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**SIGNIFICANCE OF THE AUDITOR GENERAL FORENSIC AUDIT REPORTS ON  
EFFECTIVE INVESTIGATION OF CORRUPTION CASES IN KENYA**



**AMON NYANSERA NYAKUNDI**

**A Research Thesis Submitted in Partial Fulfilment of the Requirement for the Award of  
Degree of Master of Commerce in Forensic auditing at Strathmore University Business  
School (SBS), Strathmore University, Nairobi, Kenya**

## DECLARATION

I declare that this work has not been previously submitted and approved for the award of a degree by this or any other University. To the best of my knowledge and belief, the thesis contains no material previously published or written by another person except where due reference is made in the proposal itself.

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Amon Nyansera Nyakundi

Reg No. 136435

Signature: *nyanseranyakundi* Date: 8<sup>th</sup> September, 2023

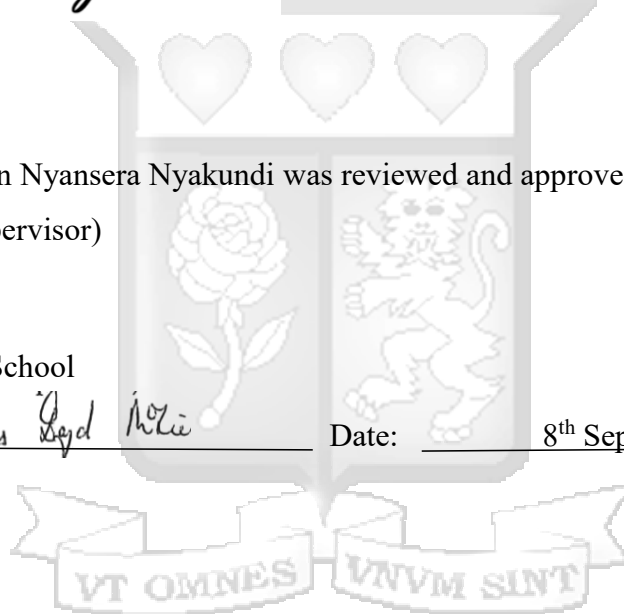
### Approval

This proposal of Amon Nyansera Nyakundi was reviewed and approved by  
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Strathmore Business School

Signature: *James Boyd McFie* Date: 8<sup>th</sup> September 2023



## ABSTRACT

In Kenya, despite the presence of functional Anti-corruption institutions, the investigation and successful prosecution of corruption cases has been a challenge with most cases being dropped at the Judiciary for lack of sufficient evidence. This could be due to lack of comprehensiveness of forensic audit reports, interference with the independence of the auditor and usage of confidentiality to limit audit investigation. Therefore, this study was motivated to examine the significance the forensic audit reports from the Office of the Auditor General have towards effective investigation of corruption cases in Kenya. This was guided by three specific objectives, the first one was to establish the effect of forensic audit reports' comprehensiveness and audit clarity on effective investigation of corruption cases in Kenya. The second specific objective was to establish the effect of access to Government Commercial in Confidence contracts on effective investigation of corruption cases in Kenya. The final specific objective was to establish the effect of the independence of the Office of the Auditor General on effective investigation of corruption cases in Kenya. The fraud management lifecycle theory, public choice theory, and fraud pentagon theory formed the theoretical framework of the study. Primary data, for analysis was collected by using structured questionnaires from 95 respondents that had been sampled from a target population of 125 respondents. They comprised of 9 investigation staff officers from the Ethics and Anti-Corruption Commission sampled from a target population of 12 respondents, 9 staff officers from the Office of the Director of Public Prosecutions sampled from a target population of 12 respondents and 77 forensic auditing staff from the OAG Office with a target population of 101 respondents. Descriptive, Pearson correlation and multiple linear regression models were employed for analysis. The regression analysis results were able to note that comprehensiveness and audit clarity in forensic audit reports is a factor that can significantly lead to effective investigation of corruption cases in Kenya. The results also observed that limited access to Government Commercial in Confidence Contracts decreases effective investigation of corruption cases in Kenya. The findings also observed that the independence of the Office of the Auditor General to utilize forensic auditing significantly increases effectiveness in investigation of corruption cases in Kenya. The study concluded that forensic audit report from the OAG should be comprehensive and clear enough to be valuable towards the efficiency of concluding subsequent investigations by other agencies on a matter. It also concludes that limited access to Government Commercial in Confidence Contracts decreases effective investigation of corruption cases in Kenya. Government Commercial in confidence outsourced contracts should be scrutinized by the OAG forensic auditing unit whenever any malpractice is suspected to establish transparency. Finally, the study concluded that, when the Office of the Auditor General is fully independent to use forensic auditing effectively, then its reports would improve effective investigation and prosecution of corruption cases.

***Keywords: Forensic Audit Report, Investigation, Prosecution, Corruption, Office of the Auditor General, Government Commercial in Confidence Contracts, Independence***

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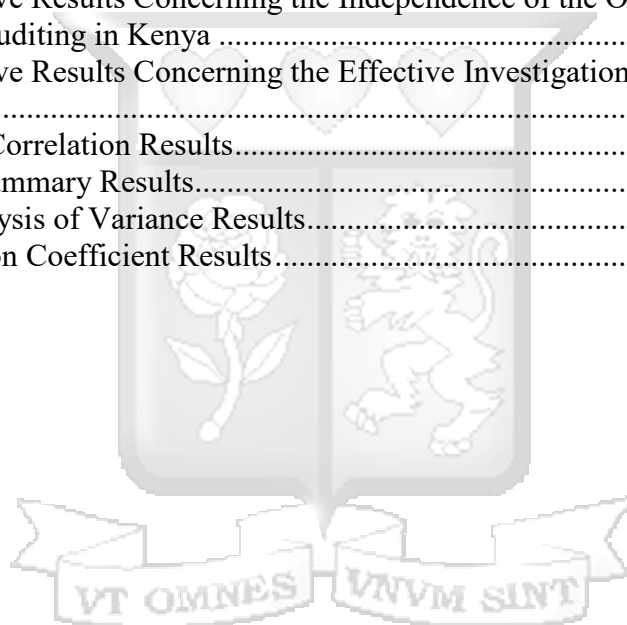
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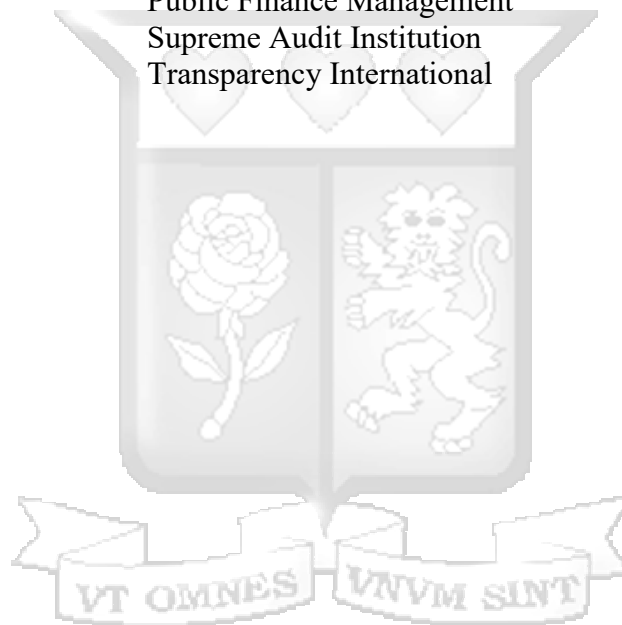
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## ABBREVIATIONS AND ACRONYMS

<b>AICPA</b>	American Institute of Certified Public Accountants
<b>ACECA</b>	Anti-Corruption and Economic Crimes Act
<b>ACFE</b>	Association of Certified Fraud Examiners
<b>ASOSAI</b>	Asian Organization of Supreme Audit Institutions
<b>CPA</b>	Certified Public Accountants
<b>CFE</b>	Certified Fraud Examiners
<b>DCI</b>	Directorate of Criminal Investigations
<b>EACC</b>	Ethics and Anti-Corruption Commission
<b>GoK</b>	Government of Kenya
<b>INTOSAL</b>	International Organization of Supreme Audit Institutions
<b>OAG</b>	Office of the Auditor General
<b>ODPP</b>	Office of the Directorate of Public Prosecutions
<b>PFM</b>	Public Finance Management
<b>SAI</b>	Supreme Audit Institution
<b>TI</b>	Transparency International



## DEDICATION

I dedicate this work to the Almighty Lord for giving me the health, knowledge and strength to produce this research thesis. Without you it would have been impossible.



## DEFINITION OF KEY TERMS

<b>Audit Clarity</b>	Clearness and transparency of the state of the financial position of a business based on the inspection outcomes of the business entity's accounts (Dictionary.com, 2023; Financier Worldwide Magazine, 2021).
<b>Comprehensiveness</b>	The fact of including all the meaningful details, facts, items and information pertaining the review of a firm's or a person's financial accounts in regard to whether they present a true picture or not or indicates an illegal activity (Jha, 2021).
<b>Confidentiality</b>	Involves the restriction of certain information to be accessed by people or entities as a means of protecting proprietary information and personal information (National Institute of Standards & Technology, n.d.).
<b>Corruption Cases</b>	Cases of fraudulent, deceitful or dishonest activities occasioned by those in position of power for personal gain (Chen, Catalon & Li, 2023).
<b>Forensic auditing</b>	A process involving auditing, accounting and investigative skills to scrutinize the finances of an entity or a person for criminal or illegal activities and the obtained information can be used as evidence in the court of law for prosecution (Hayes, Boyle & Schmitt, 2022).
<b>Forensic Audit</b>	It is a broader and comprehensive investigation (without the necessary assistance of the law enforcement agencies) of an entity's financial accounts in order to pinpoint areas indicating potential fraud or risk for an opinion to be formed about it which can be used by forensic accountants as evidence in the court of law (Stevenson University, 2023).
<b>Government Commercial in Confidence Contract</b>	This refers to contracts that authorizes the government to keep certain information about its activities and engagements out of the public domain (Chan, 2022; Wray, 2023).
<b>Independence</b>	It denotes the objectivity and impartiality exhibited by an auditor free from bias and conflict of interest when conducting investigation of financial accounts (Vaidya, 2023).
<b>Investigation</b>	Is an in-depth inquiry conducted to establish a specific truth about the book of records or financial accounts of a specific individual or entity (Vedantu, 2023).
<b>Office of Auditor General</b>	It is an independent office founded under Article 229 of the Constitution of Kenya mandated to audit and actually report the usage of public resources that has been entrusted to be managed of the public entities (Office of the Auditor-General, 2021).

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## CHAPTER ONE

### INTRODUCTION

#### 1.1 Background of the Study

Almost all countries in the world have a functional Supreme Audit Institution mandated with checking on the proper management of public funds in line with established sound financial management practices. SAIs go by different names, the Westminster systems call them the Office of the Auditor General (OAG), the Court of Accounts in Napoleonic systems, or the Board or Commission of Audit in parts of Asia and Latin America. The audit reports issued by the SAIs contain recommendations on how the government can improve financial management (Remmert, 2020). In the article, 'The Rise of the Activist Auditor', Remmert cites that in most cases governments are able to ignore audit findings with impunity especially when they do not face pressure to institute remedial measures recommended in SAI reports especially on corruption matters. This is also attributed by the fact that SAIs often struggle to communicate their work to external audiences or sustain the interest of the media after a sensational headline has faded from view (Remmert, 2020).

Corruption is a disease, or cancer that eats into the cultural, political, and economic fabric of society, and destroys the functioning of vital organs. It is one of the greatest challenges of the contemporary world. It undermines good governance, distorts public policy, leads to misallocation of resources, harms development, and particularly hurts the poor (Amundsen, 1999). In Kenya, corruption results from a confusion of public and private interests that is specific to the neo-patrimonial logic in place since British colonization. Private interest of politicians seeking leadership positions in Kenya transcends the public interest they seek to represent. The embezzlement of public funds by these leaders amounts to a direct, obvious, and substantial loss of public revenue for the benefit of the private interest of a small group of people (Alexia, 2021).

Different countries globally have opted for the creation of anti-corruption agencies to curb the prevalence of corruption (Meagher, 2004). The agencies are bestowed with either investigation or prosecutorial powers, or both investigation and prosecution powers. Investigation takes the form of collecting relevant information pertaining to acts deemed as corrupt, whereas prosecution is based on the legal proceedings within a court set up (Asia Development Bank, 2003). To an equal

measure, almost all African governments have responded to both internal and external pressure to deal with corruption through the establishment of anti-corruption commissions. However, the experiences of African anti-corruption commissions are varied and they often attract criticism for being ineffective and a waste of resources (Khemani, 2009).

Supreme Audit Institutions (SAIs) are watchdog agencies that carry out external audits of expenditures, incomes and assets of all government institutions. They are regarded as prominent entities to ensure public sector transparency and accountability although they suffer from lack of functional, institutional and financial independence which affects their optimal functioning. In figuring out the vital role of SAIs in financial management and control systems, it should be underscored that they are granted essential legal powers and tools in order to audit all public funds, resources and activities and report audit findings to the parliament so as to reinforce parliamentary oversight over the executive branch and to publicize these findings (Kayrak, 2008).

Kenya's SAI, the Office of the Auditor General (OAG) draws its mandate from Article 229 of the Kenyan Constitution (Kenya Constitution, 2010). The constitution mandates the OAG to audit and report in respect of every financial year, on the accounts of the two levels of government, of all funds and authorities of the national and county governments, of every office and institution established by the constitution and every entity funded through public funds. This constitutional mandate does not give the SAI an express role of tackling corruption; rather the OAG's remit is to audit financial statements to check if they report correctly government revenue and expenditure; this gives the OAG an implied role to play in deterring and detecting public sector corruption. Tara, Gherai, Laurentiu and Matica (2016) in their study on the social role of supreme Audit Institutions to reduce corruption in the European Union, found that 'after controlling other factors, the more extensive the work of the Supreme Audit Institutions, the more it contributes to reduce corruption'.

Further, Article 252 of the Constitution of Kenya (2010) state that on its own initiative or following complaints by a member of the public, the Auditor General may conduct investigations in addition to the functions and powers conferred by the constitution. Despite the PAA (2015) not defining what 'forensic audit' means, Section 37 of the Act gives the Auditor General the mandate of conducting forensic audits to establish fraud, corruption and other financial improprieties.

In their regular mandate, SAIs have different audit disciplines at their disposal that can assist in fighting corruption. The utilization of these disciplines which include: Financial audits, Compliance and Performance audits each with its own specific objectives can contribute to fighting corruption. Similarly, the SAI's contribution to fighting corruption depends on both internal and external factors. The internal factors include its ability as a SAI to effectively utilize its resources, carry out high - quality audits, correctly identifying and systematically organizing red flags and audit findings, and addressing them where possible. External factors revolve around the government system and the existing framework (Pompe, French, Aldcroft, Newiak & Rahim, 2022).

Newiak et al. (2022) notes that the impact of SAIs on corruption depends heavily on strong collaboration with other agencies and parts of the public administration. The effectiveness of a SAI towards corruption prevention may be determined by the types of audit or audit instruments they use. Standard audits are regularity or compliance audits. They tend to focus on the introduction of corruption prevention measures and not the actual detection of corruption or fraud. By contrast, specialized audits (e.g. forensic and performance audits) may be more effective in detecting and reducing corruption (Menocal et al., 2015).

