

**EFFECT OF VALUE FOR MONEY AUDITING ON PUBLIC SECTOR
ACCOUNTABILITY IN KENYA**

BY

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DECLARATION

“I declare that the work in this dissertation proposal is a product of my personal initiative. It has not been previously published or submitted elsewhere for award of a degree. Also material written or published by other people adopted in this study has been referenced and duly acknowledged”

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TABLE OF CONTENTS

Contents

ACKNOWLEDGEMENTS	i
TABLE OF CONTENTS	ii
DEDICATION	v
LIST OF TABLES	vi
LIST OF FIGURES	vii
LIST OF ABBREVIATIONS	viii
DEFINATION OF TERMS	ix
ABSTRACT	xi
CHAPTER ONE	1
1.0. INTRODUCTION	Error! Bookmark not defined.
1.1.0. Background to the Study	1
1.1.1. Public Accountability	7
1.2. Statement of the Problem	9
1.3. Objective of the Study	10
1.3.0. General Objective	10
1.3.1. Specific Research Objectives	10
1.4. Research Questions	10
1.5. Justification of the study	10
1.6. Significance of the study	10
1.6.0. The Government	10
1.6.1. The Donor Community	11
1.6.2. Advocacy groups	11
1.6.3. Academicians	11
1.7. Scope of the study	11
CHAPTER TWO	12
2.0. LITERATURE REVIEW	12
2.1. Introduction	12
2.2.0. Theoretical Studies	12
2.3.0. Empirical Studies	15
2.4. Conceptual Framework	26
CHAPTER THREE	27
3.0. RESEARCH METHODOLOGY	27

3.1. Introduction.....	27
3.2. Research Design.....	27
3.3. Target Population.....	28
3.4. Sampling Design.....	28
3.5. Instrumentation	28
3.6. Data Collection	29
3.7. Pilot Test	29
3.8. Validity and Reliability.....	29
3.9. Data Analysis and Presentation.....	30
3.10. Diagnostic Test: VIF Test.....	31
3.11. Ethical Considerations	31
CHAPTER FOUR.....	32
4.0. DATA PRESENTATION, ANALYSIS AND INTERPRETATION.....	32
4.1. Introduction.....	32
4.2. Sample characteristics.....	32
4.3. Economy value for money auditing.....	38
4.4. Efficiency value for money auditing.....	40
4.5. Effectiveness value for money auditing.....	42
4.6. Reliability Test.....	44
4.7. Testing for Significance	44
4.8. Multiple Regression Analysis	44
4.9. Diagnostic Test - VIF.....	46
CHAPTER FIVE	47
5.0. SUMMARY OF FINDINGS, CONCLUSION AND RECOMMENDATIONS	47
5.1. Introduction.....	47
5.2. Summary of Findings.....	47
5.2.1. Economy value for money auditing.....	47
5.2.2. Efficiency value for money auditing.....	47
5.2.3. Effectiveness value for money auditing.....	48
5.3. Conclusions.....	48
5.4. Recommendations.....	49
5.5. Suggestions for further studies.....	50
REFERENCES	51
ANNEX: CLUSTER SAMPLE	58

APPENDIX I: QUESTIONNAIRE	59
APPENDIX II: WORK PLAN	65
APPENDIX III: BUDGET	66

DEDICATION

This dissertation proposal is dedicated to my family who have all sacrificed for funding of my masters studies.

LIST OF TABLES

<i>Table 1: Operationalization of variables.....</i>	<i>26</i>
<i>Table 2: Response rate.....</i>	<i>32</i>
<i>Table 3: Gender.....</i>	<i>33</i>
<i>Table 4: Respondents age distribution</i>	<i>33</i>
<i>Table 5: Respondents work experience</i>	<i>35</i>
<i>Table 6: Respondents educational qualifications.....</i>	<i>36</i>
<i>Table 7: Response on economy variable</i>	<i>38</i>
<i>Table 8: Response on efficiency variable.....</i>	<i>40</i>
<i>Table 9: Response on effectiveness variable.....</i>	<i>42</i>
<i>Table 10: Result for reliability test.....</i>	<i>44</i>
<i>Table 11: Result for significance test.....</i>	<i>44</i>
<i>Table 12: Result from regression</i>	<i>45</i>
<i>Table 13: Result for VIF test.....</i>	<i>46</i>

LIST OF FIGURES

Figure I: Conceptual Framework.....	26
Figure II: Respondents age distribution.....	34
Figure III: Respondents work experience	36
Figure IV: Respondents academic qualifications	37

LIST OF ABBREVIATIONS

VFM – Value for money

VFMA – Value for money audit

NPM- New public management

IAGD – Internal Auditor General Department

PFM – Public Finance Management

DEFINATION OF TERMS

Value for money – is an examination of the economy, efficiency, and effectiveness of undertaking programs of an organization.

Economy – is concerned with minimizing the costs of resources used for an activity, having regard to appropriate quality.

Efficiency – is the relationship between output in terms of goods, services or other results, and the resources consumed.

Effectiveness – is the extent to which the objectives of an activity are achieved and the relationship between the intended impacts and actual impacts of an activity.

Audit Findings – are outcomes of a value for money audit engagement which have been evaluated against pre – determined audit objectives and terms of references.

Public Accountability- a form of enforceable responsibility involving report giving by an agent after fulfilling a task or duty on behalf of the principle.

ABSTRACT

Value for money auditing has emerged in the public sector, where absence of firm measures of profitability creates difficulty in judging performance. Thus, it influences the adoption of practices for reduction of waste and inefficiency and bring forth outcomes that improve service to end customers.

This study sought to find out the effect of value for money auditing on public accountability, through a descriptive survey. Purposive sampling was employed to target internal auditors at the National Treasury who have mandate to conduct value for money auditing. In addition, Cluster sampling was utilized to choose the South Rift region as the respondents.

32 questionnaires were mailed to the respondents, and majority of the respondents were of the view that economy value for money auditing had a big impact on public accountability, as compared to efficiency value for money auditing and effectiveness value for money auditing that demonstrated a comparatively minimal effect on public accountability. Data was analyzed through SPSS version 2, and presented through tables, charts, and a linear model.

CHAPTER ONE

1.0. INTRODUCTION

This chapter lays out the background to the study; identifies the statement of the problem, spells out the objectives, justification, significance, and scope of the study.

1.1.0. Background to the Study

The Canadian Comprehensive Auditing Foundation (as cited in Free, Radcliffe and White, 2012) describes Value for Money Auditing (VFMA) as an examination that provides an objective and constructive assessment of the extent to which financial, human and physical resources are managed with due regard to economy, efficiency, effectiveness and how accountability relationships are served; and the core of VFMA is the framework of economy, efficiency, and effectiveness. Eze and Ibrahim (2015), takes the stance that economy and efficiency are two sides of the same coin: Audit of economy analyses a problem from input side, examining whether it would be possible to achieve the same output with a smaller input of resources; Efficiency audit's view of the problem is from the output side, whether it would be possible to achieve higher output with given limited input of resources. Effectiveness audit checks whether the purpose of a program or individual project has actually been realized.

Nasstrom and Persson (2016), proposed that Supreme Audit Institutions came up with VFMA so as to be able to investigate expenditure of funds and evaluate performance of public entities as well. This was fueled by the developments that began in the late 1970's whereby: governments were modernizing their public service structures through the new public management (NPM) reforms - an improvement policy that borrows from private sector ideas into the public sector; and the increase of audits performed in the public sector that led to audit overuse or explosion. Kandasamy (as cited in Chezue, 2013) traces the establishment of VFMA to demand by elected

representatives for information on efficiency and effectiveness of public expenditure in USA, Canada and other European countries in the mid 1970's; resulting to its introduction in Canada in 1977 after the Wilson committee (1975) review of the Auditor General office in Canada and subsequent endorsement in 1978 for all levels of government.

The General Accounting Office (GAO) in the federal institutions of the USA began to set a foundation for VFM auditing in early 1970's, and Sweden became the first European country to adopt VFM through its national audit bureau in 1970. In the British Commonwealth, Canada adopted first in 1977 followed by New Zealand and Australia in 1975 and 1979 respectively; while in the UK it was in 1983 and 1984 upon creation of the Audit Commission (AC) for England and Wales along with the National Audit Office (NAO), with the labor government manifesto emphasizing VFM auditing since 1997 upon dethroning the conservatives (Alwardat & Benamraoui, 2014).

In Nigeria, the 1980's economic depression precipitated a focus shift from expenditure control to introduction of value for money as need arose for effective utilization of economic resources. Despite development of standards for VFM auditing in 1997, it has not gained sufficient recognition in Nigeria (Eze & Ibrahim, 2015). In Kenya, according to The National Treasury handbook on frameworks for audit committees (2013); article 10 of chapter 2 of the constitution of Kenya identifies economy, efficiency, and effectiveness as among the pillars of good governance. Section 73(3) of the Public Finance Management Act, 2012 charges the Internal Auditor General department within The National Treasury with the responsibility to conduct VFM auditing aimed at strengthening internal control systems.

Jackson (2012) believes that rising government expenditure in countries along with the growth in the size of the public sector has contributed to emergence of VFMA as a way of thinking about

using resources well, by striking the best balance between economy, efficiency, and effectiveness. According to Pearson (2014), these reforms configure audit reports to parliament's use that distill public sector activities' systemic issues for components of VFM that are; efficiency, effectiveness, and economy. Internal audits in the public sector have taken the form of value for money, due to increasing demand by citizens for public accountability and good governance from the administrators Mikesell (as cited in Aikins, 2013). In addition, Kristin (2013) holds the view that value for money audit (VFMA) contribute to learning and improvement besides causing accountability for expenditure and output of government ministries, departments and the agencies.

The national government programs' spending runs into billions annually in recurrent and development expenditure across ministries, departments, and agencies. The treasury budget for the 2016/17 was Kshs 2.27 trillion representing 30.6% of the gross domestic product with a revenue increase of 17% to Kshs 1.5 trillion in the year 2015/2016 financial year (Rotich, 2016). Mungai (2015) reporting on the 2013/14 financial year expenditure of Kshs 1trillion by ministries; stated that only 1.2% - Kshs 12.5 billion was incurred lawfully and in an effective way, 38.5% was embezzled, while 60% was questionable having inadequate support documents or none. Kiarie (2013) reporting on the 2011/2012 financial year found out that only 6% (Kshs 55.2 billion) of the Kshs 920 billion government expenditure was fully accounted for, while Kshs 561 billion lacked adequate supporting documents.

