

**INTERNAL CONTROLS AND PROCUREMENT  
PERFORMANCE OF KENYA GOVERNMENT MINISTRIES**

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REQUIREMENTS FOR THE AWARD OF THE DEGREE OF MASTER OF  
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NAIROBI**

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## DECLARATION

This Research Project is my own original work and has not been presented for a Degree Qualification in any other University or Institution of learning.

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## **DEDICATION**

I dedicate this work and give special thanks to my husband Bismack Wasta and my wonderful son Dylan Kiplangat Wasta for being there for me throughout the entire Masters program. Both of you have been my best cheerleaders. A special feeling of gratitude to my loving parents, whose words of encouragement and push for tenacity ring in my ears.

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## LIST OF ACRONYMS AND ABBREVIATIONS

<b>AfDB:</b>	African Development Bank Group
<b>ANOVA:</b>	Analysis of Variance
<b>BVR:</b>	Biometric Voter Registration
<b>CFO:</b>	Chief Finance Officer
<b>ICT:</b>	Information Communication Technology
<b>IEBC:</b>	Independent Electoral and Boundaries Commission.
<b>IPR:</b>	Independent Procurement Review
<b>NGO:</b>	Non-Governmental Organisation
<b>OECD:</b>	Organization for Economic Co-operation and Development
<b>PPARB:</b>	Public Procurement Administrative Review Board
<b>PPDA:</b>	Public Procurement and Disposal Act
<b>PPMS:</b>	Procurement Performance Measurement Systems
<b>PPOA:</b>	Public Procurement Oversight Authority
<b>RMCs:</b>	Regional Member Countries
<b>SGS:</b>	Societe Generale de Surveillance
<b>SPSS:</b>	Statistical Package for Social Science
<b>UK:</b>	United Kingdom



## **ABSTRACT**

The study pursued to perform an assessment of how the Kenyan Government Ministries' performance on procurement is affected by internal controls. The following are the study objectives; to establish effects of monitoring and reporting controls on procurement performance and to establish the internal controls commonly used by the government ministries. The study was guided by agency theory, self-control theory and normative ethical theory. This study adopted a descriptive survey of all the 21 Ministries in Kenya. The study targeted procurement departments in all the 5 ministries which had a population of 110 at the ministries headquarters. The study picked 50% of the entire population and therefore the sample size for the study was 55 respondents. Questionnaires were used for data collection. It was then analyzed qualitatively and quantitatively through the use of content and descriptive analysis. Microsoft Excel and SPSS version were used to give results in form of percentages, tabulations, and measures of central tendency. This study concludes that ministry procurement systems are somewhat effective at detecting fraud and enhancing transparency and that procedures are defined in order to curb interference of statements or bills by persons who are not authorized before those statements are posted. Regarding effects of monitoring and reporting controls, the study concludes that majority of the ministries have a procurement monitoring and evaluation committees and that most of the committees are not effective in internal control roles. The study also recommends that all procurement departments in all ministries should be following procedures while undertaking their procurement duties to curb interference by persons not authorized. A manual for the ministries should be developed and all the procurement staff should be retrained on the application of the procedures. The heads of procurement department should develop a routine practice of reconciliation of records and proper resolutions for differences found. The ministries should also ensure that there are inspection committee to oversee procurement functions and provides feedback to the management about the effectiveness of preventive controls. The government should also come up with risk assessment methodology that will ease fraud, detection and prevent it from happening. This can be done through acquisition of tested and verified ICT software. The government through its various ministries should also create a department that monitor ministry procurement processes in a periodical manner. The department should be empowered in terms of financial resources, human resource and expertise. Also the study recommends that progressive reports on internal controls on procurement should be made to access the quality of procurement performance of the ministry.

# **CHAPTER ONE**

## **INTRODUCTION**

### **1.1 Background to the Study**

Over time, Public procurement has been bombarded with challenges of corruption, inefficiency and inconsideration of money value (Wymer & Regan, 2015). This has greatly affected the speed of realizing goals set to develop the nation most especially those of building transitions amongst countries (Tan, 2013). Internal control is described to be complex by the private and public sectors implemented for purposes of defining risks and ensuring certainty of operations. Internal controls are obliged to ensure that the organization complies with the structured laws and none of the regulations are violated. It is also set to ensure that the organization achieves its desired goals which as well consist of protecting the organization's resources from damages, misuse and losses (Brown, 2013).

According to OECD, 2011 the public sector is supposed to ensure that it's always accountable transparent and enhance integrity. The government has insisted on that because of the increased financial crisis in the economy. Procurement monitors, accredits and determines performance of suppliers, the suitable suppliers, the strategy for making purchases, monitoring delivery, evaluate the outcome as well as new services and products (Dixit, 2012).

According to Baily 2015, the basic rule for procurement is thinking on the basis of ownership. Not only in terms of prices, but also resources and time set for purposes of ownership. Comprehending the whole process of procuring facilitates the calculation of the expenses to be incurred to procure a service or a good. However, there are many activities associated with procurement are accompanied by absence of coordination, open competition, transparency incompetent employees and corruption. Bureaucracy in such systems is also to be blamed resulting in /delay of contracts, increase in costs, low competitiveness, and denial of contract awards. According to Anderson & Macie, 2013 it is the objective of organizations to offer services through efficient and effective operations of that business.

### **1.1.1 Internal Controls within Procurement Context**

Internal controls allude to methods used by organizations with an objective of making sure that goals, mission and objectives desired for the organization are satisfied (Rezaee, 2014). This are structured policies and steps involved in ensuring that transactions are done properly with no losses, theft or damages incurred. Organizations attain their performance goals, get rid of losses, produce reports that are valid and reliable as well as adhere to the laws of the land and regulations through the systems of internal control systems.

The internal controls make sure that policies set by the management enhance completeness and accuracy in their records (Mamiro, 2010). Procurement fraud gives the government a bad name, results in loss of finances, and lowers the confidence that the

public holds for the management of the government (Kantzios, 2013). With suitable strategies on curbing fraud in procurements fraud can be decreased even if it is hard to eliminate it completely. Recently, there have been efforts across the world to combat corruption in procurement. Systems of internal control are a fundamental requirement that every organization procurement must incorporate into its management structures (Anderson & Macie, 2013).

According to Noorvee (2013), internal control activities in procurement are manifested as steps that facilitate carrying out of the management directives on procurement. They are critical to ensuring that the required actions are undertaken to address risks necessary for the attainment of desired objectives. This consists of authorizations, approvals, reconciliation verification and reconciliation of segregation of roles and performance of security of assets

### **1.1.2 Procurement Performance**

This is an evaluation of how much procurement can attain the intended goals at the lowest costs (Van Weele, 2012). Procurement management aims at practices based on the view of the buyers not those of the sellers. The seller can be seen as a contractor, subcontractor, vendor, or supplier. Procurement management involves determining what sources are available to provide the needed products or services for the project. The procurement management has to meet some requirements which include requirements basically comprise integrity, timeliness, quality, cost, financial, maximizing competition, minimizing business, and technical risk. Procurement Management Comprises of

Purchasing, Purchasing Card, Purchasing Card, Travel, Receiving, Property Administration and Central Stores (Rezaee, 2014).

### **1.1.3 Public Procurement in Kenya Government Ministries**

The Kenya National Government is authorized to act based on the legal constitution in ensuring the protection of the safety and wellbeing of the citizens. The government structure is split into two namely administrative and economic structures which are coordinated jointly (Mutui, 2014). The Government not only focuses on efficiency and effectiveness but also ensuring accountability and interactive access of information on public expenditure by the public and improvement to service delivery to internal customers (employees). To achieve this much attention is given towards the procurement practices and operations of the state corporations (GoK, 2015). In Kenya cabinet secretaries runs the government through their respective ministries. The president appoints and the parliament approves (GoK, 2014).

Significant developments have been witnessed in Kenya in the public procurement systems. The open acquirement framework in Kenya after freedom was administered by undefined lawful system such as Treasury Circulars from 1969; at that point Government Supplies Manual of 1978. In 1997, Government started the Open Obtainment Change and Improved Capacity Venture taking after suggestions of two obtainment reviews carried out by consultancy firm, Societe Generale de Observation (SGS). A number of shortcomings were disclosed by this audit. The government therefore had an obligation of reforming the already in place procurement practices to improve transparency,

accountability and service delivery in the Country. This led to the birth of the Public Procurement Act of 2001.

Due to high level of mismanagement of public funds and corruption, tremendous changes have taken place in Kenya intended to increase public confidence on expenditure of state resources. It is through these challenges the Public Procurement and Disposal Act, 2015 (PPDA, 2015) came into force and replaced PPDA 2005. The PPDA, 2015 guidelines are adopted by state owned corporations and generally provide provisions that guide the process of inventory management, asset management, contract performance and disposal of assets. The initiatives of the PPDA 2015 involve two-stage tendering, electronic reverse auction, design competition, framework agreements, force account and competitive negotiations (Transparency International, 2015).

PPOA (2016) clearly articulates that PPDA Act is purely enacted by provisions of Parliament which are described under Article 227. It spells out guidelines of sourcing goods and services for public entities. Furthermore, Mcloughlin and Batley (2012) argue that Public Procurement and Asset Disposal Act describes ethical values that are supposed to be observed by procurement professionals in the Public sector and clearly states the manner in which suppliers need to conduct their activities to secure public tenders. Regulations that are articulated in the PPDA are strictly adhered to by any party in the procurement contract with the intention of controlling public funds. Reporting frameworks are articulated in the Act to help various stakeholders to make appropriate decisions during the procurement process.

