The financial statements of the NG CDF should be submitted to the auditor General subject to the provisions of section 47 of the public audit act of 2015. The auditor General should audit the financial statements of the NG CDF subject to section 48 of the public audit of 2015 and article 229(7) of the constitution. The audit of the financial statements of the NG CDF is critical in ensuring that there's financial accountability in the usage of financial resources and the achievement of objectives of the NG CDF fund. However, there were diverse noted financial accountability challenges in the constituencies. In the 2015/2016 financial year, for instance, the noted financial accountability challenges in Njoro constituency include, inaccurate financial statements of which a variance of Ksh 822, 829.60 was not explained; There were noted anomalies in the funding of mock examination, operation of irregular bank accounts, and unremitted statutory deductions (NG-CDF, 2019).

During the financial 2018/2019, as per Auditor General's Report (Njoro NG-CDF 2018-2019) the Management paid an amount of Kshs.4,677,027 towards the supply, installation, testing and commissioning of internet in four (4) wards of Njoro, which include, Njoro, Lare, Mau Narok and Mauche. Its intention was to provide internet services to the local community targeting the youth. However, field inspection on 29 January, 2020 revealed that no installations had been undertaken at Mauche Ward. Further, installations had been undertaken at the Fund offices in Njoro Ward but there was no internet connectivity in the neighbourhood as planned.

This study examined the manner in which the auditor General's report influence financial accountability of NG CDF of Njoro Constituency. The study was guided by closure of auditor General's queries, auditor General's audit recommendations, attitudes towards public financial

audit reports, and enforcement capacity on the arising issues from auditor General's audit report on the financial accountability of NG CDF of Njoro Constituency.

### **1.3 General Objective of the Study**

The purpose of the study was to examine influence of auditor General's report on financial accountability of NG CDF in Kenya.

### **1.4 Specific Objectives of the Study**

The study was based on the following specific research objectives;

- (i) To analyze influence of NG CDF management actions about the auditor General's report on financial accountability of Njoro NG CDF in Kenya
- (ii) To evaluate influence of types of auditor General's audit exceptions captured in auditor General's report on financial accountability of Njoro NG CDF in Kenya
- (iii) To examine influence of Management Attitude towards Auditor General's Reports on financial accountability of Njoro NG CDF in Kenya
- (iv) To assess influence of capacity to close auditor General's queries captured in auditor General's report on financial accountability of Njoro NG CDF in Kenya

### **1.5 Research Hypotheses**

The study was based on the following specific research Hypotheses;

- (i) **H<sub>01</sub>**: There is no statistically significant influence of NG CDF management actions about the auditor General's report on financial accountability of Njoro NG CDF in Kenya
- (ii) **H<sub>02</sub>**: There is no statistically significant influence of types of auditor General's audit exceptions captured in auditor General's report on financial accountability of Njoro NG CDF in Kenya

(iii)**H<sub>03</sub>**: There is no statistically significant influence of NG CDF Management Attitude towards Auditor General's Reports on financial accountability of Njoro NG CDF in Kenya

(iv)**H<sub>04</sub>**: There is no statistically significant influence of capacity to close auditor General's queries on financial accountability of Njoro NG CDF in Kenya

## **1.6 Justification of the Study**

This study was premised on the fact that the auditor General continuously raised various audit queries on the NG CDF financial accountability across various constituencies. These aspects were raised by the auditor general, among other constituencies, for Njoro constituency on aspects relating to inaccuracy of financial statements, anomalies in funding of mock examination, operation of irregular bank accounts, and unremitted statutory deductions. During the financial 2018/2019, as per Auditor General's Report (Njoro NG-CDF 2018-2019), the Management made allocation of funds towards the supply, installation, testing and commissioning of internet in four (4) wards of Njoro, which include, Njoro, Lare, Mau Narok and Mauche. Its intention was to provide internet services to the local community targeting the youth. However, field inspection on 29 January, 2020 revealed that no installations had been undertaken at Mauche Ward. Further, installations had been undertaken at the Fund offices in Njoro Ward but there was no internet connectivity in the neighbourhood as planned. These are all touching on financial accountability challenges. This study thus sought to examine the role of the auditor General's reports on financial accountability of NG CDF in Kenya in resolving these accountability challenges. The taxpayer will thus get value for their money.

## **1.7 Scope of the Study**

The geographical scope of the study was the Njoro constituency since the study was examining the financial accountability of the NG CDF within the constituency. The study was examining

influence of the auditor General's reports on financial accountability of NG CDF in Kenya. The content scope of the study was NG CDF management actions, types of auditor General's audit exceptions, NG CDF management attitude on auditor General's reports, capacity to close auditor General's queries and financial accountability within NG CDF of Njoro constituency. The study further had a time scope of ten months commencing on September of 2019 to July 2020, in alignment with the university academic year. The budget of the study was Ksh 77,622.20 since the study was self-funded and that was the amount available.

### **1.8 Limitation and Delimitations of the Study**

The study faced various challenges including financial constraints in various stages of the research process, for instance, printing costs, travel expenses, airtime purchase expenses for communication with diverse groups including supervisors, this is because the research was self-funded. This challenge was mitigated by drawing a budget for it and prior sourcing of the funds from sources available to the researcher. Another challenge was, respondents of the study being the employees of National Government Constituency Development Fund were reluctant to fill in the questionnaire for fear of divulging sensitive government information. These concerns were mitigated through securing an approval from National Commission of Science, Technology and Innovation (NACOSTI) to carry out the research and also, the researcher assured the respondents of confidentiality of the data collected. Reassurance was done by the researcher through signing of a consent statement that the study was to be carried out purely for academic purposes and not in any other context. The researcher also received permission from the NG CDF management, through the NG CDF manager, to undertake the research amongst the staff members. The respondents were further guaranteed of anonymity where their identity was not revealed and their responses were kept confidential in nature. The delimitation of the study included the aspects that the study would undertake in order to be successful. The study noted that the theme of financial accountability is key component of public finance



management. The researcher emphasized the same to the NG CDF management in order to secure authority for data collection in their premises.

### **1.9 Assumptions of the Study**

There were diverse assumptions that were made in respect to this study. These assumptions included the ability of the respondents to answer the structured questionnaire which was used as the data collection instrument in a truthful and accurate manner. The study further assumed that an authority would be granted by the Constituency Development Fund (NG CDF) to undertake this study. The researcher further assumed good health during the research process as well as cooperation with the potential respondents during the exercise.

## **CHAPTER TWO**

### **LITERATURE REVIEW**

#### **2.1 Introduction**

The chapter two of this study seeks to examine the literature review of the study. In this context, the study examines the theoretical review, empirical review, conceptual framework, critiquing the existing literature relevant to the study and research gaps of the study.

#### **2.2 Theoretical Review**

The theoretical review details the theories that were used in the study in order to explain on the relationship between the independent variables and dependent variables. This study utilized the agency theory, resource based theory and policeman theory to explain the relationships between the variables.

##### **2.2.1 Agency Theory**

The agency theory was conceptualized in 1976 by Michael Jensen and William Meckling (Stephen, 2020). The theory is also referred as principal-agent theory and explains the relationship between parties and their influence on the work distributed amongst the parties (Wagura & Shavulimo, 2018). The agency theory was based on two parties that is principal and agent. The principal refers to the party that owns a job, task and or resources that delegates such tasks to another party referred to as an agent. The principal thus expects that the agent will perform their tasks in the best interests of the principal and to the best of their ability (Feyitimi *et al.*, 2016; World Economic Forum (WEF) *et al.*, 2018). The principal delegates the tasks to the agent because of various aspects include lack of expertise, time constraints, logistical challenges and other considerations.

In principal-agent relationships, the agency challenges may occur. The agency challenges refer to the aspects that hinder the smooth working of the principal-agent relationship. The agency

challenges that can occur include the moral hazards and information asymmetry challenges (Feyitimi *et al.*, 2016). The moral hazard challenges refer to the agent pursuing their own self-interest at the expense of the principal and thus undermining the principals' interests. This often occur as a result of information asymmetry that is the difference in the information or knowledge on the task at hand between the principal and the agent (Kabiru, 2018; MUKURA *et al.*, 2016; State & State, 2019). The agents may explore such differences in information or knowledge held leading to moral hazard challenges.

In the context of the financial resources management aspects within public bodies, the taxpayer is considered to be the principal since they own the resources and the public bodies such as NG CDF management is considered to be the agents. The agents are meant to use the financial resources to the best interest of the principal. However, challenges occurred in the financial management of the NG CDF leading to lack of financial accountability. These challenges include imprudent expenditure of resources, corruption, fraud, and lack of value for money amongst others. To avoid the agency challenges the principal should undertake audits in order to minimize and or mitigate the agency challenges especially moral hazard challenges, the auditor general in this context plays this role. The audit reports by the auditor, raised several agency challenges though various types of audit queries. The raising of the audit queries lead to the need for the auditees to close them thus leading to improved financial accountability. The theory is thus applicable to this study as it captures the role of management action and types of auditor General's audit reports on the financial accountability aspects. Moral hazard in the context of this study touches on Management attitude on the auditor general report.

### **2.2.2 Resource Base Theory**

The Resource Based Theory (RBT) also referred to as Resource Based View (RBV) was developed in 1991 by Barney detail the manner in which the firms uses resources to gain

superior performance aspects (Feyitimi *et al.*, 2016; Mbandu, 2016). The RBV indicated that firms have different bundles of resources that enable them to perform their mandates. The resources that are utilized include tangible and intangible resources. The tangible resources include those resources that can be touched and felt (Dinberu, 2018; Suleiman, 2018). These resources may include equipment, land and machinery amongst other types of resources. The intangible resources refer to the resources that can't be held such as human resources, expertise, skills, and public relations amongst other aspects (Damilano *et al.*, 2018; Maina & Bula, 2019). The manner in which the resources are utilized determines the performance aspects of the organization.

This theory is applicable to this study as the public firms needed to use public financial resources in order to achieve their mandates. In the context of the NG CDF, the organization needed to use the financial resources in a prudent way in order to achieve organizational mandates. However, misuse of these resources had the capacity to derail the achievement of the organizational mandate of the NG CDF. Once the auditor General had raised audit exceptions, the public bodies required resources in order to address the audit report exceptions. The enforcement capacity and the management action may have been considered as intangible resources.

### **2.2.3 Policeman Theory**

The policeman theory was developed in the late 1920s by the Dutch professor Theodore Limperg. It was used to explain the views of the auditees towards the audit. In this context, the policeman theory indicated that the auditees view the auditor as a policeman. The auditor as a policeman was perceived to have the role of searching, discovering and prevention of fraud (Njangiru & Ngungu, 2016). This contrasted to the functions of the auditor as person who checked on whether the financial statement represented a fair assessment of the financial

position for the purpose of assisting the auditees on the financial management (Babonyire *et al.*, 2019; Mwangi *et al.*, 2017; Olaoye *et al.*, 2019). The policeman theory thus narrowed down the role of the auditor into simply verification of the accuracy of the financial transactions with a view of detecting and preventing frauds (Njangiru & Ngungu, 2016).

In this context therefore, the auditor general thus is viewed as the policeman, tasked with the responsibility of detecting fraud by gathering information needed to identify risks of material misstatement, assesses these risks after taking into account an evaluation of the entity's, in this context, the NG CDF, programs and controls, and consequently responds to the results, this is, provide the audit report detailing areas that needs improvement on.

### **2.3 Empirical Review**

The empirical review of the study was based on the research objectives of the study and the manner in which the NG CDF management actions, types of auditor General's audit exceptions, NG CDF management attitude on auditor General's reports, capacity to close auditor General's queries influenced the financial accountability of the NG CDF management at Njoro constituency.

Several authors examined the role of management action on audit queries on financial accountability. In Kenya, Marete (2014) undertook a research project to look into the influence of the risk based internal audit and financial performance of commercial states in Kenya. The research found that many of the respondents were in agreement that the audit recommendations were implemented by the management, and risk based annual reports are discussed with management (Marete, 2014). Wadesango *et al.*, (2017) study found that it's management tasks to ensure that proper considerations were undertaken for the audit reports. Wadesango *et al.*, (2017) further noted that the management of a public sector body bear the ultimate responsibility in ensuring implementation of the audit recommendations. The management

action based on the audit reports was found to influence financial accountability in various ways (Kagaba & Mulyungi, 2018). This included prevention of errors and frauds, and proving that financial reports provided a true and fair view of the accounts.

In Kenya, Mbuti (2014) examined the role of internal auditing on the financial performance of the Sacco within Murang'a county. The study found that the audit reports were provided to the highest management levels within Sacco's, and the audit reports enabled the management to prevent risks and losses.