According to Kinisu (as cited in Reuters, 2016) Kenya is corruptly losing a third of its budget annually, that is, Kshs 608 billion. Mondo (2013), argues that unchecked political corruption creates an uneven distribution of wealth that increase poverty as it slows economic growth and deters investment. Key sectors like education and health allocations are diverted for non –

priority expenditure and misappropriated. Thus, Gideon and Tawanda (2012) are of the view that governments infuse an element of social implications in their decision making thereby enriching their policies by focusing on issues of; economy, efficiency, and effectiveness in resource utilization. Nevertheless, Kinisu (as cited in Reuters, 2016) emphasized that Kenya's economic and anti – corruption commission lacks capacity; it is deprived of two thirds of its personnel requirements, and lacks high tech equipment for storing and analyzing data.

The Office of the President (2015), through the executive order no.6 of 2015 on ethics and integrity in the public sector bemoans the complaints from the citizenry of breaches of ethical standards, instances of looting and theft of assets by civil servants, state and public officers that undermine the agenda of transforming Kenya into a middle income country by 2030. Reports on cases of scandals, wastage, non - compliance with laws and regulations that cost taxpayers millions of shillings have an effect of creating a perception of the audit function failure on the stakeholders; for instance, Njagi (2016) reported that the Kenya national assembly's public accounts committee took to task a senior auditor in the devolution ministry for failure to flag theft of over Kshs 1.6 billion at the National Youth Service. Jamah (2016), presented findings by the national taxpayers association to the effect that there was massive wastage in 1,264 projects worth Kshs 1.7 billion across 6 counties and mismanagement of Kshs 267.5 million by county officials; represented by badly implemented, abandoned, ghost, and duplicated projects that do not benefit the public.

Burrowes and Persson (2000), indicate that external financial auditing has given way to VFMA so as to address inherent information asymmetry that starved stakeholders of adequate information. Suzuki (2004), indicates that a citizens' push for high quality services initiated improvement in government administration to execute its trusteeship obligations; hence financial

auditing was found to be deficient of ability to evaluate outcomes of government programs. The combination of Economy, Efficiency, and Effectiveness create a means for auditable performance measurement (Spanhove, Gils, Sarens & Verhoest, 2008). It is a venture into uncharted areas of public sector activities' measurement, where often outputs are undefined and contributions towards success or failure is difficult to attribute (Free, Radcliffe & White, 2012). Bawole and Ibrahim (2015), point out that VFMA's blend of public sector administrative reforms and the business like managerial approach; has brought to the fore public sector management inefficiencies in organizational performance review. A move towards Economy, Efficiency, and Effectiveness approach require crafting of performance indicators, a challenging task that lead to misinterpretation of VFMA reports by the cabinet and government officials; and thus unnecessarily putting auditors into the political arena (Padia & Van Vuuran, 2012).

According to Gideon and Tawanda (2012), distinguishing efficiency and effectiveness is desirable as often expenditure targets are achieved at a huge cost to the nation. VFMA's increasing focus on the customer is explained by Arthur, Rydland and Amundsen (2011), as being a product of a two prong trend: going beyond inputs to account for the outputs and outcomes of government programs and services; adoption of the citizens' needs and preferences as the guiding principle for public services design.

Bawole and Ibrahim (2015), observe that there is a dilemma as to whether VFMA can simultaneously ensure the parallel twin goals of accountability and improvement. Kristin (2013), further points out that while accountability is based on clear norms, legitimacy challenged improvement depends on explanation and hence is subjective. Performance improvement is evidence of results exceeding or at par with expectations and available resources; and performance accountability allows public sector organizations to render stewardship account.

Manaf (2010), is of the view that VFMA leans towards performance accountability as opposed to performance improvement. However, Barzelay (as cited in Padia and Van Vuuran, 2012) insists that the two related but non identical goals are difficult to isolate for measurement; a view supported by Gronlund, Svardsten, and Ohman (2012), who state that public activities configuration make outcome difficult to measure with quantitative methods; and goals tend to be ambiguous or contradictory.

Without political will, VFMA fails as it magnifies inadequacies of government performance or policies by sensitively probing the quality of senior civil servants and politicians' work (Gideon & Tawanda, 2012). The interface of politics and VFMA has rendered the audit scope mandate and content controversial; since in the government context it has to include evaluation of implementation of policy and decision making (Al Athmay, 2008). Daujotaite and Macerinskiene (2008) emphasize that while gathering findings, a VFMA auditor should do a delicate balance of policy reflections without straying into the political sphere. This view is reinforced by Gronlund, Svardsten, and Ohman (2011), suggestion that VFM coverage include everything from economy to policy.

Loke, Ismail, and Hamid (2016), indicate that it is a trend in VFMA to seek consultation from other disciplines. This is because public sector activities and programs in sectors like health, education, transport and defense involve meeting goals and objectives; besides financial performance. Bawole and Ibrahim (2015), advocates for realignment of legal requirements to achieve a fair balance between compliance and improvement in performance; for better service delivery in the public sector that foster innovation.

1.1.1. Public Accountability

Al Athmay (2008) argues that VFMA require representative systems of government with high level of public accountability. Alwardat and Benamraoui (2014), view accountability as a form of enforceable responsibility involving report giving by an agent (civil servant) after fulfilling a task or duty on behalf of the principle (the public). INTOSAI as cited in Khan and Chowdhury (2006), states that public accountability is obligation to those entrusted with public resources to answer for the fiscal, managerial and program responsibilities bestowed on them and report to the principals.

Padia and Van Vuuran (2012) attribute the crave for accountability and performance in the public sector to the executive's failure to take responsibility of its policy choice and the output; while Dubnick and Frederickson (2011), argue that the rise of public accountability is as result of the limitations of government jurisdictions, outsourcing of government services, and increase of public functions exercised by non - governmental organizations.

Dowdle (2006) holds the view that there are competing views as to what constitutes public accountability as follows: to economic development agencies, public accountability constitutes rationalized transparent systems of bureaucratic control; to human rights activists it is popular participation in and supervision of political decision making; while to legal development agencies, it is judicial enforcement of legal norms.

Joss (2001), observes that public accountability is concurrently a status (public accessibility of government information) and an activity (free public assembly to analyze government actions). Thus, this requires commitment from the governors (shun self- interest) and the governed (match private interests with active public debate). As for Bovens (2005), public accountability is both an instrument and a goal: an instrument to enhance effectiveness and efficiency of public governance; and a goal as symbol for good governance.

According to Suzuki (2004), public accountability leans towards VFMA and its focus is on the misuse of public funds; reviewing government programs' outcomes; access to information and government financial data. A strong audit unit is a public accountability system that act to overcome corruption and deteriorating service delivery (Khan & Chodhury, 2006). The accountability bar for public sector is higher since: it handles policies and taxpayers' money; requires high standards for civil servants; objectives may have multiple conflicting goals; control difficulties, and diversity of public sector organizations that are difficult to generalize. (Alwardat & Benamraoui, 2014).

1.2. Statement of the Problem

Inefficient and unaccountable public administration slows down service delivery and implementation of development initiatives (The World Bank group, 2014). Jackson (2012), asserts that entities have been put on the radar to justify their need of donor aid; with anti - aid advocates terming it invalid due to underlying wastefulness in its applications. For instance, Jamah (2016) revealed that Nyeri county government spent Kshs 8 million on the grading and gravelling of Munyu Jet junction villa road, which had quickly fallen apart by the time of assessment in September, 2015.

Pressure on public accountability has led to a shift to VFMA from financial auditing, so as to hasten the achievement of administrative goals that drive service provision to the citizens (Suzuki, 2004). According to The National Treasury (2013) Handbook on frameworks for audit committees; Article 10 of chapter 2 of the constitution of Kenya recognizes economy, efficiency, and effectiveness as among the pillars of good governance.

Scholars such as (Kristin, 2013; Bawole & Ibrahim, 2015; Eze, 2015; Sarmento, 2010; Gideon & Tawanda, 2012; Nath, 2011) have projected contradictory findings on the effect of VFMA. Padua and Van Vuuran (2012) citing Leeuw, state that empirical evidence on effects and side - effects of VFMA is limited. Thus, Eze (2015) advocate for extensive research in practice and utility of VFMA through regular review work. Manaf (2010), offers that there is much to be studied on VFMA as a social construct of a particular context. Dahanayake (2013) asserts that influences and changes of economic, social and political environment need to inform the public sector audit framing. In Kenya, the promulgation of the 2010 constitution put in place new political structures along with fiscal decentralization to county governments' posing

accountability challenges in delivery of services. Thus, this study explores the effect of VFMA on public accountability in Kenya in light of the progressive implementation of the supreme law.

1.3. Objective of the Study

1.3.0. General Objective

-To examine the effect of value for money auditing on public sector accountability in Kenya.

1.3.1. Specific Research Objectives

- i. To determine how economy value for money auditing affect public accountability in Kenya,
- ii. To establish how efficiency value for money auditing affect public accountability in Kenya,
- iii. To ascertain how effectiveness value for money auditing affect public accountability in Kenya.

1.4. Research Questions

- i. What is the effect of economy value for money auditing on public accountability?
- ii. How does efficiency value for money auditing affect public accountability?
- iii. What is the effect of effectiveness value for money auditing on public accountability?

1.5. Justification of the study

There has been a clamor by the public for greater transparency and accountability in management of public expenditure, due to awareness created by media who report on stalled projects and investigate grand projects such as the standard gauge railway. Adoption of VFMA has been slow despite its effectiveness in probing propriety of public spending.

1.6. Significance of the study

The study will generate support for VFMA as a public accountability tool as follows:

1.6.0. The Government

Parliamentary committees such as the Public Accounts Committee and the Public Investment Committee will be stimulated to focus on enacting unambiguous policy legislation to make it

easy in developing measurement standards crucial to gauge the difficult aspect of determining effectiveness element of VFM in programs being implemented.

Other oversight bodies such as the Ethics and Anti – Corruption Commission (EACC) will gain from timely preliminary investigations by VFM auditors on the ground.

Administrators will also polish their implementation skills of policies, programs, and activities in a manner that ensures that organizations get the most out of resources allocated.

1.6.1. The Donor Community

The lenders such as the Bretton Woods Institutions will find it a source of data for background checks on trends of previous funding utilization and impact, to inform negotiation for more financing.

1.6.2. Advocacy groups

Interest groups such as Transparency International (TI) and National Taxpayers Association (NTA) will be able to champion anti – corruption effectively, by for instance shaming graft laden institutions from the point of accurate support data.

1.6.3. Academicians

Will stimulate further inquiries into formulation of models for measuring effectiveness element, which is difficulty to measure.

1.7. Scope of the study

The study was limited to the National Government with a focus on the National Treasury's Internal Auditor General Department. This is because its officers' presence spans all sub counties, ministries, departments and agencies in Kenya; and they have an idea of the topic of study.