## **1.2 Research Problem**

Internal Control is charged with responsibilities to help the Government reach reasonable management of finances for the public and reduce the levels of poverty by effective public expenditures as well as transparency and accountability of resources (Rezaee, 2014). However internal control in the public procurement has not achieved the above objective as evidence by numerous fraud cases ego Golden scandal (1992) in Treasury- Ministry of Finance, Anglo leasing scandal (2005) in Treasury- Ministry of Finance, School funds losses saga in the Ministry of Education(2008),maize scandal in the Ministry of Agriculture(2009), misappropriation of Public funds in the Ministry of water & Irrigation(20 10), ministry of health scandal 5 billion (2016),National Youth Service scandals of 2016 and 2018 among others. A system of internal control enhances confidence within an institution due to its potential to pursue certain tasks and curb risks of errors which would result to losses by monitoring and reporting. Public procurement is essential for the government in terms of delivering services, but these services are affected by certain challenges in their performance.

## **1.3 Research Objectives**

The study aimed at assessing impacts of internal controls on procurement performance of Kenya Government Ministries.

The following are the objectives that guided the study:

- a) Identify effect of procurement planning controls on procurement performance
- b) Establish effects of monitoring and reporting controls on procurement performance
- c) To establish the internal controls commonly used by the government ministries

#### **1.4 Value of the Study**

The outcome of the study are of significance to the listed stakeholders:

Public policy makers: - This will help establish the relationship between performance of procurement and internal controls. These results will be a key variable in; designing, planning and implementing reasonable systems of procurement that are aligned to the strategies set on its economic objectives.

Future Researchers: - The outcome will cover up literature gaps hence availing platform of references for researchers. The outcome will be of significance for practice as well as theory. For practice, making of polices will be enhanced for the public sector and stakeholders. By establishing the relationship between internal controls and procurement performance, the outcome of the study is important in; designing, planning, and implementing policies of internal controls regarding the system of public procurement in Kenya.

Donor agencies: - The outcome will be of significance to donors who pay much attention to funds usage in the countries receiving the funds, especially in procurement for the public entities.



## **CHAPTER TWO**

### **LITERATURE REVIEW**

#### **2.1 Introduction**

This consists of literature review, critique of existing literature, summary, theoretical framework and conceptual frame work. The main purpose is studying and acknowledging the input of other researchers and authors and their contributions to the body of knowledge so as to give light to the topic of discussion.

#### **2.2 Theoretical Framework**

It gives the researcher a direction in interpreting results for the study. The essence of the theory relies on the level of research-based evidence and the stage of development for that theory.

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

In this, the organization entails a central point of contracts between those who own the resources (principals) and managers (agents) in charge of controlling and using the resources (Jensen & Meckling, 1976). This theory was established by Donahue (2014) it shows that the people mandated to take care of the procurement are supposed to make sure that relationships are maintained. This assists in explaining the functions of personnel in procurement in performing their roles. It's said that the agent can take chances to the best of his interests since the agent and the principal are said no to have

equal levels of information that they share. Therefore, procurement managers pursue the functions of elected representatives, (Eyaa, 2014). Njiraini (2013) explains that those who proposed this theory emphasized on increment of the processes of internal controls in public procurement. Because that will facilitate enforcement as well as monitoring of decisions regarding procurement by the agents and to the taxpayers who are the principals.

### **2.2.2 Self-Control Theory**

The Gottfredson and Hirschi (1990) suggests that this theory indicates that people with very low measures of self- control have a high probability to cause crimes. These people tend to be physical but not mental, insensitive, impulsive, risk-taking, nonverbal and shortsighted (McMullen, 2010). This theory shows that inadequate self-control is gotten from the parents when a child is growing and throughout their stay with the parents. Self-control is necessary in case an organization wants to curb fraudulent activities. Nevertheless, high degree of self-control is not present for the public and departments of procurement not exclude.

### **2.2.3 Normative Ethical Theory**

According to Darwall 2013, dictates that philosophers deployed this theory for references, ideals and concepts for supporting of ethical judgments on certain cases. Investigations on this theory still continues. A person can only be made accountable for what wrong they have done if at all they do not have sufficient reasons which can be justified. Thomason (2013) dictates that the managers are mandated to make a number of

decisions that impact on external and internal stakeholders for that institution. Thus, the responsibility of the management in decision making is to be ethical in their performances guided by morals recognized by society.

### **2.3 Internal Control Systems**

This are methods instituted for purposes of making sure that the intended goals, objectives and mission are satisfied for that organization (Rezaee, 2012). They are procedures and policies set to ensure that every processed transaction is done appropriately to curb wastage, fraud and inappropriate use of those resources. By use of internal controls, institutions attain the set goals, block losses of the resources, enhance reports that can be relied upon and make sure that they comply with the set regulations without violating the law. Therefore, internal controls are put into place by the management so that their business is conducted in a very orderly and efficient way. In addition, it ensures that the policies set by the management protect assets and facilitate accurate and complete records.

Efforts to make progress on internal control are being made across every country in order to raise the inflows of revenue and be competitive in the changing economic atmospheres (Kantzios & Chondraki, 2013). Internal control entails 5 interrelated elements; control roles, assessment of risk, monitoring and information and communication (Carmichael, 2013).

The key categories of internal controls are; detective, corrective and preventive (Singleton, 2013). The detective controls discover and make reports on errors, omissions or acts that are malicious. Corrective controls assist in making sure that risks of threat are mitigated, correct challenges detected and adjust the system to reduce chances of the problem occurring. Finally, preventive controls make predictions on most probable challenges like those of omissions before their occurrence. Management of risks entails behaviors, set of resources, actions and procedures structured to suit the institution and which maintains the acceptable rate of risks in that organization.

#### **2.4 Procurement Performance Measurement**

Procurement function has its own unique challenges in terms of measurement, organization functions like human resource, accountancy and finance are measurable but this is not the case with procurement function. Inadequate measures of procurement function pose a huge challenge in many organizations and has led to irregularities and bias in decision making. CIPS Australia, (2010) detailed that numerous CFOs are cited saying that procurement office is or isn't doing well but they cannot clarify the measures utilized to reach to such conclusion. Different procurement execution estimation frameworks (PPMS) have been recorded by distinctive researchers but no single system is generally acknowledged. Each firm has to carefully select an procurement execution framework that extraordinarily underpins the realization of its goals.

Handfield (2014) asserts that modern PPMS' contain many measures which falls into either efficiency or effectiveness. Effectiveness is the measure of how much the management is able to attain a previous set goal through making a choice of a certain course of action. Efficiency is measured against budgeted cost where the end result is product or service cost. Effectiveness of procurement on the other hand considers indicators such as; supplier quality, timeliness of deliveries, flexibility of suppliers, quality defects, supplier overall profile, inventory lead time, order cycle time, documentation among others. All these measures are intended to evaluate strategic procurement contribution to profit, positive supplier relations and improve customer satisfaction levels (CIPS, 2010).

It is critical to have such performance methods to assist the firm make proper decisions, better their communication amongst their partners in procurement, provide opportunity for feedbacks on performance which will be used to prevent or correct problems identified in the process, with a view of motivating and directing behaviors towards the desired end result.

## **2.5 Internal Controls and Procurement Performance**

According to the study conducted by Aikins in US (2014) concerning the role of internal audits by the government with the aim of elevating financial performance. The public administration has given very less attention on the function of internal audits even though this is one of the key areas that is capable of evaluating the most efficient ways of utilizing finances which increases the performance of the organization.

According to a research conducted by Palfi and Muresan (2014) measured the significance of a system of internal controls that are organized concerning the banking industry. A sample population of Romania credit institutions was used. Survey outcome showed that the continued association, with regard to periodic meetings, amongst all the bank structures, featured a very effective department of internal audits.

## **2.6 Empirical Review on Internal Controls and Procurement Performance**

Murray, (2009) aimed at establishing the best practices for procurement in the local government. Secondary research was also employed to discover the feedback of local government on the recessing economy on procurement. It suggested that the assumed best approach for procurement not be suitable in a short-term basis and may cause delays in recovering the economy. Additional suggestions to cover the short-term strategies on procurement were formulated and justifications made for it elevating the recovery of the economy. Those contributions were regarded as suitable at all times when the country encountered recessions. From that, an analysis was made that English local government strategies on procurement basically stay unaltered from the one adopted with regard to the recessions of the economy.

Barra (2010) researched on impacts of penalties and internal controls towards the probability of an employee being fraud in the cause of procurement. Data collection was done from non-managerial and managerial workers. The outcome revealed that duty separation and activities of preventive controls raises the expense of carrying out fraud in the course of procurement. Therefore, the advantage from fraudulent acts should surpass

those of duty segregation for the employee to conduct fraud. Additionally, duty segregation was seen as less consequence for persons not in the management but as for those in the management, many consequences. The outcome explained how preventive controls depended on detective controls.

