

**RELATIONSHIP BETWEEN POST-AUDIT PRACTICES AND BUDGETARY  
PERFORMANCE OF SUNA EAST NATIONAL GOVERNMENT  
CONSTITUENCY DEVELOPMENT FUND, MIGORI COUNTY, KENYA**

**BY**

**FRED OBIYE NYAKUNDI**

**A RESEARCH PROJECT SUBMITTED IN PARTIAL FULFILMENT OF  
THE REQUIREMENTS FOR THE DEGREE OF MASTER OF BUSINESS  
ADMINISTRATION**

**DEPARTMENT OF ACCOUNTING AND FINANCE**

**MASENO UNIVERSITY**

**© 2017**

## **DECLARATION**

I hereby declare that this project report is my original work and has not been submitted in the same form or any other form to this or any other university or college for any examination. The work forms part fulfillment of the requirements of the award of a Master of Business Administration Degree of Maseno University.

Signature.....

Date.....

**FRED OBIYE NYAKUNDI**

**MBA/BE/6002/15**

This Project report has been submitted for examination with my approval as the University Supervisor.

Signature: .....

Date: .....

**Dr. David Oima**

**Department of Accounting and Finance**

**Maseno University**

## **ACKNOWLEDGEMENT**

I would like to express my deepest appreciation to all those who provided me the possibility to complete this project. Special gratitude I give to my supervisor Dr. David Oima for his guidance and positive criticism throughout my research work. Many thanks go to my family members who not only believed in me but gave me all the support and encouragement during my studies. Above all I thank the Almighty God for bringing me this far.

## **DEDICATION**

This research project is dedicated to God Almighty my creator, my strong pillar, my source of inspiration, wisdom, knowledge and understanding. He has been the source of my strength throughout this program and on His wings only have I soared. I also dedicate this work to my beloved wife Fanilla Kemuma Manani, children Sharon, Zanelle, Mitchelle, and Roy who have been affected in every way possible by this quest. Thank you. My love for you all can never be quantified. God bless you.

## ABSTRACT

Global and regional researchers have done studies on factors affecting budgetary performance of institutions and industries. Locally, the already done studies emphasize on monitoring and evaluation of National Government Constituency Development Fund (NGCDF) projects. The National Government of Kenya directs funds to local levels through the National Government Constituency Development Fund (NGCDF) with the aim of balancing the regional imbalances in development among the constituencies. However, studies indicate dismal performance of the Fund as evidenced by the misappropriation of up to Kshs 3.85 billion of allocations to the constituencies in the financial year 2013/14 with that of Suna East Constituency standing at Kshs 32,560,459.00 million the same period indicating poor budgetary performance. Empirical evidence shows that post-audit practices have an association with budgetary performance. While past studies indicate contradicting evidence on the relationship of post-audit practices with budgetary performance; studies to determine the association between reviewing of the Governance Process, value for money auditing and the examination of the association between the reviewing of existence, custody and safety of assets and budgetary performance for NGCDF Suna East are not known. Therefore, the general objective of this study was to determine the relationship between post-audit practices and budgetary performance of the National Government Constituency Development Fund in Suna East constituency. Specific objectives of the study were to: determine the association between the review of governance process and budgetary performance of NGCDF; establish the relationship between value for money audit and budgetary performance of NGCDF and examine the association between the review of existence, custody and safety of assets and budgetary performance of NGCDF in Suna East Constituency. The study was anchored on the, lending credibility theory and agency auditing theory. Correlation research design was adapted for the study for the period. The study's target population was 116 respondents who were stratified into three; Fund Manager, NGCDF Committee Members and Project management Committee Members. Stratified random sampling will be used to select a sample of 90 respondents for the study. Both primary data collected using questionnaires and secondary data collected from audited financial statements, periodic returns, books of accounting and approved proposals were used. Reliability of questionnaire was tested on pilot data targeting 10 respondents which yielded alpha coefficients greater than .701 implying internal consistency. Content validity test was done using expert reviewers. Descriptive statistics such as the mean and standard deviation and inferential statistics using Pearson correlation and multiple regression analysis will be used to analyze data. The findings are that; review of governance process and budgetary performance had a positive and significant association ( $r = .457$ ,  $p = .000$ ) implying that review of governance process leads to improved budgetary performance; conducting value for money audit was a positive significant predictor of budgetary performance ( $\beta = .215$  ( $p = .018$ )) and review of existence, custody and safety of assets had a positive and significant association with budgetary performance ( $r = .441$ ,  $p = .000$ ). The findings of the study may benefit policy makers in new policy formulation, investors on how to partner with the Fund and future researchers in the area of post-audit studies for theory formulation.

## TABLE OF CONTENTS

TITLE PAGE .....	i
DECLARATION.....	ii
ACKNOWLEDGEMENT .....	iii
DEDICATION .....	iv
ABSTRACT.....	v
TABLE OF CONTENTS.....	vi
ABBREVIATIONS AND ACRONYMS .....	ix
OPERATIONAL DEFINITION OF TERMS.....	x
LIST OF TABLES .....	xi
LIST OF FIGURES .....	xii
<b>CHAPTER ONE: INTRODUCTION.....</b>	<b>1</b>
1.1 Background of the Study.....	1
1.2 Statement of the Problem .....	8
1.3 Objectives of the Study.....	9
1.3.1 General Objective.....	9
1.3.2 Specific objectives of the study .....	9
1.3.3 Research Hypotheses.....	9
1.4 Scope of Study.....	9
1.5 Justification of the Study.....	10
1.6 Conceptual Framework.....	10
<b>CHAPTER TWO: LITERATURE REVIEW .....</b>	<b>12</b>
2.1 Theoretical Review .....	12
2.1.2 The Lending Credibility Theory .....	12
2.1.4 Agency theory.....	13
2.2 Post-audit practices Concepts .....	14
2.2.1 The Concept of Conducting Value for Money Audit .....	14
2.2.2 The Concept of Existence, Custody and Safety of Assets.....	14
2.2.3 The Concept of Governance Process.....	15
2.2.4 The Concept of Budgetary Performance of NGCDF .....	15
2.3 Empirical Review .....	15

2.3.1 Association between Reviewing of the Governance Process and Budgetary Performance.....	15
2.3.2 Relationship between Value for Money Auditing and Budgetary Performance.....	18
2.3.3 Association between the Reviewing of Existence, Custody and Safety of Assets and Budgetary Performance .....	20
<b>CHAPTER THREE: RESEARCH METHODOLOGY .....</b>	<b>23</b>
3.1 Research Design .....	23
3.2 Study Area.....	23
3.3 Target Population .....	23
3.4 Sampling Size and Sampling Technique .....	23
3.5 Data Collection Methods .....	24
3.5.1 Data Collection Procedure.....	24
3.5.2 Reliability of Research Instrument.....	25
3.5.3 Validity of Research Instrument.....	25
3.6 Data Analysis .....	26
3.7 Data Presentation technique .....	26
<b>CHAPTER FOUR: RESULTS AND DISCUSSIONS.....</b>	<b>27</b>
4.1 Response Return Rate .....	27
4.2 Demographic Characteristics of the Sample .....	27
4.3: Descriptive Statistics on Post- Audit Practices and Budgetary Performance .....	28
4.3.1 Extent of Review of the Governance Process .....	29
4.3.2 Extent of Conducting Value for Money Audit.....	31
4.3.3 Extent of Review of Existence, Custody and Safety of Assets .....	32
4.3.4 Extent of Budgetary Performance .....	33
4.4: Association between Review of the Governance Process and Budgetary Performance .....	34
4.5 Relationship between Conducting Value for Money audit and budgetary Performance .....	34
4.6 Association between the Review of Existence, Custody and Safety of Assets and Budgetary Performance .....	37

<b>CHAPTER FIVE: SUMMARY OF FINDINGS, CONCLUSIONS AND RECOMMENDATIONS.....</b>	<b>38</b>
5.1 Summary of Findings.....	38
5.2 Conclusions of the Study .....	38
5.3 Recommendations of the Study.....	38
5.4 Limitations of the Study.....	38
5.5 Suggestions for Further Research.....	39
<b>REFERENCES.....</b>	<b>40</b>
<b>APPENDICES.....</b>	<b>43</b>
Appendix I: Introductory Letter.....	43
Appendix II: Questionnaire .....	44
Appendix III: Suna East Constituency Wards.....	47



## **ABBREVIATIONS AND ACRONYMS**

<b>NGCDF</b>	National Government Constituency Development Fund
<b>NARC</b>	National Rainbow Coalition
<b>VAT</b>	Values Added Tax
<b>NTA</b>	National Taxpayers Association
<b>NGCDFC</b>	Government Constituency Development Fund Committee
<b>VFM</b>	Value for Money Audit
<b>VAGO</b>	Victoria Auditor General's Office
<b>INTOSAI</b>	International Organization of Supreme Audits Institutions
<b>KPI</b>	Key Performance Indicators
<b>GI</b>	Governance Institute
<b>M&amp;E</b>	Monitoring and Evaluation
<b>PMC</b>	Project Management Committee
<b>NPM</b>	New Public Management
<b>PBZ</b>	Peoples Bank of Zanzibar
<b>IEBC</b>	Independent Electoral Boundaries Commission

## **OPERATIONAL DEFINITION OF TERMS**

**Post-Audit Practices** -Post-audit practices refers to audits to examine a business process and evaluate the process's compliance with internal and external requirements.

**Budgetary Performance**- Reflects the input of resources and the output of services for each unit of an organization. This type of budget is commonly used by the government to show the link between the funds provided to the public and the outcome of these services.