Towards contributing to the anti-corruption role, the International Organization of Supreme Audit Institutions (INTOSAI) suggests that SAIs need to understand the national anti-corruption system in its entirety and institutionalize their efforts as part of their long-term strategy. To inform this strategy, SAIs first need to understand the complexities involved in the workings of the different agencies which play a role in the anti-corruption system, including the mechanisms and processes for coordination and cooperation between agencies and the mechanisms in place to implement anti-corruption policies and related legislation (McDevitt, 2020). A global fraud survey carried out by ACFE (2022) observed that corruption was actually the most common fraudulent scheme carried out in every part of the world. The study observed that 50% of the fraud cases were linked to corruption globally and the median loss as a result of corruption globally was \$ 150,000. As at 2017 there were more than 1,131 corruption cases reported in the Kenyan public sector with only 50 being recommended for prosecution (Kinandu, 2017). Kenya's corruption perception index score is 32 showing how adverse the corruption menace is in Kenya, the lower the score the highly corrupt the nation is (Transparency International, 2023).

### **1.1.1 Forensic Audit Reports' Comprehensiveness and Audit Clarity**

Forensic audit is characterized by a detailed engagement that does not only requires accounting and auditing skills but calls for expertise knowledge in regard to the legal framework and a sharp understanding of numerous types of fraud (The Institute of Company Secretaries of India, 2020). The amalgamation of various skills is needed so that they can be used in the court of law in order to successfully prosecute the alleged criminal (The Institute of Company Secretaries of India, 2020). Since in a court of law, a certain case must be proved beyond reasonable doubt in order for successful prosecution to be realized (The Institute of Company Secretaries of India, 2020). The comprehensiveness of the forensic audit entails the fact of including all the meaningful details, facts, items and information pertaining the review of a firm's or a person's financial accounts in regard to whether they present a true picture or not or indicates an illegal activity (Jha, 2021). A detailed and comprehensive audit investigation of financial reports creates audit clarity (Hegazy, El-Deeb, Hamdy & Halim, 2023). Audit clarity in the context of this study referring to the clearness and transparency of the state of the financial position of a business based on the inspection outcomes of the business entity's accounts (Dictionary.com, 2023; Financier Worldwide Magazine, 2021).

A study carried out by Hegazy et al. (2023) observed that audit clarity as a result of detailed audit engagement boost audit quality and performance based on a study conducted on the top ten global auditing firms. Kaawaase, Assad, Kitindi and Nkundabanyanga (2016) observed that the degree of rigor in carrying out an audit investigation determines the level of clarity and precision in regard to the information disclosed required to pinpoint areas of fraud risk or areas where financial crime has been carried out. Grippo and Ibex (2003) posited that forensic audits are more intensive than regular audits and are usually conducted in a series of steps to determine if allegations can be substantiated. Despite the main thrust of forensic auditing being the financial aspect of investigation, it also encompasses all the necessary investigative expertise and experience such as interrogative skills, knowledge of law and rules of evidences, investigative proficiency, and interpersonal skills to bring out details (Salleh & Aziz, 2014).

Olukayode (2018) who observed that comprehensive forensic auditing techniques leads to successful prosecution of corruption cases in Nigeria though the only difference is that the aforementioned study established no significant relationship. The findings were also congruent with both Kundu (2017) and Odelabu (2014) who posited that comprehensive forensic auditing

involving data analysis, interviews, undercover operation, document reviews, financial transaction analysis, background investigation and data mining techniques leads to unearthing of fraudulent/corrupt activities that can be used as evidence for successful prosecution in the court of law. Based on the reviewed literature (Olukayode, 2018; Kundu, 2017; Hegazy et al., 2023; Odelabu, 2014; Kaawaase et al., 2016) there was limited research conducted to establish the effect of forensic audit reports' comprehensiveness and audit clarity on effective investigation of corruption cases in Kenya. This provided a basis of this study to address the gap by establishing the effect of forensic audit reports' comprehensiveness and audit clarity on effective investigation of corruption cases in Kenya.

### **1.1.2 Level of Access to Government Commercial in Confidence Contracts**

Government Commercial in Confidence Contracts refers to contracts that authorizes the government to keep certain information about its activities and engagements out of the public domain (Chan, 2022; Wray, 2023). Though government confidentiality can be used as an opportunity to perpetuate and conceal fraud by competent and arrogant employees since they know that they can't be caught (Wolfe & Hermanson, 2004; Marks, 2012). This is because most government officials especially in Kenya hide under the guise of oath of secrecy under Act No. Cap 187 to hide confidential information about unethical conducts in government institutions that can lead to successful prosecution of corrupt individuals and recovery of the lost funds (Kenya Law, 2020). Though recently the High Court of Kenya ruled that a 3rd party can access confidential information held by State bodies if they fail to adequately justify why they are restricting that information (Ndung'u, Mwangi & Kuyoo, 2022). Interestingly, under the Australian law in Australia, the auditors actually have the power to access confidential information held by entities in order to fulfil their obligation to the government through Parliament concerning the provision of reasonable assurance about the health of the scrutinized financial accounts (OAG, 2022).

Salleh and Aziz (2014) posited that even if the corrupt individuals uses the excuse of government confidentiality to frustrate the auditing process, a comprehensive investigation involving the exploration of other evidences based on the rule of law can lead to the successful prosecution of the corrupt individuals. At the moment based on the reviewed literature (Salleh & Aziz, 2014; Ndung'u, Mwangi & Kuyoo, 2022; Kenya Law, 2020; OAG, 2022; Marks, 2012) there was limited research to establish the effect of level of access to Government Commercial in Confidence contracts on effective investigation of corruption cases in Kenya. This provided a basis of this

study to address the gap by establishing the effect of level of access to Government Commercial in Confidence contracts on effective investigation of corruption cases in Kenya.

### **1.1.3 Independence of the Office of the Auditor General**

Auditor independence denotes the objectivity and impartiality exhibited by an auditor when he or she is free from bias and conflict of interest while conducting investigation of financial accounts (Vaidya, 2023). This is why the Office of the Auditor General was autonomously formed to be free from the influence of the three arms of the government under Article 229 of the Constitution of Kenya, 2010 to audit and actually report the usage of public resources entrusted to be managed in public entities (Office of the Auditor-General, 2021). Auditors who have cultivated an independent attitude are always transparent in their audit engagements, they think objectively without being influenced and act reasonably to detect fraud (Noch, Ibrahim, Akbar, Kartim & Sutisman, 2022).

Assessment of the effectiveness of SAIs in curbing corruption depends on their general organizational capability and the effectiveness of the specific audit instruments they employ in their audits. The independence of SAIs is affected where there is external interference in the appointment or dismissal of SAI staff, utilization of auditing instruments, financial affairs and where the timely provision of information relevant to carrying out audits is hampered. (Menocal et al, 2015).

Research studies conducted by Kertaraja, Marwa and Wahyudi (2019) together with Liahmad, Rusindita and Utami (2020) observed that the increase of auditor's independence plays a significant role in unraveling fraud occurrence.

The findings also agreed with Putri, Nabila, Augustin and Fellia (2021) who observed that auditor independence exposes fraudulent cases. Though a study conducted by Simanjuntak (2015) observed that auditor independence did not considerably boost fraud detection. On the other hand, Ye et al. (2016) observed that long-term auditor-client relationships hurt auditor independence while Tahinakis and Nicolaou (2016) noted that auditor independence boost audit effectiveness. Besides that, Omondi (2017) observed that forensic audit independence boost audit quality. Based on the reviewed literature (Putri et al., 2021; Ye et al., 2016; Omondi, 2017; Simanjuntak, 2015; Endri, 2020; Noch et al., 2022; Kertaraja et al., 2019; Tahinakis & Nicolaou, 2016; Liahmad et al.,

2020) there was limited research conducted to establish the effect of the independence of the Office of the Auditor General on effective investigation of corruption cases in Kenya. This provided a basis of this study to address the gap by establishing the effect of the independence of the Office of the Auditor General on effective investigation of corruption cases in Kenya.

#### **1.1.4 Effective Investigation of Corruption Cases**

Effective investigation entails systematic and detailed examination of allegations that leads to precise establishment of the facts proving or disproving the allegations in order for fair judgement to be made that could either include punishment or exoneration (Council of Europe, 2023). An effective investigation is guided by fairness and impartiality which successfully leads to prosecution of corrupt individuals when the gathered evidences finds them guilty (Kusserow, 2015). The key indicators of effective investigation of corruption cases are increased rates of prosecution, timely conclusion of case investigations and increase in asset recoveries (Oluoch & Nasieku, 2018; Mokono & Nasieku, 2018). The effectiveness of the investigation can be truly realized when the investigations are able to access the needed information and comprehensively analyze the given information without being influenced in any manner (Barton, 2006; Digabriele, 2008; James & Izien, 2018).

Corruption has turned out to be a major global problem that has been considered to be a primary obstacle to development (Hamadi, 2020). A global fraud survey carried out by ACFE (2022) observed that corruption was actually the most common fraudulent scheme carried out in every part of the world. The study observed that 50% of the fraud cases were linked to corruption globally and the median loss as a result of corruption globally was \$ 150,000. Moreover, the study observed that the percentage of corruption cases has risen by 17% from 33% in 2012 to 50% in 2022 showing how serious this type of fraud is. In Kenya, corruption has been a serious ailment to the Kenyan economy with the most common cases being bribery and favourism (Duri, 2021). Kenya tops as the world's most corrupt nation in the world with the Kenya Police Service being its critical victim (Borjen, Project, n.d.). There have been numerous corruption cases that have occurred in Kenya over the last five years, the first one was the case of Arror and Kimwarer Dams Scandal whereby the then finance Minister was arrested and charged for the corruption case but was later released since the investigation was not effective in successfully prosecuting him (Koech, 2020).

Another corruption case was the mismanagement of COVID-19 funds at KEMSA that occurred during the COVID-19 pandemic period in the year 2020 (Koech, 2020). In 2022, a senior politician together with nine other people were charged with corruption involving 7.4 billion Kenyan shillings, but the investigation against the alleged perpetrators was not effective (Aljazeera, 2022). Since the prosecutors failed to obtain adequate evidence to nail them and the matter was even complicated when the politician got into a high seat of power after winning the August 2022 general elections, thus forcing the prosecution team to withdraw their case against him and the other perpetrators (Aljazeera, 2022). Between 2014 and 2018 more than hundreds of government officials were charged in courts after being connected to the loss of billions (Wasuna, 2018). For instance, in 2015, the then Cabinet Secretary for Devolution and Planning, together with 51 other individuals were charged with corruption for the loss of 8 billion Kenyan shillings through fictitious supplier payment in the National Youth Service (NYS) docket (Wasuna, 2018).

Unfortunately, the investigation was not effective to present sufficient evidence to successfully prosecute the alleged perpetrators, thus leading to the release of 16 out of the 51 perpetrators (Wasuna, 2018). Another corruption case was the sale of poisonous sugar, fertilizer and rice that costed taxpayers 10 billion Kenyan shillings in 2018, this led to the prosecution of 30 people (Wasuna, 2018). Though the investigation turned out to be ineffective since there was insufficient evidence to successfully nail down the perpetrators (Wasuna, 2018). Effective investigation of corruption cases can only be realized when the forensic audit is comprehensive, when one is able to access confidential government documents and when the audit office is independent (Hegazy et al., 2023; Salleh & Aziz, 2014; Putri et al., 2021). This is the reason why this study was interested to show how the comprehensiveness of the forensic report, the access to confidential government document and the level of independence of the audit office influences the effective investigation of corruption cases in Kenya. So that the findings could help the policymakers to focus on these three aspects in ensuring that the level of effective investigation of corruption cases is realized in Kenya.

## **1.2 Statement of the Problem**

In Kenya, despite the presence of functional Anti-corruption Institutional and legal structures, the investigation and the successful prosecution of corruption cases has been a challenge with most cases being dropped at the Judiciary for lack of sufficient evidence to stand trial (Wangui, 2014). Despite the fact that corruption has been detrimental to the Kenyan economy (Duri, 2021). Most

cases have been thrown out due to lack of sufficient evidence despite the loss of billions of Kenyan shillings such as the case involving the Arror and Kimwarer Dams Scandal and the NYS Scandal (Wasuna, 2018; Aljazeera, 2022). This provides evidence of the level of ineffectiveness of the investigation of the corruption cases. Effective investigation of corruption cases can only be realized when the forensic audit is comprehensive, when one is able to access confidential government documents and when the audit office is independent (Hegazy et al., 2023; Salleh & Aziz, 2014; Putri et al., 2021).

Though based on the reviewed literature (Olukayode, 2018; Kundu, 2017; Hegazy et al., 2023; Odelabu, 2014; Kaawaase et al., 2016) there was limited research conducted to establish the effect of forensic audit reports' comprehensiveness and audit clarity on effective investigation of corruption cases in Kenya. This provided a basis of this study to address the gap by establishing the effect of forensic audit reports' comprehensiveness and audit clarity on effective investigation of corruption cases in Kenya. Besides that, based on the reviewed literature (Salleh & Aziz, 2014; Ndung'u, Mwangi & Kuyo, 2022; Kenya Law, 2020; OAG, 2022; Marks, 2012) there was limited research to establish the effect of level of access to Government Commercial in Confidence contracts on effective investigation of corruption cases in Kenya. This provided a basis of this study to address the gap by establishing the effect of level of access to Government Commercial in Confidence contracts on effective investigation of corruption cases in Kenya.

Finally, based on the reviewed literature (Putri et al., 2021; Ye et al., 2016; Omondi, 2017; Simanjuntak, 2015; Endri, 2020; Noch et al., 2022; Kertaraja et al., 2019; Tahinakis & Nicolaou, 2016; Liahmad et al., 2020) there was limited research conducted to establish the effect of the independence of the Office of the Auditor General on effective investigation of corruption cases in Kenya. This provided a basis of this study to address the gap by establishing the effect of the independence of the Office of the Auditor General on effective investigation of corruption cases in Kenya.

### **1.3 Objectives of the Study**

This study sought to analyze the significance of forensic audit reports from the Office of the Auditor General towards effective investigation of corruption cases in Kenya.

### **1.3.1 Specific Objectives**

The specific objectives of the study were to;

- i. Establish the effect of forensic audit reports' comprehensiveness and audit clarity on effective investigation of corruption cases in Kenya.
- ii. Determine if the level of access to Government Commercial in Confidence contracts influences the effective investigation of corruption cases in Kenya.
- iii. To establish the effect of the independence of the Office of the Auditor General on effective investigation of corruption cases in Kenya.

### **1.4 Research Questions**

The following research question were used to address the specified objectives;

- i. What is the effect of forensic audit reports' comprehensiveness and audit clarity on effective investigation of corruption cases in Kenya?
- ii. What is the effect of level of access to Government Commercial in Confidence contracts on effective investigation of corruption cases in Kenya?
- iii. What is the effect of the independence of the Office of the Auditor General on effective investigation of corruption cases in Kenya?