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In Indonesia, Usman *et al.*, (2014) undertook a study that amongst other aspects sought to examine the attitude towards the audit reports on the financial accountability aspects. The study found that several attitudinal factors influenced the financial accountability. These aspects included proficiency and expertise in the field of accounting and auditing. The study however fails to link the identified attitudinal factors to the enhanced financial accountability amongst institutions. The attitude aspects of the auditees towards the audit reports that are provided was examined by Ariga and Gathogo (2016) in a study based on the Nakuru County Government. The study found that the respondents indicated that the county government largely undertook financial audit reports in an objective manner, audit reports were in compliance with accepted professional ethics, there was trust in public financial audit reports, and the audit reports were free from political considerations. The study further failed to link the identified aspects to the financial accountability aspects.

### **2.3.1 Management Action on Audit Queries and Financial Accountability**

The management action on the audit queries helped the public sector organizations to achieve financial accountability performance. In Kenya, Marete (2014) undertook a research project to investigate the influence of the risk based internal audit and financial performance of commercial states in Kenya. The study evaluated the role of management action towards audit reports and its influence on the financial performance. The study adopted a descriptive survey research, and structured questionnaires for the data collection processes. The study found that a majority of the respondents were in agreement that the audit recommendations were implemented by the management, and risk based annual reports are discussed with management (Marete, 2014). The study however didn't illustrate the influence of this management action on the financial accountability of the firms under scope of the study.

The role of the management action in the implementation of the audit queries was examined in a theoretical paper by Wadesango, Chinamasa, Mhaka, & Wadesango (2017) in their study.

Wadesango *et al.*, (2017) study found that its management tasks to ensure that proper consideration were undertaken for the audit reports. Wadesango *et al.*, (2017) further noted that the management of a public sector body bear the ultimate responsibility in ensuring implementation of the audit recommendations. The study further noted that the management of the public bodies should work in a collaborative manner with the auditors in order to prevent financial frauds.

The management action on the audit queries was a theme that was explored by Kagaba and Mulyungi (2018) in a study that looked at the internal audit effectiveness with a focus on the Rwanda Revenue Authority. The research was conducted using a descriptive research design and a structured questionnaire for data collection. The study affirmed that the management of the Rwanda Revenue Authority makes decisions, recommendations and decisions based on the internal auditor reports. The management action based on the audit reports was found to influence financial accountability in various ways (Kagaba & Mulyungi, 2018). This included prevention of errors and frauds, and proving that financial reports provided a true and fair view of the accounts.

In Kenya, Mbuti (2014) examined the role of internal auditing on the financial performance of the Sacco within Murang'a county. The study utilized a descriptive research design and target population made of Sacco officials. The study further used structured questionnaire for the data collection purposes. The study found that the audit reports were provided to the highest management levels within Sacco's, and the audit reports enabled the management to prevent risks and losses. These aspects thus lead to the improvement of the financial accountability of the Sacco's.

The role of management action on the audit reports were further examined in Ghana by Ankrah (2016) in a study examining the influence of internal audit towards financial accountability.



The study used a mixed methodology approach in the study in which the data was collected using interviews, questionnaires and secondary data obtained from reports. The study found that the management action influenced financial accountability in various ways. Ankrah (2016) noted that management supports financial accountability through taking interest on the raised issues and facilitates the implementation of the recommendations that were made.

### **2.3.2 Types of Auditor General's Audit Exceptions and Financial Accountability**

In a study based on the financial reporting on the public sector entities in Kenya with a focus on the ministry of environment and natural resources, Onyulo (2017) sought to examine the factors that influenced quality of financial reporting. The study had utilized a descriptive research design, and structured questionnaire for data collection. Onyulo, (2017) indicated that there was low financial accountability levels in the public sector bodies within the ministry of the environment and natural resources as evidenced by numerous auditor General's queries. The study did not illuminate the nature of the auditor General's queries and the manner in which the specific queries relate to the financial accountability levels in the public sector.

In a theoretical paper-based that sought to examine effect of public financial management practices on performance of county governments in Kenya, Mutai, Oketch, Namusonge, and Sakwa (2017) examined the various types of auditor General's audit exceptions. The study that depended on secondary data noted various types of auditor general's queries that were raised. These queries included reduced and unaccounted for revenues, collected revenues that were unbanked, and lack of supporting documents for some of the expenditures (Cheruiyot *et al.*, 2017). Similar to Onyulo (2017), the study by Mutai *et al.*, (2017) failed to elaborate the manner in which the identified auditor General's exception correlated with the financial accountability aspects within the county government.

In south Africa, Mathebula (2016) undertook a study that focused on the role of the audit outcomes on clean municipalities within Limpopo province of the country. The study used literature review and content analysis of secondary materials in order to derive the findings of the study. The study further used deterrence theory to examine the research phenomenon. The study noted that various audit exceptions were identified in the province during audits including unauthorized, irregular, fruitless and wasteful expenditure.

In a study based on the public secondary schools in Makueni, Manei and Omagwa (2019) examined amongst other aspects the diverse audit queries noted by auditor General within secondary schools. The study had used census research design. The study collected the data from structured questionnaire and secondary data. The study found that the audit queries included rent income arrears, institutional creditors, uneven re-allocation of funds, uneven purchase of goods as well as services, misallocation billed expense, overemphasized enrollment, unsupported expense, unutilized financial stimulus task funds, unutilized facilities funds, overpayment of jobs and irregular allowances (Manei & Omagwa, 2019).

Using both primary and secondary data, Samoei (2018) undertook a study that sought to examine the financial performance of ministry of education in Kenya. From the secondary data, the study noted that amongst the noted audit issues within the ministry included unsupported expenditure, and excess expenditure above the budgeted amount. These financial accountability challenges were not unique to the ministry of education but had also been documented at Kenya Agricultural And Livestock Research Organization (Kalro) in a study undertaken by Terer and Ngahu (2017) in Nairobi. Amongst the noted issues by the auditor General's included unsupported expenditure, non-updated bank reconciliation statements, pending bills, and un-surrendered impress warrants.

### **2.3.3 NG CDF Management Attitude Towards Auditor General's Audit Reports and Financial Accountability**

The attitude towards the audit reports can impact on the financial accountability of the public sector bodies (Usman, Sudarma, Habbe, & Said, 2014; Asni, Dali, Dharmawaty, & Syafitri, 2018;Gacar, 2016;Nyaga, 2018). In Indonesia, Usman *et al.*, (2014) undertook a study that amongst other aspects sought to examine the attitude towards the audit reports on the financial accountability aspects. The study used quantitative research method for the data design of the study and collected the data through structured questionnaire. The study found that several attitudinal factors influenced the financial accountability. These aspects included proficiency and expertise in the field of accounting and auditing. The attitude on whether the auditors socialized with the auditees and were approachable was also deemed to affect financial accountability.

The attitude aspects of the auditees towards the audit reports that are provided was examined by Ariga and Gathogo (2016) in a study based on the Nakuru County Government. The study used a five point Likert based structured questionnaire for data collection process. The study found that auditees were uncertain on the objectivity of the audit reports and their independence from political interference. The role of the attitude towards the audit was further examined by Salim (2018) in a study that focused on the effect of public audits on the financial performance amongst coastal governments. The study used a descriptive research design and a target population made of chief officers, directors of accounting services, and head of internal units. The study examine influence of attitude towards the audit on the financial reporting and accountability. The study found that the respondents indicated that the county government largely undertook financial audit reports in an objective manner, audit reports were in compliance with accepted professional ethics, there was trust in public financial audit reports, and the audit reports were free from political considerations (Salim, 2018).

#### **2.3.4 Capacity to Close Auditor General's Queries and Financial Accountability**

The capacity to close the auditor General's queries is key component in the financial accountability levels in public entities. In Nigeria, Muslimat and Hamid (2012) undertook a study that focused on the fraud prevention in the government hospitals in the country. The study noted that one of the challenges facing financial accountability in the government hospitals was that the internal audit queries that were issued were not addressed with the desired seriousness. Data in the study was collected using a structured questionnaire and a survey study approach to achieve its objectives. Contextually similar to Muslimat and Hamid (2012), Dandago (2018) undertook a study in Nigeria that sought to examine transparency and accountability in public financial management with a focus on the Kano State ministry of Finance in the country. The study depended on secondary data to make its conclusions. In this context, Dandago (2018) noted that the ministry of finance had closed the audit queries that had been raised by the Public Accounts Committee (PAC) of the State House of Assembly. Dandago (2018) noted that this was achieved through the finance ministry addressing the queries submitted by PAC regarding 2014 and 2015 prepared financial statements. Contrary to the empirical evidence presented by Dandago (2018) indicating the ministry of Finance of Kano state addressing the audit queries, Amaechi, Amadi, and Nnaji (2018) in a study focusing on the Nigerian legislature noted challenges of audit queries closure. The study was a meta-analysis that found that one of the challenge in enhancing financial accountability within the Nigerian legislature is the outright refusal to answer audit queries on discrepancies in the record of public finances. Nwaobia, Ogundajo, and Theogene (2016) in a study in Nigeria had also noted the need for speedy resolution for all the audit queries in order to enhance the financial accountability aspects.

In a study based in Kenya, Kamau, Kariuki, and Musuya (2017) examined the motivations behind the internal audit whistleblowing. One of the aspects that Kamau *et al.*, (2017) noted as

an issue included affecting the efficiency of the internal audits in enhancing the financial accountability was inaction on the audit queries that are issued. Similar to Kamau *et al.*, (2017), Koigi (2016) had undertaken a study based in Kenya that examined the challenges faced by the office of the auditor General in Kenya. The study used a case study research design and collected data using the interview guide. Koigi (2016) noted that delays in responding to the audit queries by the auditees influenced the efficiency of the auditor General's office in enhancing financial accountability in public bodies.

In a study based in Limpopo province, Mathebula (2016) using information collected from secondary sources examined the challenges faced by the auditees in closing audit queries. The study found that a majority of the auditees failed to correct all the material misstatements identified during the audit process due to unavailability of information and documents to determine amounts as reflected in financial statements.

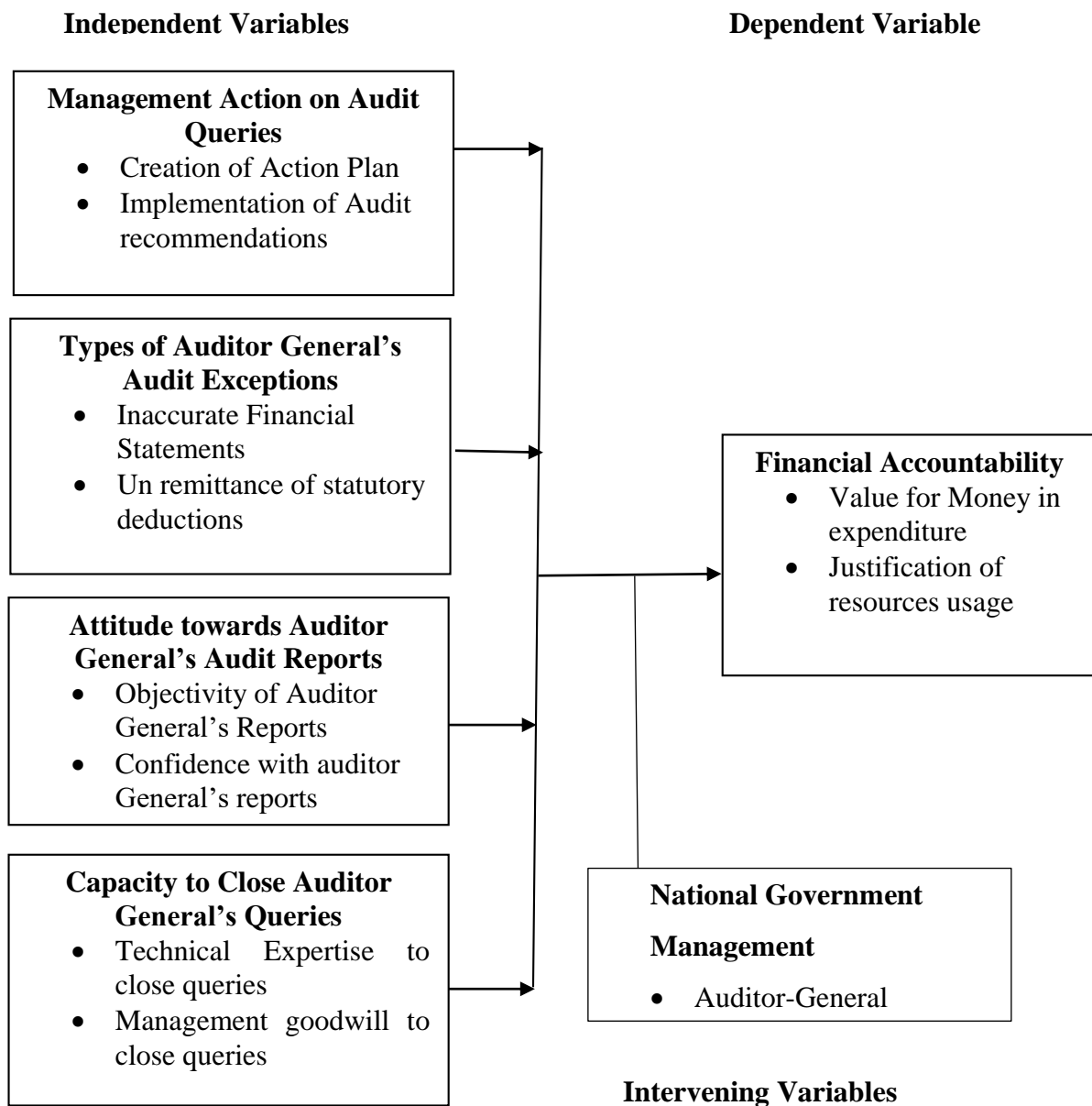
The capacity to close on the audit reports and its influence on the financial accountability was examined by Wadesango *et al.*, (2017) in their theoretical review paper. The theoretical review paper sought to examine challenges faced by the management in the implementation of the audit recommendations. Wadesango *et al.*, (2017) noted that challenges in the closure of the audit reports arise due to financial constraints, staffing challenges, complex issues, Unconvincing and non-specific audit recommendations, and imprecise audit recommendations. Others include non-feasible recommendations and lack of steps being undertaken by the auditors to ensure that audit recommendations are implemented.