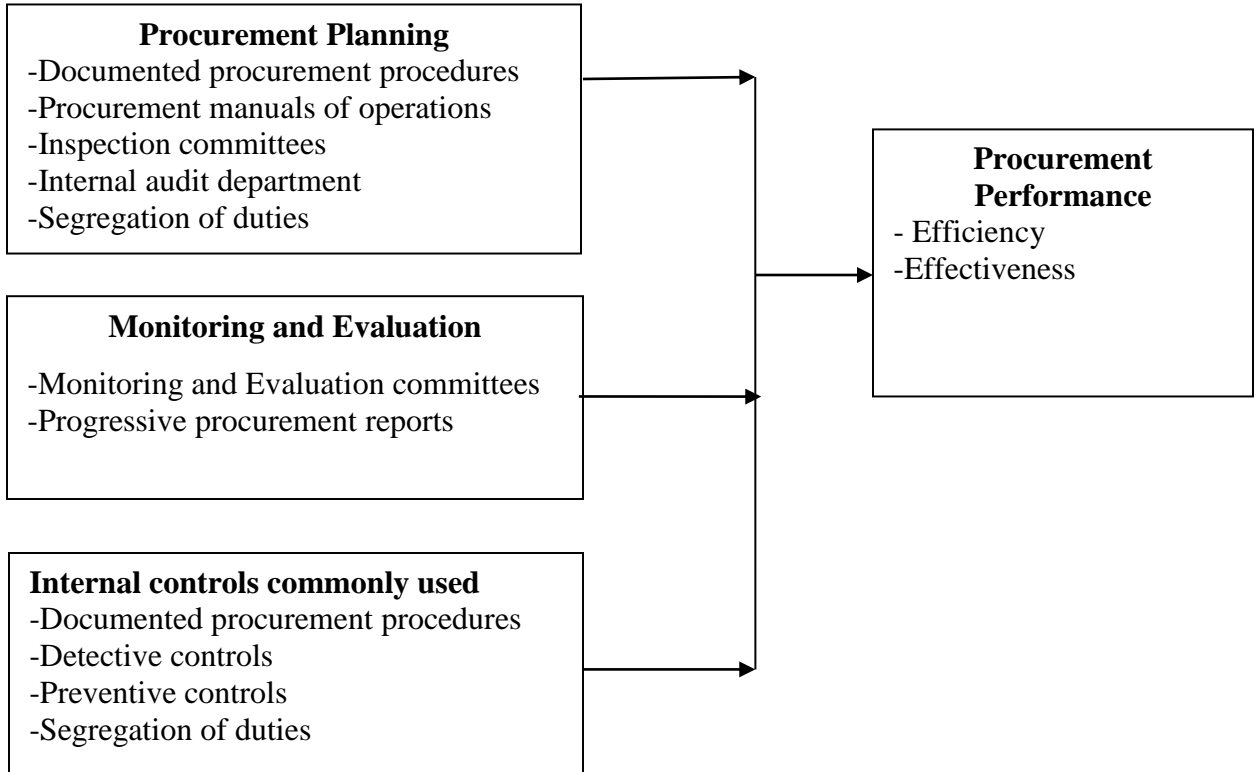
## **2.7 Conceptual Framework**

The study effects of internal controls on procurement performance in Government Ministries in Kenya. The independent variables are monitoring and reporting controls and procurement planning controls

**Independent Variables**

**Dependent**

**Variable**



**Figure 1.1: Conceptual Framework**

**Source: (Author, 2018)**



## **CHAPTER THREE**

### **RESEARCH METHODOLOGY**

#### **3.1 Introduction**

The chapter illustrates the methodology acquired in getting data. It gives a description of the population targeted, research design, size of the sample, instruments for collecting data, procedures of sampling, methods of collecting data, analyzing data and presenting the data collected.

#### **3.2 Research Design**

This indicates the procedures and ways of analyzing and collecting data. The study incorporated descriptive survey research design. The design helped the researcher to get some information with regard to the phenomena through making conclusions from discovered facts.

#### **3.3 Study Population**

According to Hair in 2013 population is a group of variables that identifies with the interests of the researcher and compatible with the problem in question. This study's population consisted the 21 Ministries in Kenya.

### 3.4 Sampling Procedure and Sample Frame

This describes the units of sampling, procedures of sampling, sampling frame, & the size of the sample for this research. The study sampled 5 ministries which is 23% of the total ministries in Kenya.

**Table 3.1 List of Sample Size**

<b>Target Group</b>	<b>Target Population</b>	<b>Sample %</b>	<b>Sample size</b>
Ministry of Interior and Coordination of National Government	26	50	13
Ministry of Energy	25	50	12.5
Ministry of Health	17	50	8.5
Ministry of Water and Sanitation	22	50	11
Ministry of Tourism and Wildlife	20	50	10
<b>Total</b>	<b>110</b>	<b>50%</b>	<b>55</b>

The study targeted procurement departments in all the 5 ministries which had a population of 110 at the ministries headquarters. Stratified random sampling approach was deployed for equal representations. This study focused on 50% of the whole population at large.

### 3.5 Data Collection

Questionnaires were deployed for data collection. It had two parts. The demographic and operational features for determining important issues of the respondent was the first part.

The second one focused on identifying internal controls on which the variables were targeted.

Closed-end questions got to be used since it was efficient to do analysis and as well they were cheap and saved time as well (Mugenda & Mugenda, 2012). Open ended questions were also used because they allowed respondents to explain what they felt on what was significant (Mugenda & Mugenda, 2012). The researcher developed the said questionnaire.

Collection of data was done by dropping the questionnaires and picking up the outcome. This assisted in getting answers to the questions for this study as structured on that questionnaire. She collected the information through enumerators.

### **3.6 Data Analysis**

Data was analysed both qualitatively and quantitatively through content and descriptive analysis. There was use of SPSS & Microsoft excels versions to obtain reports in percentages, measures of central tendency and tabulations.

In order to test the magnitude of the variables correlation Multiple regression approach was deployed as indicated below:

$$Y = \beta_0 + \beta_1X_1 + \beta_2X_2 + \beta_3X_3 + \epsilon$$

Whereby: Y = Procurement performance

X<sub>1</sub> = Procurement planning controls

$X_2$  = Internal controls commonly used

$X_3$  = Monitoring and reporting controls

$\beta_1, \beta_2, \beta_3$  = Coefficients

$\epsilon$  = Error term

In order to calculate coefficients of independent variables, Linear regression approach was deployed. From the approach, 5% level of significance was carried out for the variables through correlation coefficient (R), coefficient of determination ( $R^2$ ), ANOVA as well as F-test so as to measure how significant was the data that was analyzed.

## **CHAPTER FOUR**

### **DATA ANALYSIS, INTERPRETATIONS AND PRESENTATION**

#### **4.1 Introduction**

The study gives an analysis, interpretation as well as presentation of the outcome of the study with respect to the objective of the study, whereby it focused in assessing the effects of internal controls on procurement performance in Government Ministries in Kenya. The study also sought to identify effect of procurement planning controls, establish effects of monitoring and reporting controls on performances on procurement in the ministries of the Government in Kenya and identify the internal controls commonly used by the ministries.

#### **4.2 Response Rate**

This study did target 55 respondents in the procurement departments in 5 ministries. Out of 55 respondents 52 responses were obtained at a 94.6% rate of response. As stated by Mugenda (2012) a 50 percent response is considered adequate, 60 percent is considered to be good while a response rate above 70 percent can be rated as very well. Frequencies, percentages and measures of central tendency were used to present the descriptive data. Inferential statistics employed correlation and regression.

### 4.2.1 Reliability Test

Cronbach Alpha was deployed to test consistency of the objective results in case the study was done on another date. To evaluate how reliable, the questionnaires were, a pilot study was conducted.

**Table 4.1: Reliability Coefficients**

<b>Cronbach's Alpha</b>	<b>Cronbach's Alpha Based on Standardized Items</b>	<b>N of Items</b>
0.938	0.938	57

**Source: (Pilot Study, 2018)**

The Alpha tests consistency through establishment of a particular item testing a similar construct. Nunnally (2014) established the Alpha value threshold at 0.7 which the study benchmarked against. Table 4.1 shows that all the scales were significant, with an alpha coefficient for the 57 items at 0.938. The alpha was above the prescribed threshold of 0.7, the items had high internal consistency and therefore were proven to be reliable for further investigation.

### 4.3 General Information on respondents

This section seeks to find out the respondent's demographic information. The outcome of the study is illustrated in every section.

#### 4.3.1 Respondents Gender

Respondents were requested to give an indication on their gender; the outcome of the study is illustrated by Table 4.2

**Table 4.2: Respondents Gender**

<b>Gender</b>	<b>Frequency</b>	<b>Percentage</b>
Male	27	51.9
Female	25	48.1
<b>Total</b>	<b>52</b>	<b>100.0</b>

This study shows that the researcher involved both genders with majority being male. There was no gender bias.

#### **4.3.2 Age Bracket**

Respondents got requested to give an indication on their age bracket; the outcome of the study is illustrated by Table 4.3

**Table 4.3: Age Bracket**

<b>Age Bracket</b>	<b>Frequency</b>	<b>Percentage</b>
20-35 years	18	34.6
36-45 years	22	42.3
46-55 years	4	7.7
Above 55 years	8	15.4
<b>Total</b>	<b>52</b>	<b>100.0</b>

The study involved respondents from all the age gaps with most of the respondents being in the age gap of 36 to 45 years.