### **1.5 Scope of the Study**

This study evaluates the contribution of forensic auditing by the Office of the Auditor General towards successful investigation and prosecution of corruption cases by the anti-corruption agencies in Kenya. An evaluation of the forensic audit reports utilized by other corruption investigative and prosecuting agencies was done through the establishment of a linkage between the forensic audit reports from the Office of the Auditor General and corruption cases handled by the Ethics and Anti-Corruption Commission for the years 2019 and 2020. The variables of the study included factors such as the comprehensiveness of forensic audit reports, the effect on audit expectations from access restrictions on commercial in confidence Government to a Supreme Audit Institution and also the freedom of the Office of the Auditor General to utilize the forensic auditing tool without undue limitations. Further, the study sought to evaluate the working relationship between the OAG and the Anti-corruption Agencies.

## **1.6 Significance of the Study**

The successful prosecution of corruption perpetrators and the civil recovery of proceeds of corruption will contribute towards the deterrence of the rising corruption in Kenya. This successful prosecution calls for a multi-agency approach where each agency involved builds on the output of each other to build strong cases that will be successful in the courts of law. The goal of the research was to highlight on the important contribution that the utilization of forensic audit reports from Kenya's Supreme Audit Institution, the Office of the Auditor General can have on enhancing the quality of investigations by the anti-corruption agencies in the country. The study will be significant to a variety of stakeholders, including the following;

### **1.6.1 Policymakers**

The call for the OAG forensic audit in matters of National interest has been witnessed from the Kenyan policy makers. This shows a growing recognition of the contribution that the audit can make in uncovering misuse of public resources. The findings of the study will seek to develop the importance of incorporating the OAG's forensic auditing in corruption investigations to achieve success. These findings will aid policymakers in refining the multi-agency approach towards fighting corruption, an approach that builds on the inputs of each agency for subsequent investigations to achieve ultimate success in prosecuting and recovering public assets from perpetrators of fraud and thus deterring and controlling the misuse of public resources. It is expected that the findings of the research will also contribute to strengthening the mandate of the OAG in the utilization of forensic auditing as an effective tool in the fight against graft.

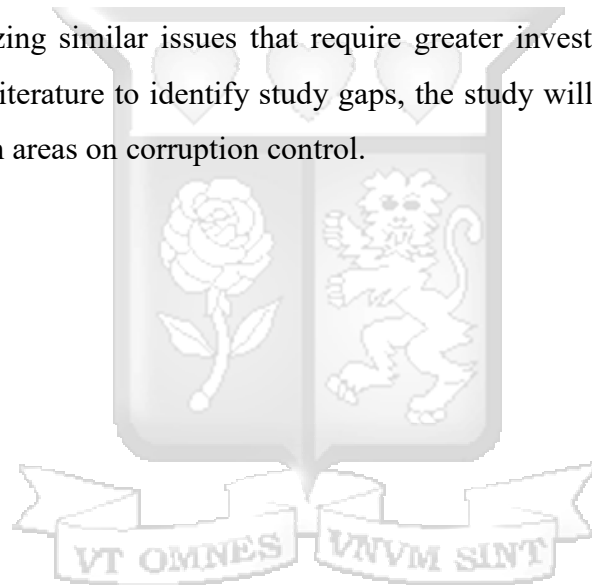
### **1.6.2 Practitioners**

Fraud/corruption investigators are the targeted practitioners of the study. More often the drop of cases forwarded for prosecution consideration is on the basis that the evidence is not sufficient enough to succeed in trial. Practitioners may be able to build investigative abilities relevant for efficient investigations of corruption cases in the public sector as a result of the study's findings. The study will aid both the Office of the Auditor General and the investigative agencies by bringing out their expectations from each other as investigators/examiners and how best their investigative reports can feed into each other and add value to each other's output with a goal of fighting

corruption in the country. The results of this study will also aid practitioners in presenting better evidence in court to prosecute perpetrators of fraud and hence control the rising corruption cases.

### **1.6.3 Researchers**

Various researchers have tried to study more about the rising corruption across all countries despite countries putting in place strong anti-corruption measures. The study will give academics insight into the contribution that the forensic audit investigation could make to the success of investigations by the relevant agencies. The study will seek to show that the Office of the Auditor General has the competency that can be relied upon as a platform of further investigations. Researchers who want to do research in a similar or related sector will also use the study's findings as a guide. By emphasizing similar issues that require greater investigation and completing a review of the empirical literature to identify study gaps, the study will also assist researchers in identifying other research areas on corruption control.



## **CHAPTER TWO**

### **LITERATURE REVIEW**

#### **2.1 Introduction**

This chapter provides a critical evaluation of theoretical frameworks as well as empirical research on forensic audit reports as a driver of an effective corruption investigation. The theoretical framework, which contains the core theories that underpin the investigation, is presented in Section 2.2; the collective action theory, public choice theory, and the fraud pentagon theory were explored, and their inclusion in the study is justified. The empirical literature on the function of forensic audit reports in the success of corruption case investigation is critically examined in Section 2.3. The research gaps uncovered during the critical literature evaluation are discussed in greater depth in Section 2.3. The study's conceptual framework is established in Section 2.4, and the study's variables are operationalized in Section 2.5. Section 2.6 concludes the chapter with a summary.

#### **2.2 Theoretical Framework**

The theoretical framework of this research focus on information on theories of corruption and other frauds to bring a deeper understanding on the discourse of fraud to enhance effective control. There is no single complete theory that explains everything by itself, thus the study used multiple theories that focused on creating an understanding of fraud and the approaches that can be used to control and prevent fraud. The theory of fraud management lifecycle theory,, public choice theory, and fraud pentagon theory are the three of these theories, and they are all discussed in the following subsections.

##### **2.2.1 Fraud Management Lifecycle Theory**

Wilhelm (2004) proposed the Fraud Management Lifecycle theory composed of eight elements that determine success or failure in fraud management. The components are: Deterrence, Prevention, Detection, Mitigation, Analysis, Policy, Investigation and Prosecution. Deterrence is intended at discouraging the attempts to commit fraud. The prevention stage involves the deployment of protective systems, processes and procedures that make fraud difficult to commit thus shielding the organization from fraud. Detection involves activities directed at uncovering

fraud presence, while Mitigation intends at reducing the extent and impact of fraud losses. An analysis stage in the management cycle has two functions, the identification and understanding of fraud losses that occur despite deterrence, prevention, detection and mitigation stages and secondly, monitoring the performance of each of the stages involved in the management lifecycle. The Policy stage is composed of the activities intended at creating or modifying the entity's existing fraud policies to reduce the fraud occurrence.

The final stages of the fraud management lifecycle which is relevant to this study entails investigation which is to gather comprehensive evidence to stop the continuity of fraudulent activities and to assist in offender prosecution or restitution. The ultimate stage is the prosecution stage, which is fully focused on undertaking legal action against the offenders and thus achieving deterrence. For success, Wilhelm (2004) advocated for the significance of balancing the framework components through the proper allocation of resources to ensure coordinated and effective fraud response.

The main limitation of the Fraud Management lifecycle theory is that it does not show the reason behind the graduation of one stage of fraud to another stage of fraud. This limitation is addressed by the Fraud Triangle theory that had been developed by Cressey in 1953, the Fraud Pentagon Theory developed by Marks (2012) and the Fraud Diamond theory that was developed by Wolfe and Hermanson (2004). For instance, the Fraud Management lifecycle theory fails to provide the reason why fraud prevention graduated to the fraud detection stage, and this is explained by the Fraud Triangle theory (Corporate Finance Institute, 2019). For if fraud prevention has failed it means that an opportunity existed for that fraud to be carried out by a fraudster as posited by the fraud triangle theory, thus, the third stage of the Fraud Management lifecycle theory, fraud detection is carried out to detect that opportunity loophole. The Fraud Management lifecycle does not enlighten us about this (Corporate Finance Institute, 2019). The fraud management lifecycle theory fails also to tell us that fraud detection can fail to proceed to fraud mitigation due to arrogance by the perpetrators just because they are highly competent and powerful, thus can continue perpetrating the fraud without fear as showcased by the Fraud Pentagon theory developed by Marks (2012).

The fraud management lifecycle theory fails to enlighten us that fraud detection and fraud analysis can fail to lead to successful fraud investigation and prosecution since the perpetrators can use their job positions to conceal their actions, mess up with the evidence or even bribe the judges as posited by the Fraud Diamond Theory developed by Wolfe and Hermanson (2004). The theory was linked to the first specific objective of the study since it postulates that forensic audit reports' comprehensiveness and audit clarity through thorough fraud detection and fraud analysis leads to effective investigation and successful prosecution. This was based on the literature (Salleh & Aziz, 2014; Ndung'u, Mwangi & Kuyoo, 2022; Kenya Law, 2020; OAG, 2022; Marks, 2012) reviewed concerning the first independent variable (forensic audit reports' comprehensiveness and audit clarity) and the dependent variable (effective investigation of corruption cases) of the study.

The theory was also linked to the second specific objective of the study since it postulates that increased access to Government Commercial in Confidence contracts through fraud detection, analysis and fraud policy (that empowers investigators to access confidential government material) leads to effective investigation and prosecution in the final stage of the theory. This was based on the literature (Olukayode, 2018; Kundu, 2017; Hegazy et al., 2023; Odelabu, 2014; Kaawaase et al., 2016) reviewed concerning the second independent variable (Government Commercial in Confidence contracts) and the dependent variable (effective investigation of corruption cases) of the study.

### **2.2.2 Public Choice Theory**

The major proponents of this theory were James Buchanan, Gordon Tullock, and Mancur Olson (Olusola, 2020). Public Choice theory centers on an individual's interests and preferences which model one's behavior in taking rational decisions. Public choice economists assume that although people acting in the political marketplace have some concern for others, their main motive, whether they are voters, politicians, lobbyists, or bureaucrats, is self-interest (Shaw, 2002). Ordinarily it is assumed that the politicians, administrators, diplomats, and other "public" servants are driven by public interest, this is what informs their campaign strategies during election periods. The citizen takes this as their professional responsibility, something they ought to be doing, at least when they carry on in good faith. Later to realize that it is all about self-interest. A public servant is not supposed to be a profit maximizer, one who wants to satisfy himself in a competitive marketplace. Put plainly, such as person is supposed to pursue the public interest (Shaw, 1986).

Shaw (2002), in contributing to the public choice theory, posits that because lawmakers have the authority to tax and extract resources in coercive ways, and since voters screen their behavior poorly, the legislators behave in ways that are costly to citizens. One technique analyzed by public choice is log rolling, or vote trading whereby an urban legislator votes to subsidize a rural water project aiming to win another legislator's vote for a city housing subsidy. Surprisingly, the two projects are often part of a single spending bill. Through such log rolling both legislators get what they want. And even though neither project use public resources efficiently, the constituent electorates in the two areas believe that their representative have their interest on the fore. Not knowing that they are paying a pro-rata share of a bundle of inefficient projects.

The theory was used in this study to enhance the practitioners understanding of the self-interest that is embodied in public service. This was aimed to enable objectivity and a drive to be the overseer of the ordinary citizen who is highly taxed. It enables the justification that every individual is responsible for his corrupt actions and the consequences of those actions and should not hide under the veil of it was in public interest. During any form of investigations, every individual should be directly held responsible for the consequences of actions that occurred during his or her tenure in a particular position. Graaf (2007) in his work “Causes of Corruption: Towards a Contextual Theory of Corruption” argues that government officials are rational scheming individuals who resolve to become corrupt when the advantages outweigh the disadvantages, which refers to the combination of expected penalties and the likelihood of being indicted for corruption. To strengthen the individual responsibility to actions, Anechiarico & Jacobs (1996) in their work “The Pursuit of Absolute Integrity”, argue that imposing stiffer penalties with severe preventive measures may improve the chances of being caught for corruption and may increase the cost of corruption through detailed preventive anti-corruption mechanisms, which is based on the uncompromised enforcement of anti-corruption laws and sanctions in the public sector.

The Public Choice theory suffers the following criticisms. First of all, the theory does not assist the scholars to be enlightened about the sorts of individuals who occupy private and public offices (Pressman, 2004). Secondly, the theory fails to clearly predict the behavior of the officeholders especially potential fraudsters (Pressman, 2004). The theory was linked to the second and third specific objectives of this study. In regard to the second specific objective of this study, limiting the forensic auditors from accessing the Government Commercial in Confidence contracts for personal interests with an aim of hiding the illegal acts carried out in a government institution

would lead to ineffective investigation of corruption cases. This was based on the literature (Olukayode, 2018; Kundu, 2017; Hegazy et al., 2023; Odelabu, 2014; Kaawaase et al., 2016) reviewed concerning the second independent variable (Government Commercial in Confidence contracts) and the dependent variable (effective investigation of corruption cases) of the study. With respect to the third specific objective of the study, depriving the independence of the auditor during the investigation process would hinder effective investigation of corruption cases.

This was based on the literature (Putri et al., 2021; Ye et al., 2016; Omondi, 2017; Simanjuntak, 2015; Endri, 2020; Noch et al., 2022; Kertaraja et al., 2019; Tahinakis & Nicolaou, 2016; Liahmad et al., 2020) reviewed concerning the third independent variable (independence of the Office of the Auditor General) and the dependent variable (effective investigation of corruption cases) of the study.

### **2.2.3 Fraud Pentagon Theory**

Marks (2012) developed this model while working as a partner at Crowe Horwath LLP, one of the top consulting firms in the United States. Cressy's basic fraud theory of 1953 is extended in this model. The theory adds two new elements to explain fraud: competence and arrogance. Wolfe and Hermanson (2004) discovered a correlation between arrogance and capability. Competence is essentially an individual's ability to commit any type of fraud. Arrogance, on the other hand, is considered to be a characteristic of an individual who believes he or she has power over anything in the organization; the individual disregards the internal controls that are in place in the organization, moving on to design strategies to commit fraud and deciding on such activity that would result in personal gain and enrichment.

The elements of the theory are significant to this study in understanding the driving force of corruption perpetrators in the country. The element of arrogance significantly contributes to the understanding of the high-level public-sector fraud witnessed in Kenya over the years. The commonly referred to as 'big fish' have been witnessed to commit corrupt actions with impunity, knowing that they will get their way around the investigations and the law. This understanding is important to this study to trigger the practitioners' need for objectivity and the threat to their professionalism when they fail to conduct proper investigations to suppress the arrogance of public sector leaders engaged in corrupt actions. This theory is linked to the third specific objective of

the study, since it sought to seek how influential individuals linked to corruption can influence the independence of the office of the auditor thus hindering effective investigation of corruption cases. This was based on the literature (Putri et al., 2021; Ye et al., 2016; Omondi, 2017; Simanjuntak, 2015; Endri, 2020; Noch et al., 2022; Kertaraja et al., 2019; Tahinakis & Nicolaou, 2016; Liahmad et al., 2020) reviewed concerning the third independent variable (independence of the Office of the Auditor General) and the dependent variable (effective investigation of corruption cases) of the study.

## **2.3 Empirical Review of Literature**

This section examined the empirical literature on the effectiveness of forensic audit reports in further investigations and prosecution of corruption cases. It also went into detail to show the research gaps that were detected through the literature review.