## 2.4 Conceptual Framework

The Conceptual framework analyzes the interrelationship between independent variables and the dependent variable of the study. The conceptual framework thus depicts in a diagram the relationship between independent variables on the financial accountability.

**Figure 1**

*Conceptual Framework*



**Source:** Researcher (2022)

## **2.5 Critique of Existing Literature Review Relevant to the Study**

While the study by Marete (2014) examined the influence of the risk based internal audit on financial performance of commercial states in Kenya and found majority of respondents agreed that the audit was necessary thus recommendations were implemented by the management, and risk based annual reports are discussed with management. The study failed to illustrate influence of the management action on the financial accountability of the firms under scope of the study. The study by Wadesango *et al.*, (2017) noted that the management of a public sector body bear the ultimate responsibility in ensuring implementation of the audit recommendations. However, the study didn't illustrate the manner in which such an activity should be undertaken. The study by Kagaba & Mulyungi, (2018) found that the management actions assisted in prevention of errors and frauds, and proving that financial reports provided a true and fair view of the accounts. The study however didn't illustrate which management actions were undertaken to prevent these identified audit exceptions. In Kenya, Mbuti, (2014) found that the audit reports were provided to the highest management levels within Sacco's, and the audit reports enabled the management to prevent risks and losses. The study fails to illustrate the management actions undertaken in order to prevent risks and losses.

The study by Onyulo, (2017) indicated that, there was low financial accountability levels in the public sector bodies within the ministry of environment and natural resources as evidenced by numerous auditor general's queries. The study did not illuminate the nature of the auditor general's queries and the manner in which the specific queries relate to the financial accountability levels in the public sector. The study by Mutai, Oketch, Namusonge, and Sakwa (2017) examined the various types of auditor general's audit exceptions and found that the queries included reduced and unaccounted for revenues, collected revenues that were unbanked, and lack of supporting documents for some of the expenditures. The study doesn't tell the manner in which the identification of these queries led to the enhancement of the

financial accountability aspects. In south Africa, Mathebula, (2016) undertook a study that focused on the role of the audit outcomes on clean municipalities within Limpopo province of the country. The study noted that various audit exceptions were identified in the province during audits including unauthorized, irregular, fruitless and wasteful expenditure. The study doesn't illustrate the manner in which these identified errors lead to the enhanced financial accountability aspects.

The role of the capacity to close auditor General's queries on the financial accountability were examined. In Nigeria, Muslimat and Hamid (2012) undertook a study that focused on the fraud prevention in the government hospitals in the country. The study noted that one of the challenges facing financial accountability in the government hospitals was that the internal audit queries that were issued were not addressed with the desired seriousness. The study however doesn't link the influence of this lack of addressing the audit queries on the financial accountability aspects. Amaechi, Amadi, and Nnaji (2018) in a study focusing on the Nigerian legislature noted challenges of audit queries closure found that one of the challenge in enhancing financial accountability within the Nigerian legislature is the outright refusal to answer audit queries on discrepancies in the record of public finances. The study however didn't link how such refusal impacted on the financial accountability aspects. In a study based in Limpopo province, Mathebula (2016) study found that a majority of the auditees failed to correct all the material misstatements identified during the audit process due to unavailability of information and documents to determine amounts as reflected in financial statements. The study doesn't indicate the manner in which such failure of correction of the material misstatement impacted on the financial accountability aspects.

## **2.6 Summary of the Reviewed Literature**

The types of auditor General's audit exceptions had diverse influence on the financial accountability levels. Onyulo, (2017) indicated that there was low financial accountability



levels in the public sector bodies within the ministry of environment and natural resources as evidenced by numerous auditor General's queries. In a theoretical paper based that sought to examine effect of public financial management practices on performance of county governments in Kenya, Mutai, Oketch, Namusonge, and Sakwa (2017) examined the various types of auditor General's audit exceptions. The study that depended on secondary data noted various types of auditor General's queries that were raised. These queries included reduced and unaccounted for revenues, collected revenues that were unbanked, and lack of supporting documents for some of the expenditures (Cheruiyot *et al.*, 2017). In south Africa, Mathebula (2016) undertook a study that focused on the role of the audit outcomes on clean municipalities within Limpopo province of the country. The study noted that various audit exceptions were identified in the province during audits including unauthorized, irregular, fruitless and wasteful expenditure. In a study based on the public secondary schools in Makueni, Manei and Omagwa (2019) examined amongst other aspects the diverse audit queries noted by auditor General within secondary schools. The study found that the audit queries included rent income arrears, institutional lenders, irregular re-allocation of funds, uneven purchase of goods and services, misallocation billed expense, overstated enrolment, in need of support expense, unutilized economic stimulation task funds, unutilized facilities funds, overpayment of works as well as irregular allocations (Manei & Omagwa, 2019).

The attitude towards auditor General's audit reports in financial accountability were examined by diverse scholars. In Indonesia, Usman *et al.*, (2014) undertook a study that amongst other aspects sought to examine the attitude towards the audit reports on the financial accountability aspects. The study found that several attitudinal factors influenced the financial accountability including proficiency and expertise in the field of accounting and auditing. The attitude aspects of the auditees towards the audit reports that are provided was examined by Ariga and Gathogo (2016) in a study based on the Nakuru County Government. The study found that the

respondents indicated that the county government largely undertook financial audit reports in an objective manner, audit reports were in compliance with accepted professional ethics, there was trust in public financial audit reports, and the audit reports were free from political considerations (Salim, 2018).

The capacity to close the auditor General's queries is key component in the financial accountability levels in public entities. In Nigeria, Muslimat and Hamid (2012) noted that one of the challenges facing financial accountability in the government hospitals was that the internal audit queries that were issued were not addressed with the desired seriousness. Dandago (2018) noted that the ministry of finance had closed the audit queries that had been raised by the Public Accounts Committee (PAC) of the State House of Assembly. Dandago (2018) noted that this was achieved through the finance ministry addressing the queries submitted by PAC regarding 2014 and 2015 prepared financial statements. Contrary to the empirical evidence presented by Dandago (2018) indicating the ministry of Finance of Kano state addressing the audit queries, Amaechi, Amadi, and Nnaji (2018) in a study focusing on the Nigerian legislature noted challenges of audit queries closure.

In a study based in Kenya, Kamau, Kariuki, and Musuya (2017) examined the motivations behind the internal audit whistleblowing. One of the aspects that Kamau *et al.*, (2017) noted as an issue included affecting the efficiency of the internal audits in enhancing the financial accountability was inaction on the audit queries that are issued. Similar to Kamau *et al.*, (2017), Koigi (2016) had undertaken a study based in Kenya that examined the challenges faced by the office of the auditor General in Kenya. The study used a case study research design and collected data using the interview guide. Koigi (2016) noted that delays in responding to the audit queries by the auditees influenced the efficiency of the auditor General's office in enhancing financial accountability in public bodies. The capacity to close on the audit queries

and its influence on the financial accountability was examined by Wadesango *et al.*, (2017) in their theoretical review paper. Wadesango *et al.*, (2017) noted that challenges in the closure of the audit queries arise due to financial constraints, staffing challenges, complex issues, Unconvincing and non-specific audit recommendations, and imprecise audit recommendations. Others include non-feasible recommendations and lack of steps being undertaken by the auditors to ensure that audit recommendations are implemented.

## **2.7 Research Gaps**

Review of empirical studies identified several research gaps that are pertinent in regard to financial accountability in public funds management. Marete (2014) study, based on the risk-based internal audit and financial performance of commercial states in Kenya found that a majority of the respondents were in agreement that the audit recommendations were implemented by the management, and risk-based annual reports are discussed with management. The study however didn't illustrate the influence of this management action on the financial accountability of the firms under scope of the study. Wadesango *et al.*, (2017) undertook a theoretical paper that noted that the management of a public sector body bear the ultimate responsibility in ensuring implementation of the audit recommendations. The study was based on secondary researches and presented methodological gaps which, the current study has filled by undertaking primary research. Onyulo (2017) study on financial reporting indicated that there are low financial accountability levels in the public sector bodies within the ministry of environment and natural resources as evidenced by numerous auditor General's queries. The study doesn't illuminate the nature of the auditor General's queries and the manner in which the specific queries relate to the financial accountability levels in the public sector. While the theoretical paper by Mutai *et al.*, (2017) examined the audit exceptions made, the study failed to elaborate the manner in which the identified auditor General's exception

correlated with the financial accountability aspects within the county government. This study ensured to fill these gaps.

## **CHAPTER THREE**

### **RESEARCH METHODOLOGY**

#### **3.1 Introduction**

The chapter examines the research methodological aspects followed in instrumentation, data collection and data analysis processes. The chapter examine the research design, location of the study, population, sampling techniques and sample size. The study further examine the instrumentation, data collection procedure, data analysis and presentation, and ethical presentation. These research methodological aspects are examined in the ensuing sections.

#### **3.2 Research Design**

The research design of the study is an integral component of the research methodology and is examined in this section. According to Saunders, Lewis, and Thornhill (2009) a research design details the manner in which the researcher will address specific research objectives, source the research data, address constraints faced in data collection and ethical considerations of the study. The research design was thus used in this study in order to give an action plan that was followed in the achievement of the research objectives of the study. The study utilized the descriptive research design. The descriptive study style explains the research sensation as it is on the ground with no control. The descriptive research design was utilized in the study because the researcher sought to examine the influence of the auditor General's reports on the financial accountability in the Njoro NG CDF. The research sought to examine the manner in which various independent variables influence financial accountability of NG CDF at Njoro constituency. The study reported the variables as they were without any manipulation in order to obtain factual information on the financial accountability of the National Government Constituency Development Fund.

### 3.3 Location of the Study

This study was undertaken in Njoro constituency. According to (NG-CDF, 2019b) Njoro is one of the constituencies within Nakuru county. The constituency has four wards that is, Njoro, Mau Narok, Mauche, and Kihigo ward with an approximate area of 713.30 square kilometers (NG-CDF, 2019b). The constituency has an approximately population of 184,859 persons (NG-CDF, 2019b).

### 3.4 Population of the Study

The population of the study entails a set of people with common characteristics that is of interest to the researcher (Little, 2013). The target population of this study was persons that are knowledgeable on the financial accountability of the NG CDF project funds at the Njoro constituency. The target population of this study thus were NG CDF Accounting Officers, NG CDF management committee and the project Coordinators of various projects within Njoro constituency. Thus this study had a target population of 56 members that constitute the NG CDF management and project leaders of various projects. The choice of the target population was informed by these staff having the required information and their ability to provide credible information on the research phenomenon.