CHAPTER TWO

2.0. LITERATURE REVIEW

2.1. Introduction

This chapter presents the theoretical studies, empirical studies on effects of VFMA and suggests a theoretical framework.

2.2.0. Theoretical Studies

2.2.1. Political Theory of Fiscal Federalism

This theory states that the central government should have the basic responsibility for macroeconomic stabilization, income distribution, and provision of collective goods such as defence Oates (as cited in Markiewicz, Bordo, & Jonung, 2011). Markiewicz et al. (2011), argue that the theory developed from the works of Musgrave 1959 on public tasks of the public sector; and Oates 1999 on how allocations, distribution and stabilization policy functions are assigned to levels of government that interrelate through various policy instruments. Fiscal federalism address the following: responds to different political preferences across a country; extracting intergovernmental competition benefits and promoting political participation; and the regulation of government share of GDP.

Fiscal decentralization ensures accountable and equitable service delivery to the citizens, by allocating responsibilities without functions overlap (The World Bank group, 2014). Robinson, Torvik, and Verdier (2006), argue that politicians engage in inefficient redistribution by employing people in the public sector in order to influence elections results, leading to resource misallocation in the rest of the economy; and given that institutions influence impact of resources on the economy through their translation of political incentives into policy outcomes.

Thus, public goods and services should be provided by the level of government that would internalize its benefits and costs (efficiency and economy); and decentralization enhance welfare by matching government output to local tastes and preferences (effectiveness) along with increasing service efficiency and revenue generation (Harman, Haggard & Willis, 2001)

This theory bears on this study because in the words of Chezue (2013), while public services are better delivered by devolving the power of the central government; it nevertheless retains control of government operations by exercising audit and accountability.

2.2.2. Theory of audit explosion (TEA)

Its main proponent is Michael Power who advocated for a critical approach to auditing and accounting practices, advancing the importance of the sociological context in comprehending auditing. The theory states that a relation should be made between the explosion of audit and other control activities; with the NPM reforms on public management processes (Peci, Quintella, & Cardoso, 2012).

This involves the growth of formal monitoring institutions due to increased demands for managerial accountability supported by pressure from accountants and other advisers, and the NPM reforms that created demand for audit services in the public sector (Chezue, 2013).

The theory sought to drop control on regularity and legality of transactions, for control guided by the principles of efficiency and value for money as consequence of the following factors underlying NPM reforms: the political demand for greater accountability of public service providers; fiscal constraints that brought the need for reduction of public borrowing; interest in efficiency and quality of public sector services, expressed in performance accountability and customer focus (Peci et al. , 2012).

The theory demonstrates how and why value for money variables which are the same variables for this study were introduced in the public sector, and the close relationship with the accountability theme.

2.2.3. Agency Theory

This theory describes a relationship where one party called the principle delegates work to another known as an agent, with aim of resolving conflict of interests in such a relationship (Julkaisuja, 2010). De Almeida (2014), traces the origin of agency theory to the rift between ownership and control with focus on conflict between the principal and the agent that was highlighted by Berle and Means; and Rose, Jensen and Meckling.

It was also developed from the works of (Bendor, Glazer and Hammond, 2001; Mc Cubbins, Noll and Weingast, 1987; Weingst, 1984); and it states that the people as principles through their political representatives delegate the execution of public affairs to the agents (public officials). Wallace (as cited in Julkaisuja, 2010), concurs that this relationship is observable between government and the taxpayers. Thus, there is need to control actions of public officials' actions and performance since failure to oversight them will result into policy drift and corruption in the public sector (Gustavson, 2015)

The agency theory imposes monitoring of agents behavior via evaluation, since the philosophy of accountability requires individuals to take enquiries of activities taken and get explanations of actions taken to correct deficiencies (De Almeida, 2014).

This theory assists in this study on reflections about VFM audit findings being made available to the general public in addition to reports to management and representatives; such that VFMA can be organized for public sector to render account to the people as the true principal.

2.3.0. Empirical Studies

Alwardat and Benamraoui (2014), inquiry into the lessons and facts from literature on value for money and audit practice focused on; impact of the reform on public sector auditing practice, the issue of accountability, and factors affecting auditors and client perceptions of value for money audit implementation. They found out that value for money auditing has become key in oversight over public sector services with emphasize on accountability; and has influence on management styles used in public sector organisations, though there is a contrary view that it constrains management of public sector services.

Chezue (2013), focusing on the National Audit Office of Tanzania to find out the cause and effects of misuse of resources that led to negative impact to communities, and undermined development projects of the country. He collected primary and secondary data through observation, participation, interviews, examination of documents, and inspection. He found out that value for money auditing is not a popular approach among public officials, value for money auditors were few with no universal criteria for evaluating the 3e's and auditees' fear of victimisation.

Kristin (2013), focused on the Auditor General in Norway and studied accountability and usefulness of Value for Money auditing. She probed the influence of VFMA by analysing data from a survey of 353 civil servants who had experienced value for money audits. Her findings discounted the assumption of accountability paradox (assertion that enhanced accountability can erode organizational performance), and rejected the assumption that accountability enhances performance as the two variables are dissociated. She also concluded that civil servants perceive that value for money auditing hold ministries to account to some extent, which is not the case. By exploring the dilemmas between accountability and organizational learning, she contributes

to the impact of value for money auditing relevant to evaluations with an accountability approach.

In addition, Kristin's (2013) observed that little evidence exist that VFMA has an effect or contributes to effectiveness, the efficiency, and accountability of public sector. She also offered that state administrations contest VFMA mandate on effectiveness; creating room for management failure that undermine public accountability in various countries.

Kristin (2011), in her paper titled “The Influence of Value For Money Audits on Civil Servants – What Contributes to Improvement and Accountability In The Audited Entities?” found out that control in a New Public Management regime can cause the government administration improve, subject to the perception of the audited civil servants of the value for money audits; after reviewing questionnaires from 471 respondents.

Nasstrom and Persson (2016), studied value for money audits – factors affecting audit impact in Sweden with a focus on human perception; through a cross sectional comparative qualitative study involving 23 interviews spread across three value for money audits, examination of public documents, benchmarked with earlier studies and theories. They concluded that audit impact is complex and mainly affected by usefulness and quality of value for money audits.

Gustavson (2015), sought to find out whether good auditing generate quality of government and he argued that good government auditing builds on the principles of independence, professionalism, and recognizing the people as the principal. Through an expert survey of 122 countries, the results were that good government auditing has a distinct positive and statistically significant effect of the performance of the public sector; thus auditing needs to be organised according to certain principles in order to contribute to good administrations.

Eze and Ibrahim (2015), examined value for money auditing as a veritable tool for expenditure management using a desktop analytical approach and arrived at two contradictory conclusions, that is; that lack of value for money auditing processes affect the smooth running and growth of an entity, and also that determining how economical, efficient and the extent of objectives realisation is still a subject of debate in most jurisdictions.

Peci et al. (2012), in their work titled ‘Auditing Government – Nonprofit Relations in The Brazilian Post Reformist Context’ used field research based on documentary data and interviews in three Brazilian supreme audit institutions. They analyzed the control of government – nonprofits relations under the perspective of the Theory of Audit Explosion. The study showed that despite auditing practices intensification, they still rely on traditional legalistic procedures and thus face a hurdle in adopting a performance oriented approach as advanced by New Public Management. Organizational and institutional aspects related to governmental fund transfer entities barred the audit explosion due to poor partnerships among parliamentary members or employees with partner non - governmental organizations.

Bawole and Ibrahim (2015) are of the view that VFMA has failed to attain economy, efficiency, and effectiveness in the few developed countries where it has achieved improved aspects of public sector performance; with instances of anti - innovation, expectation gaps, and unnecessary systems being attributed to it. According to Eze (2015), as VFMA enhance service quality accountability to taxpayers so does it also weaken accountability in the short term due to its long term orientation; creating a gap of variations between what is measured and what is actually done.

Sarmiento (2010), is of the view that audits impose accountability demands on government appointed officials at the expense of public accountability; besides dimming transparency via their recommendations of complex administrative apparatus. According to Nath (2011), VFMA failed to influence public accountability and was scrapped in Fiji due to its incompatibility with domestic structures and asymmetrical power distributions.

Effectiveness VFMA requires social science research methods, thus necessitating recruitment of external consultants and non – accountancy personnel into audit teams; and this has cut the budget meant for attest and compliance auditing (Padia & van Vuuran, 2012).

Gideon and Tawanda (2012), in their study on Zimbabwe government auditing institutions found out that VFMA reports' recommendations do not stimulate corrective measures from the accounting officers. This could be because as Justesen and Skaerbaek (2010) note, such reports model and present possibilities of improvements and the need for change.

De Ferranti, Griffin, Jacinto, Ody and Warren (2006), argue that inefficiency, misplaced priorities, and graft undermine development programs; due to lack of independent local capacity for critical review of developing countries' public expenditures. This state of affairs in combination with the laxity of a demotivated civil service, deny the poor expected level of services.

2.3.1. Economy VFMA

The 2005 report of the judicial commission of inquiry into the Goldenberg affair established that no foreign currency was received arising from the Goldenberg scheme, since there was neither gold nor diamond exports made; but instead a loss ensued through the 35% compensation in

exchange for nothing. Thus, there was no cost input as no gold or diamond was produced and compensation output not justifiable for lack of input.

Goldenberg International Limited negotiated for enhanced premium receivable from 20% to 35%, thereby looting the Central Bank of Kenya and the export compensation system through false claims. The evaluation of Goldenberg's proposal by Prof Ryan found the claim of earning Kenya forex illegitimate, since the cost was much higher than the compensation rate of 35% and there was no financial vote from which the additional 15% compensatory payment could be met (The 2005 report of the judicial commission of inquiry into the Goldenberg affair).

Cidi (2016) identified the Galana - Kulalu ranch that took a billion shillings in feasibility study; but harvest from the first pilot project of 500 acres maize plantation measured in standard 90kg bags was 10bags per acre instead of a projected 40 bags, and failed to create jobs or enrich local farmers with new scientific agricultural methods. This implies that the input in terms of the overvalued feasibility study report was poor as it did not attract enough planning to achieve the target 40 bags of maize, and hence 40 bags harvest was achieved at very high amount of input than required at one billion.

A 20 storey office building that was to be put in Malindi by the now - defunct Kenya Posts and Telecommunications Corporation never took off, as even the foundation was never dug as millions of shillings were sunk into consultancy fees – thus no output from the poorly conceived and inflated fees (Cidi, 2016).

Kamau (2016), observed that the Bura irrigation scheme design excluded costs such as for pump unit operators causing breakdowns and water supply failures; and eventually the cost of settling a farmer rose from US \$28,000 to US \$ 55,000 due to kickbacks and price inflation, leading to stagnation of the project.