### **2.3.1 Effect of Forensic Audit Reports' Comprehensiveness and Audit Clarity on Effective Investigation of Corruption Cases**

Grippio & Ibex (2003) underline that forensic audits are more intensive than regular audits and are usually conducted in a series of steps to determine if allegations can be substantiated. Thornhill (1995) in his Forensic auditing book: *How to Investigate Financial Fraud*, states that forensic audits require a clear and detailed audit plan that is designed to obtain information on how, when, and where the wrongdoing occurred and who committed such wrongdoing. Despite the main thrust of forensic auditing being the financial aspect of investigation, it also encompasses all the necessary investigative expertise and experience such as interrogative skills, knowledge of law and rules of evidences, investigative proficiency, and interpersonal skills to bring out details (Salleh & Aziz, 2014)

Ghali (2001) in his study noted that forensic audit reports are usually lengthy and extensively substantiated and contain a clearly documented chronology of events. The skills and preparation for precision, attention to detail, objectivity, problem-solving ability, and strong oral and written communication skills are important for forensic specialists (Torpe, 2009). Digabriele (2008) further identified and suggested the relevant skills for forensic accountants based on a nationwide survey from a random sample of 1,500 accounting academics, forensic auditing practitioners and users of forensic auditing services. According to the study, the relevant skills for forensic auditors

or accountants are: deductive analysis, critical thinking, unstructured problem solving, investigative flexibility analytical proficiency, oral communication, written communication and composure.

The various studies highlighted above emphasize the importance of detail in forensic audit reports. Comprehensive forensic audits should contain all the necessary details as to what, where, when and who of a case. This study sought to build on the previous studies on forensic auditing and narrow down on the importance of forensic audit reports, detailed coverage of key issues in a case, to subsequent investigative and finally prosecuting agencies. It dwelt on the need to identify the key issues that are relevant to the subject of a case, understanding the goals of the case and presenting in a manner that is understandable by any other user who may want to rely on the report for further use. Previous studies on the subject of forensic auditing dwelt on the eventual use of forensic reports in courts of law but this study will deal with the utilization of forensic audits presented to other agencies by a Supreme audit Institution to enrich conclusive investigations. While the previous studies on the subject used secondary data, this study will involve a mix of primary and secondary data to bring out the specific level of detail required in a forensic audit report to make it effective for further utilization.

A study carried out by Hegazy et al. (2023) observed that audit clarity as a result of detailed audit engagement boost audit quality and performance based on a study conducted on the top ten global auditing firms. The study had employed questionnaires to obtain quantitative data from the targeted respondents and the numerical results were analyzed through employing factor analysis, structural equation modelling and correlation analysis. Besides that, Kaawaase, Assad, Kitindi and Nkundabanyanga (2016) established that the degree of rigor in carrying out an audit investigation determines the level of clarity and precision in regard to the information disclosure required to pinpoint areas of fraud risk or areas where financial crime has been carried out. The study had used open-ended questionnaires and semi-structured interviews to collect data from the respondents for analysis. Unlike the studies conducted by Hegazy et al. (2023) and Kaawaase et al. (2016), Olukayode (2018) sought to establish the influence of comprehensive forensic auditing techniques on successful prosecution of corruption cases in Nigeria. The study adopted a survey research design that involved the use of questionnaires to collect data from the investigative and prosecution employees working at the Police Special Fraud Unit, the Code of Conduct Bureau, the Independent Corrupt Practices Commission and the Economic and Financial Crimes Commission.

Olukayode (2018) used descriptive and inferential statistical models were employed for analysis. The inferential statistical model that involved One-Sample Kolmogorov-Smirnov Test was used to test the research hypothesis. The study observed that comprehensive forensic auditing techniques leads to successful prosecution of corruption cases in Nigeria though the only difference is that the aforementioned study established no significant relationship. The findings were also congruent with both Kundu (2017) and Odelabu (2014) who posited that comprehensive forensic auditing involving data analysis, interviews, undercover operation, document reviews, financial transaction analysis, background investigation and data mining techniques leads to unearthing of fraudulent/corrupt activities that can be used as evidence for successful prosecution in the court of law. Onodi, Okafor and Onyali (2015) did a study on the impact of forensic auditing investigative methods on corporate fraud deterrence in banks in Nigeria. They focused on the effects of forensic accounting skills on the management of bank fraud in Nigeria. Both primary and secondary data were appropriately used. 140 questionnaires were administered to the staffers of the five (5) selected Banks in Imo state. The statistical tool used to test hypotheses was ANOVA (Analysis of Variance). The study revealed among other things that possession of enhanced skills aids the forensic Accountant in discharging his duties. The paper, therefore, recommended that among other things the management of banks should make use of forensic Accountants' skills.

Abdinasir (2017) carried out a study on the impact of forensic auditing services on fraud detection among commercial banks in Kenya. The variables being studied were forensic investigation and Litigation Support. The target population was all the commercial banks registered in Kenya as of 2016. The secondary data was obtained from the financial reports submitted by the banks, the reports by the Central Bank of Kenya (CBK) and the Forensic Reporting Centre (FRC), and Anti Money Laundering Compliance management reports on money Laundering. The data used was collected for a period of 5 years (2012 to 2016). Data were analyzed using both descriptive and inferential statistics. The findings showed that fraud detection has an inverse relationship with forensic investigation services. The study recommends that commercial banks should embrace forensic investigation to eradicate fraud in banks.

### **2.3.2 Effect of the Independence of the Office of the Auditor General on Effective Investigation of Corruption Cases in Kenya**

Kayrak (2008) in his study on the evolving challenges of Supreme Audit Institutions in struggling with corruption in light of separation of powers noted the importance of auditors' independence. The study submitted that SAIs cannot be regarded as a part of any branch of government because of their functional, institutional and financial independence guaranteed by the country's constitution, laws and other related regulations. The study concentrated on the INTOSAI Auditing Standards of 2001 that give the SAI relations with the executive branch of government. It provided that it is important for the independence of the SAI that there be no power of direction by the executive in relation to the SAI's performance of its mandate. The SAI should not be obliged to carry out, modify or refrain from carrying out, an audit or suppress or modify audit findings, conclusions and recommendations to suit the executive branch. The standard further adds that maintenance of the SAI's independence does not preclude requests to the SAI by the executive proposing matters for audit. But if it is to enjoy adequate independence, the SAI must be able to decline any such request. It is fundamental to the concept of SAI independence that decisions as to the audit tasks comprising the program should rest wholly with the SAI.

Auditor independence has an impact on audit quality. DeAngelo (1981) suggests that audit quality is defined as the probability that an auditor will uncover a breach and report the breach. If auditors are not independent, they will be less likely to report irregularities, thereby impairing audit quality.

Tahinakis and Nicolaou (2016) conducted a study on the relationship between audit independence and audit effectiveness in Japan. The study discovered that most firms were made up of qualified, independent audit teams that provided quality financial reporting. Thus, a positive relationship between audit independence and effective auditing was discovered. Even though the study was related to the current study, it was conducted in a developed economy, making it difficult to generalize the current situation in Kenya. Furthermore, Ye et al. (2016) investigated the connection between forensic auditor independence and non-audit services, audit firm tenure, and audit partner tenure. The study found that long-term auditor-client relationships hurt auditor independence. However, the previous study focused on company internal auditors, whereas the current study focuses on external auditors and how their independence affects the effectiveness of external audits.

The Public Audit Act (2015) of Kenya under section 37 states that ‘The Auditor- General may, upon request by Parliament, conduct forensic audits to establish fraud, corruption or other financial improprieties. The express interpretation of this Act raises a question on whether the Auditor General has the freedom to utilize forensic auditing in the conduct of routine statutory audits when and where fraud, corruption and other improprieties are suspected or it is upon request by parliament to do so. This, will be one of the findings anticipated in this study.

While building on audit independence from previous studies, the current study narrows down to the independence of a SAI in employing appropriate tools to comprehensively conduct government audits. The study will narrow down on determining whether the OAG is an expectedly independent institution which has external forces determining when and where the forensic audit tool should be used. Omondi (2017) researched the factors influencing the independence of forensic auditors in Kenya. An ordinal regression analysis was employed. The study discovered a link between forensic audit independence and audit quality. Again, the size, objectivity, and tenure of the audit firm all had a strong significant relationship with forensic audit independence. The objectivity of the audit report was discovered to be critical in determining the audit team's independence. The study, on the other hand, used broad factors such as economic, regulatory, and firm factors to examine how they influenced auditor independence.

Research studies conducted by Kertaraja, Marwa and Wahyudi (2019) together with Liahmad, Rusindita and Utami (2020) observed that the increase of auditor’s independence plays a significant role in unraveling fraud occurrence. This was unlike Tahinakis and Nicolaou (2016) who was focused on how audit independence affected audit effectiveness in Japan instead of looking at how it influenced fraud occurrence. The research outcomes of Kertaraja et al. (2019) together with Liahmad et al. (2020) agreed with Putri, Nabila, Augustin and Fellia (2021) who observed that auditor independence exposes fraudulent cases. Though a study conducted by Simanjuntak (2015) observed that auditor independence did not considerably boost fraud detection. On the other hand, Ye et al. (2016) observed that long-term auditor-client relationships hurt auditor independence.

### **2.3.3 Effect of Level of Access to Government Commercial in Confidence Contracts on Effective Investigation of Corruption Cases**

Presently, there is limited empirical literature concerning the relationship between access to Government Commercial in Confidence Contracts on effective investigation of corruption cases. Though, there exists some literature (Barton, 2006; Funnel, 2001; Ndung'u, Mwangi & Kuyo, 2022; OAG, 2022) concerning Government Commercial in Confidence Contracts, there is none concerning how it affects effective investigation of corruption cases.

Barton (2006) in his research examined the concept of need and requirements for accountability in the public sector, and how the use of outsourcing activities on a commercial-in-confidence basis negates the accountability requirement provided through public audit. In the research he noted that, in Australia, outsourcing contracts have been generally written on a commercial-in-confidence basis in which key terms such as the price, quality, payment and delivery terms are kept secret. Despite this being espoused in the country's New Public Management that encourages the adoption of business-like practices, the confidentiality provisions have important restrictions on transparency and accountability.

Barton's research was conducted in a developed economy where governance structures are equally developed. In the recent past, Kenya a developing economy has adopted the business-like practices on government contracts compressed in confidence. Citizens are left to speculate on contractual terms under the mega projects such as the Standard Gauge Railway containing secrecy clauses. This challenges the principle of government transparency and accountability and in equal measure the role of the OAG in public expenditure oversight.

This study while highlighting on the success that a SAI could add to investigations of fraud because of its capacity and mandate, sought to find out the threat on reliability posed by 'confidential clauses' in public expenditure.

Funnel (2001) in the book, *Government by Fiat*, brought out the fact that contracting services outside government departments, to either subsidiary agencies or to private firms has diminished effective accountability by confounding rights of access to information. The study added that government adoption of alternative modes of service delivery have allowed far too many

opportunities for secretive governments to engage in creative and obstructive behavior in order to avoid both their responsibility to provide services and their accountability for the services they have been unable to provide. The study concluded that, unless there are unequivocal legislative securities for access to information held by the privately contracted service providers, crises in the confidence of citizens in their governments will not only continue to occur, but will do so with increasing severity.

Funnel (2001) brings out the effect of the limitation to rights of access to information on citizen trust in their governments. While recognizing the auditor's right of access to information, the current study was anchored on the dilemma by subsequent investigators to relying on forensic audit reports from the OAG investigations while aware that the reports have been generated from restricted or insufficient information.

Ndung'u, Mwangi and Kuyo (2022) noted that the High Court of Kenya ruled that a 3<sup>rd</sup> party can access confidential information held by State bodies if they fail to adequately justify why they are restricting that information. On the other hand, OAG (2022) noted that under the Australian law in Australia, the auditors actually have the power to access confidential information held by entities in order to fulfil their obligation to the government through Parliament concerning the provision of reasonable assurance about the health of the scrutinized financial accounts.

## **2.4 Research Gaps**

This chapter presents both the theoretical and empirical literature that were linked to this study. The theories discussed comprised of the Fraud Management Life Cycle theory, the Public Choice theory and the Fraud Pentagon theory. The empirical literature presented studies and literature that attempted to establish the influence of forensic audit report's comprehensiveness and audit clarity, the independence of the auditor and the level of access to Government Commercial in Confidence Contracts on effective investigation of corruption cases. The literature provided the methodologies used to collect and analyze the data together with the research findings observed. Based on the reviewed literature (Olukayode, 2018; Kaawaase et al., 2016; Putri et al., 2021; Ye et al., 2016; Omondi et al., 2017; Hegazy et al., 2023; Ndung'u et al., 2022; Simanjuntak, 2015; Noch et al., 2022; Kertaraja et al., 2019). There was limited research conducted to establish the influence of forensic audit report's comprehensiveness and audit clarity, the independence of the auditor and

the level of access to Government Commercial in Confidence Contracts on effective investigation of corruption cases.

This provided a basis of this study to address the gap by establishing the effects of forensic audit reports' comprehensiveness and audit clarity, the level of access to Government Commercial in Confidence contracts and the independence of the Office of the Auditor General on effective investigation of corruption cases in Kenya.

Table 2.1 below shows the gaps based on the literature reviewed.

**Table 2. 1: Summary of Research Gaps**

<b>Study</b>	<b>Objective</b>	<b>Research Findings</b>	<b>Research Gaps to be Addressed</b>
Kertarajasa, Marwa and Wahyudi (2019).	The effect of competence, experience, independence, due professional care, and auditor integrity on audit quality with auditor ethics as moderating variable.	The increase of auditor's independence plays a significant role in unraveling fraud occurrence.	Limited research had been conducted to establish the effect of the independence of a SAI in enhancing effective investigation of corruption cases based in the context of Kenya.
Hegazy, El-Deeb, Hamdy and Halim (2023)	Effects of organizational climate role clarity, turnover intention, and workplace burnout on audit quality and performance.	The study observed that audit clarity as a result of detailed audit engagement boost audit quality and performance based on a study conducted on the top ten global auditing firms.	There was limited research conducted to establish the effect of forensic audit reports' comprehensiveness and audit clarity on effective investigation of corruption cases based in the context of Kenya.
Barton (2006)	The research examined the concept of need and requirements for accountability in the public sector, and how the use of outsourcing activities on a commercial-in-confidence basis negates the accountability requirement provided through public audit.	In the research he noted that, in Australia, outsourcing contracts have been generally written on a commercial-in-confidence basis in which key terms such as the price, quality, payment and delivery terms are kept secret.	There exists both a contextual and conceptual gap to show the effect of level of access to Government Commercial in Confidence contracts on effective investigation of corruption cases in Kenya.
Ye, Carson and Simnett (2016)	Threats to auditor independence: The impact of non-audit	The study observed that long-term auditor-client	Limited research had been conducted to establish the effect of the independence of a SAI on

services, tenure and alumni affiliation.	relationships hurt auditor independence.	effective audit that can enhance investigation of corruption cases based in the context of Kenya.
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**Source: Researcher (2023)**