**Table 1:**Target Population

<b>Constituency</b>	<b>NG CDF Accounting Officers</b>	<b>NG CDF Management Committee</b>	<b>Project Coordinators</b>
Njoro Constituency	10	30	16

Source: Research Data (2022)

### **3.5 Sampling Technique and Sample Size**

The sampling techniques refers to the process of selecting a smaller group from the target population that is representative of the larger group from which it is drawn in order to administer the data collection instrument to (Wood, 2010). This is usually undertaken due to the logistical challenges, financial and time constraints amongst other challenges (Cooper & Schindler, 2014). In this study, the target population of 56 members is deemed a small population size and thus sampling was not undertaken. The census method in which all the population members are picked was utilized in the study. The census method is also associated with high statistical validity of the results as there are no sampling error challenges that are introduced during sampling stage (Nayak & Singh, 2016).

### **3.6 Instrumentation**

The instrumentation refers to the data collection instrument that were utilized for data collection. This study used a structured questionnaire for the purpose of data collection. A structured questionnaire refers to a series of written questions that the respondent fills in writing and in which the respondents have been given finite response options (Wanjohi, 2014). The structured questionnaire was used in this study because of the advantages associated with its use include high response rate, ease of filling the questionnaire, cost and time efficiency, and ease of analysis using statistical software such as SPSS (Smith, 2018). The structured questionnaire had six subsections with the first section having the demographic or background questions while the rest of the sections had the substantive questions for the variables both the independent and dependent variables. The study utilized the Likert based questions in measuring the substantive aspects of the variables. In this context, a five point Likert scale was utilized with five points that is 1.No Extent, 2.Small Extent, 3.Moderate Extent, 4.Large Extent, and 5.Very Large Extent. Thus the respondents in respect to the variables were asked on the levels in which they agree with certain indicators of the variables.

### **3.6.1 Pilot Study**

The researcher carried out a pilot study before embarking on the main study, intending to ascertain both the reliability and validity of the research instruments. The pilot study was conducted in Rongai Constituency. The pilot study involved collecting data from 20% of the sample respondents (11 respondents) who were randomly selected.

### **3.6.2 Validity of the Research Instrument**

Validity refers to the quality of data gathering instruments or procedures which enable the instruments to measure what it is meant to measure. This is the extent to which the instrument covers the objective of the study (Mugenda & Mugenda; 2003). Since this validity cannot be put into a statistical test, an expert's opinion was sought by the researcher from the University supervisor (Kimberlin & Winterstein, 2008). Only after their successful assessment of the instrument, it was deemed to be valid.

### **3.6.3 Reliability of Research Instrument**

Reliability has been defined as the relative absence of error in an instrument or the accuracy or precision of the instrument. The research instrument can give consistent results after several repeated trials (Mugenda & Mugenda; 2003). The reliability of the instrument was determined by the use of Cronbach alpha. The instrument attained alpha 0.71 and was therefore deemed reliable.

### **3.7 Data Collection Procedure**

The data collection procedure details the steps that were utilized in the collection of data from the field. The data collection process commenced with the securing of data collection authorization from The Kabarak University to proceed to the field. The researcher then applied for the National Commission of Science, Technology and Innovation (NACOSTI) authorization. The NACOSTI authorization is a mandatory government permit for undertaking



of research in the country. The researcher with the NACOSTI authorization then approach the NG CDF management at Njoro to undertake a research using their employees. The researcher then proceeded to administer the questionnaire through a Drop Off and Pick UP (DOPU) method. In this method, the questionnaire were distributed to the respondents and picked at later date that had been agreed upon. This method is associated with a high response rate as the respondents are given sufficient time to respond to the questions.

### **3.8 Data Analysis and Presentation**

The study collected quantitative data and thus the quantitative data analysis methods was utilized in the study. The study used the SPSS software for the data analysis process. The data were cleaned and coded into the SPSS software for the data analysis process. Diverse statistical methods were employed in the study including frequency distribution, correlations and multiple linear regression. The frequency distribution provided the number of respondents who have chosen a specific option within the structured questionnaire. The multiple linear regression were used for checking on the predictive capacity of the independent variable on the dependent variable. The hypothesis testing of the study were undertaken using the t test statistic. The regression model used in this study include;

The regression model that was used is as follows;

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

Where; Y= Financial Accountability at Njoro National Government Constituency  
Development Fund

$\beta_0$  =constant;

$\beta_1, \beta_2, \beta_3$  and  $\beta_4$  = Coefficients of estimates;

$X_1$  = NG CDF Management Actions

$X_2$  = Types of Auditor General's Exceptions

$X_3$  = Attitude towards Auditor General's Reports

$X_4$  = Capacity to Close Auditor General's Queries

$\varepsilon$  is the estimated error of the model

### **3.9 Ethical Considerations**

The ethical considerations relates to the expected conduct while undertaking research process.

The ethical considerations of this study were undertaken through obtaining the authority from NACOSTI for data collection process. The researcher also issued a consent statement to the respondents which guaranteed them that their responses were kept confidential in nature and were only to be utilized for academic purposes only. The study also advised that the respondent's identity were kept anonymous. These ethical considerations were utilized in the study in order to guarantee the privacy and rights of the respondents.

## CHAPTER FOUR

### DATA ANALYSIS, PRESENTATION AND DISCUSSION

#### 4.1 Introduction

This chapter examines the data analysis, presentation and discussion of the findings. The research outcome are expressed in form of tables. The statistics that are being under taken for the study include frequency distributions, correlation analysis and multiple linear regressions. The t statistic has been used in the study for the purposes of hypothesis testing for the study.

##### 4.1.1 Response Rate

The response rate of the study was calculated and the results presented in Table 2 below.

**Table 2:** Response Rate of the Study

	Questionnaires Administered	Questionnaires filled and Returned	Percentage
Respondents	56	49	87.5

Source: Research data (2022)

Out of the 56 respondents selected, 49 responses were obtained back, giving a response rate of 87.5 percentage. Table 2 shows the study response rate. This response turnover was thought to be ample as it surpasses the 80% limit supported for by Bernard (2006) relative to questionnaires. According to Nayak (2016) a high feedback rate is ideal for eliminating non-response bias. A high study response rate therefore is important to ensure results are representative of target sample and that the questionnaire would yield the intended objective hence reliability and validity of the study findings.

##### 4.1.2 Reliability

To measure the reliability of the questionnaire, the Cronbach alpha was used. This was done by subjecting the 11 questionnaires that were randomly selected. All the variables were reliable

since their Cronbach alpha was above 0.7 which was used as a cut-off of reliability for the study as shown in Table 3 below.

**Table 3: Reliability Statistics**

Cronbach's Alpha	Cronbach's Alpha Based on Standardized Items	N of Items
.710	.712	10

## 4.2 Background Information

This part includes demographic information such as the respondent's gender, age, degree of education, job title and tenure length.

### 4.2.1 Respondents Gender

The respondents were asked to indicate their gender. The study findings were as presented in the Table 4

**Table 4: Respondents Gender**

Gender	Frequency	Percentage
Male	34	69.4
Female	15	30.6
<b>Total</b>	<b>49</b>	<b>100</b>

Source: Research data (2022)

According to Table 4, the survey found that males made up 69.4 percent of the respondents, while females made up 30.6 percent. This demonstrates that the study included participants of both genders, with the majority of them being males.

#### 4.2.2 Period in Being Part of NG CDF Officers

Respondents were asked to indicate their working experience with National Government constituency development fund offices. The study findings were as tabulated in the Table 5

**Table 5:** Period in Being Part of NG CDF officers

Age	Frequency	Percentage
Below 5 Years	4	8.2
5-10 Years	6	12.2
Above 10 Years	39	79.6
<b>Total</b>	<b>49</b>	<b>100</b>

Source: Research Data (2022)

As was shown in the table 5, 8.2 percent of the respondents indicated that they had worked in NG CDF office utmost 5 years, 12.2 percent indicated that they have between 5-10 years' work experience, and 79.6 percent have 10 years plus experience in NG CDF office. This shows that majority of respondents have wealth of experience in NG CDF affairs.

#### 4.2.3 Respondents Level of Education

Respondents were asked to specify their Level of qualification; the results of the study are shown in Table 6.

**Table 6:** Level of Education

<b>Level of Education</b>	<b>Frequency</b>	<b>Percentage</b>
Secondary	7	14.3
College	16	32.7
University	22	44.9
Post Graduate	4	8.2
<b>Total</b>	<b>49</b>	<b>100</b>

Source: Research data (2022)

According to Table 6, 44.9 percent of respondents said they had a university education, 32.7 percent said they had a college education, 14.3 percent said they had a secondary school education, and 8.2 percent said their education level was postgraduate education. This indicates that the majority of the study participants had a university education as their greatest level of schooling.

### **4.3 Descriptive Statistics**

The study used structured questionnaire utilizing a five-point likert based scale to measure the variables as latent variables both the independent and the dependent variables. The five-point likert based scale had measurement scales as follows; VSE=Very Small Extent, SE=Small Extent, ME=Moderate Extent, HE=High Extent and VHE=Very High Extent. The descriptive statistics that were examined were the frequency distribution, mean and standard deviation. The frequency distribution was used for the purposes of detailing the prevalence distribution of the responses undertaken in respect to the response options in the structured questionnaire. The mean was utilized for the purposes of providing the average opinion of the respondents in a five-point Likert scale while the mean provided the dispersion of the respondents from the mean.

### 4.3.1 Extent of Agreement on NG CDF Management Action

Respondents were asked to rate how much they agreed with the following assertions about management action. A scale whereby; 1=No extent, 2=small extent, 3=moderate extent, 4=large extent, and 5= very large extent was used. This states that the higher the mean, the greater the level of agreement among respondents, and the lower the mean, the lower the extent of agreement among respondents on a statement. The study findings were as shown in the Table 7.

**Table 7:** NG CDF Management Action

Statements	1	2	3	4	5	Mean	Std Dev
Management creates an action plan for addressing audit queries	0	20	14	11	4	2.980	0.989
Management monitors the implementation of the audit recommendations	4	13	13	12	7	3.102	1.195
Management provides resources for implementation of audit recommendations	5	13	13	17	1	2.918	1.057
Management provides guidance on implementation of audit recommendations	3	14	16	10	6	3.041	1.117
Management discusses the audit queries with the team for determination on way forward	9	12	14	5	9	2.857	1.354

Source: Research data (2022)

As was shown in the Table 7, many of the respondents selected a small extent that; Management creates an action plan for addressing audit queries. The audit recommendations were monitored, as evidenced by a mean of 2.980 and a standard deviation of 0.989, and the audit recommendations were monitored, as evidenced by a mean of 3.102 and a standard deviation of 1.195. The results of this study are similar to those of (Dandago, 2018) and (Abayomi, Sorunke, 2016) who also documented the centrality of the creation of the action plan in dealing with the arising audit queries. The creation of an action plan to address the arising audit queries is key in creating a pathway on how the queries will be addressed, the personnel to address those queries, the timelines for those query addressing, and the accountability pathways (Turetken *et al.*, 2020). Additionally, respondents were on a moderate extent that their management provides resources for implementation of audit recommendations as evidenced by a mean of 2.918 and a standard deviation of 1.057. Management also gives assistance on the implementation of audit recommendations, as evidenced by a mean of 3.041 and a standard deviation of 1.117. The role of the provision of resources in addressing arising audit queries have been picked by diverse scholars including (Abdullah & Mustafa, 2020; Biçer & Feneir, 2019; Rija & Ernesto Rubino, 2018). Amongst the arising aspects in relations to the resources dynamics is sufficiency of resources to address arising audit queries (Abdullah & Mustafa, 2020)(Kafia, 2015) and provision of both human as well as financial resources to deal with arising audit queries (Maryline Akinyi & Odundo, 2018; Souad, 2017). The provision of resources for the addressing of the audit queries is key in ensuring that the audit queries are comprehensively addressed and measures put in place to avoid recurrence of such queries. Amongst the resources that can be provided include the human resources and financial resources that is to be used within the organization in addressing the challenges (Arifin *et al.*, 2018; Okelo & Lagat, 2016). Further respondents indicated on a moderate extent that; management discusses the audit queries with the team for determination on way forward this



was evidenced by a mean of 2.857 and a standard deviation of 1.354. The study findings agree with those of Wadesango, Chinamasa and Mhaka (2017) where Wadesango asserted that management of a public sector body bear the ultimate responsibility in ensuring implementation of the audit recommendations. The discussion of the way forward in respect to the arising issues is key in enhancing the capacity of the organization in dealing with the arising issues and prevention of those issues from reoccurring.

#### 4.3.2 Types of Auditor General’s Audit Exceptions

Respondents were asked to rate their level of agreement with the following statement: to which type of auditor general’s exceptions influence the financial accountability. A scale whereby 1=No extent, 2=small extent, 3=moderate extent, 4=large extent, and 5= very large extent, was used. The study findings were as shown in the Table 8.