### 4.3.3 Terms of Employment

Respondents got requested to give an indication on what, was their terms of employment.

The outcome of this study is illustrated by Table 4.4

**Table 4.4: Terms of Employment**

<b>Terms of employment</b>	<b>Frequency</b>	<b>Percentage</b>
Permanent	44	84.6
Contract	4	7.7
Casual/Temporary	4	7.7
<b>Total</b>	<b>52</b>	<b>100.0</b>

A big number of respondents got employed permanently in their respective Ministries.

### 4.3.4 Highest level of Education

Respondents got requested to give an indication on their highest level of Education; the outcome of the study were illustrated by Table 4.5

**Table 4.5: Highest level of Education**

<b>Highest level of education</b>	<b>Frequency</b>	<b>Percentage</b>
O-Level	4	7.7
Diploma level	10	19.2
Degree level	29	55.8
Post graduate level	9	17.3
<b>Total</b>	<b>52</b>	<b>100.0</b>



A big number of respondents involved got a degree as the highest level of education. Further, this level of education would help the respondents respond to the study area of concern with a lot ease.

#### **4.3.5 Position Held in the Organization**

Respondents got requested to give an indication on the position they are in the organization. The outcome of the study was illustrated by Table 4.6.

**Table 4.6: Position held in the organization**

<b>Position held in the organization</b>	<b>Frequency</b>	<b>Percentage</b>
Top level manager	6	11.5
Middle level Managers	18	34.6
Supervisory level	2	3.8
Operative	26	50.0
<b>Total</b>	<b>52</b>	<b>100.0</b>

The study indicates that the respondents represented all the hierarchies with majority holding operative positions.

#### **4.4 Effect of Procurement Planning Controls on Procurement Performance**

The study aimed at determining impact of procurement planning controls on procurement performance. The outcome of the study was illustrated in the various respective sections.

#### 4.4.1 Procurement planning Systems and Internal control

Respondents got requested to give an indication on the rate they would agree with the following statements concerning procurement planning controls. The outcome of the study was as given in Table 4.7. In a scale where 5- strongly agrees, 4- agree, 3- neutral, 2- disagree, 1-strongly disagree was used.

**Table 4.7: Procurement planning Systems and Internal control**

<b>Statement</b>	<b>Mean</b>	<b>S.D</b>
The ministry procurement systems are effective at detecting fraud and enhancing transparency	2.923	1.412
The ministry procurement systems have brought about efficiency	3.712	1.054
The ministry has proper and adequate internal controls in place	3.615	1.157

As seen in the Table 4.7, a big number of respondents were in agreement that; the ministry procurement systems have brought about efficiency as given by the mean as well as the standard deviation of 3.712 and 1.054 respectively also that the ministry has appropriate and sufficient internal controls in place as given by the mean as well as standard deviation figures of 3.615 and 1.054 respectively. Additionally, respondents were neutral that the ministry procurement systems are effective at detecting fraud and enhancing transparency this was given by the mean as well as the standard deviation of 2.923 and 1.412 values respectively. The findings are in line with those of Makau (2014) who explained that the implementation of internal controls in procurement was asserted to improve accountability and transparency in the processes involved by the government

in procuring. The study further noted that the government procurement process should be straightforward, open, objective and transparent.

#### **4.4.2 Procurement Transactions, audit and segregation of duties**

Respondents were to give an indication on the rate of agreement with the following statements concerning internal controls on procurement. The outcome of the study was as illustrated by Table 4.8.

**Table 4.8: Procurement Transactions, audit and segregation of duties**

<b>Statement</b>	<b>Mean</b>	<b>S.D</b>
Suppliers accounts are reconciled on monthly basis to detect errors and fraud	3.000	1.085
All procurement payments are authorized by responsible officer before payment	3.558	1.110
All procurement payment procedures are followed for all transactions	3.192	1.067
All procurement transactions are recorded in vouchers for future references	3.577	1.036
Our procurement department office is frequently audited	3.577	1.226
The internal auditor works independently	3.692	1.020
The procurement department have clear levels of authority	3.808	0.742
There is segregation of responsibilities on bidding, tendering and invoice approval	3.635	0.742

As indicated, a big number of respondents were in agreement with; the procurement department have clear levels of authority as indicated by the mean as well as the standard deviation values of 3.808 and 0.742 values respectively, also that the internal auditor works independently as given by the mean as well as the standard deviation of 3.692 and

1.020 values respectively. Additionally, respondents agreed that there is segregation of responsibilities on bidding, tendering, invoice approval and inspection as given by the mean as well as the standard deviation of 3.635 and 0.742 values respectively and that all procurement transactions are recorded in vouchers for future references as given by the mean as well as the standard deviation of 3.577 and 1.036 values respectively.

Respondents also agreed that their procurement department office is frequently audited as given by 3.577 and 1.226 for mean as well as standard deviation respectively and that all procurement payments are authorized by responsible officer before payment as given by the mean as well as the standard deviation of 3.558 and 1.110 values respectively. Study findings indicated that respondents were neutral that all procurement payment procedures are followed for all transactions as given by the mean as well as standard deviation of 3.192 and 1.067 values respectively and that reconciliation of suppliers' accounts is performed monthly in order to mitigate errors as well as fraudulent activities as given by the mean as well as the standard deviation of 3.577 and 1.067 values respectively. The study findings agree with those of Kantzos & Chondraki, (2013) they assert that the public sector all across the globe is constantly and extensively working to improve its internal controls so as to increase revenue inflow, survive in the rapidly changing economic and competitive environments, and adapt to the shifting demands and priorities.

#### 4.4.3 Major Preventive Controls

Respondents were requested to give an indication on the major preventive control set to mitigate and detect fraudulent activities and improve performance in their procurement department. The outcome of the study was illustrated by Table 4.9

**Table 4.9: Major Preventive Controls**

<b>Major preventive controls</b>	<b>Frequency</b>	<b>Percentage</b>
Strong internal controls	12	23.1
Safeguarding and reconciliation of supplier's payments	12	23.1
Discouraging related party transactions	14	26.9
Pre-approval of actions and transactions.	8	15.4
Employee screening and training.	6	11.5
<b>Total</b>	<b>52</b>	<b>100.0</b>

As seen in the table above 4.9, 26.9% showed that preventive measures set to mitigate and detect fraudulent activities and improve performance control was through discouraging related party transactions, 23.1% indicated it was through strong internal controls and 23.1% indicated that it was through safeguarding and reconciliation of suppliers' payments. The study also indicated that preventive measures deployed to curb fraud and enhance performance in procurement department was through pre-approval of actions and transactions as was shown by 15.4% of the respondents and through employee screening and training as was shown by 11.5% of the respondents. The study findings agree with those of Singleton, (2013) who asserts that preventive controls

predict potential problems before they occur, adjust, and prevent an error, omission or malicious act from occurring. Also, they asserted that the detective controls are used to detect and report the occurrence of an omission, an error or a malicious act.

Respondents got requested to give an indication on other preventive measures that the ministry has deployed to curb fraud. A big number of respondents showed that there should be acts and regulations put into place by the government that ministries shall follow to implement procurement mandate. Majority of the respondents also indicated that there should be an effective public procurement system so as to detect and prevent fraud.

#### **4.4.4 Processes and Corrective actions relating to Internal Controls**

Respondents got requested to give an indication on the extent to which they agreed with the listed statements relating to internal control. The study findings were as shown in the Table 4.10. A scale whereby

5- strongly agrees, 4- agree, 3- Neutral 2- Disagree, 1 – strongly disagree was used.

**Table 4.10: Processes and Corrective actions relating to Internal Controls**

<b>Statement</b>	<b>Mea n</b>	<b>S.D</b>
Staff are provided with updated internal control documents for references	3.019	1.11 1
Accounting records are only for employees with responsibilities assigned to them	4.038	0.86 2
Staffs are in full knowledge of consequences of violating procurement procedures	3.885	1.06 0
Adjustments to structured bills amounts need to be approved by the respective authorities	3.885	1.09 6
Procedures exist to curb interference of bills and statements of accounts before they are posted	3.538	0.57 6
Reconciliation is performed on a monthly basis for reconciliation of records and reconcile the differences	3.462	0.97 9
Inspection committee gives feedback on effectiveness of the preventive controls to the management	3.423	0.80 1

As illustrated by Table 4.10, a big number of respondents were in agreement that; statements of accounts are only accessible to employees who are accountable for them as given by the mean as well as the standard deviation of 4.038 and 0.862 values respectively and which changes to the prescribed billing amount require the approval of an authorized individual as given by the mean as well as standard deviation of 3.885 and 1.096 values respectively. Respondents also agreed that staff are aware of the penalties for breaking procurement internal control procedures as given by the mean as well as the standard deviation of 3.462 and 1.060 values respectively.

The study indicated that respondents were neutral that reconciling of records is done every month and differences found are resolved this was given by the mean as well as the standard deviation of 3.46212 and 0.979 values respectively and that the committee in charge of inspection gives feedback on how effective are the preventive controls to the respective management as given by the mean as well as the standard deviation of 3.423 and 0.801 values respectively. Respondents were also neutral that staff get provided with updated manuals of internal control manuals in order for them to refer in future as given by the mean as well as the standard deviation of 3.019 and 1.111 values respectively.