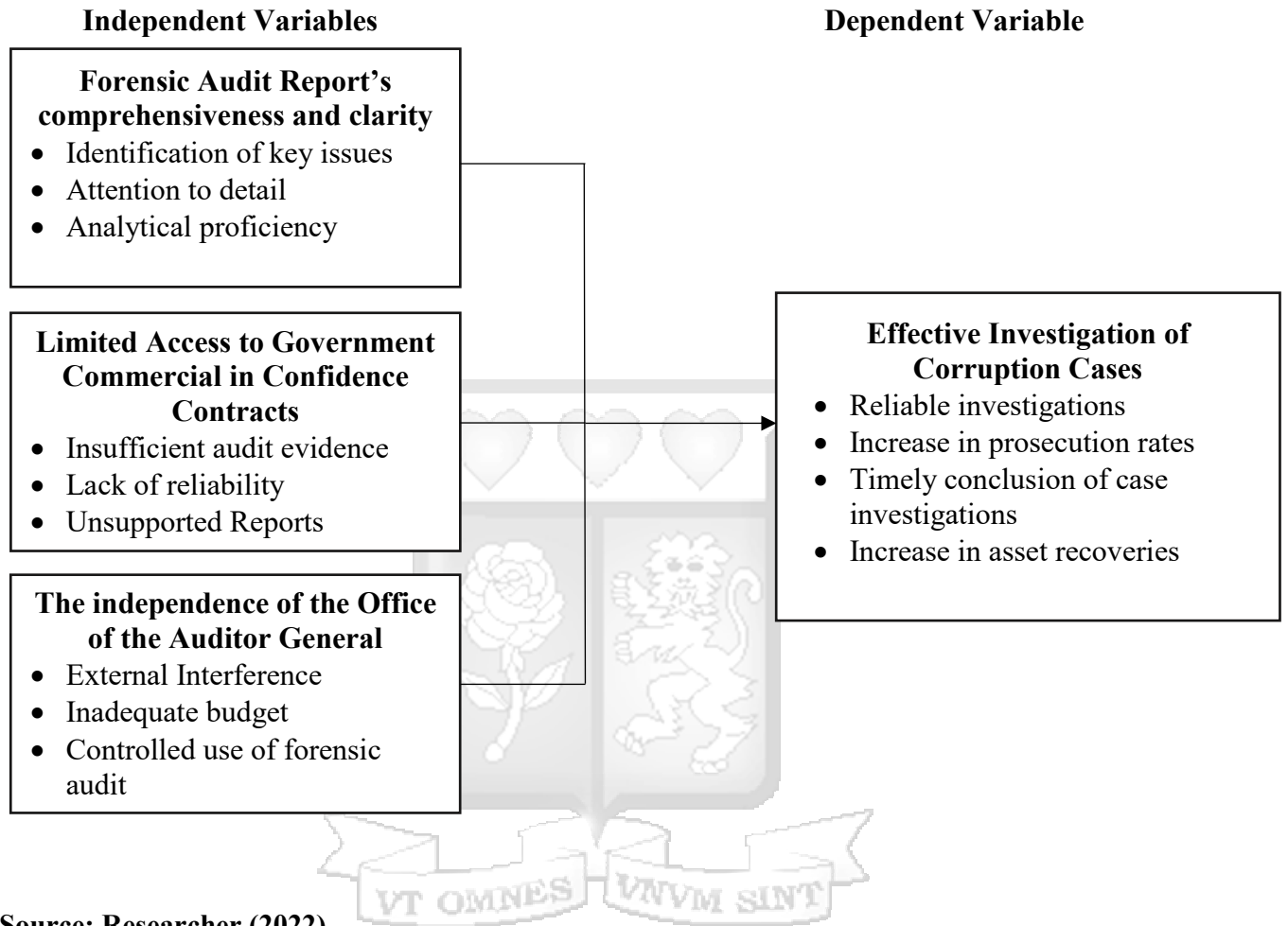
## 2.4 Conceptual Framework

A conceptual framework facilitates research by identifying and clarifying the research variables. It sets the stage for presentation of the specific research questions that drives the research being reported. (McGaghie, 2001). The conceptual framework as shown in Figure 2.1 illustrates how the independent variables comprising of forensic audit report’s comprehensiveness and clarity, limited access to Government Commercial in Confidence Contracts and the independence of the Office of the Auditor General is influencing effective investigation of corruption cases which is the dependent variable of the study. The first independent variable, which is the forensic audit report’s comprehensiveness and clarity is represented by 3 key constructs, namely, identification of key issues, attention to detail and analytical proficiency. The second independent variable, which is limited access to Government Commercial in Confidence Contracts is represented by 3 key constructs, namely, insufficient audit evidence, lack of reliability and unsupported reports.

The third independent variable, which is the independence of the Office of the Auditor General is also represented by 3 key constructs, namely, external interference, inadequate budget and controlled use of forensic audit. The dependent variable which is effective investigation of corruption cases is also represented by 4 key constructs, namely, reliable investigations, increase in prosecution rates, timely conclusion of case investigations and increase in asset recoveries.

The conceptual framework used in this study is depicted in Figure 2.1.

**Figure 2. 1: Conceptual Framework**



Source: Researcher (2022)

## 2.5 Operationalization of Study Variables

Operationalization allows abstract concepts to be transformed into observable characteristics that can be measured using indicators. The dependent and independent variables will be assessed using a rating scale ranging from 1 (strongly disagree) to 5 (strongly agree). Table 2.2 summarizes the indicators that will be used in the study.

**Table 2. 2: Variables Operationalization**

<b>Variable</b>	<b>Constructs</b>	<b>Definition of Operation</b>	<b>Rating Measure</b>	<b>Supporting Literature</b>
<b>Independent Variables</b>				
Comprehensiveness and clarity of forensic audit reports	Identification of key issues, attention to detail, Analytical Proficiency	The extent to which the construct influences the utilization of the report for further investigations	5-point Likert Scale on the Implementation	Digabriele, (2008)
Independency of the OAG on utilization of forensic auditing	External Interference, Inadequate budget, Controlled use of the forensic auditing tool	The extent to which the construct influences the utilization of the report for further investigations	5 point Likert Scale on the Implementation	Yee et al. (2017); James and Izien (2018)
Accessibility to information on commercial in confidence government contracts	Insufficient audit evidence, reduced reliability on audit reports	The extent to which the construct influences the utilization of the report for further investigations	5-point Likert Scale on the Implementation	Funnel, W. (2001), Barton, A.D. (2006)
<b>Dependent Variables</b>				
Effective investigation of corruption cases	Increase in prosecution rates, Increased assets recoveries, Deterrence of public sector corruption	The extent to which the construct influences the utilization of the report for further investigations	5 point Likert Scale on the Implementation	Oluoch and Nasieku (2018); Mokono and Nasieku (2018)

**Source: Researcher (2023)**

## **CHAPTER THREE**

### **RESEARCH METHODOLOGY**

#### **3.1 Introduction**

This chapter described the research design that was used in the study, the target populations identified, the sampling and data collection strategies that were used, and the analysis and reporting for the study.

#### **3.2 Research Philosophy**

According to Gibson (2017), philosophy pertains to the evolution of knowledge and the nature of research knowledge. In the field of research, two well-known philosophical perspectives are positivism and post positivism. Naturalistic data collecting methods such as interviews and observations are used in the interpretivist approach (Cooper & Schindler, 2011). A positivist paradigm, on the other hand, is concerned with things that can be measured, observed, and validated, according to Mungai (2012). Positivism is based on the study of facts and the gathering of physical evidence. It has a relation to the scientific view of the natural world as being one that operates through laws and that can be revealed by careful study and observation (Saunders et al., 2009). The paradigm is rooted on establishing causal relationships between study variables based on the quantitative data that has been obtained from the field and statistically analyzed by statistical tools (Chirkov & Anderson, 2018). Thus, this paradigm was a source of inspiration of this study since it sought to establish how forensic audit report's comprehensiveness, level of access of Government Commercial in Confidence Contracts and the independence of the Office of the Auditor General influences effective investigation of corruption cases in Kenya.

The influence of the three aforementioned variables on the dependent variable was determined by collecting quantitative data from the respondents and the multiple regression analysis was employed linear regression analysis was employed to analyze the causal relationship. The reality according to this research philosophy is recommended to be external and to be completely independent from the respondents and the personal views of the researcher (Saunders et al., 2009). This is what this study actually subscribed to, since the obtained data was generalized through

statistical analysis for interpretation without relying on the personal opinions or manipulation of the data by the researcher or relying on the subjective opinions of each respondent.

### **3.3 Research Design**

According to Kothari (2004), a research design is the configuration of conditions for collecting and analyzing data in such a way that the relevance of a research purpose to the economy is combined in the procedure. A research design is a process of collecting data to test hypotheses to answer questions in regard to the current status of the subjects in the study (Mugenda & Mugenda, 2003). This study adopted an explanatory research design. Explanatory research design is a type that seeks to explore relationships between given phenomena where limited literature is available (Mbuva, 2023). The research design tends to establish cause-effect relationship in order to unravel underlying causes of a phenomenon (Mbuva, 2023). It seeks to investigate trends that have not been properly researched on (George & Merkus, 2023). It involves developing research questions from reviewed literature, formulating a hypothesis, developing appropriate methodology to collect data, analyzing the data and reporting the findings (George & Merkus, 2023). Thus, this research philosophy precisely inspired this study to a great degree, since it seeks to analyze the role of forensic audit reports from the Office of the Auditor General towards effective investigation of corruption cases in Kenya considering that limited literature has covered this area.

Based on this foundation, three specific research questions were formulated, the first one being, what is the effect of forensic audit reports' comprehensiveness and audit clarity on effective investigation of corruption cases in Kenya? The second research question was what is the effect of level of access to Government Commercial in Confidence contracts on effective investigation of corruption cases in Kenya? The third research question is what is the effect of the independence of the Office of the Auditor General on effective investigation of corruption cases in Kenya? To answer these research questions, quantitative data was obtained by using questionnaires and subjected to multiple linear regression analysis to establish the cause-effect relationship between the variables. Thus, the research design was indeed linked to this study.

### **3.4 Population and Sample Size**

#### **3.4.1 Population**

A population is defined by Etikan et al. (2016) as the total number of observations from which generalizations based on inferences are made. The statistically justifiable number of observations that can be considered representative of the population at a given confidence level is referred to as sample size (Etikan et al., 2016). There were 3 populations in this study. The first population was made up of those staff of the Ethics and Anti-Corruption Commission who use the audit reports (12 respondents). A second population was made up of those staff from the Office of the Director of Public Prosecution (ODPP) who use the forensic audit reports prepared by the OAG (12 respondents) and the forensic auditors (101 respondents) from the OAG might have given reasons why forensic audit reports prepared by their office do not give the full picture of frauds that have been identified: these persons make up another population.

#### **3.4.2 Sampling Design**

The primary goal of sampling is to ensure that the respondents chosen are representative of the target population. The sampling design also determines how many people will be chosen for the study (Cooper & Schindler, 2011). Purposive sampling was used to select respondents for this study. A purposive sample informed the choice of respondents with a specific knowledge, skills, and expertise about the phenomenon of the study. Sutton and Austin (2015) note that non-probability sampling enables a researcher to choose the most suitable information for research depending on their availability, accessibility and the operational costs involved. The sample for study was drawn from the number of forensic audit reports handed over to the EACC for the period 2019 and 2020 for further investigation and action. Respondents chosen from the EACC and the OAG's forensic auditing department formed the unit of study. The forensic auditors from the OAG and investigators from the EACC were the individuals with a wealth of knowledge required on starting and effectively concluding investigations. Whenever access to these government agents and the required documents is difficult, networking efforts will be used to gain access to the government entities and, eventually, potential respondents.

### 3.5 Sample Size

The sample size represents a subset of the population being studied. The sample should represent the characteristics of the target population and can provide information that can be used to answer the research questions. Determining sample size is an important step in collecting accurate and sufficient data for research. The sample size should always be precise and accurate (Cooper & Schindler, 2011). The forensic auditing staff from the OAG, the EACC investigation department and the ODPP make up three distinct populations. Yamane's (1967) formula was used to determine the sample size for the study in this case:  $n = N / [1 + N (e)^2]$ , where n represents the sample size, N represents the population size, and e represents the sampling error tolerance. For the persons in the different classes;

$$\begin{aligned}
 n &= N / [1 + N (e)^2] \\
 &= 125 / [1 + 125 (0.05)^2] \\
 &= 125 / [1 + 125 (0.0025)] \\
 &= 125 / [1 + 0.3125] \\
 &= 125 / 1.3125 \\
 &= 95
 \end{aligned}$$

The study's sample size was 95 respondents drawn from the three agencies.

**Table 3. 1: Sample Size**

Entity	Target Population	Sample calculation	Sample Size
Office of the Auditor General	101	$101/125 \times 95 = 77$	77
Ethics & Anti-Corruption Commission	12	$12/125 \times 95 = 9$	9
Office of the Director of Public Prosecution	12	$12/125 \times 95 = 9$	9
<b>Total</b>	<b>125</b>		<b>95</b>

**Source: Researcher (2022)**

### 3.6 Data Collection

To address the study's objectives, the study relied on structured questionnaires and document analysis to collect data. Except for demographic data, each question was graded on a 5-point Likert scale. The questionnaire was divided into five sections, the first addressing general basic information about the respondents, the subsequent three sections addressed the independent variables of the study. The study's final section looked at respondents' perceptions of the value of

forensic auditing in corruption investigations. The questionnaires were distributed directly to respondents by research assistants using a wait and fill method.

### **3.7 Data Quality**

Pre-testing allows for error detection prior to data collection (Cooper & Schindler, 2011). The pretesting was carried out on 10% of the study participants, which consisted of participants drawn from the OAG's office and the EACC. These participants, however, were included in the final study. The reliability and validity tests of the research instrument were supported by the pre-tests of the research instrument.

#### **3.7.1 Reliability Test**

In research, reliability is defined as the extent to which the research conducted is inherently repeatable by other researchers and the results obtained are reproducible in different experiments under the same conditions (Shuttleworth, 2008). A pilot test was conducted to assess the reliability of the scales to be used in the questionnaire. Data from the pilot test was analyzed using Cronbach's alpha, a metric used to establish the internal consistency of questions in a scale with the general understanding that an alpha figure of 0.6 demonstrates that the scale in question is reliable.

#### **3.7.2 Validity Test**

A validity test is an examination of whether an aspect measures what it is supposed to measure (Kothari, 2004). Following the establishment of the consistency of the scales used to analyze the various constructs, successive inferential analyses on the data were considered to have construct validity (Taber, 2018). The validity was affirmed through a pilot survey of the questionnaire to see if the collection tool needs to be adjusted.

### **3.8 Data Analysis**

All completed questionnaire data were modified and coded. After that, the information was entered into a Microsoft Excel spreadsheet. The editing step was crucial because it makes sure that data is effective and applicable, as well as that any existing discrepancies are corrected to improve accuracy. While coding data, numbers were distributed to multiple categories of variables, and questionnaire responses were translated into numerical data. The Excel spreadsheet was uploaded to the Statistical

Package for the Social Sciences after it had been edited and coded (SPSS Version 23). Descriptive and inferential statistics was applied to the data. Descriptive statistics summarized data for basic sample characteristics and variables under study. For sociodemographic variables such as age, gender, level of education, and duration in the organization, among others, descriptive statistical measures such as frequency, percentages, means, and standard deviation was computed. The relationships between independent and dependent variables was revealed by inferential statistics. Pearson correlation and multiple linear regression was used to establish the relationship between independent and dependent variables.