**Table 8:** Types of Auditor General’s Audit Exceptions

Statements	1	2	3	4	5	Mean	Std Dev
The type of audit queries determines the timeliness in which they will be addressed	6	16	22	4	1	2.551	0.891
The type of audit queries determines the seriousness in which they will be addressed	3	16	18	9	3	2.857	1.000
Inaccurate financial statements occur frequently at the NG CDF	6	17	10	12	4	2.816	1.185
Operation of irregular bank accounts is a big challenge	9	16	10	11	3	2.653	1.200
No remittance of statutory deductions	2	22	19	6	0	2.592	0.762

Source: Research data (2022)

As was shown in the Table 8, majority of the respondents were on a moderate extent that; the type of audit queries determines the timeliness in which they will be addressed as was shown by a mean of 2.551 and a standard deviation of 0.891, also respondents were moderate that the type of audit queries determines the seriousness in which they will be addressed as was shown by a mean of 2.857 and a standard deviation of 1.000. The impacted of the types of the audit queries and their consequent influence on the timeliness and seriousness in addressing those queries have been noted by (Christopher, 2016), (Effiok *et al.*, 2015) and (Fujianti & Satria, 2020) amongst other scholars. The types of the audit queries have a bearing on how they will be handled based on the gravity of the issues being raised in those audit queries. The audit queries can be considered more grave in nature such as fraud aspects may be given higher considerations and hence focus compared to those not deemed too serious (Effiok *et al.*, 2015)(Christopher, 2016). Also, respondents were on a small extent that inaccurate financial statements occur frequently at the NG CDF as was shown by a mean of 2.816 and a standard deviation of 1.185 also operation of irregular bank accounts is a small challenge as was shown by a mean of 2.653 and a standard deviation of 1. 200.

The issue of inaccurate financial statements found in this study is a phenomenon that has been raised by diverse scholars commenting on creative accounting practices including (Bora & Saha, 2016)(Albeksh, 2019)(Qatawneh & Alqtish, 2017). These authors noted that the creative accounting imparts on the financial performance of the organization through provision of financial statements that are not reflective of the practices on the ground and thus hinders effective decision-making aspects. Further, respondents were also on a small extent that there was no remittance of statutory deductions as was shown by a mean of 2.592 and a standard deviation of 0.762. The study findings agree with those of Terer and Ngahu (2007) they asserted that amongst the noted issues by the auditor General included unsupported expenditure, non-updated bank reconciliation statements, pending bills, and un-surrendered

impress warrants. The challenges of unsupported expenditure as an audit query has also been noted by (Celestin, 2019), (Technische Universität München, 2018), and (*Socio-Economic Audit of the 2010 Constitution of Kenya.*, 2016) in their studies. These issues have the capacity to undermine the financial accountability aspects of the organization as it is not clear on how the funds were utilized.

### 4.3.3 Attitude Towards Auditor General’s Audit Reports

Respondents were asked to rate their level of agreement with the following statement: to attitude towards Auditor General’s Reports influence the financial accountability. A scale whereby 1=No extent, 2=small extent, 3=moderate extent, 4=large extent, and 5= very large extent was used. The study findings were as shown in the Table 9.

**Table 9:** Descriptive Statistics of Auditor General’s Audit Reports Attitude

Statements	1	2	3	4	5	Mean	Std Dev
The NG CDF audit reports are undertaken in an objective manner.	0	20	14	11	4	2.980	0.989
The public financial audit reports are in compliance with the accepted professional ethics.	4	13	13	12	7	3.102	1.195
There is confidence with the NG CDF audit reports	5	13	13	17	1	2.918	1.057
The NG CDF audits provide best practices that can make the financial management better	3	14	16	10	6	3.041	1.117
The auditees are positively receptive of the auditor General’s reports	9	12	14	5	9	2.857	1.354

Source: Research data (2022)

The objectivity of the NG CDF reports was examined in the study and which achieved a mean of 2.980 and standard deviation of 0.989. The issue of the objectivity of audit reports has been examined and raised by diverse scholars such as (Furiady & Kurnia, 2015) as well as (Deab Abid, 2018) who have noted the importance of the objectivity as a professional standards that need be maintained by the auditors. As was shown in the Table 8, majority of the respondents were on a moderate extent that; the NG CDF audits provide best practices that can make the financial management better this was indicated by a mean of 3.041 and a standard deviation of 1.117, also that there is confidence with the NG CDF audit reports this was evidenced by a mean of 2.918 and a standard deviation of 1.057. The confidence levels of the audit reports enhances their acceptability and thereafter undertaking of the requisite action in addressing the arising issues (Njangiru & Ngungu, 2016; Rahim *et al.*, 2020). Also, the respondents were on a moderate extent that the NG CDF audits provide best practices that can make the financial management better this was evidenced by a mean of 3.041 and a standard deviation of 1.117 and that there was a tire between who agreed to a small and moderate extent that the public financial audit reports are in compliance with the accepted professional ethics as was shown by a mean of 3.102 and a standard deviation of 1.195. Further the respondents were on a moderate extent agreement that auditees are positively receptive of the auditor General's reports as was evidenced by a mean of 2.857 and a standard deviation of 1.354. The study findings agree with those of Salim, (2018) he indicated that respondents indicated that the county government largely undertook financial audit reports in an objective manner, audit reports were in compliance with accepted professional ethics, there was trust in public financial audit reports, and the audit reports were free from political considerations.

#### 4.3.4 Capacity to Close Auditor General’s Queries

Respondents were asked to rate their level of agreement with the following statement: to capacity to close auditor General’s queries influence the financial accountability. A scale whereby 1=No extent, 2=small extent, 3=moderate extent, 4=large extent, and 5= very large extent was used. The study findings were as shown in the Table 4.9.

**Table 10:** Descriptive Statistics of Capacity to Close Auditor General’s Queries

Statements	1	2	3	4	5	Mean	Std Dev
The NG CDF has the technical expertise to close the auditor General’s queries	4	13	21	9	2	2.837	0.965
The NG CDF has the required resources to close the auditor General’s queries	6	16	14	10	3	2.755	1.109
The NG CDF management learns from past mistakes to avoid reoccurrence of the same	0	13	22	13	1	3.041	0.789
The NG CDF puts up measures to address the all arising auditor General’s queries	6	17	22	13	1	2.918	0.997
There is sufficient management goodwill to enforce closure of arising matters	1	11	21	12	4	3.143	0.935

Source: Research data (2022)

As was shown in the Table 10, majority of the respondents were on a moderate extent that; the NG CDF has the technical expertise to close the auditor General’s queries as was shown by a mean of 2.837 and a standard deviation of 0.965, also that NG CDF management learns from past mistakes to avoid reoccurrence of the same as was shown by a mean of 3.041 and a

standard deviation of 0.789 additionally the respondents were to a small extent that the NG CDF has the required resources to close the auditor General's queries this was shown by a mean of 2.755 and a standard deviation of 1.109. Respondents also were on a moderate extent that the NG CDF puts up measures to address the all arising auditor General queries, this was shown by a mean of 2.918 and a standard deviation of 0.997, also there was a moderate management goodwill to enforce closure of arising matters as was shown by a mean of 3.143 and a standard deviation of 0.935. The study findings agree with those of Wadesango, (2017) he asserted that challenges in the closure of the audit reports arise due to financial constraints, staffing challenges, complex issues, Unconvincing and non-specific audit recommendations, and imprecise audit recommendations. Others include non-feasible recommendations and lack of steps being undertaken by the auditors to ensure that audit recommendations are implemented (Bora & Saha, 2016; Hussein *et al.*, 2015; Modum *et al.*, 2014).

#### **4.3.5 Financial Accountability Measuring**

Respondents were asked to rate their level of agreement with the following statement: to financial accountability measuring. A scale whereby 1=No extent, 2=small extent, 3=moderate extent, 4=large extent, and 5= very large extent was used. The study findings were as shown in the Table 11

**Table 11:** Descriptive Statistics for Financial Accountability Measuring

Statements	1	2	3	4	5	Mean	Std Dev
Auditor General's audits has prevented wastage of public resources at NG CDF	4	13	21	9	2	2.837	0.965
Auditor General's audits has prevented fraudulent activities in using public resources at NG CDF	6	16	14	10	3	2.755	1.109
The use of financial resources at the NG CDF has led to the achievement of NG CDF objectives	0	13	22	13	1	3.041	0.789
The audit reports have always enabled a justification of the use of resources	6	17	22	13	1	2.918	0.997

Source: Research data (2022)

As was shown in the Table 11, majority of the respondents were on a moderate extent that; the use of financial resources at the NG CDF has led to the achievement of NG CDF objectives as was shown by a mean of 3.041 and a standard deviation of 0.789, also that the audit reports has always enabled a justification of the use of resources as was shown by a mean of 2.918 and a standard deviation of 0.997 additionally, the respondents were on a small extent that auditor General's audits has prevented fraudulent activities in using public resources at NG CDF this was shown by a mean of 2.755 and a standard deviation of 1.109. Lastly, respondents also were neutral that the auditor General's audits have prevented wastage of public resources at NG CDF this was shown by a mean of 2.837 and a standard deviation of 0.965. The study findings agree with those of Kagaba & Mulyungi (2018) the asserted that affirmed that the management of

the Rwanda Revenue Authority makes decisions, recommendations and decisions based on the internal auditor reports.

#### **4.4 Correlational Analysis**

The study undertook the correlational analysis in order to examine the link between the variables in the study. The correlational relationship between the variables were presented in Table 12 below.



**Table 12: Correlational Analysis**

		<b>Management Action</b>	<b>Auditor General's Exceptions</b>	<b>Attitude</b>	<b>Capacity to Close</b>
<b>Management Action</b>	Correlation	1	0.653	0.633	0.602
	Coefficient				
	Sig.(1-tailed)		0.479	0.439	0.335
	N	49	49	49	49
<b>Auditor General's Exceptions</b>	Correlation	0.653	1	0.142	0.037
	Coefficient				
	Sig.(1-tailed)	0	0	0.003	0.002
	N	49	49	49	49
<b>Attitude</b>	Correlation	0.633	0.142	1	0.046
	Coefficient				
	Sig.(1-tailed)	0.002	0.001		0
	N	49	49	49	49
<b>Capacity to Close</b>	Correlation	0.602	0.037	0.046	1
	Coefficient				
	Sig.(1-tailed)	0.002	0	0.001	
	N	49	49	49	49

On the correlation of the study variable, a Pearson moment correlation was conducted. From the finding in the table 12 above, the study found that there was strong positive correlation coefficient between NG CDF financial accountability and auditor General's exception as shown by correlation factor of 0.653. This relationship was found to be statistically significant as the p-value was 0.000 which is less than 0.05. The study discovered a substantial positive

relationship between NG CDF financial accountability and attitude, as evidenced by a correlation coefficient of 0.633 and a p-value of 0.002 (less than 0.05). The study discovered a high positive association between NG CDF financial accountability and the ability to conclude auditors reports, as evidenced by a correlation coefficient of 0.602, which was significant at  $p=0.002$ . Finally, the study discovered a substantial positive relationship between NG CDF financial accountability and management action, as evidenced by a correlation coefficient of 1.00 at 0.000 confidence levels. The findings concur with Doussy and Doussy (2014) who found out that there is strong positive correlation between financial accountability and auditor General’s report in the public sector.

#### 4.5 Regression Analysis

The regression analysis was undertaken in order to provide the predictive influence of the independent variables on the dependent variable. The first set of the results was the model summary which provides the correlation coefficient and the adjusted R square. The results were provided in Table 13 below.

**Table 13:** Model Summary

The study used coefficient of determination to evaluate the model fit.

<b>Model</b>	<b>R</b>	<b>R Square</b>	<b>Adjusted R Square</b>	<b>Std. Error of the Estimate</b>
1	.818 <sup>a</sup>	.669	.652	.37290

a. Predictors: (Constant), Management Action, Auditor General’s Exceptions, Attitude and Capacity to Close audit queries

Source: Researcher (2022)

The adjusted  $R^2$ , also known as the coefficient of multiple determinations, is the percentage of variance in the dependent variable explained by the independent variables individually or collectively. The model yielded an average adjusted coefficient of determination ( $R^2$ ) of 0.652,

implying that 65.2 percent of the NG CDF financial accountability is explained by the independent variables under consideration (NG CDF Management Action, Auditor General’s Audit Exceptions, Attitude towards Auditor General’s Audit Reports and Capacity to close Auditor General’s Queries). This further means that only 34.8% of the variation in the NG CDF financial accountability is explained by moderating variables in the model. The adjusted R square was utilized in the study as opposed to the R square due to its ability to adjust for the upward bias in the estimation of percentage of the variance in the dependent variable due to the independent variables.