The study findings concur with those of Saarens & de Beelde, (2014) who asserts that corrective controls help in ensuring that the impact of a threat is minimized, identify the cause of a problem as well as the correct errors arising from the problem. They also indicated that corrective controls correct problems discovered by detective controls and modify the processing system to minimize future occurrence of the problem. Respondents were asked what the ministry can do to improve its procurement planning controls. Majority of the respondents indicated that the ministries should conduct a refresher training to all the employees in the procurement department on the; existence, availability, quality and use of the legal framework from the highest level down to the more detailed operational procedures.

#### **4.5 Effects of Monitoring and Reporting Controls on Procurement Performance**

The study aimed at establishing impacts of monitoring as well as reporting controls on procurement performance. The outcome was as shown in every section.



#### 4.5.1 Presence of a procurement Monitoring and Evaluation committees

Respondents were requested to give an indication on whether there was a procurement monitoring as well as evaluation committees in their ministry. The outcome was as illustrated by Table 4.11.

**Table 4.11: Presence of a procurement Monitoring and Evaluation committees**

<b>Opinion</b>	<b>Frequency</b>	<b>Percentage</b>
Yes	42	80.8
No	10	19.2
<b>Total</b>	<b>52</b>	<b>100.0</b>

From the table above 80.8% agreed that they had a procurement Monitoring and Evaluation committees in their ministry whereas 19.2% of the respondents indicated that they did not have a procurement Monitoring and Evaluation committees in their ministry. This shows that majority of the ministries have a procurement Monitoring and Evaluation committees. The result conforms to Thai (2014) observations that forms, and procedures may be convenient and useful tools, but the planning effort will succeed only with the complete commitment and involvement of top management. Furthermore, the respondents strongly believed that relevant approvals are obtained from the organization's authority alone for all procured items and not from any other person.

#### 4.5.2 Effectiveness of procurement Monitoring and Evaluation committees

Respondents who indicated that their ministries had a procurement Monitoring and Evaluation committee and were further asked to rate its effectiveness in its internal control roles. The outcome of this study is as indicated by Table 4.12

**Table 4.12: Effectiveness of procurement Monitoring and Evaluation committees**

-	Frequency	Percentage
Not effective at all	21	40.4
Effective	15	28.8
Very effective	6	11.5
<b>Total</b>	<b>42</b>	<b>80.8</b>

As seen in the table above 40.4% showed that the committees were not effective at all, 28.8% indicated that the committees were effective and 11.5% indicated that the committees were very effective. This shows that most of the committees as was shown by the respondents were not effective in internal control roles. Agreeably Mamiro (2010) in his findings underscores these facts and concludes that one of the major setbacks in public procurement is poor procurement planning and management by monitoring committees of the procurement process which include needs that are not well identified and estimated unrealistic budgets.

### 4.5.3 Player of the role of Procurement Monitoring and Evaluation

Respondents who indicated that their ministries lacked Monitoring and Evaluation committees were asked to indicate who plays the role of procurement evaluation and monitoring. The outcome was as illustrated by Table 4.13

**Table 4.13: Player of the Role of Procurement Monitoring and Evaluation**

<b>Players.0</b>	<b>Frequency</b>	<b>Percentage</b>
Top Management	6	11.5
External consultants	4	7.7
<b>Total</b>	<b>10</b>	<b>19.2</b>

As demonstrated by the table above, 11.5% showed that top management is the one that plays the role of procurement monitoring and evaluation whereas 7.7% indicated that it was the external consultants who plays the role of procurement monitoring and evaluation. This shows that in ministries which lacks the procurement monitoring and evaluation committees either the top management or external consultants plays the role of procurement monitoring and evaluation. The findings align with the ones of Basheka (2014) who indicated that implementation of procurement planning needs a close monitoring and evaluation so that we may lead to the good service delivery to the users. A service is considered successful if at all it satisfies those expectations of a customer.

#### 4.5.4 Frequency of Giving Committee Progressive Reports

Respondents got requested to give an indication on how frequently the committee gives progressive reports. The study findings were as shown in the Table 4.14

**Table 4.14: Frequency of Giving Committee Progressive Reports**

<b>Frequency of giving reports</b>	<b>Frequency</b>	<b>Percentage</b>
Monthly	6	11.5
Quarterly	20	38.5
Annually	26	50.0
<b>Total</b>	<b>52</b>	<b>100.0</b>

As demonstrated in the table above, 50% showed that the committees give a progressive report annually, 38.5% indicated that they give a report on quarterly basis and 11.5% indicated that they give progressive reports on a monthly basis. This shows that ministries procurement committees give progressive reports on varying time periods with majority submitting a progressive report annually. The findings are in line with those of Johan (2015) who came up with some important service delivery improvement slogans. He said he who fails to plan for service delivery, plans to fail delivering services to the public. And if it cannot be measured, it cannot be improved. If we only plan to comply with regulations, we are not managers, we are robots. What we plan we must implement. What we implement, we must monitor.

#### 4.5.5 Procurement Reports On Improving Procurement Performance

Respondents got requested to give an indication on whether the procurement reports help in improving procurement performance. The outcome was as indicated by Table 4.15

**Table 4.15: Procurement reports on improving procurement performance**

<b>Procurement Reports</b>	<b>Frequency</b>	<b>Percentage</b>
Yes and onto a big extent	36	69.2
They assist in attaining desired objectives	14	26.9
They are of no use at all	2	3.8
<b>Total</b>	<b>52</b>	<b>100.0</b>

From this table, 69.2% agreed to a very great extent that procurement reports help in improving procurement performance, 26.9% indicated that the reports help in achieving the intended objectives and 3.8% indicated that the reports are of no use at all. This shows that procurement reports help in improving procurement performance by a great extent as was shown by majority of the respondents. Agreeably Mamiro (2010) in his findings underscores these facts and concludes that one of the major setbacks in public procurement is poor procurement planning and management of the procurement process which include needs that are not well identified and estimated, unrealistic budgets and inadequacy of skills of procurement staff are responsible for procurement problems in an institution

#### 4.5.6 Monitoring and evaluation committees

Respondents got requested to give an indication on the extent of agreement on the following statements concerning reporting and monitoring controls. The outcome was indicated by Table 4.16. On scale; 5- strongly agrees, 4- agree, 3- Neutral 2- Disagree, 1 – strongly disagree was deployed.

**Table 4.16: Monitoring and evaluation committees**

<b>Statement</b>	<b>Mean</b>	<b>S.D</b>
There are independent process checks and evaluations of procurement activities on ongoing basis.	3.385	1.123
The ministry procurement processes are monitored and reported as required of their monitoring and evaluation criteria	3.731	1.105
Internal procurement reviews of implementation of internal controls in units are conducted periodically.	3.404	1.015
Progressive reports have helped in assessing the quality of procurement performance of the ministry over time	3.269	0.910
Monitoring and Evaluation committees has assigned responsibilities for the timely review of audit reports and resolution of any non-compliance items noted in those audit reports	3.577	1.289
There is a reporting mechanism for all procurement activities of this organization	3.519	1.146
Quality assurance is adhered to for all organization procurement	3.635	0.908

As demonstrated, a big number of respondents were in agreement that; the ministry procurement processes are reported and monitored as a given by mean as well as standard deviation of 3.731 and 1.105 values respectively, also that quality assurance is adhered to

for all organization procurement as given by the mean value as well as standard deviation of 3.635 and 0.908 values respectively. Moreover, respondents were in agreement with; committees in charge of Evaluation and Monitoring has given roles to facilitate reviewing of audit reports in time and resolutions for non-compliance items documented in the reports as given by the mean as well as the standard deviation of 3.577 and 1.289 values respectively and that there is a reporting mechanism for all procurement activities of the ministry as given by the mean as well as the standard deviation of 3.519 and 1.146 values respectively.

Respondents were neutral that; internal procurement reviewing of internal controls implementation was done in periods this was given by the mean as well as standard deviation of 3.404 and 1.015 values respectively also that there are evaluations and independent checks of procurement functions in a continual basis this was given by the mean as well as standard deviation of 3.385 and 1.123 values respectively. Respondents were also neutral that Progressive reports assisted in assessment of how quality were the performances of procurement performances of the ministry over that time

The study findings agree with those of Rezaee, (2012) who argued that organizational policies and procedures ensures that any transaction is processed in the appropriate way to avoid waste, theft and misuse of organization resources. He also argued that through internal controls, organizations achieve performance and organizational goals, prevent loss of resources, enable production of reliable reports and ensure compliance with laws and regulations.

Respondents were asked to indicate what else they think can be done in their ministries to improve its monitoring and reporting controls in procurement departments. A big number of respondents showed that regulations that are articulated in the PPDA should be strictly adhered to by any party in the procurement contract with the intention of controlling public funds. Also respondents indicated that reporting frameworks should be articulated in the Act to help various stakeholders to make appropriate decisions during the procurement process.

#### **4.6 Internal Controls Commonly Used by the Ministries**

This study wanted to determine the internal controls commonly used by the respondent's ministries. The study established that the ministries use a number internal controls. These were; updating accounting statements supported by documenting, reconciliation of bank accounts with bank statements, segregation of duties among different people to reduce the risk of error or inappropriate action. Normally, responsibilities for authorizing transactions, recording transactions and handling the related asset are divided. Further the respondents stated that the ministries used Verifications, Approvals and Authorizations.