Pearson correlation is often used to assess the relationship between two variables. A high value denotes that when the value of one variable changes, the value of the other variable changes in the same or the opposite direction. A correlation coefficient quantifies the orientation and strength of the relationship. Pearson's coefficient values are interpreted based on the magnitude and direction of the relationship. The values range from -1 to +1 in terms of effectiveness. The stronger the correlation, the higher the value. The direction of the relationship is represented by the sign of the correlation coefficient. A coefficient of 0 symbolizes no linear relationship when trying to interpret the strength of the correlation. A correlation of 0.00 to 0.19 is considered very weak, 0.2-0.39 is considered weak, 0.40-0.59 is considered moderate, 0.6-0.79 is considered strong, and 0.8-1.0 is considered extremely strong (Salkind, 2007).

### 3.8.1 Regression Model

The regression model for the study took the form of;

$$y = \alpha + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + \beta_4 X_4 + \epsilon$$

Whereby;

$y$  = the dependent variable representing the effective investigation of corruption cases  
 $\alpha$  =  $y$ -intercept where  $x$  is zero, in simple terms it's the level of effective investigation of corruption cases in the absence of comprehensiveness of forensic audit reports, limited access to government commercial in confidence contracts and the independence of the Office of the Auditor General on forensic auditing

$X_1$  = comprehensiveness of forensic audit reports and audit clarity

$X_2$  = level of access to Government Commercial in Confidence contracts

$X_3$  = independence of the Office of the Auditor General on forensic auditing

$X_4$  = corporate governance denoting the control variable of the study

- $\beta_1$  = regression coefficient showing the level of effective investigation of corruption cases where there is a unit rise of comprehensiveness of forensic audit reports
- $\beta_2$  = regression coefficient showing the level of effective investigation of corruption cases where there is a unit rise of limitation in access to government commercial in confidence contracts
- $\beta_3$  = regression coefficient showing the level of effective investigation of corruption cases where there is a unit rise of independence of the Office of the Auditor General to use forensic auditing
- $\beta_4$  = regression coefficient showing the level of effective investigation of corruption cases where there is a unit rise of corporate governance
- $\mathcal{E}$  = is the error term

Corporate governance was introduced as a control variable of the study. Corporate governance is the system that directs the conduct of the employees within a certain organizational entity (Peterdy, 2023). An effective corporate governance calls for a clear separation of duties between the management and the Board (Peterdy, 2023). Corporate governance plays an important role in curtailing corruption fraud through ensuring that employees maintain a high ethical conduct when carrying out their duties based on the tone at the top set by the Board (Pham, 2022; Ellis, 2023). Thus, the production of quality forensic audit reports to successfully prosecute fraudsters can only be realized when the forensic auditors maintain a high ethical conduct when executing their duties. And this can only be realized when there is a proper effective corporate governance in place. The coefficients as well as their 95% confidence intervals, as well as *p*-values, was reported. The results both for descriptive and inferential statistics were proffered in tabular and graphical formats (pie charts, bar graphs), as well as an analytical and narrative summary of the results.

### **3.9 Ethical Considerations**

To safeguard the rights and privileges of study participants, ethical considerations are used (Kothari, 2004). When administering questionnaires to the selected samples, no coercion techniques was used. In addition, all participants were informed of their willingness to participate in the study. Furthermore, all ethical conduct measures put in place by Strathmore University Business School were followed, including seeking validation for the study from the Ethics Review Committee board. A letter of research approval from the National Commission for Science, Technology, and Innovation was obtained as well. Throughout the course of the study, all information from respondents was kept strictly confidential.

## CHAPTER FOUR

### PRESENTATION OF RESEARCH FINDINGS AND DISCUSSIONS

#### 4.1 Introduction

The researcher conducted the data collection activity together with the data analysis process on the month of March 2023. The results are presented and elaborately discussed in this chapter. The chapter starts by reporting the reliability and validity test results justifying the questionnaire's quality level and why it was suitable for the main data collection exercise. The chapter then goes ahead to report the diagnostic test results showcasing the assumptions the retrieved data fulfilled in order for Pearson correlation and multiple linear regression models to be considered suitable for analysis. The chapter then presents the response rate the study was able to achieve and a description of the demographic results. The chapter finally concludes by discussing the descriptive results obtained together with the Pearson correlation and the regression analysis findings.

#### 4.2 Reliability Test Results

The researcher conducted a pilot test on the first week of March 2023 from Wednesday 1<sup>st</sup> to Friday 3<sup>rd</sup>. The findings obtained from the exercise were analyzed by the Cronbach's Alpha test model through SPSS on 4<sup>th</sup> March 2023. Shuttleworth (2008) posited that a Cronbach's Alpha figure of 0.6 demonstrates that the question items of the particular scale are internally consistent and any value less than that indicates that a given research instrument has a problem and cannot be relied on for the main data collection exercise. The reliability test results are presented in Table 4.1 below.

**Table 4. 1: The Findings of the Cronbach's Alpha Tests**

Reliability Statistics		
Variable	Cronbach's Alpha	No. of Items
Comprehensiveness of forensic audit reports	0.939	4
Limited access to Government Commercial in Confidence contracts	0.902	4
Independence of the Office of the Auditor General on forensic auditing	0.961	4
Effective investigation of corruption cases	0.951	5

**Source: Researcher (2023)**

Judging from the results posted in Table 4.1, the researcher observed that all the four constructs representing the four study variables that had been subjected under a 5-point Likert scale of level of agreement posted by Cronbach's Alpha values that were greater than 0.6. This meant that all the question items measuring the four study variables were internally consistent and would yield the same outcomes when the questionnaire was to be used at different points of time or places.

### 4.3 Validity Test Results

Construct validity examines whether an aspect measures what it is supposed to measure (Kothari, 2004). The construct validity of the questionnaire was tested by employing factor analysis as recommended by Andreou, Evangelos, Lionis, Varvogli, Gnardellis, Chrousos and Darviri (2011). The results obtained from the pilot test exercise was used for the analysis. Though before factor analysis was employed, the KMO and Bartlett's test of Sphericity was carried out in order for the researcher to be sure that the dataset was indeed suitable for factor analysis. The ground rules for assessing if the dataset was indeed suitable for factor analysis was that the KMO value had to be greater than 0.5 and that the Bartlett's test of Sphericity had to post a *p*-value that was less than 0.05, in other words it had to be statistically significant (Williams, Onsmann & Brown, 2010). The KMO and Bartlett's test results for the three independent variables (comprehensiveness of forensic audit reports, limited access to Government Commercial in Confidence Contracts and independence of the Office of the Auditor General on Forensic auditing) and the dependent variable (effective investigation of corruption cases) were presented in Table 4.2 below.

**Table 4. 2: The KMO and Bartlett's Test Results**

		<b>KMO and Bartlett's Test</b>			
		Comprehensiveness of Forensic Audit Reports	Limited Access to Government Commercial in Confidence Contracts	Independence of the Office of the Auditor General on Forensic auditing	Effective Investigation of Corruption Cases
Kaiser-Meyer-Olkin Measure of Sampling Adequacy.		0.838	0.689	0.794	0.847
Bartlett's Test of Sphericity	Approx. Chi-Square	28.046	22.106	35.786	39.936
	df	6	6	6	10
	Sig.	0.000	0.001	0.000	0.000

**Source: Researcher (2023)**

The KMO test results of the datasets of the three independent variables posted KMO coefficients that were greater than 0.5 (0.838, 0.689 and 0.794 respectively). Besides that, the Bartlett's test results of the specified datasets were statistically significant ( $p$ -value = 0.000 < 0.05). Thus, we can authoritatively state that the dataset was suitable for factor analysis. Hence, the datasets of the given three independent variables were retained for factor analysis to be carried out on them. Additionally, the KMO test result of the dataset of the dependent variable posted a KMO coefficient that was greater than 0.5 (0.847). Moreover, the Bartlett's test result of the specified dataset were statistically significant ( $p$ -value = 0.000 < 0.05). Thus, we can authoritatively state that the dataset was suitable for factor analysis. Therefore, the dataset of the given dependent variable was retained for factor analysis to be carried out on it.

After posting good results in regard to the KMO and Bartlett's tests, the study then carried out factor analysis. The objective of the analysis was to assess the construct validity of the questionnaire in regard to the datasets of the 4 study variables. The rule of thumb that was used was that question items birthing a figure of 0.4 should indicate that they were truly assessing the construct of the given variable as they were expected to (Frederick, 2013). Factor analysis through the Principal Component Matrix was carried out through the SPSS software and the results were presented in Table 4.3 in the next page. As shown in Table 4.3 in the next page, the results showed that all the four question items denoting "Comprehensiveness of Forensic Audit Reports" posted factor loadings that were considerably greater than the benchmark figure of 0.4. Therefore, this meant that all the four question items truly assessed the construct of "comprehensiveness of forensic audit reports" as they were expected to. Thus, they were retained for further analysis (Pearson correlation and regression analyses) since it provided a justification that the four question items can be compressed into one independent variable which was the "comprehensiveness of forensic audit reports" through the use of averages in order for inferential analysis to be made feasible.

Besides that, the results concerning the second construct (limited access to Government Commercial in Confidence Contracts) showed that all of its four question items posted factor loadings that were considerably greater than the benchmark figure of 0.4. Therefore, what this meant was that all the four question items truly assessed the construct of "limited access to Government Commercial in Confidence Contracts" as they were expected to. Thus, they were retained for further analysis (Pearson correlation and regression analyses) since it provided a

justification that the four question items can be compressed into one independent variable which was the “limited access to Government Commercial in Confidence Contracts” through the use of averages in order for inferential analysis to be made feasible.

**Table 4. 3: Principal Component Matrix Results**

<b>Component Matrix<sup>a</sup> Results for the Comprehensiveness of Forensic Audit Reports’ Dataset</b>	
No.	Component 1
1. Forensic audit reports from the Office of the Auditor General (OAG) comprehensively capture key Issues that enhance conclusion of investigations.	0.955
2. A comprehensive forensic audit report from the OAG would highly contribute to the efficiency of concluding subsequent investigations by other agencies on a matter.	0.957
3. The OAG Forensic audit reports require minimal modification to conclude corruption investigations and submit for prosecution consideration.	0.883
4. Due to their comprehensiveness, the OAG forensic audit reports can be utilized as sufficient and appropriate evidence by the ODPP to initiate prosecution.	0.904

Extraction Method: Principal Component Analysis.

a. 1 components extracted.

<b>Component Matrix<sup>a</sup> Results for the Limited Access to Government Commercial in Confidence Contracts’ Dataset</b>	
No.	Component 1
1. Kenya’s Supreme Audit Institution, should have full access to the accounts of all funds and authorities of the national government and county governments.	0.923
2. The OAG’s failure to provide information on government Commercial in Confidence Contracts impedes investigations of government fraud practices.	0.896
3. Government Commercial in confidence outsourced contracts should be scrutinized by the OAG forensic auditing unit whenever any malpractice is suspected.	0.906
4. Despite the lack of access to information on commercial in confidence outsourced government contracts, the OAG’s forensic audit reports still remain reliable.	0.817

Extraction Method: Principal Component Analysis.

a. 1 components extracted.

<b>Component Matrix<sup>a</sup> Results for the Independence of the Office of the Auditor General on Forensic auditing’s Dataset</b>	
No.	Component 1
1. The OAG can only consider utilizing forensic auditing, upon request by Parliament, to conduct forensic audits to establish fraud, corruption or other financial.	0.944
2. The OAG forensic audit is free to examine any national or county government account that has been suspected of fraud.	0.916
3. Due to the increased misappropriation of public funds, forensic auditing should be frequently employed by the OAG.	0.971
4. The OAG forensic audit reports are free from bias and can be rated as objective.	0.959

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Extraction Method: Principal Component Analysis.

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a. 1 components extracted.

---

**Component Matrix<sup>a</sup> Results for the Results for the Effective Investigation of Corruption Cases' Dataset**

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No.	Component
	<u>1</u>
1. If forensic audit reports by the Office of the Auditor General are comprehensively prepared, there would be an increase in prosecution rates of corruption cases.	0.955
2. Unlimited access to the accounts of all funds and authorities of the national and county governments would enhance prosecution of public officials involved in malpractices that can be shielded under government commercial in confidence outsourced contracts.	0.952
3. If forensic audits were carried out by the OAG whenever suspicion or indications of misappropriation of public funds are noted, increased prosecution of corruption would be achieved.	0.842
4. If forensic audit by the OAG provides sufficient evidence of corruption, there would be successful and increased prosecution of corruption cases.	0.926
5. If forensic audits by the OAG have sufficient evidence of malpractices involving public resources, there would be timely completion of subsequent corruption investigations.	0.920

Extraction Method: Principal Component Analysis.

---

a. 1 components extracted.

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**Source: Researcher (2023)**

With regard to the third construct which was the Independence of the Office of the Auditor General on forensic auditing, the results showed that all of its four question items posted factor loadings that were considerably greater than the benchmark figure of 0.4. Therefore, what this meant was that all the four question items truly assessed the construct of “independence of the Office of the Auditor General on forensic auditing” as they were expected to. Thus, they were retained for further analysis (Pearson correlation and regression analyses) since it provided a justification that the four question items can be compressed into one independent variable which was the “independence of the Office of the Auditor General on forensic auditing” through the use of averages in order for inferential analysis to be made feasible.

Finally with regard to the fourth construct which was the effective investigation of corruption cases, the results showed that all of its five question items posted factor loadings that were considerably greater than the benchmark figure of 0.4. Therefore, what this meant was that all the five question items truly assessed the construct of “effective investigation of corruption cases” as they were expected to. Thus, they were retained for further analysis (Pearson correlation and regression analyses) since it provided a justification that the five question items can be compressed

into one independent variable which was the “effective investigation of corruption cases” through the use of averages in order for inferential analysis to be made feasible.

#### 4.4 Diagnostic Test Results

It’s advisable for diagnostic tests to be conducted on the data obtained from the field in order to establish the data is really suitable for regression or correlation analyses (Williams, Grajales & Kurkiewicz, 2013). The diagnostic tests usually seeks to establish if a particular dataset has fulfilled 3 primary assumptions required to be complied with before further inferential statistics (multiple linear regression and Pearson correlation analyses) can be conducted (Statistics Solutions, 2019). The first assumption that must be complied with is that the data must be normally distributed (Williams et al., 2013). The best statistical model for testing this assumption is the Shapiro-Wilk *W* test through the SPSS software (Statistics Solutions, 2019). The rule of thumb used with regard to the specified test is that the findings should be statistically insignificant (*p*-value > 0.05) in order for that data to be deemed as normally distributed (Statistics Solutions, 2019). The findings of the Normality tests with reference to this study has been displayed in Table 4.4 below. The results of the Normality tests confirmed that the datasets of all the five study variables were normally distributed since they were statistically insignificant. This is because the *p*-values of the study variables (0.399, 0.340, 0.271, 0.274 and 0.478 respectively) were in essence greater than the benchmark value of 0.05.