The study used the Analysis of Variance (ANOVA) approach to further test the model's significance. Table 14 summarizes the findings.

**Table 14: ANOVA**

<b>Model</b>	<b>Sum of Squares</b>	<b>df</b>	<b>Mean Square</b>	<b>F</b>	<b>Sig.</b>
Regression	0.392	4	0.098	4.083	.001 <sup>b</sup>
1 Residual	1.056	44	0.024		
<b>Total</b>	<b>1.448</b>	<b>48</b>			

a. Dependent Variable: Financial accountability

b. Predictors: (Constant), Management Action, Auditor General’s Exceptions, Attitude and Capacity to Close audit queries

Source: Researcher (2022)

1.96 is the critical value. According to the ANOVA statistics, the review set up the relapse demonstrate had a significance level of 0.1 percent, implying that the data was suitable for drawing conclusions about the population parameters because the assessment of significance (p-value) was less than 5%. The estimated value ( $4.083 < 1.96$ ) was higher than the crucial value, indicating that NG CDF management action, auditor General’s audit exceptions,

attitude towards auditor General’s audit reports and Capacity to close Auditor General’s Queries had a significant influence on financial accountability of NG CDF. The model was significant because the significance value was less than 0.05. In addition, the study model was determined using the coefficient table.

In addition, the study used the coefficient table to determine the study model. The findings are presented in the table 15.

**Table 15:** Regression Coefficients

<b>Model</b>	<b>Unstandardized Coefficients</b>		<b>Standardized Coefficients</b>		
	<b>B</b>	<b>Std.</b>	<b>Beta</b>	<b>t</b>	<b>Sig.</b>
(Constant)	0.176	0.317		0.555	0.592
NG CDF Management Action	0.417	0.096	0.397	4.344	0.000
Auditor General’s Audit Exception	0.596	0.143	0.67	4.168	0.001
Attitude towards Auditor General’s Audit Reports	0.569	0.118	0.394	4.822	0.000
Capacity to close Auditor General’s Queries	0.492	0.122	0.413	4.033	0.003

a. Dependent Variable: Financial accountability

Source: Research data (2022)

The equation ( $Y = \beta_0 + \beta_1X_1 + \beta_2X_2 + \beta_3X_3 + \beta_4X_4 + \varepsilon$ ) becomes:  $Y = 0.176 + 0.417X_1 + 0.596X_2 + 0.569X_3 + 0.492X_4$  according to the SPSS generated output shown in the table above, where  $X_1$ ,  $X_2$ ,  $X_3$ , and  $X_4$  is management action, auditor General’s audit exceptions,

attitude towards Auditor General's Audit Reports and capacity to close Auditor General's Queries respectively.

According to the regression model, a unit increase in NG CDF management action would result in a factor of 0.417 increase in financial accountability; a unit change in auditor general audit exception would result in a factor of 0.596 increase in NG CDF financial accountability; a unit increase in attitude towards auditor General's audit report would result in a factor of 0.569 increase in NG CDF financial accountability and a unit increase in Capacity to close Auditor General's Queries would result in a factor of 0.492 increase in NG CDF financial accountability and vice versa. The study was conducted at a 5% level of significance. The resultant probability value was compared to  $\alpha=0.05$  as a criterion for determining if the predictor variables were significant in the model. The predictor variable was significant if the probability value was less than  $\alpha=0.05$ ; otherwise, it was not. All the predictor variables were significant in the model as their probability values were less than  $\alpha=0.05$ .

The first null hypothesis sought to examine influence of NG CDF management actions about Auditor General's queries on the financial accountability and was stated as follows;

**H<sub>01</sub>:** There is no statistically significant influence of NG CDF management actions about auditor General's queries on financial accountability of Njoro National Constituency Development Fund (NG CDF) in Kenya.

The null hypothesis (H<sub>01</sub>) was rejected since the achieved p value of 0.001 was less than 0.05. As a result, the study finds that NG CDF management actions are linked to financial accountability. Other scholars, such as Marete (2014), Chinamasa (2018), and Mhaka (2017) amongst others, found these findings to be empirically confirmed.

In this context, a study by Wadesango (2017) found that it is management tasks to ensure that proper consideration were undertaken for the audit reports. Wadesango *et al.*, (2017) further noted that the management of a public sector body bear the ultimate responsibility in ensuring

implementation of the audit recommendations. The study further noted that the management of the public bodies did not work in a collaborative manner with the auditors in order to prevent financial frauds. This has a negative impact on financial accountability.

The second null hypothesis suggested that the following sorts of auditor general exceptions have an influence on financial accountability:

**H<sub>02</sub>:** There is no statistically significant influence of types of auditor General's audit exceptions on financial accountability of Njoro National Government Constituency Development Fund (NG CDF) in Kenya

The achieved p value of 0.001 being less than 0.05 led to the rejection of the null hypothesis (**H<sub>02</sub>**). The study thus notes that auditor General's audit exceptions is statistically associated with financial accountability of NG CDF in Kenya. These results are consistent and empirically supported by scholars such as Mutai, Oketch, Namusonge, and Sakwa (2017) and Onyulo (2017) amongst others. Using both primary and secondary data, Samoei (2018) study that sought to examine the financial performance of ministry of education in Kenya noted that amongst the noted audit issues within the ministry included unsupported expenditure, and excess expenditure above the budgeted amount. In respect to this, the study noted that an increase in auditor General's audit exceptions influence financial accountability negatively.

The third null hypothesis sought to examine influence attitude towards auditor General's report on the financial accountability and was stated as follows;

**H<sub>03</sub>:** There is no statistically significant influence of Attitude towards Auditor General's Audit Reports on financial accountability of Njoro NG CDF in Kenya

The achieved p value of 0.001 being less than 0.05 led to the rejection of the null hypothesis (**H<sub>03</sub>**). The study thus notes that attitude towards auditor General's report is statistically associated with financial accountability of NG CDF in Kenya. The results were similar to other

studies that examined the theme. Focusing on county government of Nakuru in Kenya, Salim (2018) study indicated that the respondents indicated that the county government largely undertook financial audit reports in an objective manner, audit reports were in compliance with accepted professional ethics, there was trust in public financial audit reports, and the audit reports were free from political considerations. The study concluded that there was statistically significant influence between attitude towards auditor General's report and financial accountability. (Usman, Sudarma, Habbe, & Said, 2014; Asni, Dali, Dharmawaty, & Syafitri, 2018;Gacar, 2016;Nyaga, 2018) concur to this by establishing a positive influence between attitude towards auditor General's report and financial accountability.

The fourth hypothesis sought to examine influence of capacity to close auditor General's queries on the financial accountability and was stated as follows;

**H<sub>04</sub>:** There is no statistically significant influence of capacity to close auditor General's queries on financial accountability of Njoro NG CDF in Kenya

The achieved p value of 0.001 being less than 0.05 led to the rejection of the null hypothesis (**H<sub>04</sub>**). The study thus notes that capacity to close auditor General's queries is associated with financial accountability of NG CDF in Kenya. These results are empirically similar to those found by other studies. In a study undertaken in Nigerian government hospitals, Muslimat and Hamid (2012) concluded that capacity to close the auditor General's queries is key component in the financial accountability levels in public entities. Similar to Muslimat and Hamid (2012), Dandago (2018) in a study at Kano State ministry of Finance in Nigeria had found that the ministry of finance had closed the audit queries that had been raised by the Public Accounts Committee (PAC) of the State House of Assembly. The study had noted that this was achieved through the finance ministry addressing the queries submitted by PAC regarding 2014 and 2015 prepared financial statements. In Kenya, Kamau, Kariuki, and Musuya (2017), Mzuzu

(2016) One of the aspects that Kamau *et al.*, (2017) noted as an issue included affecting the efficiency of the internal audits in enhancing.



## **CHAPTER FIVE**

### **SUMMARY, CONCLUSION AND RECOMMENDATIONS**

#### **5.1 Introduction**

This is the last chapter of the study that examine the summary of the findings, conclusions and recommendations of the study. The study sought to examine; influence of auditor General's report on financial accountability in NG CDF with a survey of Njoro constituency. To achieve the objectives of the study, influence of management action, types of auditor General's audit exceptions, attitude towards auditor General's reports and capacity to close auditor General's queries of Njoro NG CDF in Kenya, was examined.

#### **5.2 Summary of the Findings**

Respondents were asked to indicate the extent to which they agreed with the listed statements relating to management action. A scale whereby; 1=No extent, 2=small extent, 3=moderate extent, 4=large extent, and 5= very large extent was used. This stipulates that the higher the mean the higher the respondent's extent of agreement and that the lower the mean the lower the respondent's extent of agreement on a statement.

##### **5.2.1 Extent of Agreement on NG CDF Management Action**

The study collected data from 56 respondents and achieved a sample size of 87.5% which was deemed adequate for the study. The study found that 69.4 percent of the respondents were males whereas 30.6 percent of the respondents were female. The study further found that a majority of the respondents has over 10 years' experience in the NG CDF office. The study further found that 44.9 percent of the respondents indicated that they had university education, 32.7 percent of the respondents indicated that they had college education, 14.3 percent indicated that they had secondary school education and 8.2 percent of the respondents indicated that their education level was postgraduate education. This shows that most of the respondents involved in the study had university education as their Level of education.

The study found that majority of the respondents were on a small extent that; Management creates an action plan for addressing audit queries this was shown by a mean of 2.939 and a standard deviation of 0.988, and that monitoring the implementation of the audit recommendations was done this was shown by a mean of 2.653 and a standard deviation of 0.830. Additionally, respondents were on a moderate extent that their management provides resources for implementation of audit recommendations as was evidenced by a mean of 2.694 and a standard deviation of 1.004, also that management provides guidance on implementation of audit recommendations as was indicated by a mean of 2.408 and a standard deviation of 0.998.

Further respondents indicated on a moderate extent that; management discusses the audit queries with the team for determination on way forward this was evidenced by a mean of 2.694 and a standard deviation of 1.045.

### **5.2.2 Types of Auditor General's Audit Exceptions**

The study found that the respondents were on a moderate extent that; the type of audit queries determines the timeliness in which they will be addressed as was shown by a mean of 2.551 and a standard deviation of 0.891, also respondents were moderate that the type of audit queries determines the seriousness in which they will be addressed as was shown by a mean of 2.857 and a standard deviation of 1.000. Also, respondents were on a small extent that inaccurate financial statements occur frequently at the NG CDF as was shown by a mean of 2.816 and a standard deviation of 1.185 also operation of irregular bank accounts is a small challenge as was shown by a mean of 2.653 and a standard deviation of 1.200. Further, respondents were also on a small extent that there was no remittance of statutory deductions as was shown by a mean of 2.592 and a standard deviation of 0.762.

### **5.2.3 Attitude Towards Auditor General's Audit Reports**

The study majority of the respondents were on a moderate extent that; the NG CDF audits provide best practices that can make the financial management better this was indicated by a mean of 3.041 and a standard deviation of 1.117, also that there is confidence with the NG CDF audit reports this was evidenced by a mean of 2.918 and a standard deviation of 1.057. Also, the respondents were on a moderate extent that the NG CDF audits provide best practices that can make the financial management better this was evidenced by a mean of 3.041 and a standard deviation of 1.117 and that there was a tire between who agreed to a small and moderate extent that the public financial audit reports are in compliance with the accepted professional ethics as was shown by a mean of 3.102 and a standard deviation of 1.195. Further the respondents were on a moderate extent agreement that auditees are positively receptive of the auditor General's reports as was evidence by a mean of 2.857 and a standard deviation of 1.354. The study findings agree with those of Salim, (2018) he indicated that respondents indicated that the county government largely undertook financial audit reports in an objective manner, audit reports were in compliance with accepted professional ethics, there was trust in public financial audit reports, and the audit reports were free from political considerations.

### **5.2.4 Capacity to Close Auditor General's Queries**

The majority of the respondents were on a moderate extent that; the NG CDF has the technical expertise to close the auditor General's queries as was shown by a mean of 2.837 and a standard deviation of 0.965, also that NG CDF management learns from past mistakes to avoid reoccurrence of the same as was shown by a mean of 3.041 and a standard deviation of 0.789 additionally the respondents were to a small extent that the NG CDF has the required resources to close the auditor General's queries this was shown by a mean of 2.755 and a standard deviation of 1.109. Respondents also were on a moderate extent that the NG CDF puts up measures to address the all arising auditor General's queries, this was shown by a mean of

2.918 and a standard deviation of 0.997, also there was a moderate management goodwill to enforce closure of arising matters as was shown by a mean of 3.143 and a standard deviation of 0.935.

