

# GREAT JOURNS



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

Stanley Kiptarus<sup>1</sup>

[kibiwottstanley@gmail.com](mailto:kibiwottstanley@gmail.com)

The Eldoret National Polytechnic.

John Gathii<sup>2</sup>

[jgathii@kabarak.ac.ke](mailto:jgathii@kabarak.ac.ke)

Kabarak University.

John Tanui<sup>3</sup>

[jtanui@kabarak.ac.ke](mailto:jtanui@kabarak.ac.ke)

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**ABSTRACT:**

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

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

## 1.0 INTRODUCTION

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

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

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

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

### 1.1 The problem

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

### 1.2 Objectives

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

## 2.0 LITERATURE REVIEW

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

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

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

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

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

### 2.2 Conceptual Framework

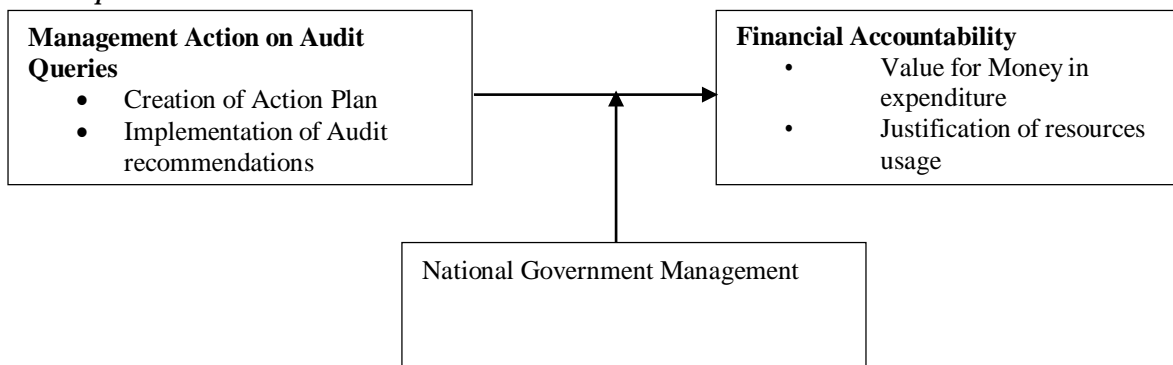


Figure 1: Conceptual framework

## 3.0 METHODOLOGY

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

### 3.1 Target Population

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

**Table 1: Target Population**

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

Source: Research Data (2020)

### 3.2 Sample Size and Sampling Technique

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

### 3.3 Instrumentation

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

## 4.0 RESULTS

### 4.1 Descriptive analysis on CDF Management Action

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

**Table 1: CDF Management Action**

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

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

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

#### 4.2 An analysis of Financial Accountability

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

**Table 4.1 Financial Accountability**

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

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

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

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

**Table 4.2 Regression Coefficients**

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

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

### 4.3 Conclusions

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

### 5.0 Recommendations and Areas for further study

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

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