Kshs 2.9 billion has been spent on Badasa dam in Marsabit County, but on sight is; a large uncompleted earthen embankment in Marsabit forest, unfinished concrete tower, rusting hardware and abandoned pieces of reinforcement steel 10 years after its inception on 23rd January, 2009. Legal costs continue to rise in an ongoing court case between Midroc co and the National water conservation and pipeline corporation (Ndungu, 2014).

Njoroge (2003) is of the view that Kisumu molasses plant project should not have been undertaken because of its unsustainable capital intensive nature; hence the 13 billion Kenya shillings sunk into it is a waste of funds that has not produced the products that were expected from the venture.

The Turkwel Gorge dam's quality is inferior as its site is on an earthquake fault line and would silt up; it is not commensurate with its funding cost of 270 million US Dollar that was four times its initial projection (Mutunga, 2011).

According to Michira and Wafula (2017), contract documents for Sigiri bridge in Bungoma pegged its cost at Kshs 685 million; but Kenya rural roads authority awarded it to the contractor at an inflated price of Kshs 1 billion with an adjusted design and specifications for justification, substantial time was lost on its collapse before completion leading to a sustained loss of confidence on the integrity of the design.

The multi - storey provincial headquarters at Kisumu, could not be used for many years after completion because the office block had no lifts as a result of a flawed design that left out the elevators. This resulted in continued rental charges for departments in other buildings as they waited for a provision for lifts (Cidi, 2016).

Shiundu (2015) refers to the National Assembly agriculture committee findings to the effect that the feasibility study for the Galana - Kulalu project had been inflated by Kshs 200 million; such that the extra payment was unnecessary for the delivery of the feasibility study report.

2.3.2. Efficiency VFMA

The 2005 report of the judicial commission of inquiry into the Goldenberg affair affirm that the evidence adduced before it, demonstrates that no diamonds are mined in Kenya and gold supply is limited; nevertheless Goldenberg international limited in collusion with government officials was able to defraud the Central Bank of Kenya and the system, by presenting fictitious export compensation claims (there was no output) for payment by the bank. Thus, the claims represent leakage of funds denied to potential genuine gold and diamond exporters since it had no corresponding foreign exchange earnings from export of the minerals.

Szlapak as cited in Njoroge (2003), outlines irregular payments by the government in the 1990's that does not represent public projects as follows: The development of a Kshs 894.124 million department of defense project that was nonexistent, unaccounted for, and unconstitutional; The acquisition of a private jet for the office of the president with government funds; and rent free use of Nyayo house – a public property by KANU. Thus, this funds diverted resulted in setting aside projects that had been budgeted for.

Cidi (2016) suggests that had the billion shillings investment on the failed maize pilot project at Galana - Kulalu ranch employed in providing new seed varieties, quality fertilizer and irrigation to smallholders farmers at the coast; it could yield same proposed benefits while financially empowering these farmers at the same time. Hence, the expenditure on the project failed to maximize yields out of the billion shillings employed.

Shiundu (2015), states that the National Assembly agriculture committee recommended that the

entire one million acre Galana - Kulalu irrigation scheme contract be suspended and a re - evaluation be undertaken, since only a small portion had been done at a cost of 7 billion. This translates to sub optimal application of Kshs 7 billion sunk into the project with the national treasury budget for 2016/17 allocating an additional Kshs 3.2 billion to the project.

The Bura irrigation scheme has consumed over Kshs 50 billion without much productivity. This is because in 1982 - two hundred farmers had died of malaria and 25% of settlers left Bura as malnutrition and diarrhea set in due to lack of adequate water; hence no harvest from committed expenditure in the project (Kamau, 2016)

The Turkwel Gorge dam was opened in October, 1993 with its reservoir only below quarter full; and the famine that had been anticipated to be dealt with through irrigation of 30,000 acres is still rampant in Turkana (Mutunga, 2011). Njoroge (2003) notes that the cost of 270 million US Dollar had insignificant corresponding workmanship in the works done at the dam.

Poor contracting practice in Badasa dam construction contract to Midroc water drilling company, failed to deliver a water supply dam in the 30 months contract period that ended on August 2011 (Ndungu, 2014); while the Kshs 13 billion Kisumu molasses plant was plundered and despite its launch in 1979, it is far from being complete with no returns realized (Njoroge, 2003).

Michira and Wafula (2017) noted that the inflated Kshs 1 billion Sigiri bridge, a Kenya rural roads authority project at Bungoma that collapsed only four weeks to the scheduled completion, had poor design provision with only two piers supporting hundreds of tonnes making the beam at the top compared to four piers at Khaunga bridge over the same river that is shorter and lighter.

2.3.3. Effectiveness VFMA

The 2005 report of the judicial commission of inquiry into the Goldenberg affair, demonstrate that no assessment was made as to how gold or diamond jewels export would attain the predicted US Dollars 50 million in foreign currency. The report further notes in retrospect that the export

compensation scheme had been suspended in the 1982/83 budget speech due to its failure to promote export, but instead was facilitating fraud against the government by some exporters. Thus, there was inadequate assessment of the need for a new line of foreign exchange earner through exports in gold and diamond.

The 2005 report of the judicial commission of inquiry into the Goldenberg affair contend that the management decisions of accepting the Goldenberg proposal led to loss by the Kenya exchequer with devastating effects. Revenue collected was diverted to paying 35% export compensation at the expense of other government projects; the additional ex gratia payments concealed as customs refund in the supplementary estimates to the June, 1990 budget occasioned a budget deficit; increased domestic borrowing by government and diverted credit from private to public sector, leaving very little revenue for general economic development of the country. This means that government economic spurring activities were not met as a result.

The 2005 report of the judicial commission of inquiry into the Goldenberg affair, points out that the Minister for Finance in 1991 ignored a technical evaluation report to the effect that the implementation of Goldenberg International proposal would devalue the Kenya Shilling; and that a statutory amendment was inevitable before a variation of the rate compensatory payment.

Thus, the minister did not prioritize the need for a stable Kenyan shilling or ensure that parliament is involved to assess the convenience of varying compensation rate.

The 2005 report of the judicial commission of inquiry into the Goldenberg affair notes that the 1990/91 budget speech reformed the export compensation scheme by accelerating payments to exporters, expanding eligibility and access to duty free inputs and after the budget speech Goldenberg International Ltd was incorporated. Njoroge (2003) argues that the 1990 policy

statement reflected a major management failure by giving rise to a plunder of a fifth of Kenya GDP at the time, that is, Kshs 60 million.

The Public Finance Management Act, 2005 performance between 2006 to 2011 was dismal due to outdated, contradictory and poorly conceptualized legislation that gave rise to an overlapping, dysfunctional, and non – accountable institutional framework (The world bank group, 2014). This demonstrates that the lawmakers had unclear objectives and hence the legislation failed to regulate public financial management for lack of target goals.

Otieno (2017), argues that second phase investment of the Kshs 400 billion set to begin in Galana - Kulalu project will be use of public resources for wrong purpose; since experts have warned that it is not financially and environmentally viable, and given the poor harvest in the pilot project.

Despite the finding that the soils were not good for irrigation, and that there is shortage of consultants for maintenance of civil works and equipment at Bura scheme; expansion of the project was undertaken that substituted flow of water by gravity for pumping that will not realize the promise to farmers of earning Kshs 85,000 per year (Kamau, 2016).

The Turkwel Gorge dam was undertaken despite an indication that its site is on an earthquake fault line and would silt up in less than 50 years, and its hydro power plant at the dam is operating at half its capacity producing 10% to the national grid at 106 megawatts (Mutunga, 2011). In addition, Njoroge (2003) opines that the contract bidding process was so secretive such that it was unclear on specifications desired for the inflated dam.

Due to inadequate assessment, Kiserian dam in Kajiado North face a risk of being rendered irrelevant should correctional steps not be taken - due to unplanned sewerage system at the

settlements of Ngong, Ongata Rongai, and Kiserian towns that may flow into the dam downstream (Ndungu, 2014).

Lack of proper assessment of Nairobi dam saw it not achieving its purpose of supplying water to adjacent estates, and for yachting water sport; due to pollution from sewer flows of Kibera and Langata estates (Ndungu, 2014). The Badasa dam in Marsabit encountered a design flaw as feasibility studies failed – despite award of contract for design review and supervision to Runji and partners consulting engineers ltd on 18th December, 2008 (Ndungu, 2014)

The expenditure of Kshs 13 billion in activities at the Kisumu molasses plant constituted a flawed investment policy, since from the inception it was deemed impractical due to its known capital intensity orientation that could be difficult to sustain (Njoroge, 2003).

Michira and Wafula (2017) point out that the collapse of the Kshs 1 billion Sigiri bridge in Bungoma, four weeks before completion exposed a lapse in project supervision; since government inspectors are involved at every stage in issuing partial completion reports periodically to enable processing of payments. This compromised the structural integrity of the project, as a result of lack of balance and rush that denied concrete sufficient time to cure.

According to the world bank group, 2014 there has been major under spending on development expenditures by counties, with only 10 of them reaching the 30% development spending threshold; instead recurrent expenditures has been exceeding development. For instance, in 2013/14 the approved budget allocation on recurrent and development was 62% and 38% respectively but at the end of the financial year, actual development expenditure was 22%. This indicates that county government managers are not prioritizing attainment of development goals.

2.4. Conceptual Framework

In this study, public accountability will be construed as depending on; Economy VFMA, Efficiency VFMA, and Effectiveness VFMA.

