THE EFFECT OF PUBLIC FINANCE AUDIT AND PLANNING ON IMPROVING SERVICE DELIVERY IN STATE CORPORATIONS IN KENYA

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REG NO. D63/29812/2019

A RESEARCH PROJECT SUBMITTED IN THE SCHOOL OF BUSINESS IN PARTIAL FULFILLMENT OF THE REQUIREMENTS FOR THE AWARD OF THE

DEGREE IN MASTER OF SCIENCE FINANCE, UNIVERSITY OF NAIROBI

March 2022

DECLARATION

This is to certify that this research project is my original work and has not been submitted for the award of degree in any other university.

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Approval by supervisor

This research project has been submitted for examination with my recommendation as the university supervisor.

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DEDICATION

This project is dedicated to my Family for their support while undertaking my Post graduate studies.

ACKNOWLEDGEMENT

I would like to thank The University of Nairobi for the opportunity to undertake my master of science finance. I have been able to gain a deeper understanding of business management and best practices.

My gratitude also goes to Dr. Kisaka Erastus Sifunjo for his guidance and devoted time to ensure that this research project is a success.

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MCA	Members of County Assembly
NPM	New Public Management
SPSS	Statistical Package for Social Sciences
ROA	Return on Asset

ABSTRACT

The study aim was to determine the effect of public finance audit and planning in improving service delivery in state corporations in Kenya. The study adopted a descriptive survey research design. There are 165 state corporations in Kenya at the time of the study. The study targeted the 165 state corporations in Kenya, from where one senior manager from each organization was selected. Therefore, the study population was 165 respondents. The purposive sampling method was adopted to select the study respondents. The study used the Krejcie and Morgan formulae to arrive at the sample size. The sample size of the study was 117 respondents. The study used questionnaires to collect primary data. The questionnaires were semi-structured. Descriptive statistics such as frequencies, percentages, means, and other central tendencies were used in analyzing descriptive data. The analyzed quantitative data was presented using pie charts, bar charts, percentages, and frequency tables. Regression analysis was conducted to determine the strength of the relationship between the study variables. The study conducted a multiple regression analysis to determine the effect of public finance audit and planning in improving service delivery. The study revealed that public finance audit had a positive significant effect on service delivery in state corporations. Therefore, an increase in public finance audit would lead to an increase of service delivery in state corporations. The study found that public finance planning had a positive significant effect on service delivery in state corporations. Therefore, a unit increase in public finance planning will lead to an increase of service delivery in state corporations. The study recommends that policy makers should develop policies that should guide public finance audit and planning to enhance public service delivery.

CHAPTER ONE: INTRODUCTION

1.1 Background of the Study

Public sector finance forms an integral part of the society and impacts all social, economic, and political dimensions of a country. The state generally assumes responsibility for the welfare, health, and prosperity of its citizens. This objective is achieved by providing effective service delivery to the electorate (Visser & Erasmus, 2018). For this reason, frequent auditing of the executive and the bureaucracy is an indispensable mechanism for achieving transparency on how public funds have been used and what value was obtained from the use of such funds (Barberton, 2014). Therefore, the public finance auditing function plays a very significant effect in service delivery as it promotes transparency through independent auditing and its reporting responsibilities and ensures that instances of non-compliance are reported to the public so that corrective action can be taken (Kusi, 2014).

The study will be anchored on systems theory, new public management theory, and stakeholder theory. Systems theory was proposed by Easton (1965). The systems theory proposes that organizations, like the human body, consist of multiple components that work harmoniously so that the larger system can function optimally. According to the theory, the success of an organization depends on several key elements: synergy, interdependence, and interrelations between various subsystems. New public management theory was coined by Hood (1991); Hood and Jackson (1991). The theory's focus is on financial control, value for money, and increasing efficiency. It also emphasizes on the centrality of citizens who are the recipient of the services or customers to the public sector. Stakeholder theory was proposed by Freeman

(1983). The theory argues that a firm should create value for all stakeholders, not just shareholders.

In Kenya, the Constitution of Kenya, (2010) and the Public Audit Act, (2003) require all government parastatals to submit their financial statements to the Auditor General who is the public auditor for audit at end of every financial year. However, in the public sector audit is viewed as an afterthought and not properly integrated into the service delivery of state corporations. During planning and budgeting, audit is not viewed as a way of ensuring that internal controls are functioning rather seen as an impediment in delivering projects, hence viewed negatively. In Kenyan public sector organizations, the service delivery continues to deteriorate despite numerous audit reports findings, and recommendations. It is against this background that the currents the study sought to establish the effect of public finance audit and planning in improving service delivery in state corporation in Kenya.

1.1.1 Public Finance Audit

Auditing is an integral part of an institutional framework supporting good governance and the realization of a country's welfare measures and poverty eradication goals (Modugu, 2015). Social welfare programs and other targeted poverty eradication programs in developing countries are characterized by their access to limited resources. To achieve their goals, therefore, these programs depend greatly on the efficient and effective utilization of these limited resources (Percy, 2016). Auditing can contribute greatly to the achievement of social development programs by limiting corruption and strengthening the accountability of responsible agencies (Nopmanee & Lin, 2015).

The financial audit focuses on determining whether a public entity's financial information is presented per the applicable financial reporting and regulatory framework. The audit is accomplished by obtaining sufficient and appropriate audit evidence to enable the auditor to express an opinion as to whether the financial information is free from material misstatement due to fraud or error (Ferry & Eckersley, 2015). Liu and Lin (2012) noted that finance audit is critical in state corporations' financial management in checking on fraud, waste, and misappropriation of funds. Finance audit is also necessary to ensure the truthfulness and reliability of financial reports prepared by the state corporations. Lessmann and Markwardt (2010) noted that the need for financial audits in government institutions is to monitor the effectiveness of financial resources utilization.

In Kenya, audit is an evolving function in the public sector. It has evolved from simply checking that money has been spent in the ways that governments intended and ensuring that none was stolen or misappropriated. Now it is also concerned with evaluating whether the application of funds represents good value for the taxpayer and, more recently, to evaluating whether government policies have been effective. The early functions of audit that are the detection of fraud and technical errors in accounting remain but have now been overlaid with new, more evaluative, functions (Miana, 2016).

1.1.2 Finance Planning

Financial planning involves analyzing the financial flows of a firm as a whole, forecasting the consequences of various investments, financing, and dividend decisions, and weighing the effects of various alternatives (lawson, 2015). Financial planning is the core of financial management. The complex nature of organizations demands that management should place greater emphasis upon financial planning to secure and employ capital resources in the amount and proportion necessary to increase the efficiency of remaining factors of production (lawson, 2015). Financial planning is needed both in dynamic and perfect economic conditions. It helps management to avoid waste by furnishing policies and procedures which make possible closer coordination between the various functions of the organization (oye, 2016).