**Completed Projects**-It is all about the last phase of the project life cycle. The whole point of the project is to deliver what was budgeted for.

**Verification of Existence, Custody and Safety of Assets**- Asset verification involves physical verification of assets acquired through a budget and specifying the locations where they are held and the ones responsible for their possession and also confirmation that they are disclosed in financial statements.

**Reviewing of Governance process** - This refers to reviewing of structures and processes that are designed to ensure accountability, transparency, responsiveness, rule of law, stability, equity and inclusiveness, empowerment, and broad-based participation are in place.

**Conducting Value for Money Audit**- This is an independent evidence-based investigation which examines and reports on whether economy, effectiveness and efficiency has been achieved. Confirmation whether completed projects conform to budgetary allocations.

**Enhanced Transparency and Accountability:** Transparency in social context implies openness, communication, and accountability. Transparency is operating in such a way that it is easy for others to see what actions are being performed. It includes publicly disclosing what has been achieved through budgeted funds.

## LIST OF TABLES

Table 3.1: Population Frame .....	24
Table 4.1 Respondent's gender.....	27
Table 4.2 Respondent's age.....	28
Table 4.3 Respondent's Location .....	28
Table 4.4: Rating of Extent of Review of the Governance Process (n =72).....	30
Table 4.5: Rating of Extent of Conducting Value for Money Audit (n =72) .....	31
Table 4.6: Rating of Extent of Existence, Custody and Safety of Assets (n =72) .....	32
Table 4.7: Rating of Extent of Budgetary Performance (n =72).....	33
Table 4.8: Correlations of Review of Governance Process and Budgetary Performance	34
Table 4.9: Correlations of Conducting Value for Money Audit and Budgetary Performance .....	35
Table 4.10: Multiple Regression Analysis Estimation Results on the Post-Audit Practices and Budgetary Performance.....	36
Table 4.11: Correlations of Review of Existence, Custody and Safety of Assets and Budgetary Performance .....	37

## **LIST OF FIGURES**

Figure 1.1: Relationship between Post-audit practices and Budgetary Performance... 10

## **CHAPTER ONE: INTRODUCTION**

This chapter provides the background of the study, the problem statement, the research objectives, and hypothesis and research questions. It also provides the scope and justification of the study and conceptual framework.

### **1.1 Background of the Study**

According to Dahanayake (2010), post-audit practices refer to a set of procedures for evaluating a capital budgeting decision after performance. It is an audit of accounting records conducted at some interval of time after a transaction or a series of transactions have already occurred.

As asserted by Chenhall and Morris (2003), post-audit practices refer to the formal processes that check the outcomes of individual investment projects after the initial investment is completed and the project is operational. Hence, post-audit practices can be regarded as one of the formal control systems within an organization's total control system package. Post-audit practices are reported in large firms in the developed countries and recently in few firms in the emerging economies and now in public organizations due to their perceived benefits related to enhancement of organizational learning and improvements in future capital investment.

As reported by Akungba-Akoko (2012), post-audit practices can be used to measure the performance of an investment, to provide feedback for controlling current investment, enhance the integrity of investment appraisals, and to evaluate management. Post-audit practices include reviewing of governance process, conducting value for money audit and reviewing of existence, custody and safety of assets. The main theme of reviewing governance process is to measure the existence of targets, the ability to measure outcomes against them and the ability to undertake necessary corrective action in project management (Oshisami, 2002). Accordingly, drawing on the concepts of reviewing governance process, the main targets should be to examine the appropriateness of project against targets after completion.

Poon (2005) conducted a study on post-audit practices on performance of government projects in Hong Kong. Using a descriptive research design, the study found that

reviewing of governance process does not have a significant effect on performance of projects. The study however used a descriptive research design indicating that the relationship between reviewing of governance process and budgetary process was not established.

Dahanayake (2010) conducted a study on the role of post-audit practices on project completion in the United States of America (USA). The study found that the review reforms were internally driven by developments in the public sector audit program. The study found a positive significant effect between the variables; the study however only studied the role of reviewing of governance process on project completion.

By using content analysis as the main research process, Robson *et al.*, (2007) studied the role of reviewing of governance process on project initiation of government projects in Norway. A negative significant effect of reviewing of governance process on project initiation was established. The use of content analysis indicates that results of the study are not plausible.

Akungba-Akoko (2012) conducted a study in Nigeria on the relationship between post-audit practices and performance of projects initiated by public schools. By using a survey research design on a sample of 500 purposively-selected respondents, the study reported a positive insignificant effect of the reviewing of governance process and project performance. The study however only covered public schools.

Kuto (2012) carried out a study in Kenya on effectiveness of monitoring and evaluation of NGCDF projects in Kenya. His findings were that external assessors are involved in monitoring and evaluation with minimal participation of constituents and that there is continuous outcry from stakeholders on the management of NGCDF that is blamed on ineffective monitoring and evaluation framework conducted by NGCDF. This indicated that there is an insignificant effect of the reviewing of governance process on monitoring and evaluation of projects. The role of reviewing of governance process on budgetary performance is however not established.

Dahanayake (2010), conducted a study on the role of post –audit practices on project completion in the United States of America, Robson et al (2007) used content analysis

while reviewing the governance process on project initiation of Government projects in Norway, Akunga Akoko (2012) used a survey design on a sample of 500 purposively selected respondents in public schools while Kuto (2012) studied on effectiveness of monitoring and evaluation of NGCDF projects in Kenya.

Dahanayake (2010) Akungba-Akoko (2012), Oshisami, 2002, Kuto (2012) carried out studies on governance processes in different countries and in different institutions with different research designs, sample sizes and analysis methods to establish the relationship between the review of governance process and budgetary performance.

From the literature review, it can be revealed that reviewing of governance process is an important aspect in budgetary performance. Results show unsystematic results which however demonstrate a possibility of the reviewing of governance process and its association with budgetary performance. This study will be carried in the local area to determine the association between reviewing of governance process and budgetary performance of Suna East NGCDF.

Value for Money Audit (VFM) is an independent evidence-based investigation which examines and reports on whether economy, effectiveness and efficiency has been achieved (Robson, *et al.*, 2007). According to Oshisami (2002) Value for Money Audit determines whether the entity is acquiring, managing or utilizing its resources such as staff, buildings, spaces, materials in an economic and efficient manner and the causes of any inefficiencies or uneconomical practices.

Poon (2005) asserts that VFM audit involves an inquiry into whether in carrying out its responsibilities where the organization gives adequate consideration to optimal acquisition, procedures and practices, safe keeping of its assets, money and minimum expenditure of effort.

Empirical studies conducted on the relationship between conducting value for money audit and budgetary process yield inconsistent results. Padachi (2006) studied trends in VFM practice and its effect on firm performance using 53 Mauritian small manufacturing firms. The study found that that efficient VFM practices are vital for the success and survival of enterprises, which needs to be embraced to enhance

performance and contribution to economic growth. The study however studied manufacturing firms alone.

A study on the relationship between VFM and performance of public projects by Kwame (2007) in Ghana established VFM is significantly useful in planning for projects which has a positive effect on the performance of the projects. The study used correlational research design but did not establish the role of conducting VFM audit on budgetary performance.

Eze *et al.* (2015) conducted a survey study on the relationship between VFM audit and financial performance of public institutions in Abuja, Nigeria. While the study reported that VFM audit is a constitutional requirement and also that it is the responsibility of public sector organizations at federal, state and local government levels to embrace the concepts of value for money audit and integrate it in their organizations, there is a negative relationship between VFM and financial performance of the public organizations. The use of a survey research design in the study indicates that the results were spurious.

In a local study by Kariuki (2013) on the influence of VFM implementation on performance of NGCDF funded projects in Gachoka Constituency, VFM as a strategy was found to have a negative significant effect on performance of the projects. The study did not however study the relationship between conducting VFM audits and budgetary performance of projects indicating that this relationship is unknown for the study. Oshisami (2002), Poon (2005), Padachi (2006) conducted on the relationship between conducting value for money audit and budgetary process yield unsystematic results, Kwame (2007) used correlational research design but did not establish the role of conducting VFM audit on budgetary performance.

Eze *et al.* (2015) conducted a survey study on the relationship between VFM audit and financial performance of public institutions in Abuja, Nigeria, Kariuki (2013) conducted a study on the influence of VFM implementation on performance of NGCDF funded projects in Gachoka Constituency. These researchers adapted different research designs and methodologies in different areas.



The above reviewed studies indicate that conducting value for money audits will influence performance of projects. However, contradicting results are shown indicating theory stagnation. The available studies use samples from different organizations and some use research designs such as survey which do not reveal correlations. This depicts that the specific studies seeking to establish the relationship between VFM auditing and budgetary process are not known. Evidently, this research therefore seeks to establish the relationship between conducting value for money audit and budgetary performance of NGCDF in Suna East Constituency.

Reviewing of existence, custody and safety of assets is an element of post-audit practice which seeks to ascertain asset verification which involves physical verification of assets acquired through a budget and specifying the locations where they are held and the ones responsible for their possession and also confirmation that they are disclosed in financial statements (Dahanayake, 2010).

Tirimba (2015) analyzed the effectiveness reviewing existence, custody and safety of assets on organizational performance at Dar-e-salaam Bank. The study utilized descriptive and retrospective research designs. His findings on effectiveness of review techniques showed review improves efficiency and productively significantly. The study recommended that organizational staff needs to be trained on the existing review techniques to enhance business decision making and improve efficiency and productivity. The use of descriptive research and a sample of one bank however limit generalization of the results.