Figure I: Conceptual Framework

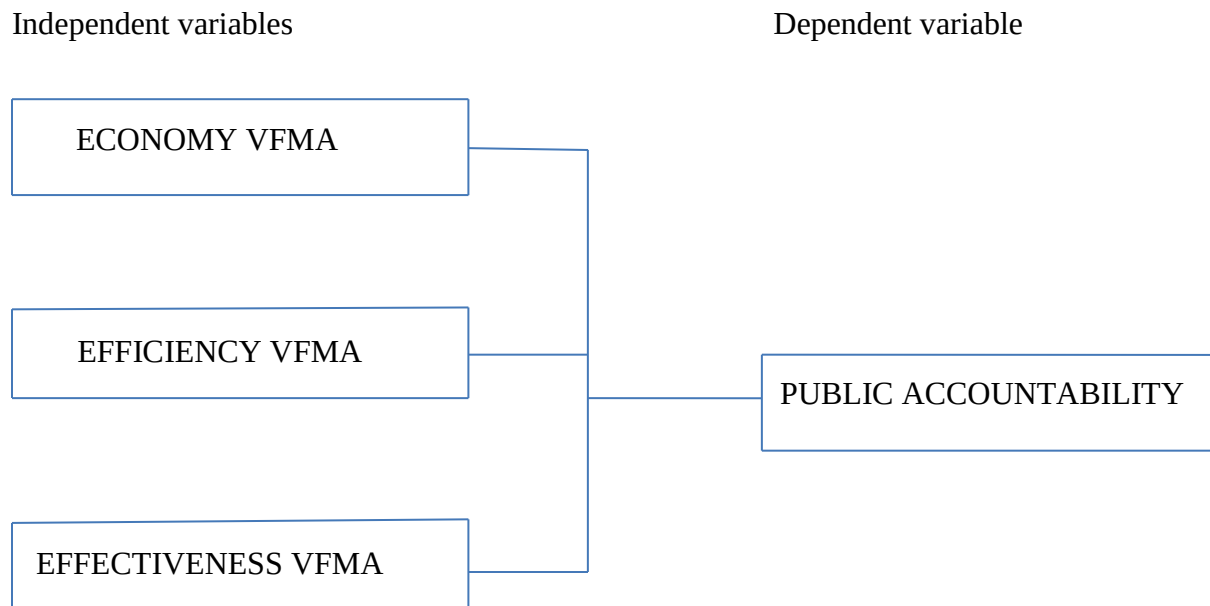


Table 1: Operationalization of variables

Conceptual framework	Level of measurement of variables
E c o n o m y V F M A	- B u d g e t a r y e s t i m a t e s - C o s t e s c a l a t i o n s
E f f i c i e n c y V F M A	- E x i s t e n c e o f p r o j e c t s (n o g h o s t p r o j e c t s) - w o r k m a n s h i p i n c o m p a r a b l e p r o g r a m s
E f f e c t i v e n e s s V F M A	- P r o v i s i o n f o r m o n i t o r i n g a n d e v a l u a t i o n - M i s s i o n a n d g o a l a c h i e v e m e n t

CHAPTER THREE

3.0. RESEARCH METHODOLOGY

3.1. Introduction

This chapter described the research design; identified target population, the sample, instrumentation, data collection, validity and reliability, and pointed out the ethical considerations that were to be followed.

3.2. Research Design

Kothari (as cited in Kombo and Tromp, 2016) defined a research design as a series of steps for collecting and analyzing data in such a way that match relevance with the research goal.

A descriptive survey was employed to describe the state of affairs as they were at the time of research; and collected information from respondents on their attitudes and opinions on value for money audit and public accountability at the National Treasury.

According to Wakiriba, Ngahu, and Wagoki (2014), a descriptive design allow simultaneous description of views, perceptions, and beliefs of the respondents at any single point in time. It took a cross - sectional research dimension as it sought to collect information at only the time of the study (Kahiga, 2015).

According to Kombo and Tromp (2016); descriptive studies go beyond collection of data to measure, classify, analyze, compare, and interpret data. Cooper and Schindler (as cited in Kahiga, 2015); pointed out that a descriptive study establish the what, where, and how of a phenomenon and link the features of the population with the variables of the study. Kahiga (2015), offered that a descriptive survey research allow one to adopt both quantitative and qualitative data as a means of developing the "what is" of the study objectives. Creswell (2009), offered that a survey research provides a numeric description of trends, attitudes, or opinions of a population by studying a sample of that population.

3.3. Target Population

Kombo and Tromp (2016), identified a population as an entire group of persons or elements that have something in common. In this study, the population was the internal auditors employed by the Internal Auditor General department at the Ministry of The National Treasury whose scope of roles included conducting value for money audits. The auditors are spread all over the republic of Kenya across various ministries, departments, sub counties, and agencies of the national government.

This population was effective since it drew from the entire nation, had a significant membership at the institute of internal auditors (IIA –Kenya chapter), was accessible to the researcher, and they had an idea of the topic of study. The unit of analysis was the internal audit units.

3.4. Sampling Design

Purposive sampling was used to choose internal auditors at the national treasury, since they have knowledge of the public sector and value for money audit variables. As guided by Kombo and Tromp (2016), purposive sampling applies to both quantitative and qualitative studies and can complement a probability sampling approach. This fits into the descriptive survey design that also work with both quantitative and qualitative data

Since the population is dispersed in all regions of Kenya, Cluster sampling was used to select the South Rift region sector of the national treasury's internal audit units as the focus sample (Refer to Annex).

3.5. Instrumentation

The tool that was used for the survey was questionnaires constituting both closed and open ended questions. This is due to low cost of their administration. The questionnaire contained six sections: the first section covered personal information of respondents; the second covered the

general information; the third to sixth sections comprised questions related to the research objectives based on the likert scale items.

3.6. Data Collection

Questionnaires were e - mailed by the researcher to the respondents to gather information about economy value for money audit, efficiency value for money audit, and effectiveness value for money audit: from internal audit units in the south rift valley region cluster. Then, they mailed back after answering the questions.

Administered questionnaires was assessed for completeness, accuracy, and consistency and those with errors were rectified and edited. Then, data was converted to numerical codes representing measurement of variables and entered into the Statistical Package for Social Sciences (SPSS).

3.7. Pilot Test

For questionnaires' effectiveness, a pre – test was done with officers working at Isinya Sub – County Treasury. This was to get assurance that the questions measure the intended objectives, the wording is clear, respondents interpret all questions the same way, what response is provoked, and if there is any research bias (Kombo & Tromp, 2016).

3.8. Validity and Reliability

Kahiga (2015), explains that validity is the extent to which the research instruments measure what was intended; while reliability is the extent to which a research instrument produces similar results if administered to respondents in similar circumstances.

The data from the pilot study was analyzed to test reliability of the questionnaire, using Cronbach's alpha (Wakiriba et al., 2014). Validity was ensured through factor analysis - that gave few strong variables that are significant in regression.

3.9. Data Analysis and Presentation

Data analysis is the process of making sense of collected data for the research user, while data presentation is a graphical illustration of research findings (Kahiga, 2015).

Multiple Linear Regression statistical technique was applied in analysis of data, because Punch (2005), affirms that it is fit in the scenario where there is focus on dependent variable to measure its relationship with independent variables. He offered that, this is to account for variance in the dependent variable and gauge how various independent variables in isolation or contributory account for the variance and indicate significance of the relationship.

The data was presented in tables and charts and a comparison was made to the reviewed literature.

The study sought to determine the effect of value for money auditing on public accountability, thus the model should establish the relationship between value for money auditing and public accountability. Multiple linear regression model took the form of the regression equation of X and Y as expressed below;

$$Y = \beta_0 + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + \mu_i$$

Where: Y = the dependent variable, public accountability.

X_1 = independent variable, Economy value for money auditing

X_2 = independent variable, Efficiency value for money auditing

X_3 = independent variable, Effectiveness value for money auditing

β_0 = Constant

β_1 = coefficient for independent variable, Economy value for money auditing

β_2 = coefficient for independent variable, Efficiency value for money auditing

β_3 = coefficient for independent variable, Effectiveness value for money auditing

μ_i = error term

3.10. Diagnostic Test: VIF Test

The variance inflation factors (vif) test was applied on the regression model for multicollinearity check, that is, whether independent variables are correlated and the strength of that correlation. Vif of 1 signifies that there is no correlation between independent variable and any other; between 1 – 5 signifies moderate correlation; and more than 5 denotes multicollinearity at critical levels.

3.11. Ethical Considerations

During this survey confidentiality of information from respondents was observed, ensuring that all subjects participate voluntarily, highlighting the essentials of the study in advance.

CHAPTER FOUR

4.0. DATA PRESENTATION, ANALYSIS AND INTERPRETATION

4.1. Introduction

This chapter presented, analyzed and interpreted data collected in chapter three. The data was collected by use of questionnaires. The findings were presented in tables showing percentages and charts. It also showed sample characteristics of the respondents and the descriptive statistics of the items under study guided by the research objectives.

4.2. Sample characteristics

This covered the response rate, level of education of respondents, their employment status, their age and the length of period they had worked in the public service.

4.2.1. Response rate

Table 2: Response rate

R e s p o n d e n t s	F r e q u e n c y	P e r c e n t a g e
R e s p o n d e d	28	87.5
N o t R e s p o n d e d	4	12.5
T o t a l	32	100

Source: Field data (2018)

As shown in table 2 out of the population of 32 respondents, 28 responded representing 87.5%. This percentage was representative as it gave all the information that was required given that the respondents had knowledge of the public sector and value for money audit variables.

4.2.2. Gender

Table 3: Gender

		F r e q u e n c y	P e r c e n t	Valid Percent	Cumulative Percent
Valid	Male	2	0 7 1 . 4 7 1 . 4 7 1 . 4		
	Female	8	2 8 . 6 2 8 . 6 1 0 0 . 0		
	Total	2	8 1 0 0 . 0 1 0 0 . 0 0		

Source: Field data (2018)

In table 3, it was found out that 71.4 % of the respondents were male and 28.6 % were female. This is an indicator that the one third gender rule inclusion in employment is nearly being achieved at the internal auditor general department of the National Treasury.

4.2.3. Age of respondents

Table 4: Respondents age distribution

		F r e q u e n c y	P e r c e n t	Valid Percent	Cumulative Percent
Valid	25_to _ 30	9	3 2 . 1 3 2 . 1 3 2 . 1		
	31_ to _ 39	1	6 5 7 . 1 5 7 . 1 8 9 . 3		
	Over _ 40	3	1 0 . 7 1 0 . 7 1 0 0 . 0		
	Total	2	8 1 0 0 . 0 1 0 0 . 0 0		

Source: Field data (2018)