Financial planning ensures that financial resources are obtained economically and used efficiently and effectively in the accomplishment of desired goals. It covers the entire process of monitoring actions emanating from the decisions (World Bank, 2014). Seen as an integral part of financial management in public organizations, it also forms part of budgeting, accounting, reporting, and review. The budget is then put into practice and the results are expected. A budgetary control system forms a good basis for controlling plans. Definitely, actual activities are monitored and their results measured and then compared with the plan. Then significant deviations from the plan are identified and reported upon (Kilo & Ngugi, 2014).

The comprehensive financial planning process is essentially vertical as it is developed from a given base year and so estimates of revenue and costs are to be based on the base year financial decisions already taken (Hendrick, 2010). It would mean that alternative expenditure packages for a program are to be considered based on previously decided financial options (Kenneth, 2010). As public-sector organizations seek to become more responsive and dynamic, their systems are evolving from tools of organizational control into systems that also incorporate a strong planning perspective (Finkler, 2015).

1.1.3 Service Delivery

According to Helmsing (2013), service delivery is a set of principles, standards, policies, and constraints used to guide the design, development, deployment, and operation of services delivered by a service provider to offer a consistent service experience to a specific user community. Johnston (2015) notes that service delivery refers to a practice meeting user needs or applicable by users. Services that are effective are available and timely, dependable and reliable, sustainable, flexible, expandable, authentic (Johnston, 2015). Helmsing (2015) describes service delivery as the provision of services as a prudent and mandatory arrangement of nominated representatives to distribute products and services to beneficiaries.

According to Cherrington (2012), organization's effectiveness in an economy is determined by its delivery of service to the community. Service delivery is fundamental to the performance of an entity since it involves mainly coming into contact with clients physically or face to face. This does not leave out the government or state-owned corporations because their viability can only be determined in the economy is through service delivery. State corporations have put in place provisions to ensure the realization of their long-term objective of improving the quality of life of their citizens. Substantial resources have been committed to improving service delivery in areas such as infrastructure development and maintenance, rural development, human development, and governance, among others. In particular, it is noted that households do not only need income but also require adequate community infrastructures such as schools, health facilities, clean water, roads, energy, security, law, and order (National Service Delivery Survey, 2018).

1.1.4 State Corporations in Kenya

In Kenya, a State Corporation is a body corporate established under Section 3 of the State Corporations Act, Cap 446, or by an act of Parliament, or under the Companies Act, Cap 486 where the Government controls the majority or all of the Shares. Further, a subsidiary of a state corporation is a state corporation. The corporations are the Engine for driving the Kenyan economy and achievement of Vision 2030. There are approximately 165 state corporations in Kenya today which are classified into 8 broad functional categories based on mandate and core functions. These include Financial, Commercial/manufacturing, Regulatory, Public Universities, Training and Research, Service, Regional Development Authorities, and Tertiary Education and Training.

State corporations play a pivotal function in society. They are an avenue for the government to fulfill its mandate in the provision of services to the public. They ensure that members of the public have access to essential services such as transport, health, and housing to name a few. State corporations also prevent monopolization of markets, that is, one dominant entity controlling the market, to protect consumers from high prices and poor-quality products (odoyo, omwono & okinyi, 2014).

1.2 Research problem

State corporations in Kenya are important for the socioeconomic welfare of a nation as they facilitate the provision of public goods and services. However, state corporations in Kenya have been through several challenges that affect their service delivery. Perennial losses, debt, and misappropriation of funds are some of them. The government has had to bail them out on many occasions. For instance, Kenya Airways has been bailed out severally in the past five years. Other corporations that funds have been injected to be revived include Uchumi Supermarket, Pan Africa paper mill, and Mumia Sugar Company. All these problems stem from improper use of financial resources (Odoyo, Omwono & Okinyi, 2014).

The Kenya Companies Act, Cap 486 requires all companies to have their financial statements audited every year. However, the quality of financial audit and planning in state corporations has been in question. This is because some of the corporations have either collapsed or have been on the verge of collapsing despite having received unqualified audit opinions. One of them was Nyaga Stock Brokers Limited which was placed under receivership in 2008. Further, in 2010, Tana Athi Water Services Board was accused of rampant embezzlement of public funds and lack of accountability. This led to massive loss of resources through unplanned projects, with many others remaining unfinished, something that had not earlier been established in finance audit.

Piatti-Fünfkirchen and Schneider (2018) researched on the effect of public financial management in health service delivery in Tanzania and Zambia. Cheruiyot (2018) researched on the effect of public financial management practices on the performance of County Governments in Kenya. Maina (2016) researched on the effect of public financial management practices on service delivery in selected counties. Scott and Enu-Kwesi (2018) researched on the effect of budgeting practices in service delivery in the public sector: A Study of District Assemblies in Ghana. However, the studies generally focused on financial management. The current study aimed to establish the effect of public finance audit and planning in improving service delivery in state corporations in Kenya.

1.3 Objectives of the Study

The study was guided by the following objective

1. To establish the effect of public finance audit in improving service delivery in state corporations in Kenya
2. To establish the moderating effect of public finance planning on the relationship between public finance audit and service delivery in state corporations in Kenya

1.4 Value of the Study

The study is of significance to the state corporations in Kenya. This is because it provides an understanding of the effect of public finance audit planning in improving service delivery. The heads of state corporations would ensure that timely financial audits are provided to improve service delivery.

The study would be of importance to policymakers. They would get fain insights on the effect of public finance audit and planning in improving service delivery. This may help in formulating policies that ensure reliable and timely finance audits and planning in state corporations to improve service delivery. The study may add to the body of knowledge on the effect of public finance audit and planning in improving service delivery. The study can be used by researchers as a reference in future related studies.

CHAPTER TWO: LITERATURE REVIEW

2.1 Introduction

This chapter reviews literature relating to the study. It first discusses theories guiding the study and then reviews empirical literature related to public finance audit and planning and service delivery in state corporations.

2.2 Theoretical Review

This study will be anchored on systems theory, new public management theory, and stakeholder theory.

2.2.1 Systems Theory

The systems theory was devised by Easton (1965). Easton broadly posits that the systems theory focuses on a set of patterned relations involving frequent interactions, and a substantial degree of interdependence among members of a system. Systems theory is grounded on the notion that intents or foundations within a group are related to one another and in turn interact with one another based on certain recognizable processes. Broback and Sjolander (2012) describe public financial management as consisting of key sub-components identified auditing and planning.

Sub-components exist as a system of related constituents and the reform or development of one subcomponent is dependent and conditioned on the state of the other components if development objectives are to be met. The sub-components of public financial management are important in a development context and must be improved for government to implement its development and service delivery objectives (Anderson & Isaksen, 2013). This theory was used in this study to explain the effect of public finance audit and planning in improving service delivery in state corporations.