Malala *et al.* (2014) carried out a study on factors affecting performance of constituency development fund projects in Kikuyu Constituency, Kenya. The study revealed that that NGCDFC in Kikuyu Constituency is governed by competent, popular and accountable people who are, however, political cronies and therefore do not stand by the needs of the people they are supposed to be representing. The study also revealed that review of existence of assets does not significantly affect performance of NGCDF. The study did not however establish the effect of review of existence of assets on budgetary performance of the NGCDF projects.

Ngugi (2015) carried out a study on the relationship between budgetary control and performance of National Government Constituency Development Fund (NGCDF) in Machakos County, Kenya. The study established that proper planning of budgets have the potential to help organizations reach their goals and also reduces role ambiguity. The study concluded that, participative budgeting, proper planning of budgets proper monitoring and control of budgets, budget analysis all have a positive significant impact on performance of NGCDF projects. The study only focused on the role of budget planning on performance of NGCDF.

Dahanayake, (2010) and Tirimba (2015) analyzed the effectiveness of reviewing existence, custody and safety of assets on organizational performance. Malala *et al.* (2014) carried out a study on factors affecting performance of constituency development fund projects. Ngugi (2015) carried out a study on the relationship between budgetary control and performance of National Government Constituency Development Fund (NGCDF).the researchers carried out their studies using different methodologies, sample sizes and in different institutions hence achieving different conclusions.

From the empirical reviews it can be observed that reviewing existence, custody and safety of assets as an element of post-audit practices is important. Though the studies indicate contradictory results on the relationship between the reviewing, existence, custody and safety of assets and budgetary performance the studies show that the review could possibly impact on budgetary performance. The results from the reviewed studies cannot however be generalized since some use small samples from manufacturing entities. This study therefore seeks to examine the association between the reviewing of existence, custody and safety of assets and budgetary performance of NGCDF in Suna East constituency.

National Government Constituency Development Fund ( NGCDF) was established in 2003 through the enactment of the NGCDF Act as contained in the Kenya Gazette Supplement No. 107 (Act No. 11) of January 9, 2004 with the aim of ironing out regional imbalances in development by the National Government (Kuto, 2012). The National Government Constituency Development Fund (NGCDF) budgets aim is to iron out regional imbalances in development at the constituency level. The National

Government Constituency Development Fund (NGCDF) is a devolved fund channeled by the National Government to constituencies to promote development. Since its enactment in 2003, it has significantly changed development dynamics at community level such that the constituency has increasingly become an important unit of engagement in development projects in Kenya (Kariuki (2013).

In recent times, the budgetary performance of the National Government Constituency Development Fund (NGCDF) accountability and overall effectiveness has been dismal. Financial reports indicate dismal performance of the Fund as evidenced by the misappropriation of up to kshs: 3.85 billion of allocations to the constituencies in the financial year 2013/14 with that of Suna East Constituency standing at kshs: 32,560,459.00 million the same period indicating poor budgetary performance. This is an indicator of poor budgetary performance of the NGCDF.

While studies into this poor performance has received much attention, specific studies relating the role of post-audit practices on budgetary performance are scanty which informs the present study. This study therefore seeks to determine the relationship between post-audit practices and budgetary performance of National Government Constituency Development Fund (NGCDF) in Suna East constituency.

## **1.2 Statement of the Problem**

The National Government Constituency Development Fund (NGCDF) was enacted in 2003 under the NGCDF Act 2003 with the aim of ironing out regional imbalances in development by the National Government. In recent times, the budgetary performance of the National Government Constituency Development Fund (NGCDF) accountability and overall effectiveness has been dismal. Financial reports indicate dismal performance of the Fund as evidenced by the misappropriation of up to kshs: 3.85 billion of allocations to the constituencies in the financial year 2013/14 with that of Suna East Constituency standing at kshs: 32,560,459.00 million for the same period. This is an indicator of poor budgetary performance of the NGCDF.

Theoretical and empirical evidence links post-audit practices to budgetary process albeit unsystematically. Empirical evidence shows unsystematic relationships exist between reviewing of governance process and budgetary performance; conducting value for money auditing and budgetary process and; reviewing of existence, custody and safety of assets and budgetary performance. While past studies indicate contradicting evidence on the influence of post-audit practices on budgetary performance, specific studies on the influence of review of governance process, value for money auditing and review of existence, custody and safety of assets for NGCDF Suna East are missing. This study therefore seeks to determine the relationship between post-audit practices and budgetary performance of National Government Constituency Development Fund (NGCDF) in Suna East constituency.

## **1.3 Objectives of the Study**

### **1.3.1 General Objective**

The objective of the study is to establish the relationship between post-audit practices and budgetary performance of National Government Constituency Development Fund (NGCDF) in Suna East constituency.

### **1.3.2 Specific objectives of the study**

- (i) To determine the association between reviewing of the Governance Process and Budgetary Performance of NGCDF in Suna East Constituency.
- (ii) To establish the relationship between conducting value for money audit and budgetary performance of NGCDF in Suna East Constituency.
- (iii) To examine the association between the reviewing of existence, custody and safety of assets and budgetary performance of NGCDF in Suna East constituency.

### **1.3.3 Research Hypotheses**

**H<sub>01</sub>:** Reviewing of governance process has no association with Budgetary Performance of NGCDF in Suna East Constituency.

**H<sub>02</sub>:** There is no relationship between conducting value for money audit and budgetary performance of NGCDF in Suna East Constituency.

**H<sub>03</sub>:** There is no association between the reviewing of existence, custody and safety of assets and budgetary performance of NGCDF in Suna East constituency.

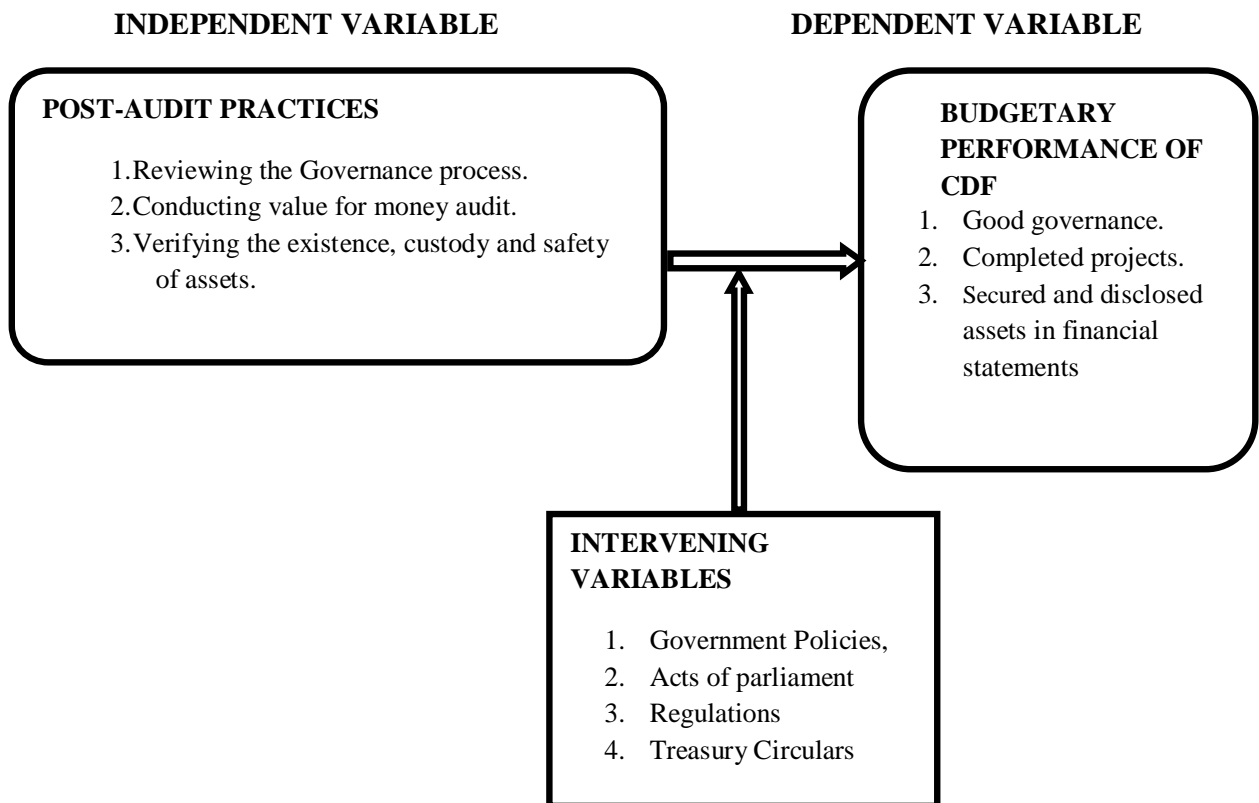
## **1.4 Scope of Study**

The study scope will be limited to Suna East Constituency. Suna East Constituency is an electoral constituency within Migori County in Kenya. According to the Independent Electoral and Boundaries Commission (IEBC), the constituency is number 255 of 290 constituencies in Kenya. The subject scope of this study is audit influence; on elevation of the financial performance of the NGCDF budget of Suna East Constituency. Both secondary and primary data for the period 2014/15, and 2015/16 Government of Kenya financial years will be used.