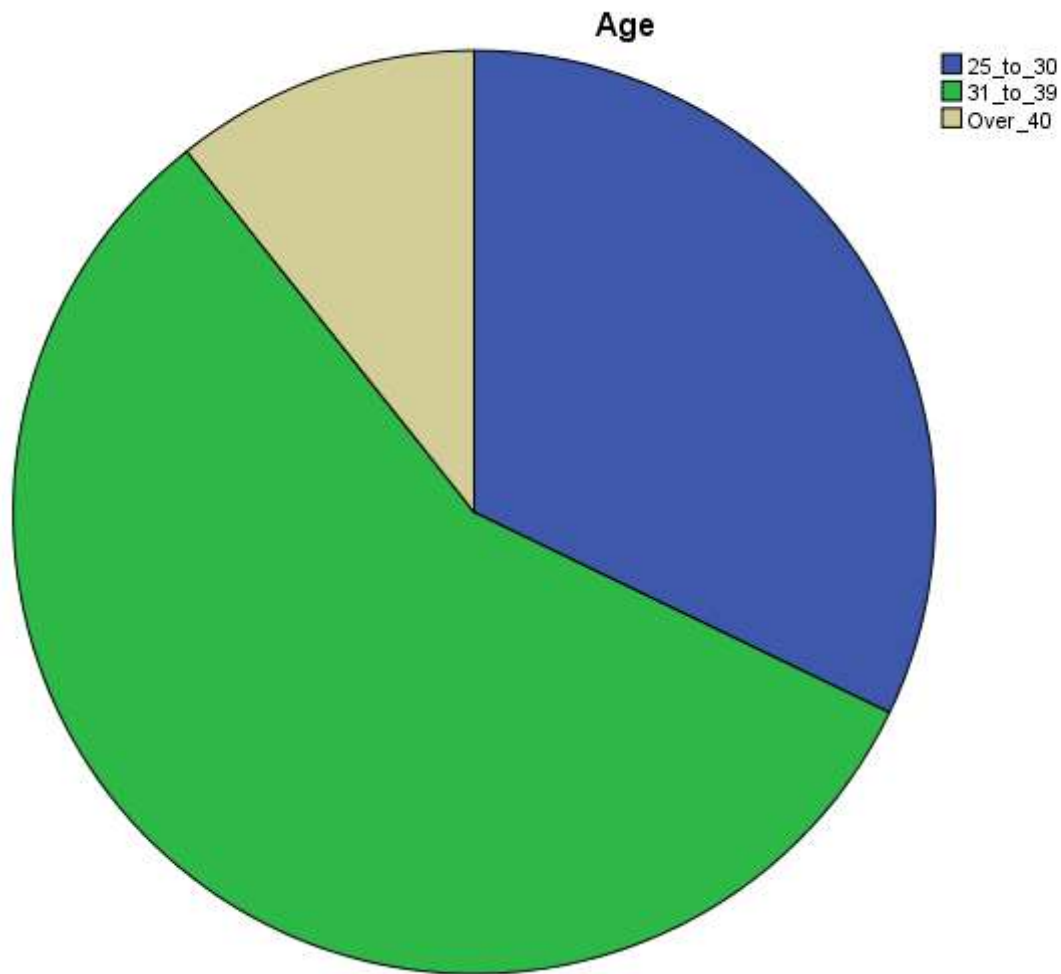


Figure II: Respondents age distribution

Source: Field data (2018)

As demonstrated in table 4 and figure ii, more than half of the respondents at 57.1 % were aged between 31 to 39 years old; 32.1 % of them are between 25 to 30 years old; while 10.7 % were over 40 years old. This means that a succession plan should be in place to increase the entry level employees who should be prepared to fill middle level vacancies, once those who have been in the service for 25 to 30 years get promotions to higher job groups.

4.2.4. Length of time worked in the public service

Table 5: Respondents work experience

	Frequency	P e r c e n t				Valid Percent				Cumulative Percent				
Valid Below _ 5	2	7	.	1	7	.	1	7	.	1				
5_to _ 10	1	5	5	3	.	6	5	3	.	6	6	0	.	7
11_to _ 40	8	2	8	.	6	2	8	.	6	8	9	.	3	
Over _ 15	3	1	0	.	7	1	0	.	7	1	0	0	.	0
Total	2	8	1	0	0	.	0	1	0	0	.	0		

Source: Field data (2018)

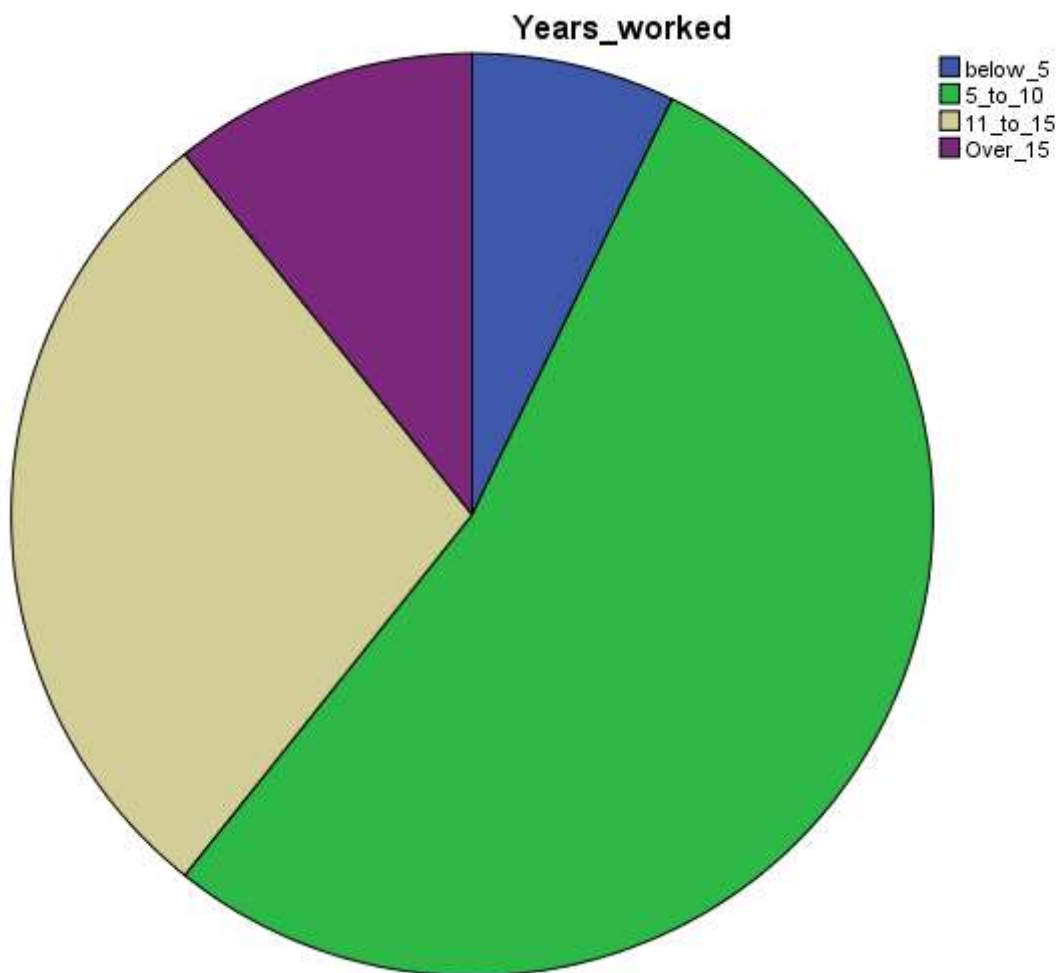


Figure III: Respondents work experience

Source: Field data (2018)

In table 5 and figure iii, 53.6 % of the respondents have worked in the public service for between 5 to 10 years, 28.6 % have worked for between 11 to 15 years, 10.7 % have worked for over 15 years, and only 7.1 % have worked for less than 5 years. This means that majority of the respondents at 82.2 % have been in the public service for a sufficient time to cope with the governance culture, reporting and responsibility structures, and how various reform initiatives have been adopted and sustained.

4.2.5. Type and Level of education

Table 6: Respondents educational qualifications

		F r e q u e n c y				P e r c e n t				V a l i d P e r c e n t				C u m u l a t i v e P e r c e n t			
Valid academic	3		1	0	.	7	1	0	.	7	1	0	.	7			
professional	1		2	4	2	.	9	4	2	.	9	5	3	.	6		
B o t h	1		3	4	6	.	4	4	6	.	4	1	0	0	.	0	
T o t a l	2		8	1	0	0	.	0	1	0	0	.	0				

Source: Field data (2018)

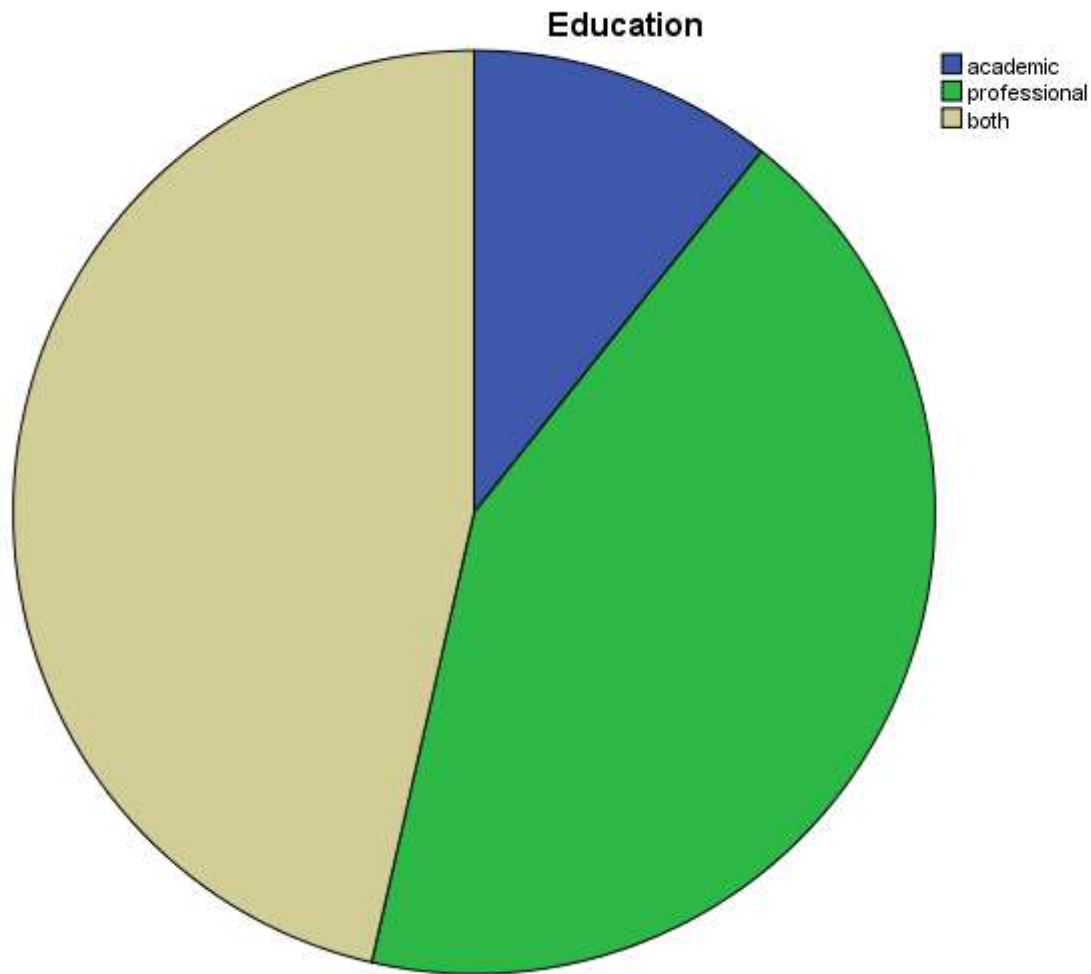


Figure IV: Respondents academic qualifications

Source: Field data

According to table 6 and figure iv, 46.4 % of the respondents possess both academic and professional qualifications, 42.9 % possess professional qualifications, while those with only an academic qualification were 10.7 %. This implies that the public service affords its employees opportunities for continuous career development.