2.2.2 New Public Management Theory

The new public management theory was coined by scholars from the UK and Australia Hood (1991); Hood and Jackson (1991). The theory recommends changes to make governments more efficient and responsive by employing private sector techniques and creating market conditions for the delivery of services. Further, the NPM theory asserts the superiority of private managerial techniques over those of public administration and has the assumption that the adoption of private-sector practices would lead to improvements in the efficiency and effectiveness of public services. In effect, NPM theory relies heavily on the theory of the private sector and business philosophy (osborne, 2006).

The assumptions of NPM easily apply to issues of public financial management and its influence on service delivery. NPM perspectives emphasize compliance with ethics, transparency, equality, fairness, responsibility, accountability, prudence, participation, responsiveness to the necessities of the people, and efficiency in the administration of public resources. Public financial management is the coordination of public financial resources for efficiency in public service delivery. It involves revenue collection, planning, and budgeting, internal controls, audit and external oversight, among others to promote the availability of benefits to the greatest number of citizens (Broback & Sjolander, 2002).

PFM, according to Bartle and Ma (2004), entails successfully coordinating, managing, and regulating monetary operations in the public sector. As a result, competent managerial and organizational frameworks are required, both of which strive to make the public sector as efficient as the private sector. This is anticipated to boost productivity and reduce corruption. Other assumptions include citizen-centered services, value for taxpayers' money, and a responsive public service workforce. NPM theory was applied in this study to link best practices in financial audit and planning to public service delivery.

2.2.3 Stakeholder Theory

In 1983 Edward Freeman introduced the concept of stakeholder theory. A stakeholder is a person or entity with an interest in a company that may influence or be influenced by it. The main stakeholders in a typical corporation are its investors, employees, customers, and suppliers. The community and government form part of the stakeholders. Stakeholder theory suggests that the purpose of a business is to create as much value as possible for stakeholders. Stakeholder theory advocates for treating all stakeholders with fairness, honesty, and even generosity. How a firm treats its customers influences the attitudes and behavior of the firm's employees, and how a firm behaves towards the communities in which it operates influences the attitudes and behavior of its customers. This theory was used to explain service delivery in state corporations in Kenya.

2.3 Public Finance Audit and Service Delivery

Scott (2018) researched the effect of auditing practices in service delivery. The study analyzed how auditing as practiced in Ghana's district assemblies (DAs) influenced service delivery. The findings showed that citizens rated service delivery poorly, while district assembly officials rated service delivery as satisfactory. The study also established that auditing practices had a positive but insignificant effect on service delivery. According to Salem (2012) auditing ensures that public finances are not subject to fraud, waste, and abuse, or subject to error in reporting. opportunities for dishonesty and waste or poor management of funds may occur when financial reports cannot be verified.

According to Jordaan (2013), an auditor observes and identifies the events in front of him or her for inspection, gathers evidence, assesses it, and creates a judgment based on this knowledge, which is transmitted in an audit report.. Morin (2014) explains further that, quality auditing should not only report non-conformance and corrective actions but should also highlight areas of good practice and evidence of conformance. In this way, other departments may share the information and amend their working practices. As a result, Goddard and Malagila (2015) argue that continuous improvement should be enhanced as it helps an organization accomplishes its objectives by bringing a systematic, disciplined approach to assess and improve the effectiveness of risk management, control, and governance processes.

2.4 Empirical Review

A Study of District Assemblies in Ghana, by Scott and Enu-Kwesi (2018), looked at the impact of budgeting procedures on service delivery in the public sector. The function of budgeting in Ghanaian district assemblies in terms of service delivery was examined in this study. Questionnaires, interviews, focus group discussions, and document analysis were used to collect qualitative and quantitative data for the study, which used a mixed-methods research design. Thirty-four out of 170 district assemblies that existed by 2008 were sampled. Quantitative data was evaluated using descriptive statistics and regression while qualitative data was looked at thematically. The data revealed that residents gave bad ratings to service delivery, whereas district assembly officials gave it a good rating. The study found that budgeting habits had an impact on service delivery.

Piatti-Fünfkirchen and Schneider (2018) researched on the effect of public financial management in health service delivery in Tanzania and Zambia. The study found some stumbling blocks, including the lack of flexibility to provide additional resources for unexpected demand for care, misalignment between budgeting and planning, fragmented funding sources, rigid internal controls, insufficient budget provision leading to arrears, and a budget evaluation system that is excessively compliance-driven and gives inadequate attention to issues of equity, quality, and efficiency in service delivery.

Maina (2016) researched on the effect of public financial management practices on service delivery in selected counties. The study sought to assess the effect of revenue mobilization practices, budgeting practices, auditing practices, and regulatory practices on service delivery in selected counties in Kenya. The study applied descriptive design. The targeted population was all the 248 MCAs in the three counties of Nairobi, Kiambu, and Kajiado. A questionnaire method was utilized to collect data in this study. The study applied descriptive statistics, correlation, and regression analyses to analyze the data collected. SPSS was used to conduct the analysis. The results indicated that budgeting and stakeholder participation practices and regulatory practices had a positive effect on service delivery in the counties.

Results however revealed that revenue mobilization and spending practices and auditing and forensic accounting practices had an insignificant effect on service delivery in the three counties.

Wakhungu (2014) researched on the impact of public finance management reforms on the financial performance of Kenya's commercial state-owned firms. Descriptive survey research approach was adopted with samples of 30 out of the 168 commercial state firms being chosen as samples. Secondary data was also used in the study. In the analysis, descriptive statistics were employed, such as frequency, percentages, mean, and standard deviation. The study findings revealed that the credibility of the organizations' budgets influenced the financial performance of the organization to a great extent. Further, the comprehensiveness and transparency of the budget impacted the financial performance of the organization to a great extent. Predictability and control in budget execution impacted the financial performance of the organization to a great extent. External scrutiny and audit influenced the financial performance of the organization to a great extent. Policy-based budgeting in the organization influenced the financial performance of the organization to a very great extent. Also, both the accounting, recording, and reporting and donor practices impacted the financial performance of the organization to a great extent.

Cheruiyot (2018) researched on the effect of public financial management practices on the performance of County Governments in Kenya. The study aimed to investigate how financial planning and budgeting, internal control, public financial procurement, revenue mobilization, and public financial governance practices influence the performance of county governments in Kenya. The study applied mixed research design and a purposive sampling method. The respondents included all accounting officers and directors from county treasuries in the top ten counties selected on the locally collected revenue list as shown in the office of the Controller of Budget's Annual Budget Implementation Report for the financial year 2016/2017. Collection of primary data was done using a questionnaire whereas secondary data was obtained from the office of Controller of Budget, office of the Auditor-General, and County Treasury offices. The study found that internal control practices that include control activities, control environment, and internal audits had the highest significance.

2.5 Conceptual Framework

The conceptual framework shows the link between the independent and dependent variables as shown in Figure 2.1.