### 1.5 Justification of the Study

The study may be of importance to the National Government Constituency Development Fund (NGCDF) Management Board, policy makers, Audit committees, The National Treasury, the National Management Board, National Assembly and other oversight agencies. The report may also influence potential investors who are interested in investing or partnering with National Government Constituency Development Fund (NGCDF) in project implementation. Further, the findings will give regulators information that will facilitate their ability to put in place appropriate regulations for National Government Constituency Development Fund (NGCDF) programs and projects in order to enable them operate effectively and efficiently. The findings of this study may enhance budgetary performance of Suna East Constituency Development Fund.

### 1.6 Conceptual Framework



**FIGURE 1.1: Relationship between Post-audit practices and Budgetary Performance**

Source: EL-Kheir Mohamed EKA(1997)

The conceptual framework for the present study is adapted from a study EL-Kheir Mohamed EKA (1997). This diagrammatic representation shows the relationship between the post-audit practices and budgetary performance of Suna East NGCDF. There are intervening variables such as Government Policies, Acts of parliament, Regulations and Treasury Circulars which have effect on the performance of the dependent variable. The intervening variables are also control variables. The independent variables include; conducting value for money audit; verifying the existence, custody and safety of assets; reviewing the Governance process for transparency and accountability of the budgetary allocation of the entity. The independent variables with the intervening variables that include, Government Policies, Acts of Parliament, Regulations and Treasury Circulars influence the dependent variable, budgetary performance of NGCDF, when they are implemented. The independent and intervening variables influence positively the budgetary performance of NGCDF

## **CHAPTER TWO: LITERATURE REVIEW**

This chapter discusses literature related to post-audit practices and budgetary performance of NGCDF. It focuses on two substantive literature aspects. First, theoretical reviews and conceptual reviews so far advanced in the field of auditing and budgetary performance; concepts and the empirical review for evidences about post-audit practices and budgetary performance in various parts of the world.

### **2.1 Theoretical Review**

#### **2.1.2 The Lending Credibility Theory**

A theory, based on public perception, is the lending credibility theory. The key issue of this theory is the addition of credibility to the financial statements. Stakeholders need a guarantee for a fair representation of the economic value of the firm (Hayes *et al.*, 2005).

The information hypothesis assigns an important role to the auditor in providing credibility to the financial statements. Given a situation of uncertainty, the demand for auditing has several possible explanations. The first one is the general belief that an audit enhances the reliability and credibility of financial statement data and provides assurance to users about their decisions.

Another explanation is the dependence of the investors on the audit to produce information helpful in estimating risk, even if the audit results do nothing more than confirm the investor's expectations and beliefs about their decisions (Soltani, 2007). The insurance hypothesis adds a supposition that the demand for auditing is created when the auditor acts as a guarantor for users against the risk of loss.

The theory suggests that the primary function of the audit is to add credibility to the financial statements. In this view the service that the auditors are selling to the clients is credibility (Kuto, 2012). Audited financial statements are seen to have elements that increase the financial statement users' confidence in the figures presented by the management. The users' are perceived to gain benefits from the increased credibility, these benefits are typically considered to be that the quality of investment decisions improve when they are based on reliable information. This theory underpins this study's objective as it is based on reliability of credibility of financial statements of an



entity that are confirmed by auditors especially on disclosure of assets that are acquired and owned.

This theory underpins this study objective that is to examine the association between the reviewing of existence, custody and safety of assets and budgetary performance of NGCDF in Suna East constituency in that the theory looks at addition of credibility to the financial statements and disclosure of assets in financial statements.

#### **2.1.4 Agency theory**

Watts and Zimmerman (1978) asserts that according to this theory, the auditor is appointed in the interests of both the third parties as well as the management. Agency theory analyses the relationship between two parties: investors and managers. The agent, the manager, undertakes to perform certain duties for the principal, investors, and the principal undertakes to reward the agent.

According to this theory, the role of the auditor is to supervise the relationship between the manager and the owners. Given that principals will always be interested in the outcomes generated by their agents, agency theory demonstrates that accounting and auditing have an important task in providing information and this task is often associated with stewardship, in which an agent reports to the principal on the companies' events. The demand for auditing is sourced in the need to have some means of independent verification to reduce record keeping errors, asset misappropriation, and fraud within business and business organization.

However, a survey conducted by Wahdan *et al.* (2005) revealed that the auditors believe that the auditor's work would be used as a guide for investment, valuation of companies, and sometimes in predicting bankruptcy. This theory will apply in the study objectives on review of governance process and conducting value for money audit and their association with budgetary performance of NGCDF in Suna East Constituency. The auditor is the agent while stakeholders are the principals in this perspective.

## **2.2 Post-audit practices Concepts**

### **2.2.1 The Concept of Conducting Value for Money Audit**

Value-For-Money Auditing examines whether public organizations or programs have attained economy, efficiency and effectiveness in the management of resources at their disposal. It is commonly referred to as the audit of the three 'Es' which are defined as; Economy - acquiring resources at the lowest cost while having due regard to quality; in short, keeping the costs low; efficiency is the rate at which resources used (inputs) are converted to goods and services (outputs). The goal is to attain the highest possible quantity of goods or services of acceptable quality from given inputs, in short making the most out of the available resources; while effectiveness is the extent to which objectives have been achieved and the relationship between the intended and actual impacts of activities; in short, achieving the stipulated aims and objectives.

According to Okwoli (2004), value for money audit is a systematic evaluation of the methodologies employed in the execution of programs, projects, and activities with the objectives of confirming whether the stated objectives of the programs, projects, and activities were actually achieved and at what cost. According to him, this method of audit has evolved over time and been found to be the best approach to confirming whether managers of resources are applying best practices in the use and application of resources.

### **2.2.2 The Concept of Existence, Custody and Safety of Assets**

This concept includes verification of the actual existence of securities and physical assets like buildings, property and land against provided financial reports like balance sheets (Robson *et al.*, 2007). The ultimate goal of this step is to attain a high level of confidence that the transactions and portfolio positions reported to clients are fully and fairly reflect investments and transactions made as shown in an adviser's books and records and on custodial records.

A study on the value of financial statement verification in debt financing from private United States firms by Craig(2010) in Michigan evidence that audited financial statements are more informative and that they significantly influences lenders'

decisions. This parameter enhances the budgetary performance of NGCDF through safeguard of assets that have been procured through the budget.

### **2.2.3 The Concept of Governance Process**

Any governance review will be unique to the organization and will depend on factors such as the organization's ownership, legal structure, regulatory environment, culture and the outcomes sought in undertaking a review. Areas of focus in a governance review may include; determining if the governance system adds value or is a burden to the organization; addressing a specific issue of concern with the current governance structure such as the number or type of board committees; alignment of the governance system with an existing or new strategic direction; adoption of leading practice governance in terms of policies and procedures (documentation review); compliance with national and international codes and standards.

### **2.2.4 The Concept of Budgetary Performance of NGCDF**

Performance budget is a budget that reflects the input of resources and the output of services for each unit of an organization. This type of budget is commonly used by the government to show the link between the funds provided to the public and the outcome of these services. In NGCDF budgetary performance can be measured through completed projects; secured assets that were procured through NGCDF and general transparent and unquestionable of financial reports. For several years now, there have been reported cases of budget non-accomplishment, budget disparity, budget indiscipline, poor or non- performance of budget and poor budgetary implementation.

## **2.3 Empirical Review**

### **2.3.1 Association between Reviewing of the Governance Process and Budgetary Performance**

Poon (2005) conducted a study on the role of review of governance process on budgetary performance in Hong Kong. The study objective was to find out whether the conducting of review of governance had a significant effect in programme evaluation. The research was based on the analysis of documents related to the value for money audit process. The study found that there is no significant effect of review of governance process and budgetary control. The study recommended that the

director of audit in conducting value for money audits and the Public Accounts Committee following up on the cases in the political level has been proven to be an effective tool in improving the accountability of the administration of the Governments budget.

Dahanayake (2010) conducted a study on the role of reviewing of governance process on project conclusion in state of Victoria in the USA. The conclusions were that reviewing of governance process function has surpassed the basic components of economy, efficiency and effectiveness and has become a more powerful audit technique. He applied content analysis as the main research method, examining documents, interviews, informal conversations with designated officials of the VAGO, examination of closed VFM audit files, email communications with former and present senior officials of the process and practical audit knowledge to build up the facts and narrative of his research.

Robson *et al.* (2008) conducted a study in Norway on the carried out a case study on the influence of the budget process on governance effectiveness. The study findings were that a budget is an Instrument for good governance - administrative tool: assignment of authorities and responsibilities to government units to perform budgeted tasks - performance measurement tool: exacting desired results from authorized expenditures and that dimensions of effective governance include; accountability; Predictability; participation; transparency; transparency; beneficiary reach/impact and compliance to laws.

Akungba-Akoko (2012) conducted a study on the role of reviewing governance process on project completion for public schools in Nigeria. The study found no significant effect of the review on project completion for the schools. The study opines that the changed role of government and the changed environment in which it has to discharge its role have brought governance into common usage as a process for which the word 'government' is no longer sufficient". This implies that the activities of government are now examined in order to ascertain whether it (government) is accountable to the people, whether it is transparent in the pursuits of its day to day activities and whether the resources of the state are judiciously allocated and managed. The government must embrace true form of governance that implies

accountability, transparency, efficiency. He concluded that there is a connection between good governance and good budgeting.