4.3. Economy value for money auditing

Table 7: Response on economy variable

			SA	%	A	%	U	%	D	%	SD	%
i		Costs should not be more than expected	2 4	85.7	4	14.3	0	0	0	0	0	0
i	i	Cheaper inputs may reduce effectiveness.	2 4	85.7	2	7.15	0	0	2	7.15	0	0
i	i	Lower costs assess alternatives.	2 3	82.1	3	10.7	1	3.6	1	3.6	0	0
i	v	Avoid higher quality of input than required.	2 1	7.5	3	10.71	0	0	2	7.14	2	7.14
v		Do not buy unsuitable costly assets.	2 6	92.86	2	7.14	0	0	0	0	0	0
v	i	Reject deliveries that were not ordered.	2 5	89.29	2	7.14	1	3.6	0	0	0	0
v	i	Do not import locally available materials.	2 6	92.86	2	7.14	0	0	0	0	0	0
v	i	Consider cost saving through bulk buying	2 5	89.29	3	10.71	0	0	0	0	0	0
i	x	Avoid costly extensions to projects	2 6	92.86	2	7.14	0	0	0	0	0	0
x		Focus on functionality than on contract sum.	2 1	74.98	3	10.71	1	3.6	3	10.71	0	0
x	i	Nonperformance by contractors is costly.	2 2	78.55	3	10.71	1	3.6	2	7.14	0	0
x	i	Materials should be adequately secured	2 3	82.12	4	14.28	0	0	1	3.6	0	0

Source: Field data (2018)

Factor analysis in spss extracted the first two factors (i and ii) for economy value for money auditing. As shown in table 7 above, 85.7 % of the respondents strongly agreed that costs should not be more than expected, and that cheaper inputs may risk the effectiveness and sustainability. This is in agreement with the 2005 report of the judicial commission of inquiry into the Goldenberg affair, whereby Prof Ryan in his evaluation of Goldenberg's proposal found the claim of earning Kenya forex illegitimate, since the cost was much higher than the compensation rate of 35%. This is also in line with the provisions of regulation 42 (1) (b) of the 2015 Public Finance Management Act regulations that require accounting officers of public entities to

properly safeguard public funds and ensure that allocations are applied for intended purposes only. This conforms to the works of Musgrave on how government allocations should be made and the regulation of government share of GDP as advocated by the principle of fiscal federalism.

However, this discounts Bawole and Ibrahim (2015) finding that value for money auditing has failed to attain economy in the few developed countries where it has improved aspects of public sector performance.

4.4. Efficiency value for money auditing

Table 8: Response on efficiency variable

		S	%	A	%	U	%	D	%	S D	%
i	Benefits should outweigh or justify the costs incurred in its administration.	2 4	85.7	4	14.3	0	0	0	0	0	0
i i	Minimum level of resources should be used to achieve a level of output.	2 5	89.3	3	10.7	0	0	0	0	0	0
i i i	Maximum amount of output should be achieved from the resources put in.	2 4	85.7	4	14.3	0	0	0	0	0	0
i v	No output from the allocations to ghost projects.	2 5	89.3	2	7 . 1	1	3.6	0		0	
v	Avoid duplication of effort by employees and avoid over staffing.	2 5	89.3	3	10.7	0	0	0	0	0	0
v i	Overlapping should be done away with to ensure optimum use of time.	2 5	89.3	3	10.7	0	0	0	0	0	0
v i i	Review procedures, train and develop staff to adjust to new work patterns.	2 4	85.7	4	14.3	0	0	0	0	0	0

Source: Field data (2018)

Factor analysis in spss extracted the first factor (i) for efficiency value for money auditing. In table 8 above, 85.7 % of the respondents strongly agreed that the benefits from an expenditure should outweigh or justify the costs incurred in its administration. This contradicts Kristin's (2013) observation that little evidence exist that VFMA has an effect or contributes to the efficiency in the public sector, but is in resonance with the 2005 report of the judicial commission of inquiry into the Goldenberg affair which established that fictitious export compensation claims (no output) were paid for by the Central Bank of Kenya, that is, payments with zero underlying costs. This is also in line with Eze and Ibrahim (2015) argument that efficiency audit's view the problem from the output side, with expectation of achieving higher output with given limited input of resources. In addition, this is the intention inherent in the provisions of regulation 42 (1) (d) of the 2015 Public Finance Management Act regulations that require accounting officers of public entities to manage, control and ensure that policies are

carried out efficiently. This agrees with the theory of audit explosion that seeks to drop control on regularity of transactions, for control guided by the principles of efficiency.

4.5. Effectiveness value for money auditing

Table 9: Response on effectiveness variable

		S	A	%	A	%	U	%	D	%	SD	%
I	A program should not duplicate or conflict with other programs.	2	6	92.8	1	3.6	0	0	1	3.6	0	0
I i	Policy proposals should impact the benefits provided	2	3	82.1	4	14.3	0	0	1	3.6	0	0
I i i	An activity though cheap and runs efficiently, should achieve results.	2	4	85.7	2	7.1	1	3.6	0	0	1	3.6
I v	Assess needs accurately and implementation appropriately.	2	5	89.3	2	7.1	1	3.6	0	0	0	0
V	Information that is complete, is needed in decision making.	2	7	96.4	1	3.6	0	0	0	0	0	0
V i	Projects should reflect the state of the art, and be cost – justified.	2	4	85.7	2	7.1	0	0	1	3.6	1	3.6
Vii	Goals should be stated in writing specifying its effects.	2	4	85.7	3	10.7	0	0	1	3.6	0	0
Viii	Poor project planning cause inadequate supervision	2	2	78.7	2	7.1	2	7.1	2	7.1	0	0

Source: Field data (2018)

Factor analysis in spss extracted the first factor (i) for effectivenessvalue for money auditing. According to table 9 above, 92.8 % of the respondents strongly agreed that the program should not duplicate, overlap, or conflict with other related programs.This contradicts Kristin's (2013) observation that little evidence exist that VFMA has an effect or contributes to the effectiveness in the public sector. This reinforces the 2005 report of the judicial commission of inquiry into the Goldenberg affair affirmation that management decisions of accepting the Goldenberg proposal led to loss by the Kenya exchequer with devastating effects that included devaluation of the Kenyan Shilling.This is also in line with the provisions of regulation 153 (c) of the 2015 Public Finance Management Act regulations that require internal auditors to review the effectiveness of the financial and non –financial performance management systems of the entities. This is supported by the political theory of fiscal federalism that advocates for the central government to retain control through audit while services are devolved to regional governments; the theory of

audit explosion that routes for monitoring; and the agency theory that envisions that organizations should render account to the citizens as the true principals.

4.6. Reliability Test

Table 10: Result for reliability test

Reliability Statistics

C r o n b a c h ' s A l p h a	Cronbach's Alpha based on Standardized items	N o o f i t e m s
0 . 8 3 9	0 . 8 4 9	5

In this study, five factors were extracted after a reduction of questions put in the likert scale through the statistical package for social sciences (SPSS) factor analysis and a reliability test conducted using the variables with the result above with a Cronbach's Alpha of 0.839 in table 10 above. This suggests that the items have high internal consistency in measuring the effect on public accountability; and it is acceptable since it is more than 0.7.

4.7. Testing for Significance

Table 11: Result for significance test

M o d e l	Sum of squares	D f	Mean Square	F	S i g
R e g r e s s i o n	. 6 0 7	3	. 2 0 2	2.564	. 0 6 0
R e s i d u a l	6 . 3 9 3	8 1	. 0 7 9		
T o t a l	7 . 0 0 0	8 4			

A one way between – people analysis of variance was conducted to study the effect of value for money auditing on public accountability. Table 11 above shows that the variables used in the study are significant as indicated by the P value of 0.60 which is greater than 0.05.

4.8. Multiple Regression Analysis

Apart from the above frequencies, a multiple regression analysis was conducted to analyze the effect of value for money on public accountability. This was achieved through the application of statistical package for social sciences (SPSS) in coding, data entry, and computation of multiple regression measures.

Table 12: Result from regression

Coefficients					
	Unstandardized Coefficients		Standardized Coefficients		
M o d e l	B	Std. Error	B e t a	T	S i g
C o n s t a n t	. 4 7 1	. 4 2 4		1 . 1 1 2	. 2 7 7
Economy value for money auditing	. 7 1 4	. 5 7 5	. 5 0 1	1 . 2 4 3	. 2 2 6
Efficiency value for money auditing	. 1 0 0	. 5 5 1	. 0 7 3	. 1 8 1	. 8 5 7
Effectiveness value for money auditing	. 1 0 0	. 5 5 1	. 0 7 3	. 1 8 1	. 8 5 7

a. Dependent variable: public accountability.

A multiple regression analysis was run so as to determine the relationship between value for money auditing and public accountability and the results were as shown in table 12 above. The regression equation ($Y = \beta_0 + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + \mu_i$) was:

$$Y = 0.471 + 0.714 X_1 + 0.1 X_2 + 0.1 X_3$$

Where: Y = the dependent variable, public accountability.

X_1 = independent variable, Economy value for money auditing

X_2 = independent variable, Efficiency value for money auditing

X_3 = independent variable, Effectiveness value for money auditing

The regression equation established that, taking all factors constant at zero, public accountability as a result of the independent factors will be positive 0.471. The data findings also indicate that taking all other independent variables constant, a unit increase in conduct of economy value for money auditing will lead to 0.714 increase in public accountability. Taking other variables constant; a unit increase in efficiency value for money auditing will lead to 0.1 increase in public accountability; and a unit increase in effectiveness value for money auditing will lead to 0.1

increase in public accountability. This implies that economy value for money, efficiency value for money auditing, and effectiveness value for money auditing have a positive relationship with public accountability, that is, a proper balance will improve public accountability of which economy value for money auditing will be a major contributor.

4.9. Diagnostic Test- VIF

Table 13: Result for VIF test

Coefficients									
M o d e l				C o l l i n e a r i t y S t a t i s t i c s					
				T o l e r a n c e			V I F		
E f f i c i e n c y V F M A				.	3	1	1	3	. 2 1 6
E f f e c t i v e n e s s V F M A				.	2	4	7	4	. 0 5 5
E c o n o m y V F M A				.	6	4	1	1	. 5 5 9

a. Dependent variable: Public accountability

The variance inflation factors (vif) values in table 13 above of 3.216; 4.055; and 1.559 fall between 1 – 5 and hence signify moderate correlation among the variables.