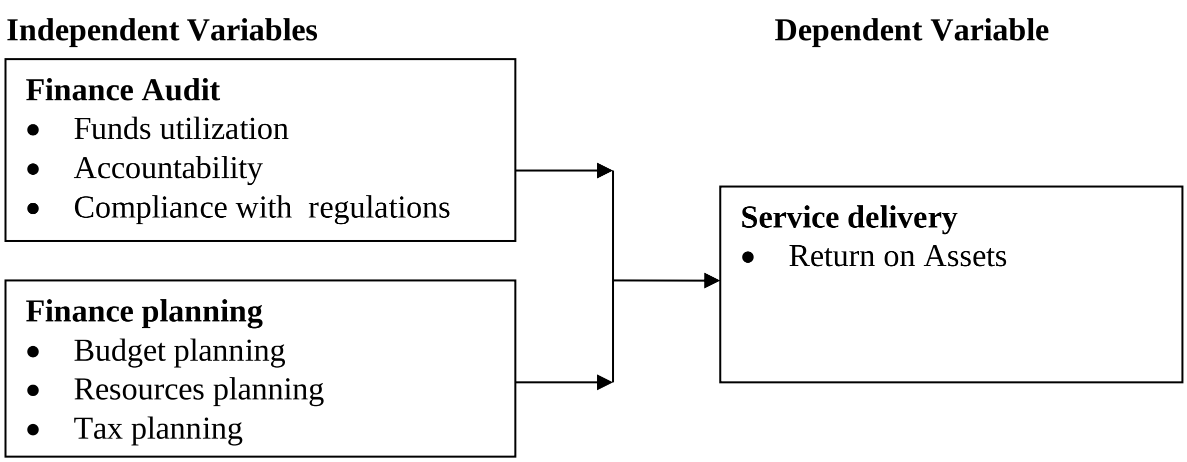

Figure 2.1: Conceptual Framework

2.6 Chapter Summary

The theories that help in explaining the effects of financial audits and planning on service delivery have been reviewed. They include systems theory, new public management theory, and stakeholder theory. Literature on public finance audit and service delivery has also been reviewed. The studies have provided varied results. The conceptual framework shows the relationship between the independent and the dependent variables.

CHAPTER THREE: RESEARCH METHODOLOGY

3.1 Introduction

This chapter covers the research methodology. It discusses the research design, target population, sampling methods, data collection, and data analysis and presentation.

3.2 Research Design

The study adopted a descriptive survey research design. A descriptive survey study explains the statement of affairs as they are at present with the researcher having no control over variables (Ethridge, 2014). It provides more understanding of current issues or problems through a process of data collection that enables them to describe the situation more completely. According to Cooper and Schindler (2008), descriptive research collects data from members of a population and helps the researcher get the descriptive existing phenomena by asking individuals about their perceptions, attitudes, behavior, or values. This design also supports the collection of quantitative data. A descriptive survey design was used to determine the effect of public finance audit and planning in improving service delivery in state corporations in Kenya.

3.3 Target Population

Population is the entire set of individuals having some common characteristics selected for a research study (Saunders, Lewis & Thornhill, 2016). This study was conducted in state corporations in Kenya, whose head offices are in Nairobi. There are 165 state corporations in Kenya. The study targeted the 165 state corporations in Kenya, from where one senior manager from each organization was selected. Therefore, the study population was 165 respondents.

3.4 Sampling Methods

The purposive sampling method was adopted to select the study respondents. In this method, the elements selected for the sample are chosen by the judgment of the researcher. A representative sample is obtained using sound judgment, which results in saving time and money (Black, 2010). The study used the Krejcie and Morgan formulae to arrive at the sample size. The selection formula is as follows:

$$n=\frac{N}{1+(N-1)e^2}$$

Where n= the required sample size

N = is the Target Population (165respondents)

e = accuracy level required. Standard error = 5%

$= 165 / 1 + (165-1)0.05^2$

= 117

The sample size of the study was 117 respondents who formed 71% of the target population.

3.4 Data Collection

The study used questionnaires to collect primary data. The questionnaires were semi-structured. It had open and close-ended questions. It was divided into two sections. Section one will gather information on demographic information of the respondents, section two covered questions on the effect of public finance audit and planning in improving service delivery. The questionnaires were administered by the researcher with the help of trained research assistants to be completed by the respondents. A questionnaire is preferred because it is efficient, cheap, and easy to administer, they are relatively easy to analyze, and they are simple and quick for the respondent to complete and collect data in a standardized way (Kothari, 2014).

3.5 Data Analysis and Presentation

The collected data was thoroughly examined and checked for completeness and comprehensibility. Data was cleaned and entered into the Statistical Package for Social Sciences (SPSS Version 23) for analysis. Descriptive statistics such as frequencies, percentages, means, and other central tendencies were used in analyzing descriptive data. The analyzed quantitative data was presented using pie charts, bar charts, percentages, and frequency tables.

The correlation analysis was conducted to determine the strength of the relationship between the study variables. The study conducted a multiple regression analysis to determine the effect of public finance audit and planning in improving service delivery. The regression model was as follows;

$$Y=\beta_0 +\beta_1X_1+ \beta_2X_2+ \beta\varepsilon$$

Where:

Y= Service delivery in state corporations (measured by Return on Assets)

X_1= Financial audit

X_2= Financial planning

β_0= Constant

β_1, β_2 = Regression coefficients X_1, X_2 respectively

ε = Error term

3.6 Diagnostic Tests

Before computing regression analysis, the study whether the data meet the assumptions for regression analysis. The assumptions that were tested are multicollinearity, autocorrelation, heteroscedasticity, and normality assumption.

3.6.1 Multicollinearity

Multicollinearity occurs when the independent variables are correlated with other independent variables. Prediction of a variable can be done accurately by the other variable (Bryman, 2oo3). When there is Perfect multicollinearity, the independent is singular and its inversion can't take place. In this study, tolerance was applied in testing multicollinearity. The tolerance provides measures of the effect caused by a single independent variable on other independent variables. Tolerance is; $T = 1 - R^2$. If the value of T is less than 0.01 then it is certain that multicollinearity is present.

3.6.2 Autocorrelation Test

The data to be used in linear regression requires minimal or no autocorrelation. If the residual values are not independent of each other, then autocorrelation takes place; this means the value of y (x+1) are dependent on the values of y(x) (Cooper & Schindler, 2013). Autocorrelation was checked using scatterplot and also in a linear regression model using the Breusch Godfrey test. The null hypothesis for the d tests is that the residuals aren't linearly autocorrelated. The d value ranges from 0 to 4, if the value was found to be less or equal to 2 then it implies the absence of autocorrelation. If the d values was; 1.5 < d < 2.5 it implies the absence of autocorrelation in the data.