On Preventive and Detective internal controls, the respondents stated that the ministries have applied the following: Availability of securities, inventories, cash and some assets are put under restriction; assets are counted on periods and comparisons made to figures on the records. Detective Controls are designed to find errors or irregularities after they have occurred. On Reviews of Performance the ministries top officials make comparisons on forecasts, recent performance, budgets, prior periods and others in order to examine



how much the intended objectives and goals are being attained and discover areas that require attention.

#### **4.6.1 How the Internal Controls Helps on Improving Procurement Performance**

Respondents got requested to give an indication of their thoughts on whether internal controls help in improving procurement performance. The outcome was as illustrated by Table 4.17.

**Table 4.17: Internal controls in Improving Procurement Performance**

<b>Reports impacts</b>	<b>Frequency</b>	<b>Percentage</b>
Yes to a great extent	30	57.7
They assist in attaining the desired objectives	15	28.8
They do not have any significance	7	13.5
<b>Total</b>	<b>52</b>	<b>100</b>

As was shown in the Table 4.17, 57.7% of the respondents agreed that the internal controls by a very great extent helps in improving procurement performance, 28.8% indicated that the internal controls help in achieving the intended objectives and 13.5% of the respondents indicated that the internal controls are not of use at all. This shows that by a great extent that internal controls help in improving procurement performance. Agaba (2013) contends of poor accountability measurement within the public procurement as the major reason why service quality is compromised within the public service. This has become obvious reason why entities fail in achieving important goal of

satisfying the internal users. Accountability is important both in itself and as a means to improving perceived service quality of both public and private organizations.

#### 4.6.2 Internal Controls Used

Respondents were requested to show how much they agreed with the statements below on internal controls. The findings were as indicated by Table 4.18. At a scale of 5- strongly agrees, 4- agree, 3- Neutral 2- Disagree, 1- strongly disagree was used.

**Table 4.18: Internal Controls Used**

<b>Statement</b>	<b>Mean</b>	<b>SD</b>
Our ministry has defined separation of duties	3.42	1.24
Proper supervision of work done by juniors by seniors	3.47	0.89
Every employee's work check on the others	3.08	0.98
Corrective action is undertaken to address internal control weaknesses	3.21	0.97
Staff are trained to implement the procumbent management system	3.34	1.1
It is not possible for a staff to access all crucial information having no authority from the seniors	2.97	0.91
Our security system identifies and safeguard Ministry Assets	2.51	1.09

Table 4.18 indicates that the researcher aimed at evaluating systems of internal control deployed by different ministries. The use of standard deviation and mean were deployed for analysis of data in order to make conclusions. They are; The findings of the research are as shown in table 4.19 indicated that respondents indicated that there was no defined

segregation of duties while carrying out procurement functions. This was given by 3.42 mean value. Nevertheless, the standard deviation value of 1.24 clearly shows different feedbacks with regard to division of roles. The findings are in line with those of Lysons and Gillingham, (2013) who indicated that procurement personnel should be knowledgeable about specifications so as to be able to secure value for money for their employers and play their role of intermediaries between the user and the supplier

#### **4.7 Procurement Performance**

This section sought to investigate on procurement performance in government ministries. The findings were as indicated in every of the section.

##### **4.7.1 Procurement Performance in The Ministry**

Respondents got requested to give an indication on how much they agreed with the statements below.

**Table 4.19: Procurement performance in the Ministry**

<b>Rate</b>	<b>Frequency</b>	<b>Percentage</b>
Very Poor	6	11.5
Poor	8	15.4
Average	22	42.3
Good	14	26.9
Very Good	2	3.8
<b>Total</b>	<b>52</b>	<b>100.0</b>

From Table 4.19, 42.3% said that they rate procurement performance in their ministry as average, 26.3% rated good, 15.4% rated poor, 11.5% rated very poor and 3.8% rated procurement performance in their ministry as very good. This shows that procurement performance in ministries were rated as average as was shown by most of the respondents. These findings are in line with those of Kamau (2013) who revealed that most organisations failed to take into consideration the appropriate management of procurement activities by implementing all the necessary processes on procurement planning before embarking on both procurement and purchasing activities of the organisation.

#### 4.7.2 Procurement Performance

Respondents got requested to give an indication on how much they agreed with the statements below.

**Table 4.20: Procurement Performance**

<b>Statement</b>	<b>Mean</b>	<b>S.D</b>
The ministry procurement strategy leads to quality goods and services being offered by suppliers to the ministry.	3.750	0.860
Supplier relationship management leads to delivery of goods and services just in time as planned by the ministry.	3.442	0.873
Supplier relationship management leads to reliability of supplies to the ministry	3.269	1.031
Procurement management leads to cost reduction of purchases in the ministry.	3.365	0.886
The ministry procurement strategies leverage on strengths which leads to high procurement productivity.	3.423	0.776
The procurement measurement plan continuously gives progress on procurement activities hence improved procurement productivity.	4.058	0.873

A big number of respondents were in agreement to a great extent on; the procurement measurement plan continuously gives progress on procurement activities hence improved procurement productivity as given by a mean as well as standard deviation of 4.058 and 0.873 values respectively also that the ministry procurement strategy leads to quality goods and services being offered by suppliers to the ministry this was given by 3.750 and 0.860 for mean as well as standard deviation value respectively.

A big number of respondents were in agreement to a moderate extent on; supplier relationship management leads to delivery of goods and services just in time as planned by the ministry as given by the values 3.442 and 0.873 for mean as well as standard deviation values respectively and that the ministry procurement strategies leverage on strengths which leads to high procurement productivity as was shown by a mean as well as standard deviation of 3.423 and 0.776 values respectively. Also respondents agreed by a moderate extent that procurement management leads to cost reduction of purchases in the ministry as given by the value 3.365 and 0.886 for mean and standard deviation respectively and that supplier relationship management leads to reliability of supplies to the ministry as given by 3.269 and 1.031 for mean as well as standard deviation values respectively. The study findings agree with those of Handfield, (2014) he asserts that modern procurement performance measurement systems contain a variety of measures which falls into two major categories: effectiveness measures and efficiency measures. Effectiveness refers to the extent to which by choosing a certain course of action, management can meet a previously established goal while efficiency refers to the

relationship between planned and actual sacrifices made to realize a previously agreed-upon goal.

#### 4.7.3 Procurement Performance Data

The respondents were requested to provide their procurement performance data in their respective Ministries as indicated in Table 4.21.

**Table 4.21: Procurement Performance**

<b>Procurement performance</b>	<b>2013</b>	<b>2014</b>	<b>2015</b>	<b>2016</b>	<b>2017</b>
Rate of procurement productivity (%)	30%	35%	40%	55%	60%
Procurement cost saved (%)	20%	15%	15%	25%	30%
Quality goods/services supplied (%)	50%	30%	45%	50%	60%
Good/services supplied just in time (%)	60%	60%	70%	70%	75%
Clients satisfaction index (%)	55%	50%	60%	60%	60%

From Table 4.21 procurement cost saving was very low in rating for all the five years. This was followed by procurement productivity. The highly rated in the five years was supply of goods and services in time and client satisfaction index. Respondents were requested to suggest what they think the ministry can do to improve procurement performance. Majority of the respondents indicated that the ministries should formulate financial and economic policies to develop and maintain both stable fiscal and monetary policies in regards to performance. Also the study revealed that ministries should conduct audits on procurement performance and ensure that the quality management is practiced to increase the production levels. The findings are in line with those of Muchiri (2014) in his findings underscores these facts and concludes that one of the major setbacks in public procurement is poor procurement planning and management of the procurement

process which include needs that are not well identified and estimated, unrealistic budgets and inadequacy of skills of procurement staff are responsible for procurement problems in an institution.

#### 4.8 Relationship between Internal controls and Procurement Performance

Correlation analysis was conducted as well and the outcome was as shown in Table 4.22.

**Table 4.22: Correlations**

		Performance	planning Controls	Internal control commonly used	Monitoring and reporting
Procurement Performance	Correlation Coefficient	1.000	.653	.633	.602
	Sig. (1-tailed)	.	.476	.439	.335
	N	52	52	52	52
Procurement planning controls	Correlation Coefficient	.653	1.000	.142	.037
	Sig. (1-tailed)	.000	.	.000	.003
	N	52	52	52	52
Internal controls commonly used	Correlation Coefficient	.633	.142	1.000	.046
	Sig. (1-tailed)	.002	.001	.	.000
	N	52	52	52	52
Monitoring and reporting	Correlation Coefficient	.602	.037	.046	1.000
	Sig. (1-tailed)	.002	.000	.001	.
	N	52	52	52	52

A Pearson moment correlation was deployed. It was found out that procurement performance and procurement planning controls were positively correlated as indicated by the value 0.653. The correlation was significant as indicated by the value 0.000 as it was below 0.05. Procurement performance and internal controls were positively correlated as given by 0.633, significance value was 0.002 that is below 0.05. As well procurement performance and monitoring and reporting controls were positively correlated as given by the value 0.602. The findings concur with Curswoth, (2013) who found out that there is strong positive correlation between procurement performance and internal controls in the public sector.