Kuto (2012) in Kenya carried out a study on evaluation of management of NGCDF in Kenya, a case study of Machakos County. The study was assessing the effectiveness of management of NGCDF in Machakos County. He adapted a descriptive research design approach in his study where it was revealed that respondents were aware of NGCDF projects. It was further revealed that Members of parliament were directly involved in implementation of projects and that projects were not implemented in a timely manner. The researcher concluded that there is a positive relationship between effectiveness of NGCDF and management with implementation, monitoring and accounting. His recommendations were that a further study may be conducted on effects of not completing NGCDF projects in a timely manner.

Ngugi (2015) in Kenya carried out a study on the relationship between budgetary control and performance of National Government Constituency Development Fund (NGCDF) in Machakos County. The study established that proper planning of budgets have the potential to help organizations reach their goals and also reduces role ambiguity. He adapted a descriptive research design. The study concluded that, participative budgeting, proper planning of budgets, proper monitoring and control of budgets, budget analysis all have a positive impact on performance of NGCDF projects.

Poon (2005) conducted a study on the role of review of governance process on budgetary performance in Hong Kong using analysis of documents where he found out that there is no significant effect of review of governance process on budgetary performance. Dahanayake (2010) conducted a study on the role of reviewing of governance process on project conclusion in state of Victoria in the USA. He found out that conducting value for money audit is a powerful audit technique. He applied content analysis as the main research method. Robson *et al.* (2008) conducted a study in Norway on the influence on governance effectiveness of the budget process. He also found out that review of the governance process has an association with budgetary performance. Akungba-Akoko (2012) conducted a study on the role of reviewing governance process on project completion for public schools in Nigeria and

opined that good governance has a connection with budgetary performance. Kuto (2012) in Kenya carried out a study on evaluation of management of NGCDF in Machakos constituency. He adapted a descriptive research design .Ngugi (2015) in Kenya carried out a study on the relationship between budgetary control and performance of National Government Constituency Development Fund (NGCDF) in Machakos County.

From the above studies, it can be revealed that the researchers used different research methods and approaches in conducting their research. They also carried them out in different regions. Their results were not consistent too. Though research on budgetary performance has been conducted in different institutions globally and regionally, little is known about the relationship between reviewing of the Governance process and Budgetary Performance of NGCDF in Suna East Constituency.

### **2.3.2 Relationship between Value for Money Auditing and Budgetary Performance**

Value for money is a concept that seeks the maximization of the use of scarce resources for the welfare of the public by ensuring that activities and programs are carried out at low cost and to high standard.

Chiu-Kim Poon, (1995) in Hong Kong carried out a study on the effectiveness of value for money audit in the evaluation of government programs. His objective was to find out whether the conducting of value for money audits is an effective tool in programme evaluation. The research was based on the analysis of documents related to the value for money audit process. His findings were that the process of evaluation of government programs by the combined effort of the Director of Audit in conducting value for money audits and the Public Accounts Committee following up on the cases in the political level has been proven to be an effective tool in improving the accountability of the administration of the Governments budget.

Dahanayake, (2010) in Wellington, conducted a study on Value for money auditing in the state of Victoria: the Early Period his objective was to examine whether the VFM audit function of the Victorian Auditor-General's Office (VAGO) emerged due to the New Public Management (NPM) reforms or VAGO's internally driven developments

of the public sector audit program. The conclusions were that VFM audit function has surpassed the basic components of economy, efficiency and effectiveness and has become a more powerful audit technique. He applied content analysis as the main research method, examining documents, interviews, informal conversations with designated officials of the VAGO, examination of closed VFM audit files, email communications with former and present senior officials of the VAGO and 'hanging-around' practical audit knowledge (Robson et al, 2007) to build up the facts and narrative of his research.

According to Eze et. al, (2015) in Abuja, Nigeria, it is a constitutional requirement, and also the responsibility of public sector organizations at federal, state and local government levels to embrace the concepts of value for money audit and integrate it in their organizations. This was after he conducted a study on Value for money audit: an accountability tool in the Nigeria public sector in 2015 using the desktop analytical approach method. He concluded that the concept of "value for money audit" shows that the topic is becoming more acceptable in the public sector despite the sector's peculiarities which can hinder its achievement, for economy and efficiency of operations of the sector. An understanding of this concept and its implementation will, therefore, enable an optimal achievement of accountability for the public sector in Nigeria.

According to Oshisami, (1992) in Nigeria, Value for Money Audit determines whether the entity is acquiring, managing or utilizing its resources (staff, buildings, spaces, materials,) in an economic and efficient manner and the causes of any inefficiencies or uneconomical practices. He went further to state that VFM audit involves an inquiry into whether in carrying out its responsibilities; the organization gives adequate consideration to optimal acquisition, procedures and practices, safe keeping of its assets, money and minimum expenditure of effort.

Akungba-Akoko, (2012) in Ondo State, Nigeria carried out a study on value for money audit and budget implementation: An Evaluation of Nigerian Public Sector Auditing and found out that budget in the public sector of Nigeria has almost become a ritual or a yearly affair which though good in content but without appreciable results. The design used for this study is survey design and use of structured

questionnaires as a source of data collection. A sample size of five hundred (500) respondents was chosen through purposive sampling. He concluded that that all the new audit trends are indispensable for the efficiency and effectiveness of budget performance.

Chiu-Kim Poon (1995) analyzed documents related to the value for money audit process on his study on the effectiveness on the value for money audit in evaluating government programs. Dahanayake (2010) conducted a study on value for money auditing in the State of Victoria where he applied content analysis as the main research method, examining documents, interviews and informal conversations. Eze et. al, (2015) in his study on value for money audit as an accountability tool in Nigeria used desktop analytical approach method. Akungba-Akoko, (2012) carried out a study on due process and budget implementation where he used survey design and structured questionnaires as a source of data collection. His sample size was 500 respondents chosen through purposive sampling.

From the above literature review, it is evident that these scholars used various research designs, methodologies, sample sizes and different areas to study about budgetary performance of various institutions. They have also different results from their studies. Locally little is known about the relationship between value for money auditing and budgetary performance of Suna East NGCDF.

### **2.3.3 Association between the Reviewing of Existence, Custody and Safety of Assets and Budgetary Performance**

This is an audit practice that is basically a budgetary control aimed at enhancing the financial performance of a budget. Budgetary control as a proven management tool (Chandler, 1990) helps organization management, enhances improved performance of any economy in a different ways. Its primary function is to serve as a guide in financial planning operation; it also establishes limits for departmental excesses.

Malala *et al.* (2014) carried out a study on factors affecting performance of constituency development fund projects in Kenya: case study of kikuyu constituency. His study adapted a quantitative and descriptive survey research design. It revealed that indeed there are several factors that affect the performance of Constituency



Development Fund (NGCDF) funded projects in Kikuyu Constituency. NGCDF in Kikuyu Constituency is governed by competent, popular and accountable people who are, however, political cronies and therefore do not stand by the needs of the people they are supposed to be representing.

Ngugi (2013) conducted a study in Kenya on Budgetary Control as a Measure of Financial Performance of State Corporations in Kenya. He employed Purposive sampling to select 42 corporate services manager, finance manager and budget officer from each corporation to participate in the study. A questionnaire, whose content validity was checked through an expertise opinion and reliability through test pre-test methods, was used to gather information. His findings indicated that a positive significant relationship exists between budgetary control and financial performance of state corporations. Budgetary features reflect ability to predict financial milestones of organizations. He recommended that sensitization of management and employees of state corporations on the importance of budgetary controls in enhancing financial performance, avoidance of political interference in the budgetary process and use of budgets as tools for management efficiency.

Kuto, (2012) in Kenya did a study on effectiveness of monitoring and evaluation of NGCDF projects in Kenya. The purpose of his study was to investigate the effectiveness of monitoring and evaluation in Ainamoi constituency. This was a case study research design which involved a mixed method design through use of both quantitative and qualitative data in a single study. His findings were that external assessors are involved in monitoring and evaluation with minimal participation of constituents and that there is continuous outcry from stakeholders on the management of NGCDF that is blamed on ineffective monitoring and evaluation framework conducted by NGCDF.

Malala *et al.* (2014) carried out a study on factors affecting performance of constituency development fund projects in Kenya. His study adapted a quantitative and descriptive survey research design. Ngugi (2013) conducted a study in Kenya on Budgetary Control as a Measure of Financial Performance of State Corporations in Kenya. He employed Purposive sampling to select 42 corporate services manager, finance manager and budget officer from each corporation to participate in the study.

Ngugi (2013) conducted a study in Kenya on Budgetary Control as a Measure of Financial Performance of State Corporations in Kenya. He employed Purposive sampling. Kuto, (2012) in Kenya did a study on effectiveness of monitoring and evaluation of NGCDF projects in Kenya. This was a case study research design which involved a mixed method design through use of both quantitative and qualitative data in a single study.

From the empirical studies it can be concluded that the results from the reviewed studies cannot be generalized since some use small samples from manufacturing entities. They have also used different research designs in different areas. Though the researchers have conducted studies on factors affecting budgetary performance, little study has been conducted to find out the relationship between reviewing the existence, safety and custody of assets and budgetary performance of Suna East NGCDF.

## **CHAPTER THREE: RESEARCH METHODOLOGY**

This chapter presents detailed descriptions of the methodology which will be adapted by the researcher. It includes research design, study area, target population, sample population, sampling procedure, data collection methods and data analysis methods.

### **3.1 Research Design**

The study employed a correlational research design. According to Cooper and Schindler (2006), a correlational research design attempts to establish the relationship between research variables or their interaction. The research design was therefore suitable in this study since it help in establishing the relationship between post-audit practices and budgetary performance of Suna East NGCDF.