3.6.3 Heteroscedasticity

If the variances of the errors of the independent variables are not similar in the entire data, then heteroscedasticity occurs. Field (2009) agreed that if the variances of the error terms are not the same for every independent variable then there was heteroscedasticity. Heteroscedasticity took take place if the residuals aren't distributed evenly around the horizontal line. Skewness and kurtosis was used to examine the normality of the variables. Kline (2011) indicated that if skewness statistic lies between (-3.0, 3.0) and the kurtosis statistic lies in the interval (-10.0, 10.0) then it can be assumed that the variables are univariate normal. When carrying out linear regression the data mustn't show any signs of heteroscedasticity because the outcome was ruined i.e. the coefficients was biased (Creswell, 2013). The best way to measure homoscedasticity is by using of scatter plot. If there is a presence of heteroscedasticity then the graph would be a rough cone shape.

3.6.4 Normality Assumption/Shapiro Wilk test

Normality assumption assumes that the random variables have a normal distribution, or they are nearly normal distribution. All statistical tools must have some degree of error which is similar to the normality assumption. It's not possible to gather data that is exactly normally distributed. However, most of the phenomenon that occurs naturally follows an almost normal distribution. This study used the Shapiro Wilk test to determine if the variables follow a normal distribution (Cooper & Schindler, 2013). The null hypothesis for the Shapiro Wilk test is that the population follows a normal distribution therefore if the alpha level is 0.05 and the p-value is less than 0.05, then the null hypothesis that the data are normally distributed is rejected. If the p-value is greater than 0.05, then the null hypothesis is not rejected since there is enough evidence that the data is not normally distributed.

CHAPTER FOUR: DATA ANALYSIS, RESULTS AND DISCUSSION

4.1 Introduction

This chapter presents the study findings. The analsysis entails decsriptive statitics, diagnostic tests, correlational analysis, regression analysis, discussion and chapter summary. The study trageted 117 respondents who were all issued with questions. From the issued questionnaires, 1o8 were returned, this formed a response rate of 92%.

4.2 Demographic Information

This section covers the analysis of the general information of respondents. These include gender of respondents, their period of service in their current organization and highest level of education.

4.2.1 Gender of Respondents

The respondents were required to indicate their gender. The results were as summarized in Figure 4.1.

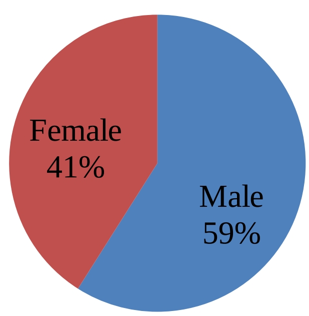

Figure 4.1: Gender of Respondents

The findings show that 59% of the respondents were male while 41% were female. This implies that both genders participated in the study at different proportions.

4.2.2 Respondents Period of Service in the Organization

The respondents were asked to indicate the period they have been working in their current organization. The results were as illustrated in Figure 4.2.

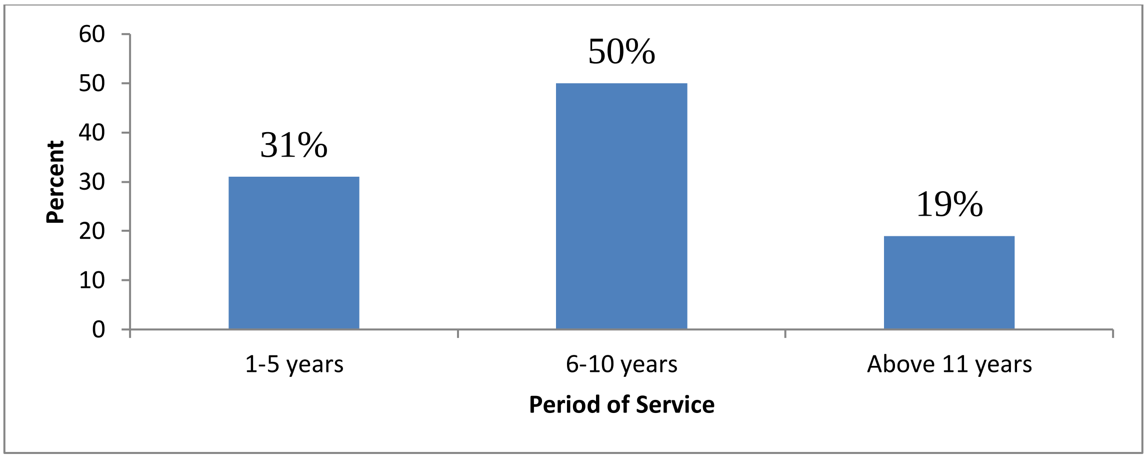

Figure 4. 2: Respondents Period of Service in the Organization

The results show that 50% of the respondents indicated that they had worked in their current organization for 6-10 years, 31% for 1-5years and 19% for more than 11 years. The respondents had worked in their organization long enough to provide information needed in the study.

4.2.3 Respondents Education Level

The respondents were asked to indicate their highest level of education. The findings were as summarized in Figure 4.3

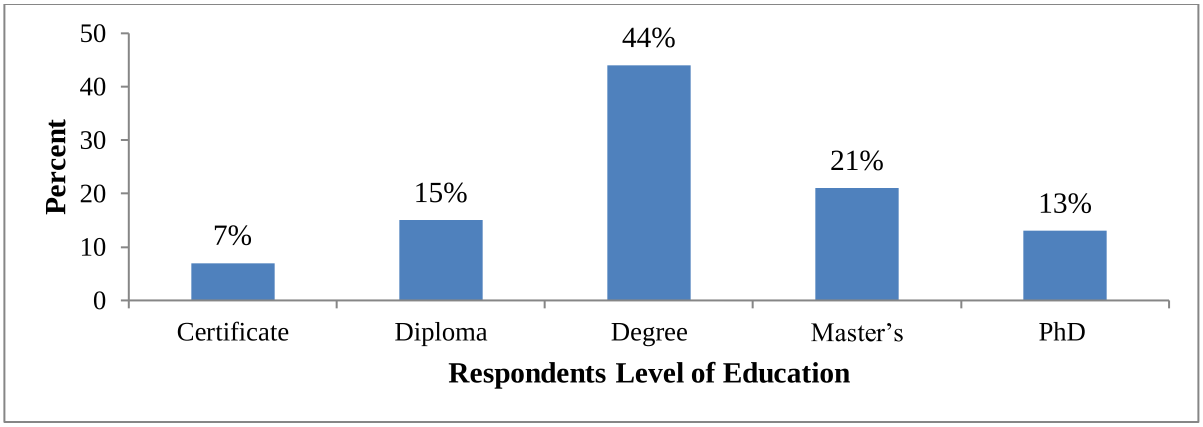

Figure 4.3: Respondents Education Level

From the findings, 44% of the respondents had degree, 21% had master's, 15% diploma, 13% PhD and 7% had certificate. This implies that the respondents had different education level.

4.3 Diagnostic Tests

The study tested for the following assumptions that multicollinearity, autocorrelation, heteroscedasticity, and normality assumption.