#### 4.8.1 Model Summary

It is illustrated by Table 4.23.

**Table 4.23: Model Summary**

Coefficient of determination was deployed to evaluate the suitability of the model.

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

The approach had an average adjusted coefficient of determination ( $R^2$ ) of 0.652 and that meant that 65.2% of varying performances in procurement are described by the independent variables under research.



### 4.8.2 ANOVA

This research topic measured the importance of the approach through ANOVA method.

Below are the findings.

**Table 4.24: Summary of One-Way ANOVA results**

<b>Model</b>	<b>Sum of Squares</b>	<b>df</b>	<b>Mean Square</b>	<b>F</b>	<b>Sig.</b>
Regression	0.294	3	0.098	4.083	.001 <sup>b</sup>
1 Residual	1.152	48	0.024		
<b>Total</b>	<b>1.446</b>	<b>51</b>			

Critical value =1.96

There is a significance level of 0.1% that shows that the data was suitable for making conclusions under a confidence level of 5%. The value obtained was 4.083 greater than 1.96 the critical value meaning that internal controls had an impact on performance of procurement activities and therefore the approach was significant since the value obtained was below 0.05.

### 4.8.3 Coefficients of Determination

The following was the outcome in Table 4.25.

**Table 4.25: Coefficients**

Model	Unstandardized Coefficients		Standardized Coefficients		
	B	Std. Error	Beta	t	Sig.
(Constant)	0.176	0.317		0.555	0.592
Procurement planning controls	0.417	0.096	0.397	4.344	0.00
Internal controls commonly used	0.596	0.143	0.67	4.168	0.001
Monitoring and reporting controls	0.569	0.118	0.394	4.822	0.00

From the SPSS generated output:

$$Y = 0.176 + 0.417X_1 + 0.596X_2 + 0.569X_3$$

According to the model, an additional unit in procurement planning controls would lead to an increase in procurement performance by 0.417. A change in a unit in internal controls commonly used would increase procurement performance by 0.596 and a unit increase in monitoring and reporting controls would result to a rise in procurement performance by a factor of 0.569.

#### **4.9 Management and Academic Interpretation**

From the above regression model top management in the procurement departments should first enhance the already internal controls used in the departments. Further, monitoring and reporting controls should be enhanced to ensure there is adequate checks

on the internal controls in place. Monitoring controls helps to identify loopholes left in the procurement process and come up with strategies to curb any eventuality that might arise out of the gaps left. Procurement planning controls should be adopted to facilitate excellent functioning of the procurement process. This will minimize cases of fraud, embezzlement among others as low as practically possible.

## **CHAPTER FIVE**

### **SUMMARY, CONCLUSIONS AND RECOMMENDATIONS**

#### **5.1 Introduction**

This chapter discusses the results of the study, recommendations and conclusions arrived at. The purpose of conducting the research was to evaluate how much internal controls affect the performance of procurement activities in the ministries of the Kenyan government.

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

The study responses are as presented below.

##### **5.2.1 Effect of Procurement Planning Controls on Procurement Performance**

The first aim of the study was to analyze the effect of procurement planning controls on procurement performance. The research revealed that; the Ministry procurement systems have brought about efficiency and that the ministry has deployed sufficient and proper internal controls. Additionally, the study revealed that the ministry procurement systems are in effective at detecting fraud and enhancing transparency. It was further established that there was segregation of responsibilities on bidding, tendering, invoice approval and inspection and also that that all procurement transactions were recorded in vouchers for future references. Additionally, the study revealed that procurement department office is frequently audited and that all payments on procurement get authorization from officers in charge before the payments are made.

The procurement department in the ministries have control measures to curb and facilitate performance. Staff members are also aware of the consequences of failure to adhere to procedures accruing to procurement existing to curb interference of bills as well as statements of accounts by persons not authorized before they are posted.

### **5.2.2 Effects of Monitoring and Reporting Controls on Procurement Performance**

The third aim was to assess effects of monitoring and reporting controls on performance of procurement. The research showed that a big number of ministries have a procurement monitoring and evaluation committees and that most of the committees are not effective in internal control roles. Also the Ministries which lacks the procurement monitoring and evaluation committees either, the top management or external consultants plays the role of procurement monitoring and evaluation. The ministries procurement committees give progressive reports on varying time periods with majority submitting a progressive report annually.

Further the study revealed that procurement reports helps in improving procurement performance by a great extent. The Ministry procurement processes are subject to reporting and monitoring as a necessity by the assessment criteria. Additionally, the study revealed that; internal procurement reviews of implementation of internal controls are performed in periods and that there are checks and evaluations of procurement activities on continuous basis. The study also established that progressive reports assisted in assessment of how quality the performances on procurement were for the ministry.

### **5.2.3 Internal Controls Commonly used by The Government Ministries**

The study wanted to establish the internal controls commonly used by the respondent's ministries. The study established that the ministries use a number internal controls. These were; updating accounting statements supported by documenting, reconciliation of bank accounts with bank statements, segregation of duties among different people to reduce the risk of error or inappropriate action. Normally, responsibilities for authorizing transactions, recording transactions and handling the related asset are divided. Further the respondents stated that the ministries used Verifications, Approvals and Authorizations.

On Preventive and Detective internal controls, the respondents stated that the ministries have applied the following: Availability of inventories, inventories, securities, cash, inventories, securities; assets are counted in periods and comparisons made to the figures in the records. Detective Controls are structured to detect errors or uncertainties on their occurrence. On Reviewing of Performance the ministries top officials make comparisons on forecasts, budgets, prior periods, or other benchmarks to test how much the goals set are being achieved ad identify areas that need to be followed up.

The study established that no definite separation of roles amongst workers and the work of employees was not monitored by others. It was also identifying that supervisors did not apply appropriate measures to respond to employee demands despite the little effort of taking corrective action to address weaknesses. Inadequate training among ministry staff also affected the performance of ministries. The study established that there was no clear chart of account to help employees perform their duties more efficiently and

effectively. It was established that none of the employees accessed information without the consent of their supervisors.

### **5.3 Conclusion**

On impacts of procurement planning controls on procurement performance of Government ministries, the research makes a conclusion that ministry procurement systems are somewhat effective at detecting fraud and enhancing transparency and that there are processes to be followed in order to avoid interference by persons who are not authorized of making statements and bills before they are posted. The study also concludes that statements of accounts are only accessible by those employees who are responsible of them.

Regarding effects of monitoring and reporting controls, the study concludes that majority of the ministries have a procurement monitoring and evaluation committees and that most of the committees are not effective in internal control roles. Also the study concludes that the ministry procurement processes are subject to reporting and monitoring as a requirement of evaluation procedures and that a technique of reporting exists for procurement functions of this institution.

Finally, the study concludes that performance of ministries in the government of Kenya and internal controls are positively correlated. Additionally, unless the ministries procurement department accept to adopt internal control practices, realizing their long-term objectives will be a fallacy in the changing the service delivery environment.

#### **5.4 Recommendations**

With regard to the outcome, the research advocates that all procurement departments in all ministries should be following procedures while undertaking their procurement duties to curb interference by persons with no authorities. A manual for the ministries should be developed and all the procurement staff should be retrained on the application of the procedures. The heads of procurement departments should develop a routine practice of reconciliation of records and reconciling the differences, this is to prevent fraud and errors in procurement. The ministries should also ensure that there are inspection committees to oversee procurement functions and provide feedback to the management about the effectiveness of preventive controls.

The study recommends that the government through its various ministries should create a department that monitors ministry procurement processes in a periodical manner. The department should be empowered in terms of financial resources, human resource and expertise knowledge. Also the study recommends that progressive reports on internal controls on procurement should be made to assess the quality of procurement performance of the ministry.

This study recommends sufficient resources should be appropriated by the management as well as enough support towards implementing internal controls procedures. This can be done through acquisition of tested and verified ICT software. Favorable legal framework in procurement will lead to optimal results and discourage mismanagement.



The study also recommends that the framework should always be revised on a regular basis.

### **5.5 Limitations of the Study**

The research was hindered by some variables that might have affected the results as well as the scope. Time was a major constraint, making it difficult to obtain more responses from all the targeted ministries. Due to the numerous procurement related cases before the anti-corruption commission during this research period, some of the decision makers especially in the procurement department refused to fill up our questionnaire treating the exercise with a lot of suspicion.

### **5.6 Areas for Further Studies**

The objective for the research was assessing the impacts of internal controls on procurement performance in Government Ministries in Kenya. This research advocates for more research on the same topic of impacts of monitoring and reporting controls on procurement performance of non-governmental organizations.

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## **APPENDICES**

### **APPENDIX I: LETTER OF INTRODUCTION TO RESPONDENTS**

Chrystabel Omollo

Po Box

GPO, Nairobi

Dear Respondent,

#### **RE: COLLECTION OF SURVEY DATA**

In order to fulfill my post graduate program requirements, I am undertaking a research on effects of internal controls on procurement performance in Government Ministries in Kenya. Therefore, I kindly request you to assist me to collect data by filling out the accompanying questionnaire.

The information provided will be used exclusively for academic purposes and will be held in strict confidence. Thank you.