### **5.2.5 Financial Accountability Measuring**

The majority of the respondents were on a moderate extent that; the use of financial resources at the NG CDF has led to the achievement of NG CDF objectives as was shown by a mean of 3.041 and a standard deviation of 0.789, also that the audit reports has always enabled a justification of the use of resources as was shown by a mean of 2.918 and a standard deviation of 0.997 additionally, the respondents were on a small extent that auditor General's audits has prevented fraudulent activities in using public resources at NG CDF this was shown by a mean of 2.755 and a standard deviation of 1.109. Lastly, respondents also were neutral that the auditor General's audits have prevented wastage of public resources at NG CDF this was shown by a mean of 2.837 and a standard deviation of 0.965.

### **5.3 Conclusions of the Study**

The study had four objectives that were being considered. In respect to analyze influence of NG CDF management actions about auditor General's queries on financial accountability of Njoro NG CDF in Kenya, the study found a statistically significant relationship between the variables.

The second objective sought to evaluate influence of types of auditor General's exceptions on the financial accountability. The study concluded that auditor General's audit exceptions is statistically associated with financial accountability of NG CDF in Kenya.

The third objective was on the examination of influence of attitude towards auditor General's report on the financial accountability. The study found that the auditor General's attitude towards audit reports is statistically associated with financial accountability of NG CDF in Kenya.

The fourth objective sought to assess influence of capacity to close auditor General's queries on the financial accountability. The study concluded that capacity to close auditor General's queries is associated with financial accountability of NG CDF in Kenya.

#### **5.4 Recommendations of the Study**

The study recommended that NG CDF should observe objectivity in taking management action in order to improve financial accountability of the constituencies, based on the study finding. Amongst the aspects that the NG CDF officers should observe, include, elimination of the conflict of interest in the drawing of the financial reports. The study further recommended that the NG CDF should maintain a positive attitude towards auditing reports and auditor General's report, since good attitude brings positive results. Finally, NG CDF offices should be provided with adequate resources by the National government, to enable them have the capacity to close auditor General's queries, as indicated by the study findings.

#### **5.5 Areas for Further Research**

Moreover, further research should be carried out to investigate the moderating role of other variables on the relationship between Auditor General's Audit report implementation practices and NG CDF performance.

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## APPENDIX I: CONSENT STATEMENT

I am a student at The Kabarak University undertaking a study on “**Influence of Auditor General’s Report on Financial Accountability of National Government Constituency Development Fund: A Case Study of Njoro Constituency**” to be presented to the Institute of Postgraduate Studies of Kabarak University. The study is undertaken as part of the course requirements for a Masters of Business Administration (Accounting) degree at Kabarak University.

The purpose of this letter is to request for your participation in the study. Kindly do fill in the attached questionnaire to the best of your ability. Your identity will be kept anonymous in nature and your responses will be treated with the utmost confidentiality. The collected data will be utilized for academic purposes only.

I take this earliest opportunity to thank you for participation in the study. Do not hesitate to contact the undersigned in case of need for further clarifications.

Yours’ Sincerely,



Stanley Kibiwott



2.	Management provides resources for implementation of audit recommendations					
3.	Management provides guidance on implementation of audit recommendations					
4.	Management discusses the audit queries with the team for determination on way forward					

### **Part C: Types of Auditor General’s Audit Exceptions**

This section examines influence of types of auditor General’s audit exceptions on the financial accountability of the Njoro NG CDF. Indicate the extent to which type of auditor General’s exceptions influence the financial accountability at Njoro NG CDF using the following Likert scale whereby; 1=No extent, 2=small extent, 3=moderate extent, 4=large extent, and 5= very large extent.

No	<i>To what extent do you agree that;</i>	1	2	3	4	5
1.	The type of audit queries determines the timeliness in which they will be addressed					
2.	The type of audit queries determines the seriousness in which they will be addressed					
3.	Inaccurate financial statements occur frequently at the NG CDF					
4.	Operation of irregular bank accounts is a big challenge					
5.	Un-remittance of statutory deductions					

### **Part D: Attitude Towards Auditor General’s Audit Reports**

This section examines the attitude towards Auditor General’s Reports on the financial accountability of the Njoro NG CDF. Indicate the extent to which type of auditor General’s

exceptions influence the financial accountability at Njoro NG CDF using the following Likert scale whereby; **1=No extent, 2=small extent, 3=moderate extent, 4=large extent, and 5=very large extent.**

No	<i>To what extent do you agree that;</i>	1	2	3	4	5
1.	The NG CDF audit reports are undertaken in an objective manner.					
2.	The public financial audit reports are in compliance with the accepted professional ethics.					
3.	There is confidence with the NG CDF audit reports					
4.	The NG CDF audits provide best practices that can make the financial management better					
5.	The auditees are positively receptive of the auditor General's reports					

#### **Part E: Capacity to Close Auditor General's Queries**

This section examines the attitude towards Auditor General's Reports on the financial accountability of the Njoro NG CDF. Indicate the extent to which type of auditor General's exceptions influence the financial accountability at Njoro NG CDF using the following Likert scale whereby; 1=No extent, 2=small extent, 3=moderate extent, 4=large extent, and 5= very large extent.

No	<i>To what extent do you agree that;</i>	1	2	3	4	5
1.	The NG CDF has the technical expertise to close the auditor General's queries					
2.	The NG CDF has the required resources to close the auditor General's queries					

3.	The NG CDF management learns from past mistakes to avoid reoccurrence of the same					
4.	The NG CDF puts up measures to address the all arising auditor General's queries					
5.	There is sufficient management goodwill to enforce closure of arising matters					

### **Part F: Financial Accountability**

This section contains statements measuring financial accountability measure of the Njoro NG CDF management in Kenya. Indicate the extent to which the indicated financial accountability measures are achieved using the five-point likert scale whereby; **1=No Extent, 2=Small Extent, 3=Moderate Extent, 4=Large Extent, And 5= Very Large Extent.**

No	To what extent do you agree that;	1	2	3	4	5
1.	Auditor General's audits has prevented wastage of public resources at NG CDF					
2.	Auditor General's audits has prevented fraudulent activities in using public resources at NG CDF					
3.	The use of financial resources at the NG CDF has led to the achievement of NG CDF objectives					
4.	The audit reports have always enabled a justification of the use of resources					

**Thank you**

## APPENDIX III: University Authorization



### BOARD OF POST GRADUATE STUDIES

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2<sup>nd</sup> September, 2020

The Director General  
National Commission for Science, Technology & Innovation (NACOSTI)  
P.O. Box 30623 – 00100  
NAIROBI

Dear Sir/Madam,

#### **RE: STANLEY KIBIWOTT – GMB/NE/0200/01/18**

The above named is a candidate at Kabarak University pursuing Master's degree in Business Administration (Accounting). He is carrying out a research entitled "*The Influence of Auditor General's Report on Financial Accountability among Constituency Development Fund: A Case of Njoro Constituency*". He has defended his proposal and has been authorised to proceed with field research.

The information obtained in the course of this research will be used for academic purposes only and will be treated with utmost confidentiality.

Please provide the student with a research permit to enable him to undertake the research.

Thank you.

Yours faithfully,



**Dr. Wilson O. Shitandi**  
**DIRECTOR, INSTITUTE OF POST GRADUATE STUDIES**



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#### **Kabarak University Moral Code**

*As members of Kabarak University family, we purpose at all times and in all places, to set apart in one's heart, Jesus as Lord. (1 Peter 3:15)*



Kabarak University is ISO 9001:2015 Certified

## APPENDIX IV: NACOSTI Authorization

 <b>REPUBLIC OF KENYA</b>	 <b>NATIONAL COMMISSION FOR SCIENCE, TECHNOLOGY &amp; INNOVATION</b>
Ref No: <b>846250</b>	Date of Issue: <b>13/September/2020</b>
<b>RESEARCH LICENSE</b>	
	
<b>This is to Certify that Mr., Stanley Kibiwott Kiptarus of Kabarak University, has been licensed to conduct research in Nakuru on the topic: The Influence of Auditor General's Report on Financial Accountability Among Constituency Development Fund: A Case Study of Njoro Constituency for the period ending : 13/September/2021.</b>	
License No: <b>NACOSTI/P/20/6597</b>	
<b>846250</b> Applicant Identification Number	 Director General <b>NATIONAL COMMISSION FOR SCIENCE, TECHNOLOGY &amp; INNOVATION</b>
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## APPENDIX V: Publication

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### Influence of Constituency Development Fund Management Actions about Auditor General' s Report on Financial Accountability of Njoro Constituency Development Fund in Kenya

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#### ABSTRACT:

The Auditor general plays a critical role in the audit of public finances including the National Government Constituency Development Fund. Public Finance Act requires that at the end of each financial year the Constituency Development Fund shall prepare financial statements. The audit of the financial statements of the Constituency Development Fund is critical in ensuring that there is financial accountability in the usage of financial resources and the achievement of objectives of the Constituency Development Fund. This study examined influence of CDF management actions about the auditor general's report on financial accountability of Njoro Constituency Development Fund (CDF) in Kenya. The study was based on the descriptive research design. The target population of this study were the CDF Accounting officers, management committee and the project coordinators of various projects within Njoro constituency. Thus, this study had a target population of 56 members that constitute the 10 CDF Accounting Officers, 30 Constituency Development Fund management committee and 16 project coordinators of various projects. Reliability of the questionnaires was tested using Cronbach's Alpha test of internal consistency. The results indicated that CDF management action significantly influence financial accountability ( $\beta=0.417$ ;  $p<0.05$ ). Therefore, it can be deduced that a unit increase in CDF management action would lead to an increase in financial accountability by a factor of 0.417. The study concludes that CDF management actions on auditor general queries significantly influence financial accountability of Njoro Constituency Development Fund (CDF) in Kenya. The study recommended that CDF should observe objectivity in taking management action to improve financial accountability of the constituencies. Amongst the aspects that the CDF officers should observe, include, elimination of the conflict of interest in the drawing of the financial reports. Moreover, further research should be carried out to investigate the moderating role of other variables on the relationship between Auditor General Audit report implementation practices and CDF performance.

**Keywords:** CDF Management Action, Attitude towards Auditor General Audit Reports, Financial Accountability.

## 1.0 INTRODUCTION

Provision of sound and transparent financial information in public institutions is important for development of any nation. In order to achieve the financial accountability within the public sectors, auditing processes was undertaken, and audited reports provided. According to Ogbaisi and Asenuga (2018) auditing referred to the systematic and independent of financial records of an organization in order to examine on how the financial statements and disclosures presented a true and fair view of the concern.

The use of the auditor general reports for establishing the financial accountability of public sector entities is practised in global arena. In India, Government of Rajasthan., (2016) noted that the constitution in the country established the Comptroller and Auditor General of India with the authority to audit government institutions and ensured financial accountability. In Canada, the auditor general provided the financial information necessary for ensuring financial accountability amongst the state corporations. In Zimbabwe, the office of the Auditor General was presented with the task of ensuring financial accountability amongst the public sector entities. In this context, (Matamande, 2016) noted that the office of the auditor general was charged with auditing and ensuring best practices in financial management aspects in public sector.

Within the public sector, the auditor general was the public official responsible for auditing the public entities within a country (Kagaba & Mulyungi, 2018). The auditor general then presented the auditor general reports on a periodic basis to various stakeholders. This study examined influence of management actions on auditor general queries, audit exceptions, audit reports and capacity to close auditor general queries on the financial accountability among Njoro Constituency Development Fund (CDF) in Kenya.

The auditor general reports on CDF management typically constitute seven components that is key constituency information and management, statement of constituency management responsibilities, and statement of receipts and payments. Other components include statement of financial assets and liabilities, summary statement of appropriation, significant accounting policies, and notes to the financial statement. The auditor general report of the Njoro constituency demonstrate various financial accountability challenges. These challenges include inaccurate financial statements which showed a discrepancy of Ksh 822,829.60 in respect to the statement of receipts and payments as checked against sum of individual expenditure items for the financial year 2015/2016 (NG-CDF, 2019).