4.3.1 Multicollinearity Test

Tolerance was applied in testing multicollinearity. The results were as summarized in Table 4.1.

Table 4.1: Multicollinearity Test

Variable	VIF	1/VIF
Finance Audit	1.48	o.641
Finance Planning	1.73	o.581
Mean VIF	**1.61**	

In multicollinearity, if the value of T is less than 0.01 then it is certain that multicollinearity is present. The results show that the VIF values ranged between 1.48 and 1.73 implying that the variance of the variables was inflated moderately. The analysis exhibits signs of multicollinearity though low levels. The outcomes show that the overall VIF is 1.61 which is below 10 meaning that the study data did not show the problem as recommended by (Field, 2018). Thus, all the variables based on the VIF indicators have no severe multicollinearity problem.

4.3.2 Autocorrelation Test

Breusch Godfrey test was used to analyze linear autocorrelation. The findings were as illustrated in Table 4.2.

Table 4.2: Autocorrelation Test

Lags(p)	Chi2	df	Prob>chi2
1	9.4o3	2	o.oo13
Ho: no serial correlation			

In autocorrelation, the d value ranges from o to 4, if the value is less or equal to 2 then it implies the absence of autocorrelation. The results show that the p-value (0.0013) is below the significance level (005) and hence we accept the null hypothesis that there is no serial correlation among the variables.

4.3.3 Heteroscedasticity Test

The heteroscedasticity test was as illustrated in Table 4.3.

Table 4.3: Heteroscedasticity Test

Chi2(1)	o.418
Prob>chi2	o.6o16

If the test statistic has a p-value below selected threshold ($p < 0.05$) then the null hypothesis of homoskedasticity is rejected and heteroskedasticity assumed. From the finding it was revealed that the p-value of 0.6016 was greater than 0.05 implying that the study accepts the null hypothesis of homoscedasticity.

4.3.4 Normality Test

The normality test was done using Shapiro Wilk test. The findings were summarized in Table 4.4.

Table 4.4: Shapiro Wilk test

Variable	Obs.	W	V	Z	Prob>z
Finance Audit	108	0.8061	1.351	0.602	0.0603
Finance Planning	108	0.8272	1.509	1.427	0.0797

The null-hypothesis of this test is that the population is normally distributed. Hence, if the p-value is less than 0.05, then the null hypothesis that the data are normally distributed is rejected. If the p-value is greater than 0.05, then the null hypothesis is not rejected since there is enough evidence that the data is not normally distributed. The results show that finance audit had p-vale of 0.0603 and finance planning had a p-value of 0.0797. This implies that the variables were normally distributed and hence the data meets the regression analysis assumption of normality of data.

4.3 Descriptive Statistics

This section is the descriptive analysis of the study.

4.3.1 Public Finance Audit

The respondents were required to indicate their level of agreement on the following statements about public financial audit. Using the scale 1-strongly disagree, 2-disagree, 3-moderate, 4-agree, 5-strongly agree.

Table 4.5: Public Finance Audit

Statements	1	2	3	4	5	Mean	Std. Dev
Semi-annual and annual financial audits are carried out in the organization	3	7	11	58	29	3.954	0.922
Financial audit helps to determine how funds are utilized in the organization	4	4	10	68	22	3.926	1.047
Financial audit ensures that the organization remain accountable for how funds have been used in the organization	2	3	14	59	30	4.037	0.949
Financial audit helps in determining whether the corporation is spending funds for the intended purpose	5	7	11	47	38	3.981	0.876
Financial audit helps in determining whether the corporation is complying with laws and regulations	2	5	12	63	26	3.981	0.980
Finance audit is necessary to ensure the truthfulness and reliability of financial reports prepared by the organization	1	4	10	56	37	4.148	0.985
Public financial audit helps to detect any fraud or waste of resources entrusted to the organization	3	5	10	69	21	3.926	1.058

From the findings, the respondents agreed that finance audit is necessary to ensure the truthfulness and reliability of financial reports prepared by the organization as shown by a mean of 4.148, financial audit ensures that the organization remain accountable for how funds have been used in the organization as shown by a mean of 4.037, financial audit helps in determining whether the corporation is spending funds for the intended purpose as shown by a mean of 3.981, financial audit helps in determining whether the corporation is complying with laws and regulations as shown by a mean of 3.981, semi-annual and annual financial audits are carried out in the organization as shown by a mean of 3.954, financial audit helps to determine how funds are utilized in the organization as shown by a mean of 3.926 and public financial audit helps to detect any fraud or waste of resources entrusted to the organization as shown by a mean of 3.926.

4.3.2 Public Finance Planning

The respondents were asked to indicate their level of agreement on the following statements about public financial planning. Using the scale 1-strongly disagree, 2-disagree, 3-moderate, 4-agree, 5-strongly agree.

Table 4.6: Public Finance Planning

Statements	1	2	3	4	5	Mean	Std. Dev
In the organization, a budget outlining the allocation of funds in different organization activities is prepared annually	1	4	8	70	25	4.056	1.098
Financial planning ensures that each department in the organization is allocated adequate funds to ensure effective operations	3	6	11	62	26	3.944	0.964
Financial planning allocates resources in accordance with organization objectives	1	5	13	53	36	4.093	0.925
Financial planning ensures that financial resources are used efficiently and effectively in the accomplishment of desired goals	1	7	15	58	27	3.954	0.900
Financial planning ensures that funding is available as and when needed	4	6	12	64	22	3.870	0.973
Financial planning in allocating resources base on organization priorities and constraints	2	4	8	73	21	3.991	1.132
Financial planning facilitates the monitoring of efficient use of resources and of progress towards reaching the set performance goals	3	8	11	49	37	4.009	0.884

From the findings, the respondents agreed that financial planning allocates resources in accordance with organization objectives as shown by a mean of 4.093, in the organization, a budget outlining the allocation of funds in different organization activities is prepared annually as shown by a mean of 4. 056, financial planning in allocating resources base on organization priorities and constraints as shown by a mean of 3.991, financial planning ensures that financial resources are used efficiently and effectively in the accomplishment of desired goals as shown by a mean of 3.954, financial planning ensures that each department in the organization is allocated adequate funds to ensure effective operations as shown by a mean of 3.944, financial planning ensures that funding is available as and when needed as shown by a mean of 3.870 and financial planning facilitates the monitoring of efficient use of resources and of progress towards reaching the set reaching the set performance goals as shown by a mean of 4.009.

4.3.3 Service Delivery in State Corporations

The respondents were requited to indicate their level of agreement on the following statements about service delivery in state corporations. Using the scale 1-strongly disagree, 2-disagree, 3-moderate, 4-agree, 5-strongly agree.