### **3.2 Study Area**

The research was conducted in Suna East Constituency. Suna East Constituency is an electoral constituency within Migori County in Kenya. According to the Independent Electoral and Boundaries Commission (IEBC), the constituency is number 255 of 290 constituencies in Kenya. Suna East constituency lies on Latitude 0° 58' 55 S and Longitude 34° 24' 32 E.

### **3.3 Target Population**

The study's target population was 116 officials stratified into three strata; the NGCDF fund manager, the 15 Constituency Development Fund Committee (CDFC) members and the 100 Project Management Committee (PMC) Members.

### **3.4 Sampling Size and Sampling Technique**

The study employed stratified random sampling. Kombo and Tromp (2006) assert that this method of sampling is mainly applied where the population is in strata. Random sampling was used select the specific respondents from the strata. The study applied the formula suggested by Yamane (1967) as quoted by Cooper and Schindler (2006) to determine the sample from each strata. The formula is:

$$n = \frac{N}{[1 + N(e)^2]} \dots\dots\dots(3.1)$$

Where:            n=the desired sample size  
                          N=is the population.  
                          e= is the level of precision set at 0.05

$$n = \frac{116}{\left[1 + 116(0.05)^2\right]} = 90$$

**Table 3.1: Population Frame**

<b>Category</b>	<b>Population</b>	<b>Sample Size</b>
Fund Manager	1	1
NGCDFC Members	15	12
Project Management Committee Members-PMC	100	77
<b>TOTAL</b>	<b>116</b>	<b>90</b>

**Source: Suna East NGCDF Records, 2016**

### **3.5 Data Collection Methods**

Questionnaires were the main method of data collection. Both primary and secondary data was collected to achieve the objectives of the study. Primary data was collected from the Fund Manager, NGCDFC members and PMC members by using questionnaires with closed ended questions. Available relevant secondary data from accounting books, abstracts, periodic returns, audited financial statements, proposals and from the internet sources was used to supplement the primary data.

#### **3.5.1 Data Collection Procedure**

Research assistants were used to drop the self-administered questionnaires to the respondents. The research assistants were used since the area to be covered is large and some of the questions in the questionnaires are technical and needed interpretation. The questionnaires were filled as the research assistants waited and in cases where the respondents were either busy or unavailable; the questionnaires were dropped and picked after one week.

### 3.5.2 Reliability of Research Instrument

Reliability is a measure of the degree to which a research instrument yields consistent results over time and over similar samples (Cohen, et al, 2008). Reliability of the questionnaire was done using a pilot test which sought to answer the question, does the questionnaire consistently measure whatever it purports to measure? When a questionnaire is used, establishing reliability commonly involves administration of the questionnaire or portions of the questionnaire to the same respondents at different times or under different circumstances in order to assess how stable the answers are. The questionnaire was pre-tested with 10 respondents drawn from the study sample in order to confirm the clarity of the questions. The 10 respondents were however excluded from the final sample of the study leaving an effective sample of 80 respondents. The instrument was deemed to be reliable at Cronbach's Alpha of .701 (Norland, 1990).

**Table 3.2: Summary of Pilot Results**

<b>Variables</b>	<b>No. of Items</b>	<b>Cronbach's Alpha</b>
Review of governance process	3	0.812
Conduct value for money audit	3	0.745
Review of custody and safety of assets	3	0.787
Budgetary performance	3	0.765

**Source: Field Data, 2017**

All the variables had alpha values of above 0.701, indicating strong internal consistency among measures of variable items.

### 3.5.3 Validity of Research Instrument

Validity of the questionnaires was tested by using the Content Valid Index (CVI). To achieve this, the relevant items in relation to the research objectives in the questionnaire were divided by the total number of items (Fisher, 2004). The validity was described as follows:

$$\text{CVI} = \text{Relevant items} \div \text{Total number of items}$$

Fisher (2004) indicates that for a research instrument to be valid, the CVI should be more than 0.7. Twelve (12) out of fifteen (15) items were relevant in addressing the research questions yielding a CVI of 0.8 which is more than 0.7 implying that research instrument was valid.

### 3.6 Data Analysis

Data was analyzed using descriptive and inferential statistics. Descriptively, proportions percentages mean and standard deviations were computed. Inferential statistics entailed use of Pearson correlation and multiple regression analyses.

The regression equation that was used is:

$$\text{Budgetary Performance}_i = a_0 + a_1 \text{RGP}_i + a_2 \text{CVFM}_i + a_3 \text{RECS}_i + \varepsilon \dots\dots \quad (3.2)$$

Where:

Budgetary Performance of NGCDF of project *i* will be measured by the ratio of the number of completed projects to those not completed.

$a_0$  is the constant term

$a_1$  is the slope for Reviewing of Governance Process (RGP) for project *i*

$a_2$  is the slope for Conducting Value for Money Audit (CVFM) *i*

$a_3$  is the slope for Review of Existence, Custody and Safety of Assets (RECS) for project *i* and

$\varepsilon$  is the error term which is assumed to be normally distributed.

### 3.7 Data Presentation technique

The analysed data was presented in tables. A table is an array of data in rows and columns (Adedayo, 2000) Tabulation condenses a large mass of data and brings out the distinct pattern in a data in an attractive form. It enables comparison to be made easily among classes of data and takes up less space than data presented in narrative form.

## CHAPTER FOUR: RESULTS AND DISCUSSIONS

This chapter entails results presentation and discussion. The first part presents demographic characteristics and descriptive statistics and the rest presents results as per each objective.

### 4.1 Response Return Rate

The administered questionnaires were done in person to the respondents by the research assistants. Some respondents filled the questionnaires in the researcher's presence and returned them immediately. Others opted to fill them at their own free time. Out of the 80 questionnaires administered to the respondents, 72 of them were returned constituting a response rate of 90.0 % of the administered questionnaires.

### 4.2 Demographic Characteristics of the Sample

The study sought to establish the background of the respondents in the study in terms of gender, age and respondent's location in the constituency. The results were as shown in the following sections.

**Table 4.1 Respondent's gender**

Gender	Frequency	Percent	Valid Percent	Cumulative Percent
Female	28	38.9	38.9	38.9
Male	44	61.1	61.1	100.0
Total	72	100.0	100.0	

Source: Field Data, 2017

Table 4.1 indicates that 61.1 % of the respondents are males while 38.9 % of them were females. This implies that majority of employees in Suna East CDF are males, hence the data obtained was gender biased.

**Table 4.2 Respondent's age**

<b>Respondent's age bracket</b>	<b>Frequency</b>	<b>Percent</b>	<b>Valid Percent</b>	<b>Cumulative Percent</b>
Below 25 years	8	11.1	11.1	11.1
25-30 years	12	16.7	16.7	27.8
36-40 years	23	31.9	31.9	59.7
40-45 years	18	25.0	25.0	84.7
Above 45 years	11	15.3	15.3	100.0
Total	72	100.0	100.0	

Source: Field Data, 2017

Most of the respondents were aged above 36 years which is a very active and productive age bracket.

**Table 4.3 Respondent's Location**

<b>Location in the constituency</b>	<b>Frequency</b>	<b>Percent</b>	<b>Valid Percent</b>	<b>Cumulative Percent</b>
Suna Central	16	22.2	22.2	22.2
Kakrao	16	22.2	22.2	44.4
God Jope	20	27.8	27.8	72.2
Kwa	20	27.8	27.8	100.0
Total	72	100.0	100.0	

Source: Field data, 2017

Table 4.3 indicates that majority of respondents were from God Jope and Kwa constituting about 55.6 %.

#### **4.3: Descriptive Statistics on Post- Audit Practices and Budgetary Performance**

Descriptive statistics on the extent of post-audit practices and budgetary performance namely frequencies, percentages; mean and standard deviations were computed.



#### **4.3.1 Extent of Review of the Governance Process**

The extent of review of governance process was measured using three items. Respondents were asked to rate the extent to which review of governance process was practiced in Suna East Constituency. Responses were elicited on a 5-point scale (1-very low, 2-low, 3-moderate, 4-high, and 5-very high). These responses were then analyzed using frequencies, means and standard deviations.

**Table 4.4: Rating of Extent of Review of the Governance Process (n =72)**

Constructs	5	4	3	2	1	Mean	Std. Dev
<b>Overall Mean = 2.977</b>							
a) Review of monitoring process	13(18.1%)	18(25.0%)	20(27.8%)	12(16.7%)	9(12.5%)	3.1944	1.27422
b) Review of flow of information	13(18.1%)	16(22.2%)	16(22.2%)	13(18.1%)	14(19.4%)	3.0139	1.38902
c) Review of documentation of policies and procedures	8(11.1%)	10(13.9%)	23(31.9%)	16(22.2%)	15(20.8%)	2.7222	1.25846

**Key:** *Very high=5, High =4, Moderate=3, Low=2, Very low=1*

**Source:** Field data, 2017

Results presented in Table 4.4 suggest that the respondents rated highly all the constructs of review of governance process. The overall mean response score for all the items was 2.977 coded as moderate meaning that review of governance process is moderately practiced. The most highly rated activity was the review of monitoring process (Mean = 3.1944, Std. Dev = 1.27422) while the least rated activity was the Review of documentation of policies and procedures (Mean = 2.7222, Std. Dev = 1.25846). Besides, the small values of the standard deviations imply that there were minimal variations in the responses on the items that were rated.

### 4.3.2 Extent of Conducting Value for Money Audit

The extent of conducting value for money was measured using three items. Responses were elicited on a 5-point scale (1-very low, 2-low, 3-moderate, 4-high, and 5-very high). These responses were then analyzed using frequencies, means and standard deviations.