**Table 4. 4: Normality Test Results**

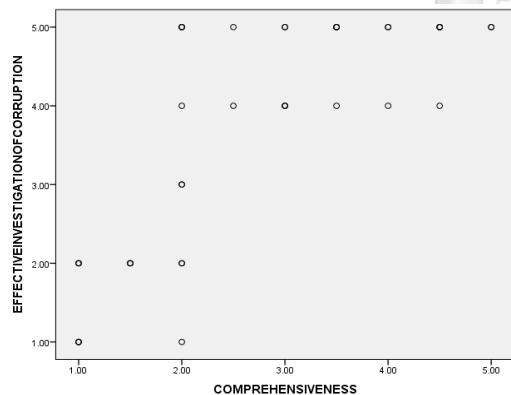
	Tests of Normality					
	Kolmogorov-Smirnov <sup>a</sup>			Shapiro-Wilk		
	Statistic	df	Sig.	Statistic	df	Sig.
Comprehensiveness of Forensic Audit Reports	0.161	40	0.225	0.565	40	0.399
Limited Access to Government Commercial in Confidence Contracts	0.166	40	0.203	0.589	40	0.340
Independence of the Office of the Auditor General on Forensic auditing	0.240	40	0.189	0.544	40	0.271
Corporate Governance	0.239	40	0.190	0.543	40	0.274
Effective Investigation of Corruption Cases	0.156	40	0.292	0.389	40	0.478

a. Lilliefors Significance Correction

**Source: Researcher (2023)**

Besides that, there must be a linear relationship between the independent variables and the dependent variable based on the data obtained in order for either Pearson correlation or multiple linear regression analysis to be conducted (Laerd Statistics, 2018). This is the second assumption that needs to be complied with (Laerd Statistics, 2018). The suitable model for testing this assumption is the use of scatter plots through SPSS (Laerd Statistics, 2018). The scatter plot results showcasing the relationship between the forensic audit reports' comprehensiveness and audit clarity (independent variable) and effective investigation of corruption cases (dependent variable) in Kenya, was presented in Figure 4.1 in the next page. The result was able to confirm that there was a positive linear relationship between the forensic audit reports' comprehensiveness and audit clarity (independent variable) and effective investigation of corruption cases (dependent variable). This was in compliance with the linearity assumption, thus, the datasets of the two aforementioned variables were suitable for both Pearson and multiple linear regression analyses.

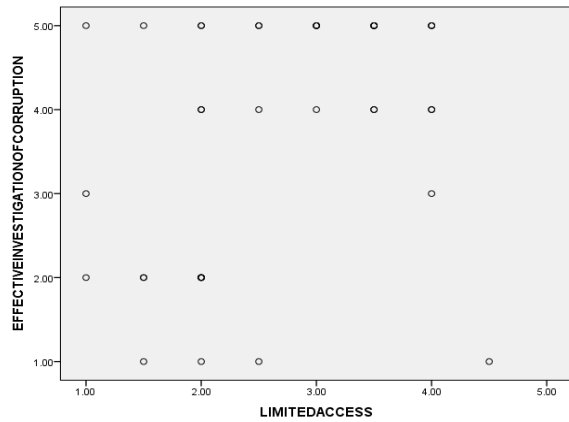
**Figure 4. 1: Relationship between the Forensic Audit Reports' Comprehensiveness and Audit Clarity (Independent Variable) and Effective Investigation of Corruption Cases (Dependent Variable)**



**Source: Researcher (2023)**

Besides that, the scatter plot results showcasing the relationship between limited access to Government Commercial in Confidence contracts (independent variable) and effective investigation of corruption cases (dependent variable) in Kenya, was presented in Figure 4.2 below. The result was able to confirm that there existed a linear relationship between the limited access to Government Commercial in Confidence contracts (independent variable) and effective investigation of corruption cases (dependent variable), though the relationship was weak. The linearity assumption was actually fulfilled even though the relationship between the specified variables was weak, thus, the datasets of the two aforementioned variables were suitable for both Pearson and multiple linear regression analyses.

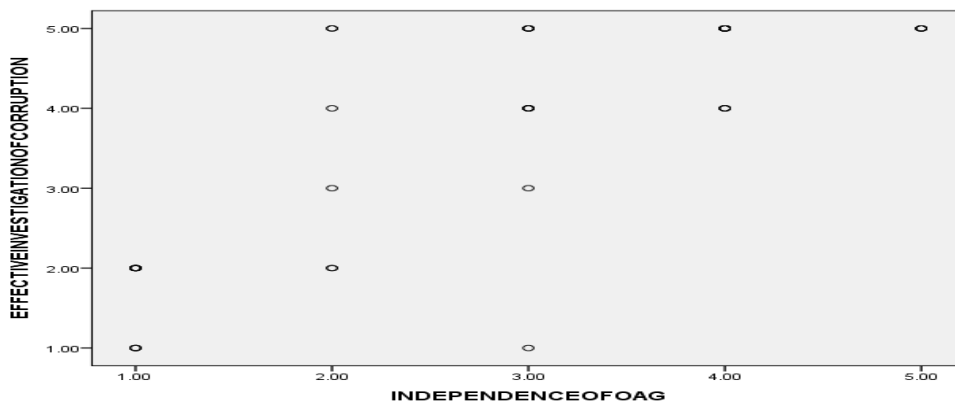
**Figure 4. 2: Relationship between Limited Access to Government Commercial in Confidence contracts (Independent Variable) and Effective Investigation of Corruption Cases (Dependent Variable)**



Source: Researcher (2023)

Finally, the scatter plot results showcasing the relationship between the independence of the Office of the Auditor General on forensic auditing (independent variable) and effective investigation of corruption cases (dependent variable) in Kenya, was presented in Figure 4.3 below. The result was able to confirm that there was a moderately positive linear relationship between the independence of the Office of the Auditor General on forensic auditing (independent variable) and effective investigation of corruption cases (dependent variable). This was in compliance with the linearity assumption, thus, the datasets of the two aforementioned variables were suitable for both Pearson and multiple linear regression analyses.

**Figure 4. 3: Relationship between the Independence of the Office of the Auditor General on Forensic auditing (Independent Variable) and Effective Investigation of Corruption Cases (Dependent Variable)**



Source: Researcher (2023)

Finally, the last assumption being the independence assumptions demands that in order for a particular dataset to be used for Pearson and regression analyses then the error terms through the Durbin-Watson test should be dependent on each other (Penrose, Nelson & Fisher, 1985; Field, 2013). The rule of thumb used to establish if the error terms were indeed sovereign from each other is that the Durbin-Watson coefficient should range between 1 and 2 (Field, 2013). Our findings as presented in Table 4.5 noted that the Durbin-Watson coefficient was 2.348 which was not really far from 2 thus, the error terms were not seriously correlated. This meant that most of the error terms were actually autonomous from each other. Therefore, the independence assumption was complied with providing a leeway for both Pearson and multiple linear regression analyses to be conducted on the obtained dataset.

**Table 4. 5: The Durbin-Watson Test Result**

<b>Model Summary<sup>b</sup></b>
Durbin-Watson 2.348
a. Predictors: (Constant), Independence of the Office of the Auditor General on Forensic auditing, Limited Access to Government Commercial in Confidence contracts, Forensic Audit Reports' Comprehensiveness and Audit Clarity, Corporate Governance
b. Dependent Variable: Effective Investigation of Corruption Cases

**Source: Researcher (2023)**

In addition to the independence assumption, it's also a requirement for the independent variables to be sovereign from each other so that their influence of the given dependent variable can be deemed to be realistic (Penrose et al., 1985; Pallant, 2007). For one to confidently believe that the independent variables are not relying on each other, then they must post tolerance figures that are more than 0.1 and VIF values that are not more than 5 but greater than 1 (Ringle, Wende & Becker, 2015). Collinearity Diagnostic test was used to assess the level of sovereignty among the study variables and the results were presented in Table 4.6 in the next page. The findings observed that the three independent variables posted tolerance figures that were more than 0.1 and VIF figures that were less than 5 but greater than 1. Therefore, the independent variables were indeed autonomous from each other and their influence on the outcome variable could be confidently relied on. This made it suitable for multiple linear regression analysis to be conducted.

**Table 4. 6: Collinearity Diagnostic Test Results**

Model	Coefficients <sup>a</sup>	
	Tolerance	VIF
1 (Constant)		
Forensic Audit Reports’ Comprehensiveness and Audit Clarity	0.285	3.504
Limited Access to Government Commercial in Confidence contracts	0.741	1.350
Independence of the Office of the Auditor General on Forensic auditing	0.258	3.882
Corporate Governance	0.255	3.801

a. Dependent Variable: Effective Investigation of Corruption Cases

**Source: Researcher (2023)**

#### 4.5 Response Rate Results

The main data collection exercise was carried out between the second week of March 2023 and the last week of March 2023. The respondents were very willing to participate in the study and no problems were encountered responses were recorded and availed at the agreed timelines. The study managed to collect data from 80 respondents out the 95 targeted respondents. This represented a response rate of 84.21%, meaning that the study only suffered a non-response rate of 15.79%. A response rate of 84.21% was sufficient for inferences to be made from it. It’s worth noting that the 15.79% comprised of 10 respondents who had been studied during the pilot test and were not considered in the main data collection exercise as a way of preventing any form of biasness from arising. The additional 5 respondents were on leave, thus, the researcher was not able to collect data from them. Therefore, the non-response rate of 15.79% was not considerable to water down the analysis results or to derail the reliability of the interpretations made from the findings in line with addressing the study objectives.

#### 4.6 Demographic Results

The demographic results concerning the basic information of the respondents studied have been presented in Table 4.7 in the next page. The findings observed that in regard to gender most of the respondents were male accounting for 57.5% of the total responses studied. Besides that, with regard to educational level, 72.5% of the respondents had at least a degree qualification, thus, the information about the value of forensic audit reports and effective investigation of corruption cases

came from knowledgeable people whose information can be relied on. With regard to professional qualification most of the respondents had a CPA qualification standing at 47.5% followed by those possessing a CFE qualification who accounted for 17.5% of the total responses. 15.0% had a CISA qualification, another 15.0% had a CIA qualification while only 5.0% had CIFA qualification. This meant that the data obtained to address the objectives of this study came from people who have sufficient knowledge on auditing activities, preparation of audit reports and corruption investigation. Most of the respondents standing at 82.5% of the total responses were at least 30 years old, thus, indicating that majority exhibited having sufficient practical knowledge concerning auditing matters and corruption investigation in Kenya derived from their job experience and academic knowledge. Finally, in regard to job level, most of the respondents standing at 47.5% were in the middle level managerial position, 35% were at the top level managerial position while 17.5% were just normal staff members.

**Table 4. 7: Respondents’ Demographic Information Findings**

<b>Respondents’ Demographic Information</b>		<b>Frequency</b>	<b>Percentage (%)</b>
Gender	Male	46	57.5
	Female	34	42.5
Education Level	PhD	10	12.5
	Master	24	30.0
	Degree	32	40.0
	Diploma	14	17.5
Professional Qualification	CPA	38	47.5
	CFE	14	17.5
	CISA	12	15.0
	CIA	12	15.0
	CIFA	4	5.0
Age	< 20 years	-	-
	20-30 years	14	17.5
	30-40 years	28	35.0
	> 40 years	38	47.5
Job Level	Top	28	35.0
	Middle	38	47.5
	Lower	14	17.5

**Source: Researcher (2021)**

#### 4.7 Descriptive Results Concerning the Forensic Audit Reports' Comprehensiveness and Audit Clarity in Kenya

The descriptive results showing the comprehensiveness of forensic audit reports and audit clarity in Kenya is presented in Table 4.8 below. A 5-point Likert scale of level of agreement had been used by the researcher to obtain quantitative data for the descriptive analysis. Mean scores and standard deviations through the SPSS software were employed to analyze the data.

**Table 4. 8: Descriptive Results Concerning the Forensic Audit Reports' Comprehensiveness and Audit Clarity in Kenya**

No.	Statement	Mean	Standard. Deviation
1.	A comprehensive forensic audit report from the OAG would highly contribute to the efficiency of concluding subsequent investigations by other agencies on a matter.	2.925	1.289
2.	The OAG Forensic audit reports require minimal modification to conclude corruption investigations and submit for prosecution consideration.	2.850	1.388
3.	Due to their comprehensiveness, the OAG forensic audit reports can be utilized as sufficient and appropriate evidence by the ODPP to initiate prosecution.	2.850	1.272
4.	Forensic audit reports from the Office of the Auditor General (OAG) comprehensively capture key issues that enhance conclusion of investigations.	2.675	1.366
Overall Score		2.825	1.329

**Source: Researcher (2023)**

The findings of the study were able to observe that a comprehensive forensic audit report from the OAG would highly contribute to the efficiency of concluding subsequent investigations by other agencies on a matter. This was justified by a mean of 2.925 and a standard deviation of 1.289 indicating that most of the respondents had moderately agreed with the statement. Grippo and Ibex (2003) underline that forensic audits are more intensive than regular audits and are usually conducted in a series of steps to determine if allegations can be substantiated. Besides that, the research outcomes noted that comprehensive OAG Forensic audit reports require minimal modification to enable conclusion of corruption investigations and submit for prosecution consideration. This was justified by a mean of 2.850 and a standard deviation of 1.388 indicating that most of the respondents had moderately agreed with the statement. It's also worth noting that due to their comprehensiveness, the OAG forensic audit reports can be utilized as sufficient and appropriate evidence by the ODPP to initiate prosecution. This was justified by a mean of 2.850

and a standard deviation of 1.272 indicating that most of the respondents had moderately agreed with the statement.

Despite the main thrust of forensic auditing being the financial aspect of investigation, it also encompasses all the necessary investigative expertise and experience such as interrogative skills, knowledge of law and rules of evidence, investigative proficiency, and interpersonal skills to bring out details necessary for molding sufficient water-tight evidence (Salleh & Aziz, 2014). Finally, the findings observed that Forensic audit reports from the Office of the Auditor General (OAG) comprehensively capture key issues that enhance conclusion of investigations. This was justified by a mean of 2.850 and a standard deviation of 1.388 indicating that most of the respondents had moderately agreed with the statement.

Virtually all the respondents studied, based on the open-ended question prescribed in the questionnaire posited that a comprehensive forensic audit report should include the procedures used to conduct the audit investigation, this should be followed with detailed unbiased findings of the investigation and a summary of the evidence gathered.

#### **4.8 Descriptive Results Concerning the Limited Access to Government Commercial in Confidence Contracts in Kenya**

The descriptive results showing the limited access to Government Commercial in Confidence Contracts in Kenya is presented in Table 4.9 in the next page. A 5-point Likert scale of level of agreement had been used by the researcher to obtain quantitative data for the descriptive analysis. Mean scores and standard deviations through the SPSS software were employed to analyze the data. The findings observed that Government Commercial in confidence outsourced contracts should be scrutinized by the OAG forensic auditing unit whenever any malpractice is suspected. This was justified by a mean of 2.725 and a standard deviation of 1.086 indicating that most of the respondents had moderately agreed with the statement. Barton (2006) noted that outsourcing activities in a commercial-in-confidence basis restricts accountability and transparency which could lead to failure to realize effective investigation of corruption cases. This is because when the government is provided opportunities to keep a lot of information secretive then it promotes creative and obstructive behavior since they know that the information will not be shared in public, thus, escaping accountability (Funnel, 2001).