### 1.1 The problem

The National Government Constituency Development funds plays a significant role in the social economic development of constituencies. According to NG-CDF (2019a), the mandate of the NG CDF is to address socio-economic development of the people at the constituency level in order to reduce poverty and enhance regional equity. The achievement of the NG CDF mandate is subject to the prudent utilization of financial resources allocated to the institutions. To ensure there is financial accountability in the fund's expenditure, the financial books of NG CDF are meant by law to be audited by the auditor general. In this context, section 81(1) of the Public Finance Act of 2012 required that at the end of each financial year the CDF should prepare financial statements (Koigi, 2016). The management of the CDF should be submitted to the auditor general subject to the provisions of section 47 of the public audit act of 2015. The auditor general should audit the financial statements of the CDF subject to section 48 of the public audit of 2015 and article 229(7) of the constitution. The audit of the financial statements of the CDF is critical in ensuring that there is financial accountability in the usage of financial resources and the achievement of objectives of the CDF fund. However, there were diverse noted financial accountability challenges in the Njoro constituency. In the 2015/2016 financial year, for instance, the noted financial accountability challenges include inaccurate financial statements of which a variance of Ksh 822, 829.60 was not explained; There were noted anomalies in the funding of mock examination, operation of irregular bank accounts, and unremitted statutory deductions (NG-CDF, 2019a). This study examined the manner in which the auditor general report influences financial accountability of NG CDF in Njoro Constituency. The study was guided by closure of auditor general queries, auditor general audit recommendations, attitudes towards public financial audit reports, and enforcement capacity on the arising issues from auditor general audit report on the financial accountability of NG CDF of Njoro Constituency.

### 1.2 Objectives

- (i) To determine influence of CDF management actions about the auditor general's report on financial accountability of Njoro Constituency Development Fund (CDF) in Kenya

## 2.0 LITERATURE REVIEW

### 2.1 Management Action on Audit Queries and Financial Accountability

The management action on the audit queries helped the public sector organizations to achieve financial accountability performance. The role of management action on the audit reports were further examined in Ghana by Ankrah (2016) in a study examining the influence of internal audit towards financial accountability. The study used a mixed methodology approach in the study in which the data was collected using interviews, questionnaires and secondary data obtained from reports. The study found that the management action influenced financial accountability in various ways. Ankrah (2016) noted that management supports financial accountability through taking interest on the raised issues and facilitates the implementation of the recommendations that were made.

In Kenya, Marete (2014) undertook a study that sought to examine the influence of the risk based internal audit and financial performance of commercial states in Kenya. The study evaluated the role of management action towards audit reports and its influence on the financial performance. The study adopted a descriptive survey research, and structured questionnaires for the data collection processes. The study found that a majority of the respondents were in agreement that the audit recommendations were implemented by the management, and risk based annual reports are discussed with management (Marete, 2014). The study however didn't illustrate the influence of this management action on the financial accountability of the firms under scope of the study.

Furthermore, Mbuti (2014) examined the role of internal auditing on the financial performance of the Sacco within Murang'a county. The study utilized a descriptive research design and target population made of Sacco officials. The study further used structured questionnaire for the data collection purposes. The study found that the audit reports were provided to the highest management levels within Sacco's, and the audit reports enabled the management to prevent risks and losses. These aspects thus lead to the improvement of the financial accountability of the Sacco's.

The role of the management action in the implementation of the audit queries was examined in a theoretical paper by Wadesango, Chinamasa, Mhaka, & Wadesango (2017) in their study. Wadesango et al., (2017) study found that its management tasks to ensure that proper consideration were undertaken for the audit reports. Wadesango et al., (2017) further noted that the management of a public sector body bear the ultimate responsibility in ensuring implementation of the audit recommendations. The study further noted that the management of the public bodies should work in a collaborative manner with the auditors in order to prevent financial frauds.

### 2.2 Conceptual Framework

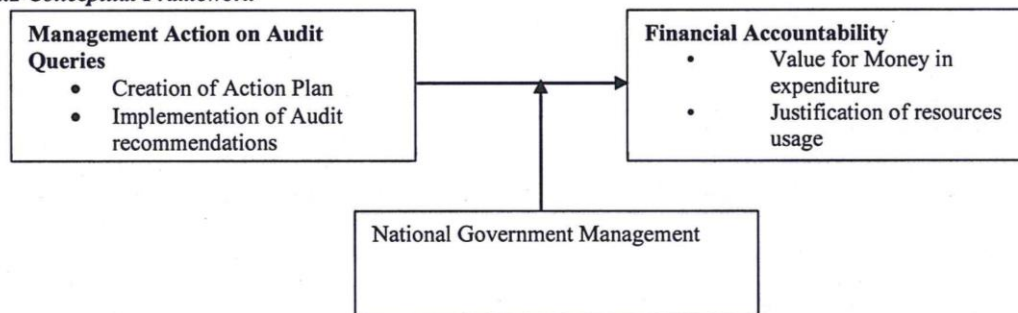


Figure 1: Conceptual framework

## 3.0 METHODOLOGY

The study utilized the descriptive research design. According to Nayak (2016) the descriptive research design describes as accurately as possible the opinions, beliefs, feelings and attitudes of a group of people about a research phenomenon. The descriptive research design was utilized for this study. The descriptive research design describes the research phenomenon as it is on the ground without any manipulation.

### 3.1 Target Population

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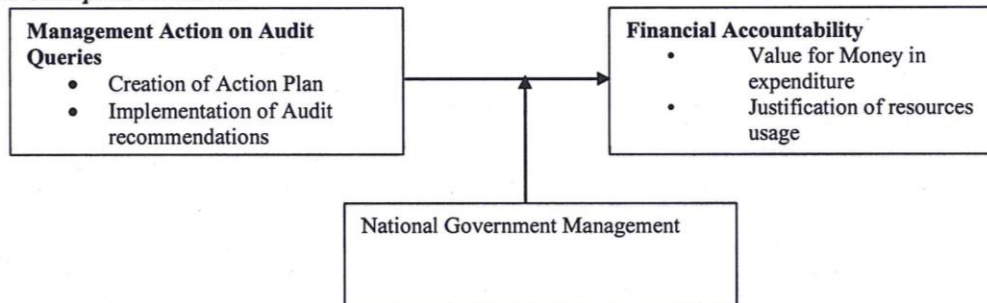


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### 3.1 Target Population

The target population of this study thus were CDF Accounting Officers, CDF management committee and the project Coordinators of various projects within Njoro constituency. Thus, this study had a target population of 56 members that constitute the CDF management and project leaders of various projects.

**Table 1: Target Population**

Constituency	CDF Accounting Officers	CDF Management Committee	Project Coordinators
Njoro Constituency	10	30	16

Source: Research Data (2020)

### 3.2 Sample Size and Sampling Technique

In this study, the target population of 56 members is deemed a small population size and thus sampling was not undertaken. The census method in which all the population members are picked was utilized in the study. The census method is also associated with high statistical validity of the results as there are no sampling error challenges that are introduced during sampling stage (Nayak & Singh, 2016).

### 3.3 Instrumentation

This study used a structured questionnaire for the purpose of data collection. A structured questionnaire refers to a series of written questions that the respondent fills in writing and in which the respondents have been given finite response options (Wanjohi, 2014).

## 4.0 RESULTS

### 4.1 Descriptive analysis on CDF Management Action

An analysis to determine influence of CDF management actions about the auditor general's report on financial accountability of Njoro Constituency Development Fund (CDF) in Kenya was done. findings are shown in Table 2.

**Table 1: CDF Management Action**

Statements	1	2	3	4	5	Mean	Std Dev
Management creates an action plan for addressing audit queries	0	20	14	11	4	2.980	0.989
Management monitors the implementation of the audit recommendations	4	13	13	12	7	3.102	1.195
Management provides resources for implementation of audit recommendations	5	13	13	17	1	2.918	1.057
Management provides guidance on implementation of audit recommendations	3	14	16	10	6	3.041	1.117
Management discusses the audit queries with the team for determination on way forward	9	12	14	5	9	2.857	1.354

As can be seen in Table 2, majority of the respondents were on a small extent that; Management creates an action plan for addressing audit queries this was shown by a mean of 2.939 and a standard deviation of 0.988, and that monitoring the implementation of the audit recommendations was done this was shown by a mean of 2.653 and a standard deviation of 0.830. The results of this study are similar to those of Abayomi and Sorunke (2016) who also documented the centrality of the creation of the action plan in dealing with the arising audit queries. The creation of an action plan to address the arising audit queries is key in creating a pathway on how the queries will be addressed, the personnel to address those queries, the timelines for those query addressing, and the accountability pathways (Tureken et al., 2020) Abayomi, Sorunke, 2016; et al., 2018). Additionally, respondents were on a moderate extent that their management provides resources for implementation of audit recommendations as was shown by a mean of 2.694 and a standard deviation of 1.004, also that management provides guidance on implementation of audit recommendations as was indicated by a mean of 2.408 and a standard deviation of 0.998.

The role of the provision of resources in addressing arising audit queries have been picked by diverse scholars including (Abdullah & Mustafa, 2020; Biçer & Feneir, 2019; Rija & Ernesto Rubino, 2018). Amongst the arising aspects in relations to the resources dynamics is sufficiency of resources to address arising audit queries and provision of both human as well as financial resources to deal with arising audit queries (Maryline & Odundo, 2018; Souad, 2017). The provision of resources for the addressing of the audit queries is key in ensuring that the audit queries are comprehensively addressed, and measures put in place to avoid recurrence of such queries. Amongst the resources that can be provided include the human resources and financial resources that is to be used within the organization in addressing the challenges (Arifin et al., 2018; Okelo & Lagat, 2016). Further respondents indicated on a moderate extent that; management discusses the audit queries with the team for determination on way forward this was shown by a mean of 2.694 and a standard deviation of 1.045. The study findings agree with those of Wadesango, Chinamasa and Mhaka (2017) where they asserted that management of a public sector body bear the ultimate responsibility in ensuring implementation of the audit recommendations. The discussion of the way forward in respect to the arising issues is key in enhancing the capacity of the organization in dealing with the arising issues and prevention of those issues from reoccurring.

#### 4.2 An analysis of Financial Accountability

Respondents were asked to indicate their extent of agreement on the listed statement relating to financial accountability measuring. A scale whereby 1=No extent, 2=small extent, 3=moderate extent, 4=large extent, and 5= very large extent. was used. The study findings were as shown in the Table 3

**Table 4.1 Financial Accountability**

Statements	1	2	3	4	5	Mean	Std Dev
Auditor general audits has prevented wastage of public resources at CDF	4	13	21	9	2	2.837	0.965
Auditor general audits has prevented fraudulent activities in using public resources at CDF	6	16	14	10	3	2.755	1.109
The use of financial resources at the CDF has led to the achievement of CDF objectives	0	13	22	13	1	3.041	0.789
The audit reports have always enabled a justification of the use of resources	6	17	22	13	1	2.918	0.997

As was shown in the Table 3, majority of the respondents were on a moderate extent that; the use of financial resources at the CDF has led to the achievement of CDF objectives as was shown by a mean of 3.041 and a standard deviation of 0.789, also that the audit reports has always enabled a justification of the use of resources as was shown by a mean of 2.918 and a standard deviation of 0.997 additionally, the respondents were on a small extent that auditor general audits has prevented fraudulent activities in using public resources at CDF this was shown by a mean of 2.755 and a standard deviation of 1.109. Lastly, respondents also were neutral that the auditor general audits have prevented wastage of public resources at CDF this was shown by a mean of 2.837 and a standard deviation of 0.965. The study findings agree with those of Kagaba & Mulyungi (2018) the asserted that affirmed that the management of the Rwanda Revenue Authority makes decisions, recommendations and decisions based on the internal auditor reports.

#### 4.2 Regression Analysis on the Influence of teacher related factors on Effective Syllabus Coverage

The Table 4 shows the influence of each of independent variable on the Dependent Variable.

**Table 4.2 Regression Coefficients**

Model	Unstandardized Coefficients		Standardized Coefficients		
	B	Std.	Beta	t	Sig.
(Constant)	0.176	0.317		0.555	0.592
CDF Management Action	0.417	0.096	<b>0.397</b>	4.344	<b>0.000</b>

The study revealed that CDF management action significantly influence financial accountability ( $\beta=0.417$ ;  $p<0.05$ ). Therefore, it can be deduced that a unit increase in CDF management action would lead to an increase in financial accountability by a factor of 0.417.

### 4.3 Conclusions

The study concludes that CDF management actions on audit general queries significantly influence financial accountability of Njoro Constituency Development Fund (CDF) in Kenya.

### 5.0 Recommendations and Areas for further study

The study recommended that CDF should observe objectivity in taking management action in order to improve financial accountability of the constituencies. Amongst the aspects that the CDF officers should observe, include, elimination of the conflict of interest in the drawing of the financial reports. Moreover, further research should be carried out to investigate the moderating role of other variables on the relationship between Auditor General Audit report implementation practices and CDF performance.

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