**Table 4.5: Rating of Extent of Conducting Value for Money Audit (n =72)**

Constructs	5	4	3	2	1	Mean	Std. Dev
<b>Overall Mean = 3.000</b>							
a) Verifying value of completed projects against input resources	12(16.7%)	15(20.8%)	21(29.2%)	15(20.8%)	9(12.5%)	3.0833	1.26435
b) Ascertainment of ownership of a project in an area by the constituents	12(16.7%) 11(15.3%)	16(22.2%) 13(18.1%)	21(29.2%) 15(20.8%)	12(16.7%) 21(29.2%)	11(15.3%) 12(16.7%)	3.0833 2.8611	1.29734 1.32480
c) Confirmation of utilization of completed projects							

**Key:** *Very high=5, High =4, Moderate=3, Low=2, Very low=1*

**Source:** Field data, 2017

Results presented in Table 4.5 suggest that the respondents rated highly all the constructs of conducting value for money audit. The overall mean response score for all the items was 3.000 coded as moderate meaning that conducting value for money audit of is moderately practiced in Suna East constituency. The most prevalent activity was the verification of value of completed projects against input resources (Mean = 3.0833, Std.

Dev =1.26435) while the least rated activity was the ascertainment of ownership of a project in an area by the constituents (Mean = 2.8611, Std. Dev = 1.32480). 4.3.3 Extent of Review of Existence, Custody and Safety of Assets

The extent of conducting review of existence, custody and safety of assets was measured using three items. Responses were elicited on a 5-point scale (1-very low, 2-low, 3-moderate, 4-high, and 5-very high). These responses were then analyzed using frequencies, means and standard deviations.

**Table 4.6: Rating of Extent of Existence, Custody and Safety of Assets (n =72)**

Constructs	5	4	3	2	1	Mean	Std. Dev
<b>Overall Mean = 2.9213</b>							
a) Confirmation of existence of assets in financial statements	8(11.1%)	14(19.4%)	22(30.6%)	19(26.4%)	9(12.5%)	2.9028	1.18868
b) Review of branding of projects for identification	11(15.3%) 12(16.7%)	16(22.2%) 17(23.6%)	12(16.7%) 18(25.0%)	13(18.1%) 14(19.4%)	20(27.8%) 11(15.3%)	2.7917 3.0694	1.4529 1.31435
c) Review of security of completed projects							

**Key:** *Very high=5, High =4, Moderate=3, Low=2, Very low=1*

**Source:** Field data, 2017

Results presented in Table 4.6 suggest that the respondents rated highly all the constructs of conducting value for money audit. The overall mean response score for all the items was 2.9213 coded as moderate meaning that review of existence, custody and safety of assets is moderately practiced in Suna East constituency.

### 4.3.4 Extent of Budgetary Performance

The extent of budgetary performance was measured using three items. Responses were elicited on a 5-point scale (1-very low, 2-low, 3-moderate, 4-high, and 5-very high). These responses were then analyzed using frequencies, means and standard deviations.

**Table 4.7: Rating of Extent of Budgetary Performance (n =72)**

Constructs	5	4	3	2	1	Mean	Std. Dev
<b>Overall Mean = 3.1065</b>							
a) Approved Projects	24(33.3%)	15(20.8%)	15(20.8%)	0(0.0%)	18(25.0%)	3.3750	1.56040
b) Stalled Projects	6(8.3%)	11(15.3%)	15(20.8%)	25(34.7%)	15(20.8%)	2.5556	1.22059
c) Projects on Progress	20(27.8%)	19(26.4%)	12(16.7%)	11(15.3%)	10(13.9%)	3.3889	1.39975

**Key:** *Very high=5, High =4, Moderate=3, Low=2, Very low=1*

**Source:** Field data, 2017

Results presented in Table 4.7 suggest that the respondents rated moderately all the constructs of budgetary performance. The overall mean response score for all the items was 3.1065 coded as moderate meaning that budgetary performance is moderately practiced in Suna East constituency. The most highly rated budgetary performance construct was projects on progress (Mean = 3.3889, Std. Dev =1.39975). Besides, the small values of the standard deviations imply that there were minimal variations in the responses on the items that were rated.

#### 4.4: Association between Review of the Governance Process and Budgetary Performance

In order to assess this association, Pearson’s correlation analysis was performed and the results are summarized in the Table 4.8 as shown below.

**Table 4.8: Correlations of Review of Governance Process and Budgetary Performance**

Variables	Review of governance process	Budgetary Performance
1. Review of governance process	1	
2. Budgetary Performance	.457** (.000)	1

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

**Source:** Field data, 2017

Table 4.8 indicates that review of governance process and budgetary performance had a positive and significant association ( $r = .457, p = .000$ ). This implies that review of governance process leads to improved budgetary performance. These findings are in tandem with previous studies (Robson et al, 2008; Akungba-Akoko, 2012 and Kuto, 2012) who report a positive association between review of governance process and budgetary performance. However, the results are at variance with the findings of Poon (2005) who found no association between review of governance process and budgetary performance.

#### 4.5 Relationship between Conducting Value for Money audit and budgetary Performance

In order to assess this relationship, Pearson’s correlation and multiple regression analyses were performed and the results are summarized in the Tables 4.9 and 4.10 as shown below.

**Table 4.9: Correlations of Conducting Value for Money Audit and Budgetary Performance**

Variables	Conducting value for money audit	Budgetary for Performance
1. Conducting value for money audit	1	
2. Budgetary Performance	.354* (.0162)	1

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

**Source:** Field data, 2017

Table 4.9 indicates that conducting value for money audit had a positive and significant association with budgetary performance ( $r = .354$ ,  $p = .0162$ ). This implies that conducting value for money audit leads to improved budgetary performance in Suna East Constituency.

**Table 4.10: Multiple Regression Analysis Estimation Results on the Post-Audit Practices and Budgetary Performance**

Model	Unstandardized		Standardized	T	Sig.	Collinearity Statistics	
	Coefficients		Coefficients				
	B	Std. Error	Beta			Tolerance	VIF
(Constant)	.089	.171		.523	.604		
Review of governance process	.353	.064	.430	5.479	.000	.125	7.995
Conducting value for money audit	.215	.088	.158	2.448	.018	.186	5.385
Review of existence, custody and safety of assets	.449	.100	.421	4.482	.000	.087	11.440

a. Dependent Variable: Budgetary performance

**Source: Field data, 2017**

Multiple regression analysis results (Table 4.10) indicate that conducting value for money audit was a positive significant predictor of budgetary performance ( $\beta = .215$  ( $p = .018$ )). This value is statistically significant since the p-value is less than 0.05. It can be inferred from this value that a unit change in conducting value for money audit leads to an increase in budgetary performance of 0.215, all things being fixed. This is in tandem with the findings of Chiu-Kim Poon, 1995; Dahanayake, 2010; Oshisami, 1992 and Akungba- Akoko, 2012 who report a positive relationship between conducting value for money audit and budgetary performance of public enterprises.



#### 4.6 Association between the Review of Existence, Custody and Safety of Assets and Budgetary Performance

To assess this association, Pearson’s correlation analysis was performed and the results are summarized in the Table 4.11.

**Table 4.11: Correlations of Review of Existence, Custody and Safety of Assets and Budgetary Performance**

Variables	Review of Existence, Custody and Safety of Assets	Budgetary Performance
1. Review of Existence, Custody and Safety of Assets	1	
2. Budgetary Performance	.441** (.000)	1

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

**Source:** Field data, 2017

Table 4.11 shows that review of existence, custody and safety of assets had a positive and significant association with budgetary performance ( $r = .441$ ,  $p = .000$ ). This implies that review of existence, custody and safety of assets leads to improved budgetary performance. These results support the findings of Malala et al., 2014; Ngugi, 2013 and Kuto, 2012 report a positive association between review of existence, custody and safety of assets and budgetary performance of enterprises.

## **CHAPTER FIVE: SUMMARY OF FINDINGS, CONCLUSIONS AND RECOMMENDATIONS**

This chapter presents a summary of study findings, conclusions and recommendations based on the major findings.

### **5.1 Summary of Findings**

Based on correlation analysis, objective one found that review of governance process and budgetary performance had a positive and significant association. Based on multivariate analysis, Objective two found that conducting value for money audit was a positive significant predictor of budgetary performance, whereas based on correlation analysis, objective three found that review of existence, custody and safety of assets had a positive and significant association with budgetary performance.

### **5.2 Conclusions of the Study**

From the findings of objective one, it is concluded that review of governance process leads to improved budgetary performance. From the findings of objective two, it can be concluded that conducting value for money audit leads to an increase in budgetary performance. Based on the findings of objective three, the study concludes that review of existence, custody and safety of assets leads to improved budgetary performance.

### **5.3 Recommendations of the Study**

Based on conclusion of objective one, Suna East Constituency managers should intensify review of governance processes. From the conclusion of objective two, National CDF office should continue conducting value for money audit as this was found to improve budgetary performance. Similarly, from conclusion of objective three, CDF office should continue reviewing existence, custody and safety of assets in the constituency.

### **5.4 Limitations of the Study**

The outcome of the study cannot be generalized to all CDFs in Kenya since the study was limited to Suna East CDF and did not incorporate all CDFs in Kenya. The study adopted a correlational research design. The use of predetermined questions may have forced respondents to respond to questions even without properly understanding them.