Table 4.7: Service Delivery in State Corporations

Statements	1	2	3	4	5	Mean	Std. Dev
Effectiveness of service delivery	3	5	1o	49	41	4.111	o.949
Customer satisfaction	4	6	8	67	23	3.917	1.o35
The efficiency of service delivery	5	5	9	56	33	3.991	o.939
Responsiveness	2	7	7	64	28	4.oo9	1.o17

The findings show that the respondents agreed that there is responsiveness in state corporations as shown by a mean of 4.009, effectiveness of service delivery as shown by a mean of 4.111, the efficiency of service delivery as shown by a mean of 3.991 and customer satisfaction as shown by a mean of 3.917.

The study determined the ROA for a period of five years. The results were as summarized in Figure 4.4

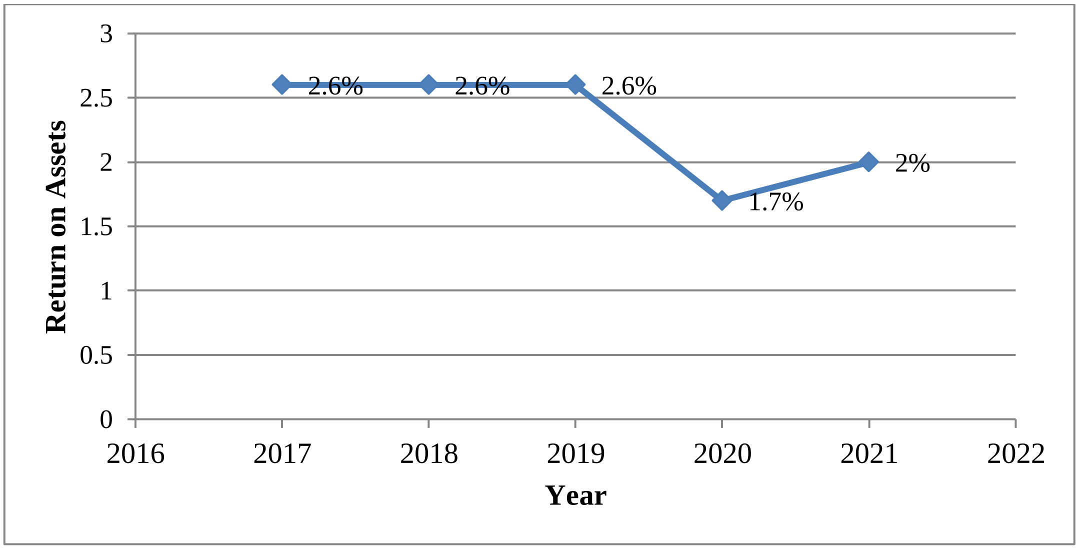

Figure 4.4: ROA

The findings show that the RoA for state corporations in Kenya was 2.6% in 2017, 2.6% in 2018, 2.6% in 2019, it decreased to 1.7% in 2020 and rose to 2% in 2021. This implies that the ROA has been changing from one year to another.

4.4 Correlational Analysis

The study computed Spearman correlation analysis to establish the strength and the direction of the relationship between the dependent and the independent variables. This is as illustrated in Table 4.8.

Table 4.8: Correlational Analysis

		Service Delivery (ROA)	Public Finance Audit	Public Finance Planning
Service Delivery (ROA)	Pearson Correlation	1		
	Sig. (2-tailed)			
	N	108		
Public Finance Audit	Pearson Correlation	.741**	1	
	Sig. (2-tailed)	.003		
	N	108	108	
Public Finance Planning	Pearson Correlation	.719**	.418	1
	Sig. (2-tailed)	.003	.042	
	N	108	108	108

The findings showed that public finance audit had a strong positive correlation with service delivery (Return on Asset) in state corporations in Kenya ($r = 0.741$, $p = 0.003 < 0.05$) and public finance planning had a strong positive correlation with service delivery (Return on Asset) in state corporations in Kenya ($r = 0.719$, $p = 0.003 < 0.05$). The variables had significant relationships since the p-values were less than the selected significant value (0.05).

4.5 Regression Analysis

A multiple regression analysis was conducted to test the influence among the predictor variables.

4.5.1 Model Summary

The model summary was used to show the variations of the depedent variable due to the changes of indepedent variables.

Table 4.9: Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Sign
1	.8o2[a]	.643	.635	.13472	.oo1

From the findings, the R squared value is 0.643 meaning that there was 64.3% variation in service delivery (Return on Asset) in state corporations due to changes in public finance audit and public finance planning. The remaining 35.7% implies that there are other factors affecting service delivery in state corporations that were not covered in this study.

4.5.2 Analysis of Variance

The ANOVA was used to determine whether the data was fit for making conclusions. This is show in Table 4.10.

Table 4.10: Results of Analysis of Variance

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Residual	11.673	2	5.837	78.128	.001[b]
	Regression	7.844	105	0.075		
	Total	**19.517**	**107**			

From the ANoVA findings in Table 4.10, the population parameters had a significance level of 0.01 which implies that the data is ideal for making conclusion on the population's parameter as the value of significance (p-value) is less than 5%. The calculated value was greater than the critical value (3.091<78.128) an indication that public finance audit and public finance planning significantly affects service delivery (Return on Asset) in state corporations in Kenya.

4.5.3 Coefficients

Table 4.11: Results of Estimate Model

Model	Unstandardized	Standardized	T	Sig.

		Coefficients		Coefficients		
		B	Std. Error	Beta		
1	Constant	1.539	0.283		5.438	.001
	Public finance audit	0.401	0.112	.377	3.580	.003
	Public finance planning	0.385	0.110	.321	3.500	.003

The resulting regression model was;

$Y = 1.539 + 0.401\ X_1 + 0.385\ X_2$

From the regression results, it was noted that holding public finance audit and planning at a constant zero, service delivery in state corporations would be 1.539.

The results further reveal that public finance audit had a positive significant effect on service delivery (Return on Asset) in state corporations (β=0.401, P=0.003). Therefore, a unit increase in public finance audit would lead to an increase of service delivery (Return on Asset) in state corporations by 0.401 units. The study found that public finance planning had a positive significant effect on service delivery (Return on Asset) in state corporations (β=0.385, P=0.003). Therefore, a unit increase in public finance planning will lead to an increase of service delivery in state corporations by 0.385units.