CHAPTER FIVE

5.0. SUMMARY OF FINDINGS, CONCLUSION AND RECOMMENDATIONS

5.1. Introduction

This chapter presents the summary of the findings obtained in chapter four, the conclusions from the findings, recommendations, and proposes areas for further studies

5.2. Summary of Findings

The findings addressed the effect of value for money auditing on public accountability in Kenya with focus on the elements of economy value for money auditing, efficiency value for money auditing, and effectiveness value for money auditing.

5.2.1. Economy value for money auditing

The respondents indicated that costs should not be more than expected, or more than the comparable inputs. Therefore in rendering stewardship account to the citizens, public officials should ensure that all expenditure have been incurred after a competitive and open tendering processes; and in line with procurement plans. In addition, funds for programs should be released in time to effect budgeted activities.

5.2.2. Efficiency value for money auditing

The respondents felt that a minimum level of resources should be used to achieve a given level of output. Thus, prudence should be observed to avoid leakages in the processes of service delivery to ensure funds are not applied for purposes other than those intended for; due to corruption and fraud by public officials or laxity in their duties that enhance public services delivery.

5.2.3. Effectiveness value for money auditing

The respondents felt that policy proposals should impact the benefits provided by a program. Thus, capable contractors with expertise and financial strength to complete projects should be considered during bids evaluation; and avoid flawed contracts upon collusion with government officers that end up with white elephants or incomplete projects. It is necessary therefore for public officials to be monitored to secure gains for citizens, who should access information in form of reports of performance by departments, agencies and all public entities.

5.3. Conclusions

From this study, the findings indicate that value for money auditing enhance public accountability. Economy value for money auditing, in seeking to keeping costs within expected limits, hugely contributes to public accountability by 71.4% . This explains why most of the time value for money auditing is construed to be synonymous with costs instead of being understood within the framework of the three E's as an integral part of efficiency and effectiveness. This means that the concept is not well understood and hence difficult to trace its connection with public accountability

The study also indicate that efficiency value for money auditing enhance public accountability by 10%. This builds into the economy value for money auditing by looking on the output dimension of costs and underlying inputs. Efficiency also is connected to effectiveness, since a process can be effective but fail to produce the intended results.

The study also indicate that effectiveness value for money auditing enhance public accountability by 10%. This implies that expenditure targets should be achieved, but not at a huge cost or obtaining the most out of the inputs that lead to unintended goal.

5.4. Recommendations

Public officers should ensure adherence to the provisions of all legislations that guide procurement of public goods and services, and the constitution of Kenya geared to get the most out the limited resources appropriated during budget making.

To further enhance economy value for money auditing and public accountability, regulation 50 (2) of the 2015 Public Finance Management Act regulations should be adhered to. It requires that expenditure of goods and services should be controlled against spending and procurement plans approved by the responsible accounting officer. The accounting officer should not authorize payment to be made out of funds earmarked for specific activities for purposes other than those activities.

Increase level of public accountability via efficiency value for money auditing by ensuring that performance is measured. Thus, the tools that have been introduced in the public service such as performance contracts along with procurement plans, and variance analysis of budgets should be followed up during appraisal of officers' work. This appraisals should form the basis for rewarding hard working public officers, challenge the poor performers to future improvement, and discipline those who disregard the need to put effort in offering better services to the public.

Effectiveness value for money auditing should be bolstered in its contribution to public accountability. This is by citizens taking interest in actively scrutinizing the execution of policy activities by the public officers. They should seek for explanations of actions taken whenever

deficiencies occur that need to be corrected, to avoid creation of a vacuum that drives public officers to policy drifts and corruption.

5.5. Suggestions for further studies

The scope of value for money has expanded beyond the three elements or the 3 E's of economy, efficiency, and effectiveness; with a proposal to include in the framework Equity and Environment. Thus, more studies need to be done on how value for money auditing will incorporate the additional elements in appraising its impact in totality.

In relation to the government's policy formulation role, there is need to design processes that ensure delivery of value for money from devolved funds to the county governments; and explore ways of enhancing VFMA capacity in monitoring the various projects being undertaken.

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ANNEX: CLUSTER SAMPLE

S O U T H R I F T R E G I O N S U B - C O U N T I E S		
	C o u n t y	S u b C o u n t y
1	K a j i a d o	K a j i a d o c e n t r a l
2		L o i t o k t o k
3		I s i n y a
4		K a j i a d o N o r t h
5		M a s h u u r u
6	N a r o k	T r a n s M a r a
7		N a r o k N o r t h
8		N a r o k S o u t h
9	B o m e t	B o m e t
1 0		C h e p a l u n g u
1 1		S o t i k
1 2		K o n o i n
1 3	K e r i c h o	B e l g u t
1 4		K e r i c h o
1 5		L o n d i a n i
1 6		K i p k e l i o n
1 7		B u r e t
1 8	N a k u r u	N j o r o
1 9		M o l o
2 0		R o n g a i
2 1		N a k u r u N o r t h
2 2		G i l g i l
2 3		N a i v a s h a
2 4		S u b u k i a
2 5	B a r i n g o	K o i b a t e k
2 6		M o g o t i o
2 7		M a r i g a t
2 8	L a i k i p i a	N y a h u r u r u
2 9		L a i k i p i a C e n t r a l
3 0		L a i k i p i a W e s t
3 1	S a m b u r u	S a m b u r u E a s t
3 2		S a m b u r u C e n t r a l

APPENDIX I: QUESTIONNAIRE

INTRODUCTION

I am carrying out an academic dissertation titled: **“Effect of value for money auditing on public sector accountability in Kenya.** Herein, I request for your views on the topic and such will be treated as confidential and for academic purposes only.

SECTION A: PERSONAL INFORMATION

Please fill in or tick on the spaces provided.

1. Name of your duty station (sub – county)

2. Gender ☐ Male ☐ Female

3. Age

☐ Below 25years ☐ 25 – 30 ☐ 31 – 39 ☐ Over 40

4. For how many years have you been an employee in the public service?

☐ Below 5 years ☐ 5 – 10 years ☐ 11 – 15 years ☐ over 15 years

5. Which category of education do you fall under?

☐ Academic ☐ Professional ☐ Both

If professional, at which level of CPA are you?

☐ Part I ☐ Part II ☐ Part III

If academic at which level are you?

☐ Diploma ☐ Undergraduate ☐ Masters ☐ PhD

SECTION B: GENERAL INFORMATION

Please fill in on the spaces provided.

6. What is value for money auditing?

.....

7. What is public accountability?

.....

8. Please tick in the appropriate box against the statement based on the scale below.

KEY: SA - Strongly agree; A – Agree; U – Undecided; D – Disagree; SD - Strongly Disagree

	SA	A	U	D	SD
VFMA induce use of performance indicators that enhance accountability to customers for quality of service.					
VFMA is complex as performance in the public sector is more difficult to verify than in firms.					
VFMA has clashed with the state over its mandate on effectiveness.					
Stimulus pressure from an informed domestic public opinion is needed for public sector reform.					

SECTION C: ECONOMY VALUE FOR MONEY AUDITING

		S	A	A	U	D	S	D
i	Costs should not be more than expected.							
ii	Cheaper inputs may risk the effectiveness and sustainability.							
ii	Assess alternatives that would result in lower costs.							
i	Avoid higher quality of input than required to achieve the desired outputs or results.							
v	Do not buy equipment costing millions of shillings that is unsuitable.							
v	Goods and services delivered unordered, should not be received.							
v	Do not be import locally available materials from abroad.							
v	Economies of scale should be considered to avoid overpriced items.							
i	Undue extensions to projects may lead to cost escalations such as defects rectification costs.							
x	To minimize higher user maintenance costs later, focus on functionality rather than on contract sum.							
x	Nonperformance by contractors, lead to termination costs such as re - evaluation costs, alteration costs, and monitoring costs.							
x	Materials should be adequately secured, and get maximum net benefit from disposals.							

SECTION D: EFFICIENCY VALUE FOR MONEY AUDITING

		S	A	U	D	S D
i	Benefits should outweigh or justify the costs incurred in its administration.					
i i	Minimum level of resources should be used to achieve a given level of output.					
i i i	Maximum amount of output should be achieved from the resources put in.					
i v	No output from the allocations to ghost projects.					
v	Avoid duplication of effort by employees and avoid over staffing.					
v i i	Un necessary overlapping should be done away with promptly to ensure optimum use of time.					
viii	Regular review of procedures; and staff training and development is desirable to enhance adjustment to new work patterns and practices.					

SECTION D: EFFECTIVENESS VALUE FOR MONEY AUDITING

		S	A	A	U	D	S	D
i	A program should not duplicate, overlap, or conflict with other related programs							
i i	Policy proposals should impact the benefits provided by a program or costs incurred to administer it.							
i i i	It is not enough if an activity is very cheap and runs efficiently, but does not achieve results.							
i v	There should be adequate assessment of needs, clear objectives, and adequate means of implementation.							
v	Information that is complete, accurate, and consistent should be produced for decision making.							
v i	Projects or programs should reflect the state of the art, besides being cost – justified.							
v i i	Goals and targets should be stated in writing and publicized, clearly specifying its effects.							
viii	Poor project planning and management cause inadequate supervision and non- compliance with terms and conditions of the contract.							

SECTION E: PUBLIC ACCOUNTABILITY

		Strongly agree	Agree	Don't know	Disagree	Strongly Disagree
I	Public accountability is all about rendering of stewardship.					
i i	Developments are equitably distributed in Kenya.					
iii	Government budget are fully implemented by public officers					
i v	Strong audit units help overcome corruption and deteriorating service delivery.					
V	An effective media assists the public to access government information and financial budgets					
v i	Parliamentary committees ensure accurate feedback on expenditure to the public.					
vii	Pressure from international and local organizations such as transparency international and national taxpayers association, cause proper use of resources.					

THANK YOU

APPENDIX II: WORK PLAN

A c t i v i t y	Period i	Period ii	Period iii	Period iv	Period v	Period vi
Problem formulation	■					
Proposal writing		✓				
Proposal presentation			✓			
Data collection				✓		
Data analysis					✓	
Final presentation						✓

APPENDIX III: BUDGET

I T E M S	K S H
1 R i m o f p r i n t i n g p a p e r s @ K s h 4 5 0	4 5 0
P r i n t i n g e x p e n s e s	4 , 0 0 0
S p i r a l b i n d i n g @ K s h 5 0	2 0 0
A c q u i s i t i o n o f a m o d e m	2 , 0 0 0
T r a n s p o r t	1 5 , 0 0 0
M i s c e l l a n e o u s e x p e n s e s	1 0 , 0 0 0
T O T A L	3 1 , 6 5 0