Yours faithfully,

Chrystabel Omollo



## APPENDIX II: QUESTIONNAIRE

The following question is intended to answer on research on effects of internal controls on procurement performance in Government Ministries in Kenya. Please fill in with a tick [√] to answer the closed ended questions. The choices given are; strongly disagree (SD), disagree (D), Not sure (NS), Agree (A) and strongly agree (SA).

Please feel free to give any relevant information.

Questionnaire Number:

Date

1. What is your Gender?

(a) Male ( ) (b) Female ( )

2. What is your Age bracket?

(a) 20-35 years ( ) (b) 36-45 years ( ) (c) 46-55 years ( ) (d) Above 55 years ( )

3. What are your terms of Employment?

(a) Permanent ( ) (b) Contract ( ) (c) Casual/Temporary ( )

4. What is your highest level of Education?

(a) O-Level ( ) (b) Diploma level ( ) (c) Degree level ( ) (d) Post graduate level ( )

5. Which Position do you hold in your organization?

(a) Top level manager ( ) (b) Middle level Managers ( ) (c) Supervisory level ( ) (d) Operative ( )

**IDENTIFY EFFECT OF PROCUREMENT PLANNING CONTROLS ON  
PROCUREMENT PERFORMANCE**

6. Kindly rate the following statements. Use scale 1- strongly agrees, 2- agree, 3- Neutral 4- Disagree, 5 – strongly disagree.

<b>Statement</b>	<b>1</b>	<b>2</b>	<b>3</b>	<b>4</b>	<b>5</b>
The ministry procurement systems are effective at detecting fraud and enhancing transparency					
The ministry procurement systems have brought about efficiency					
The ministry has appropriate and sufficient internal controls in place					

7. To what extent do you agree with the following statement relating to procurement internal controls? Use scale 1- strongly agrees, 2- agree, 3- Neutral 4- Disagree, 5 – strongly disagree.

<b>Statement</b>	<b>1</b>	<b>2</b>	<b>3</b>	<b>4</b>	<b>5</b>
Suppliers accounts are reconciled on monthly basis to detect errors and fraud					
All procurement payments are authorized by responsible officer before payment					
All procurement payment procedures are followed for all transactions					
All procurement transactions are recorded in vouchers for future references					
Our procurement department office is frequently audited					
The internal auditor works independently					
The procurement department have clear levels of authority					
There is segregation of responsibilities on bidding, tendering, invoice approval and inspection.					

8. Which are the major preventive control in place to detect and prevent frauds and enhance performance in your procurement department?

Strong internal controls	
Safeguarding and reconciliation of suppliers payments	
Discouraging related party transactions	
Pre-approval of actions and transactions.	
Employee screening and training.	
Any other control	

9. Which other preventive measures has the ministry put in place to detect and prevent frauds?

.....  
 .....

10. To what extent do you agree with the following statement relating to internal control?  
 Use scale 1- strongly agrees, 2- agree, 3- Neutral 4- Disagree, 5 – strongly disagree.

<b>Statement</b>	<b>1</b>	<b>2</b>	<b>3</b>	<b>4</b>	<b>5</b>
Staff are given up to date internal control manuals for reference purposes					
Accounting records are limited to employees with designated responsibility for such records					
Staff are aware of the penalties for breaking procurement internal control procedures					
Changes to the prescribed billing amount require the approval of an authorized individual					
Procedures exist to prevent the interception or alteration by unauthorized persons of billings or statements before posting					

Reconciliation is done monthly to reconcile separate records and properly resolve any differences					
Inspection committee provides feedback to the management about the effectiveness of preventive controls					

11. What else do you think the ministry can do to improve its procurement planning controls?

.....

.....

**ESTABLISH EFFECTS OF MONITORING AND REPORTING CONTROLS ON PROCUREMENT PERFORMANCE**

16. Do you have a procurement Monitoring and Evaluation committees in your organisation?

Yes [  ]

No [  ]

11. If yes, kindly rate its effectiveness in its internal control roles

Very effective [  ]      Effective [  ]      Not effective at all [  ]

17. If no, who plays the role of procurement monitoring and evaluation?

Top Management	
External consultants	
Any other	

18. How often does the committee give progressive reports?

Monthly [  ]

Quarterly [  ]

Annually [  ]

Any other .....

19. Do you think these procurement reports helps in improving procurement performance?

Yes they do to a very great extent [  ]

They help in achieving the intended objectives [ ]

They are of no use at all [ ]

20. To what extent do you agree with the following statement relating to monitoring and reporting controls? Use scale 1- strongly agrees, 2- agree, 3- Neutral 4- Disagree, 5 – strongly disagree.

Statement	1	2	3	4	5
There are independent process checks and evaluations of procurement activities on ongoing basis.					
The ministry procurement processes are monitored and reported as required of their monitoring and evaluation criteria					
Internal procurement reviews of implementation of internal controls in units are conducted periodically.					
Progressive reports have helped in assessing the quality of procurement performance of the ministry over time					
Monitoring and Evaluation committees has assigned responsibilities for the timely review of audit reports and resolution of any non-compliance items noted in those audit reports					
There is a reporting mechanism for all procurement activities of this organization					
Quality assurance is adhered to for all organization procurement					

21. What else do you think the ministry can do to improve its monitoring and reporting controls in procurement departments?

.....  
.....

**INTERNAL CONTROLS COMMONLY USED BY THE MINISTRIES**

22. Kindly indicate the internal controls commonly used by your ministry

.....

.....

.....

23. Do you think these internal controls helps in improving procurement performance?

Kindly explain.

Yes they do to a very great extent [ ]

They help in achieving the intended objectives [ ]

They are of no use at all [ ]

24. To what extent do you agree with the following statement relating to internal controls commonly used? Use scale 1- strongly agrees, 2- agree, 3- Neutral 4- Disagree, 5 – strongly disagree.

<b>Statement</b>	<b>1</b>	<b>2</b>	<b>3</b>	<b>4</b>	<b>5</b>
Our ministry has clear separation of roles					
There is appropriate supervision by senior staff on the work of their juniors					
Every employee’s work check on the others					
Corrective action is taken to address internal control weaknesses					
Staff are trained to implement the procumbent management system					
It is impossible for one staff to have access to all valuable information without the consent of senior staff					
Our security system identifies and safeguard Ministry Assets					

## PROCUREMENT MEASUREMENT PERFORMANCE

18. In your own opinion, kindly rate procurement performance in your ministry.

Very Poor [ ] Poor [ ] Average [ ] Good [ ] Very Good [ ] Excellent [ ]

19. Kindly indicate the extent to which you agree with the following statements concerning procurement performance 1= Very great extent, 2= Great extent, 3= Moderate extent, 4=Small extent and 5= very small extent

Statement	1	2	3	4	5
The ministry procurement strategy leads to quality goods and services being offered by suppliers to the ministry.					
Supplier relationship management leads to delivery of goods and services just in time as planned by the ministry.					
Supplier relationship management leads to reliability of supplies to the ministry					
Procurement management leads to cost reduction of purchases in the ministry.					
The ministry procurement strategies leverage on strengths which leads to high procurement productivity.					
The procurement measurement plan continuously gives progress on procurement activities hence improved procurement productivity.					

20. Please give the following procurement performance data in your ministry in 2017 as indicated in the table.

Rate of procurement productivity (%)	
Procurement cost saved (%)	
Quality goods/services supplied (%)	
Good/services supplied just in time (%)	
Clients satisfaction index (%)	

21. In conclusion what you think the ministry can do to improve procurement performance?

.....  
 .....

22. Kindly indicate the extent to which you agree with the following statements concerning procurement performance 1= Very great extent, 2= Great extent, 3= Moderate extent, 4=Small extent and 5= very small extent

<b>Statement</b>	<b>1</b>	<b>2</b>	<b>3</b>	<b>4</b>	<b>5</b>
Procurement processes at the ministry are transparent and open to all suppliers, contractors and/or consultants					
Public procurement officials at the ministry are accountable to what they are dealing with suppliers, contractors and/or consultants					
All suppliers, contractors and/or consultants that deal with at the ministry are fairly treated and/or dealt with					



Public procurement officials at the ministry are showing the highest degree of integrity when dealing with suppliers, contractors and/or consultants					
All procurement transactions at the ministry are complying with the principle of competition whereby all suppliers, contractors and/or consultants are given equal chances to participate					
Personnel at the ministry exhibit the highest level of expertise in dealing with suppliers, contractors and/or consultants					

**THANK YOU FOR YOUR TIME**

### **APPENDIX III: LIST OF MINISTRIES IN KENYA**

1. Ministry of Interior and Coordination of National Government
2. Ministry of Devolution and ASAL Areas
3. The National Treasury and Ministry of Planning
4. Ministry of Defence
5. Ministry of Foreign Affairs & International Trade
6. Ministry of Education
7. Ministry of Health
8. Ministry of Transport and Infrastructure Development
9. Ministry of Information, Communication and Technology
10. Ministry of Environment and Forestry
11. Ministry of Lands
12. Ministry of Sports and Heritage
13. Ministry of Labour and Social Protection
14. Ministry of Energy
15. Ministry of Agriculture and Irrigation
16. Ministry of Industrialization and Enterprise Development
17. Ministry of Public Service, Youth & Gender Affairs
18. Ministry of Tourism and Wildlife
19. Ministry of Petroleum and Mining
20. Ministry of Water and Sanitation
21. Ministry of East African Community and Northern Corridor Development