## **5.5 Suggestions for Further Research**

In order to improve this study, the researcher would like to suggest the following for further investigation. An exclusive study on the budgetary performance constraints facing NGCDF in Kenya should be carried out. Future research should be conducted on determinants of post-audit requirements in Kenya and compare their performance over a period of time using secondary data. Future studies could also explore the relative importance of post-audit practices. Lastly, future research efforts could dwell on comparative analysis of post-audit practices and budgetary performance across the country and use more robust research designs such as time series.

## REFERENCES

- Akungba-Akoko, M., (2009). *Participatory development efforts in Bangladesh: A Case Study of Experiences in the Three Areas*, Bangladesh Institute of Development Studies (BIDS), Dhaka.
- National Government Constituency Development Fund (NGCDF) Act, (2003).  
*Government Printer.*
- National Government Constituency Development Fund (NGCDF) Act, (2016).  
*Government Printer.*
- Cooper, J.C and Schindler, M., (2006). *Research Design*. Sage Publishers, London.
- Creswell, J.C (2009). *Research Design*. Sage Publishers, London.
- Dahanayake, (2010). Value for money auditing in the State of Victoria. *Journal of the Community Development Society*. 23 (1)
- Eze, M., Rattansi, G., and Mataru, F., (2008). *Participatory Development Efforts in Nigeria: A Case Study of Experiences in the Three Areas*. *Journal of Financial Economics* 12(3), 43-51.
- Gituto, K, (2007). *Factors influencing effective implementation of NGCDF projects in Embakasi Constituency*. Unpublished MA project of University of Nairobi.
- Kaimenyi, M .S. (2005). *Efficiency and efficacy of Kenya's constituency development fund, theory and evidence* working paper 2005. Government Printer, Nairobi.
- Kebenei D. K., (2012). The Perceived Effect of Leadership on Performance of Constituencies Development Fund (NGCDF) Projects: A Case of Uasin Gishu District. *International Journal of Education and Research*. 2(4), 39-47.
- Kibebe, E., and Mwirigi, L.A., (2013). Influence of Community Participation on Successful Implementation of NGCDF Projects in Kenya. *International Journal of Education and Research*, 2(4), 23-27.
- Kenya Republic of (2003). *Constituency Development Fund (Amendment) Act*. Government Printer, Nairobi.
- KIPPRA (2013). Do information communication technologies promote rural economic development? *Community Development: Journal of the Community Development Society*. 36(1), 7-14.
- Kombo, D., & Tromp, D.L.A. (2006). *A proposal and thesis writing, an introduction*. Panlives publications Africa, Nairobi.

- Kuto, (2012). *Effectiveness of monitoring and evaluation of NGCDF projects in Kenya*. Unpublished MBA Report, University of Nairobi.
- Malala, A., Mesia, D., & Biebe, J. (2014): *Factors affecting performance of constituency development fund projects in Kenya: Case study of Kikuyu Constituency*. Unpublished MBA Report, University of Nairobi.
- Mugenda, O and Mugenda, A., (2003). *Research Method, Quantitative and Qualitative Approaches*. Nairobi: ACTS.
- Ngugi, A, (2015). *Selected factors influencing effective implementation of NGCDF projects in Molo Constituency*. Unpublished MA project of Kabarak University.
- National Taxpayers Association (2012). *Citizen's Constituency Development Fund Report Card for Ndhiwa Constituency*, National Taxpayers Association.
- National Taxpayers Association (2009). *Citizen's National Government Constituency Development Fund ( NGCDF) Report Card for Embakasi Constituency, Nairobi East District*.
- National Taxpayers Association Report on National Government Constituency Development Fund ( NGCDF) (2012). Retrieved from [www.businessdailyafrica.com](http://www.businessdailyafrica.com) on 20<sup>th</sup> April, 2017.
- Ngugi, G. (2015) *Relationship between Budgetary Control and performance of National Government Constituency Development Fund (NGCDF) in Machakos County*.
- Ochieng, F.O., Paul, C., Ruth, T & Kuto, L. Y. (2012). *Effectiveness of Monitoring and Evaluation of National Government Constituency Development Fund ( NGCDF) projects in Kenya. A case of Ainamoi Constituency: International Journal of Arts and Commerce*, 1(6), 34-40.
- Oenga, P. (2011). *Evaluation of Management of NGCDF in Kenya, A case study of Nairobi County*. Unpublished MBA Report, University of Nairobi.
- Poon, C. (2005). *The Effectiveness of value for money audit in the evaluation of government programs: Hong Kong. Journal of the Community Development Society*. 36(1), 7-14.
- Tirimba, S. (2015): *Effectiveness of Budgetary Control Techniques on Organizational Performance at Dar e salaam Bank Headquarters in Hargeisa Somali land*.

- Soltani, D. (2007). Agency costs, ownership structure and corporate governance compliance: A private contracting perspective. *Pacific-Basin Finance Journal* (in press).
- Robson, Z.S., Wright, D.C., & G.F. Kinyashi, (2007). *Analysis of Community Participation in Projects Managed by Non-Governmental Organizations*. Institute of Development Studies, UK.
- Padachi, K. (2006). *Trends in Working Capital Management and its Effect on Firms Performance: An Analysis of Mauritian Small Manufacturing Firms*". Retrieved from <http://www.emeraldinsight.com/> on 10<sup>th</sup> July 2010.
- Oshisami, S. (2002). *Efficiency and Efficacy of Kenya's Constituency Development Fund: Theory and Evidence*, Working Paper 45 University of Connecticut, USA.
- Sign, M.M. (2003). "Critical Issues in the Selection Process of Local Leaders in Rural Bangladesh" in *the Journal of Local Government*, 20 (1), 39-44.
- Watts, M., & Zimmerman, W. (1978). Theory of the firm: Managerial behavior, costs and ownership structure. *Journal of Financial Economics* 3(3), 90-105.

## APPENDICES

### Appendix I: Introductory Letter

Department of Accounting and Finance  
School of Business and Economics  
Maseno University  
P.O BOX 333-10100,  
Maseno/Kenya  
Dear Sir/ Madam,

#### **RE: REQUEST FOR RESEARCH DATA**

I am a master's student at Maseno University-Homabay Campus pursuing a course leading to award of master's in Business Administration In partial fulfillment of the requirements of this course; I am conducting a study on the effect of post-audit practices on the management of Constituency Development Fund. I therefore kindly request you to assist by completing the attached questionnaire to the best of your knowledge.

The information required is purely for academic purpose and will be treated with strict confidentiality. A copy of the findings of this study will be made available to you upon your request.

Thanks you for cooperation.

Yours faithfully

NAME Fred Obiye Nyakundi

Signature.....

Date.....

## Appendix II: Questionnaire

Dear respondent,

I am Fred Obiye Nyakundi, a student of Maseno University pursuing a degree of Master of Business Administration. I am carrying out a research study on “THE RELATIONSHIP BETWEEN POST- AUDIT PRACTICES AND BUDGETARY PERFORMANCE OF NGCDF IN SUNA EAST CONSTITUENCY”. Please, help to fill the questionnaire. The information you will give will be used purely for academic purposes and will be treated with high degree of confidentiality; you are therefore requested to answer the questions fully and honestly.

Thank you for assistance.

### **Instructions: Tick or Write in the space provided**

#### **SECTION A**

1. Gender:

a. Female  b. Male

2. Age in years:

(a). below 25 years  (b). 25-30 years  (c) 36-40 years

(d).40-45 years  (e). Above 45 years

3. Which Part of the Constituency do you come from?

Suna Central

Kakrao

God Jope

Kwa

Others (specify).....

#### **SECTION B**

**Instructions: tick the summated scale column according to how view the audit process.**

##### **1. Review of governance processes**

To what extent are the following governance activities carried out in Suna East NGCDF



**SUMMATED SCALE**

<b>Reviewing of the Governance Processes</b>	1	2	3	4	5
Review of the monitoring process					
Review of flow of information					
Review of documentation of policies and procedures					

(On the scale of 1-5, indicate 1-very low; 2-low; 3-moderate; 4-High; 5-very high).

**2. Conduct of value for money audit**

To what extent are the following value for money activities carried out in Suna East NGCDF?

**SUMMATED SCALE**

<b>Conduct Value for Money Audit</b>	1	2	3	4	5
Verifying cost value of completed projects					
Ascertainment of ownership of a project in an area by the constituents.					
Confirmation of utilization of completed projects.					

(On the scale of 1-5, indicate 1-very low; 2-low; 3-moderate; 4-High; 5-very high).

**3. Review of custody and safety of assets**

To what extent are the following custody and safety of assets' activities carried out in Suna East NGCDF?

**SUMMATED SCALE**

<b>Review Custody and Safety of Assets</b>	1	2	3	4	5
Confirmation of existence of assets in financial statements					
Review of branding of projects for identification					
Review of security of completed projects					

(On the scale of 1-5, indicate 1-very low; 2-low; 3-moderate; 4-High; 5-very high).

**4. Budgetary performance of Suna East NGCDF**

What is the extent of budgetary performance of Suna East NGCDF in terms of the following (Tick one box to indicate extent)

(On the scale of 1-5, indicate 1-very low; 2-low; 3-moderate; 4-High; 5-very high).

<b>Budgetary performance</b>	<b>1</b>	<b>2</b>	<b>3</b>	<b>4</b>	<b>5</b>
Approved projects					
Stalled projects					
Projects on progress					
Secured and disclosed assets in financial statements					

### Appendix III: Suna East Constituency Wards

<b>Ward No.</b>	<b>Name</b>
1	Suna Central
2	Kakrao
3	God Jope
4	Kwa