4.6 Discussion of Findings

The stduy found that public finance audit had a strong positive correlation with service delivery (Return on Asset) in state corporations in Kenya (r = 0.741, p = 0.003<0.05) and public finance planning had a strong positive correlation with service delivery in state corporations in Kenya (r = 0.719, p = 0.003<0.05). The study also found that there was 64.3% variation in service delivery (Return on Asset) in state corporations due to changes in public finance audit and public finance planning. It was revealed that public finance audit and public finance planning significantly affects service delivery (Return on Asset) in state corporations in Kenya. The findings concur with those of Scott (2018) who established that auditing practices had a positive but insignificant effect on service delivery. According to Salem (2012) auditing ensures that public finances are not subject to fraud, waste, and abuse, or subject to error in reporting. Goddard and Malagila (2015) argue that continuous improvement should be enhanced as it helps an organization accomplishes its objectives by bringing a systematic, disciplined approach to assess and improve the effectiveness of risk management, control, and governance processes

The study found that holding public finance audit and planning at a constant zero, service delivery in state corporations would be 1.539. The results further revealed that public finance audit had a positive significant effect on service delivery (Return on Asset) in state corporations (β=0.401, P=0.003). Therefore, a unit increase in public finance audit would lead to an increase of service delivery in state corporations by 0.401 units. The study found that public finance planning had a positive significant effect on service delivery (Return on Asset) in state corporations (β=0.385, P=0.003). Therefore, a unit increase in public finance planning will lead to an increase of service delivery (Return on Asset) in state corporations by 0.385units. The findings concur with those of Maina (2016) found that budgeting and stakeholder participation practices and regulatory practices had a positive effect on service delivery (Return on Asset) in state corporations in Kenya. Cheruiyot (2018) found that internal control practices that include control activities, control environment, and internal audits had the highest significance.

CHAPTER FIVE

SUMMARY, CONCLUSIONS AND RECOMMENDATIONS

5.1 Introduction

This chapter presents the summary of findings, conclusion and recommendations on the effect of public finance audit and planning in improving service delivery in state corporations in Kenya.

5.2 Summary of Findings

The study aim was to determine the effect of public finance audit and planning in improving service delivery in state corporations in Kenya. The study adopted a descriptive survey research design. The study targeted the 165 state corporations in Kenya, from where one senior manager from each organization was selected. Therefore, the study population was 165 respondents. The purposive sampling method was adopted to select the study respondents. The study used the Krejcie and Morgan formulae to arrive at the sample size. The sample size of the study was 117 respondents. The study used questionnaires to collect primary data. The questionnaires were semi-structured. Descriptive statistics such as frequencies, percentages, means, and other central tendencies were used in analyzing descriptive data. The analyzed quantitative data was presented using pie charts, bar charts, percentages, and frequency tables. The correlation analysis was conducted to determine the strength of the relationship between the study variables. The study conducted a multiple regression analysis to determine the effect of public finance audit and planning in improving service delivery.

The study found that public finance audit had a strong positive correlation with service delivery (Return on Asset) in state corporations in Kenya and public finance planning had a strong positive correlation with service delivery (Return on Asset) in state corporations in Kenya. The study also found that there was 64.3% variation in service delivery (Return on Asset) in state corporations due to changes in public finance audit and public finance planning. It was revealed that public finance audit and public finance planning significantly affects service delivery (Return on Asset) in state corporations in Kenya.

The study revealed that public finance audit had a positive significant effect on service delivery (Return on Asset) in state corporations. Therefore, a unit increase in public finance audit would lead to an increase of service delivery (Return on Asset) in state corporations. The study found that public finance planning had a positive significant effect on service delivery (Return on Asset) in state corporations. Therefore, a unit increase in public finance planning will lead to an increase of service delivery in state corporations.

5.3 Conclusion

The study found that public finance audit had a positive significant effect on service delivery in state corporations. Therefore, a unit increase in public finance audit would lead to an increase of service delivery in state corporations. The study concludes that public finance audit is positively related to service delivery in state corporations in Kenya. The study found that public finance planning had a positive significant effect on service delivery in state corporations. Therefore, a unit increase in public finance planning will lead to an increase of service delivery in state corporations. The study concludes that public finance planning is positively related to service delivery in state corporations in Kenya.

5.4 Recommendations

The study aim was to determine the effect of public finance audit and planning on service delivery in state corporations Kenya. The study found that of public finance audit and planning had a significant positive effect on service delivery in state corporations Kenya. The study recommends that policy makers should develop policies that should guide public finance audit and planning to enhance public service delivery.

5.5 Limitations of the Study

The study was limited to state corporations Kenya. Primary data was collected using questionnaires. The researcher had no control on the information filled in the questionnaire by the respondents. The use of interview guide could provide more data. The data was not verifiable since it was responses from the respondents. The study was limited to determine the effect of public finance audit and planning in improving service delivery in state corporations Kenya.

5.6 Suggestions of Further Research

The study aim was to determine the effect of public finance audit and planning in improving service delivery in state corporations Kenya. The study also found that there focused on two variables that explained 64.3% variation in service delivery in state corporations in Kenya. The study therefore recommends further research to be conducted on other public finnace factors that affect service delivery in state corporations in Kenya.

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APPENDICES

Appendix I: Questionnaire

Kindly tick appropriately

Section A: Demographic Information

1. Kindly indicate your gender

   Male ( ) Female ( )

2. How long have you been working in the organization?

   1-5 years ( )

   6-10 years ( )

   Above 11 years ( )

3. What is your highest level of education?

   Certificate ( )

   Diploma ( )

   Degree ( )

   Master's ( )

   PhD ( )

Section B: Public Finance Audit

4. Indicate your level of agreement on the following statements about public financial audit. Using the scale 1-strongly disagree, 2-disagree, 3-moderate, 4-agree, 5-strongly agree.

Statements	**1**	**2**	**3**	**4**	**5**
Semi-annual and annual financial audits are carried out in the organization					

Financial audit helps to determine how funds are utilized in the organization					
Financial audit ensures that the organization remain accountable for how funds have been used in the organization					
Financial audit helps in determining whether the corporation is spending funds for the intended purpose					
Financial audit helps in determining whether the corporation is complying with laws and regulations					
Finance audit is necessary to ensure the truthfulness and reliability of financial reports prepared by the organization					
Public financial audit helps to detect any fraud or waste of resources entrusted to the organization					

Section C: Public Finance Planning

5. Indicate your level of agreement on the following statements about public financial planning. Using the scale 1-strongly disagree, 2-disagree, 3-moderate, 4-agree, 5-strongly agree.

Statements	**1**	**2**	**3**	**4**	**5**

In the organization, a budget outlining the allocation of funds in different organization activities is prepared annually					
Financial planning ensures that each department in the organization is allocated adequate funds to ensure effective operations					
Financial planning allocates resources in accordance with organization objectives					
Financial planning ensures that financial resources are used efficiently and effectively in the accomplishment of desired goals					
Financial planning ensures that funding is available as and when needed					
Financial planning in allocating resources base on organization priorities and constraints					
Financial planning facilitates the monitoring of efficient use of resources and of progress towards reaching the set performance goals					

Section D: Service Delivery in State Corporations

6. Indicate your level of agreement on the following statements about service delivery in state corporations. Using the scale 1-strongly disagree, 2-disagree, 3-moderate, 4-agree, 5-strongly agree.

Statements	**1**	**2**	**3**	**4**	**5**
Effectiveness of service delivery					
Customer satisfaction					
The efficiency of service delivery					
Responsiveness					

THANK YOU

Appendix II: Data Collection

	2017	2018	2019	2020	2021
Return on Asset					