**Table 4. 9: Descriptive Results Concerning the Limited Access to Government Commercial in Confidence Contracts in Kenya**

<b>No.</b>	<b>Statement</b>	<b>Mean</b>	<b>Standard. Deviation</b>
1.	Government Commercial in confidence outsourced contracts should be scrutinized by the OAG forensic auditing unit whenever any malpractice is suspected.	2.725	1.086
2.	The OAG's failure to provide information on government Commercial in Confidence Contracts impedes investigations of government fraud practices.	2.725	1.240
3.	Despite the lack of access to information on commercial in confidence outsourced government contracts, the OAG's forensic audit reports still remain reliable.	2.725	1.154
4.	Kenya's Supreme Audit Institution, should have full access to the accounts of all funds and authorities of the national government and county governments.	2.625	1.192
<b>Overall Score</b>		<b>2.700</b>	<b>1.168</b>

**Source: Researcher (2023)**

This is the reason why probably most of the respondent moderately agreed that the OAG's failure to provide information on government Commercial in Confidence Contracts impedes investigations of government fraud practices. Justified by a mean of 2.725 and a standard deviation of 1.240. The respondents also moderately agreed that despite the lack of access to information on commercial in confidence outsourced government contracts, the OAG's forensic audit reports still remain reliable. This was justified by a mean of 2.725 and a standard deviation of 1.154. The probable reason for these findings is that forensic audits are more comprehensive, detailed and deep, involving a series of steps to determine if allegations can be substantiated (Grippio & Ibex, 2003). The investigative proficiency and knowledge of the law and rules of evidences motivates the forensic auditors to explore other evidences that could effectively prosecute the corruption perpetrators who might hide under the guise of confidentiality of information in order to escape accountability (Salleh & Aziz, 2014). Finally, the findings observed that Kenya's Supreme Audit Institution, should have full access to the accounts of all funds and authorities of the national government and county governments. This was justified by a mean of 2.625 and a standard deviation of 1.192.

Besides that, based on the open-ended questions asked, most of the respondents opined that secrecy clauses exist to protect commercial information linked to the government and to protect against disclosures that could distort criminal investigations. Though the respondents contended that the

government uses this aspect of confidentiality and secrecy to cover any form of corrupt dealings it could have engaged in thus adversely affecting fraud investigations.

#### 4.9 Descriptive Results Concerning the Independence of the Office of the Auditor General on Forensic auditing in Kenya

The descriptive results showing the independence of the Office of the Auditor General on forensic auditing in Kenya is presented in Table 4.10 below.

**Table 4. 10: Descriptive Results Concerning the Independence of the Office of the Auditor General on Forensic auditing in Kenya**

No.	Statement	Mean	Standard. Deviation
1.	The OAG forensic audit reports are free from bias and can be rated as objective.	3.350	1.777
2.	Due to the increased misappropriation of public funds, forensic auditing should be frequently employed by the OAG.	3.050	1.648
3.	The OAG can only consider utilizing forensic auditing, upon request by Parliament, to conduct forensic audits to establish fraud, corruption or other financial crime.	2.900	1.499
4.	The OAG forensic audit is free to examine any national or county government account that has been suspected of fraud.	2.875	1.505
<b>Overall Score</b>		<b>3.044</b>	<b>1.607</b>

**Source: Researcher (2023)**

A 5-point Likert scale of agreement had been used by the researcher to obtain quantitative data for the descriptive analysis. Mean scores and standard deviations through the SPSS software were employed to analyze the data. The findings of the study observed that the OAG forensic audit reports are free from bias and can be rated as objective. This was justified by a mean of 3.350 and a standard deviation of 1.777 indicating that most of the respondents had agreed with the statement. This is because audit quality can only be realized by the auditor being independent, meaning that any form of noted irregularities can be easily reported without any fear or being influenced (DeAngelo, 1981). The findings also interestingly noted that due to the increased misappropriation of public funds, forensic auditing should be frequently employed by the OAG. This was justified by a mean of 3.050 and a standard deviation of 1.648 indicating that most of the respondents had agreed with the statement. This is because the Kenyan 2010 Promulgated Constitution has empowered the Office of the Auditor-General to independently carry out in-depth forensic audits to establish financial fraud that can be used as evidence in the court of law (Supreme Auditor, 2017).

Aside from that, the respondents moderately agreed that the OAG can only consider utilizing forensic auditing, upon request by Parliament, to conduct forensic audits to establish fraud, corruption or other financial crime. This was justified by a mean of 2.900 and a standard deviation of 1.499. The Parliament's role is only to approve the OAG's request to conduct forensic audits, facilitate for OAG's effective delivery of the auditing process and to receive the findings of the auditing process from the OAG (Supreme Auditor, 2017). But Parliament has no powers to influence the independence of the OAG in regard to how it should conduct its auditing processes, which cases it should audit and which cases should not be audited, since OAG is empowered by the 2010 Kenyan Constitution which is Supreme than any branch of government (Supreme Auditor, 2017). Finally, it was observed that the OAG forensic audit is free to examine any national or county government account that has been suspected of fraud. This was justified by a mean of 2.875 and a standard deviation of 1.505 indicating that most of the respondents had agreed with the statement.

This is because the Public Audit Act, 2015, has mandated and empowered the OAG to carry out forensic audits on any public office to establish fraud, corruption and any other financial fraud.

Based on the open-ended question asked to the respondents concerning Section 37 of the Public Audit Act 2015, most of the respondents argued that the clause limits the independence of the Auditor General since they have to seek permission from Parliament in order to carry out a fraud investigation. This means that if the fraud scandal involved a powerful person in the government then Parliament which can be easily influenced by the Executive can choose to frustrate the investigation process by delaying to respond to the fraud investigation request until the fraudsters have neatly covered their tracks or the Parliament can choose not to grant the request of the Auditor General to conduct fraud investigation.

#### **4.10 Descriptive Results Concerning the Effective Investigation of Corruption Cases in Kenya**

The descriptive results showing the effective investigation of corruption cases in Kenya is presented in Table 4.11 in the next page. A 5-point Likert scale of level of agreement had been used by the researcher to obtain quantitative data for the descriptive analysis. Mean scores and standard deviations through the SPSS software were employed to analyze the data.

**Table 4. 11: Descriptive Results Concerning the Effective Investigation of Corruption Cases in Kenya**

<b>No.</b>	<b>Statement</b>	<b>Mean</b>	<b>Standard Deviation</b>
1.	If forensic audits by the OAG have sufficient evidence of malpractices involving public resources, there would be timely completion of subsequent corruption investigations.	3.700	1.471
2.	If forensic audits were carried out by the OAG whenever suspicion or indications of misappropriation of public funds are noted, increased prosecution of corruption would be achieved.	3.700	1.471
3.	If forensic audit reports by the Office of the Auditor General are comprehensively prepared, there would be an increase in prosecution rates of corruption cases.	3.700	1.471
4.	If forensic audit by the OAG provides sufficient evidence of corruption, there would be successful and increased prosecution of corruption cases.	3.675	1.421
5.	Unlimited access to the accounts of all funds and authorities of the national and county governments would enhance prosecution of public officials involved in malpractices that can be shielded under government commercial in confidence outsourced contracts.	3.500	1.519
<b>Overall Score</b>		<b>3.655</b>	<b>1.471</b>

**Source: Researcher (2023)**

The respondents agreed that if forensic audits by the OAG have sufficient evidence of malpractices involving public resources, there would be timely completion of subsequent corruption investigations. This was supported by a mean score of 3.700 and a standard deviation of 1.471. Moreover, the respondents agreed that if forensic audits were carried out by the OAG whenever suspicion or indications of misappropriation of public funds are noted, increased prosecution of corruption would be achieved. This was supported by a mean score of 3.700 and a standard deviation of 1.471. The respondents also agreed that if forensic audit reports by the Office of the Auditor General are comprehensively prepared, there would be an increase in prosecution rates of corruption cases. This was supported by a mean score of 3.700 and a standard deviation of 1.471. It's worth noting that the respondents also agreed that if forensic audit by the OAG provides sufficient evidence of corruption, there would be successful and increased prosecution of corruption cases. This was supported by a mean score of 3.675 and a standard deviation of 1.421. Finally, the findings observed that most of the respondents agreed that unlimited access to the accounts of all funds and authorities of the national and county governments would enhance prosecution of public officials involved in malpractices that can be shielded under government

commercial in confidence outsourced contracts. This was supported by a mean score of 3.500 and a standard deviation of 1.519.

Based on the open-ended question asked to the respondents as prescribed in the questionnaire, most of the respondents opined that if well utilized, the Office of the Auditor General through their forensic audit reports could play an important role in enabling the efficient conclusion of investigations of corruption cases.

#### 4.11 Pearson Correlation Results

The Pearson Correlation results showing the association between the study variables is presented in Table 4.12 below. The following yardstick was employed a coefficient of 0 symbolizes no linear relationship when trying to interpret the strength of the correlation. A correlation of 0.00 to 0.19 is considered very weak, 0.2-0.39 is considered weak, 0.40-0.59 is considered moderate, 0.6-0.79 is considered strong, and 0.8-1.0 is considered extremely strong (Salkind, 2007).

**Table 4. 12: Pearson Correlation Results**

		<b>Correlations</b>				
		Forensic Audit Reports' Comprehensiveness and Audit Clarity	Limited Access to Government Commercial in Confidence Contracts	Independence of the Office of the Auditor General on Forensic auditing	Corporate Governance	Effective Investigation of Corruption Cases
Forensic Audit Reports' Comprehensiveness and Audit Clarity	Pearson Correlation Sig. (2-tailed)	1	0.424**	0.655**	0.420**	0.572**
	N	40	40	40	40	40
Limited Access to Government Commercial in Confidence Contracts	Pearson Correlation Sig. (2-tailed)	0.424**	1	0.509**	0.510**	0.365*
	N	40	40	40	40	40
Independence of the Office of the Auditor General on Forensic auditing	Pearson Correlation Sig. (2-tailed)	0.655**	0.509**	1	0.662**	0.583**
	N	40	40	40	40	40
Corporate Governance	Pearson Correlation Sig. (2-tailed)	0.420**	0.510**	0.662**	1	0.579**
	N	40	40	40	40	40
Effective Investigation of Corruption Cases	Pearson Correlation Sig. (2-tailed)	0.572**	0.365*	0.583**	0.579**	1
	N	40	40	40	40	40

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

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

The findings observed that there was a moderate positive association that was significant between forensic audit reports' comprehensiveness and effective investigation of corruption cases in Kenya. This was justified by a correlation coefficient of 0.572\*\* and a  $p$ -value of  $0.000 < 0.01$ . When forensic audits are more intensive involving a series of steps to determine if allegations can be substantiated can lead to unraveling the perpetuated financial crimes that is sufficient and effective in prosecuting the perpetrators (Grippio & Ibex, 2003). Moreover, there was a moderate positive significant association between forensic audit reports' comprehensiveness and limited access to Government Commercial in Confidence Contracts. This was justified by a correlation coefficient of 0.424\*\* and a  $p$ -value of  $0.006 < 0.01$ . The findings meant that even if the corrupt individuals uses the excuse of government confidentiality to frustrate the auditing process, a comprehensive investigation involving the exploration of other evidences based on the rule of law can lead to the successful prosecution of the corrupt individuals (Funnel, 2001; Salleh & Aziz, 2014).

Moreover, the study was able to observe a strong positive significant association between forensic audit reports' comprehensiveness and the independence of the Office of the Auditor General on forensic auditing. This was justified by a correlation coefficient of 0.655\*\* and a  $p$ -value of  $0.000 < 0.01$ . This meant that when forensic auditors are granted independence and are not exposed to the risk of conflict of interest then they can comprehensively carry out their duties without fear with an aim to unravel fraudulent activities and the perpetrators behind it for successful prosecution (DeAngelo, 1981; Supreme Auditor, 2017). On the other hand, the findings of the study noted a weak positive significant relationship between limited access to Government Commercial in Confidence Contracts and effective investigation of corruption cases. This was justified by a correlation coefficient of 0.365\* and a  $p$ -value of  $0.021 < 0.05$ . This meant that when auditors are only given limited information due to confidentiality reasons then it might be difficult for the investigation of the corruption cases to be effective.

Besides that, there was a moderate relationship between the independence of the Office of the Auditor General on forensic auditing and effective investigation of corruption cases. This was justified by a correlation coefficient of 0.583\*\* and a  $p$ -value of  $0.000 < 0.01$ . Finally, corporate governance also had a moderate relationship with the effective investigation of corruption cases. This was justified by a correlation coefficient of 0.579\*\* and a  $p$ -value of  $0.000 < 0.01$ .

## 4.12 Regression Analysis Results

The regression analysis results examining the value of forensic audit reports from the Office of the Auditor General towards effective investigation of corruption cases in Kenya are presented in Tables 4.13, 4.14 and 4.15 respectively. Table 4.19 presented below provides the model summary results. 91.4% of the entire data set was explained by the regression model as depicted by the R-Value of 0.914<sup>a</sup>, thus, showcasing that the model was perfect for making predictions. Moreover, 88.6% of the variance noticed in the effective investigation of corruption cases in Kenya was statistically explained by all the three independent variables representing the value of forensic audit reports and also by corporate governance as a control variable. This was justified by the R-Square value of 0.886. The standard error of the estimate posted a value of 0.49596 which was considerably small. This indicated that the data closely followed the regression line thus indicating that the goodness of fit of the model was perfect.

**Table 4. 13: Model Summary Results**

<b>Model Summary<sup>b</sup></b>					
Model	R	R Square	Adjusted R Square	Standard. Error of the Estimate	Durbin-Watson
1	0.940 <sup>a</sup>	0.884	0.883	0.49727	2.348
2	0.941 <sup>b</sup>	0.886	0.884	0.49596	2.348

a. Predictors: (Constant), Independence of the Office of the Auditor General on Forensic auditing, Limited Access to Government Commercial in Confidence Contracts, Forensic Audit Reports' Comprehensiveness and Audit Clarity

b. Predictors: (Constant), Independence of the Office of the Auditor General on Forensic auditing, Limited Access to Government Commercial in Confidence Contracts, Forensic Audit Reports' Comprehensiveness and Audit Clarity, Corporate Governance

c. Dependent Variable: Effective Investigation of Corruption Cases

### Source: Researcher (2023)

The analysis of variance was carried out to establish if the 65.7% variance caused on the effective investigation of corruption cases by the three independent variables (independence of the Office of the Auditor General on forensic auditing, limited access to Government Commercial in Confidence Contracts and forensic audit reports' comprehensiveness) was statistically significant. The findings of the analysis of variance (ANOVA) was presented in Table 4.14 in the next page.

**Table 4. 14: The Analysis of Variance Results**

ANOVA <sup>a</sup>						
Model		Sum of Squares	Df	Mean Square	F	Sig.
1	Regression	998.270	3	332.757	1345.692	0.000 <sup>b</sup>
	Residual	130.809	529	0.247		
	Total	1129.079	532			
2	Regression	999.942	7	142.849	580.746	0.000 <sup>c</sup>
	Residual	129.137	525	0.246		
	Total	1129.079	532			

a. Dependent Variable: Effective Investigation of Corruption Cases

b. Predictors: (Constant), Independence of the Office of the Auditor General on Forensic auditing, Limited Access to Government Commercial in Confidence Contracts, Forensic Audit Reports' Comprehensiveness and Audit Clarity

c. Predictors: (Constant), Independence of the Office of the Auditor General on Forensic auditing, Limited Access to Government Commercial in Confidence Contracts, Forensic Audit Reports' Comprehensiveness and Audit Clarity, Corporate Governance

**Source: Researcher (2023)**

The findings observed that the 65.7% variance caused on the effective investigation of corruption cases by the three independent variables (independence of the Office of the Auditor General on forensic auditing, limited access to Government Commercial in Confidence Contracts and forensic audit reports' comprehensiveness) was statistically significant. This is because the ANOVA results posted a  $p$ -value of 0.000<sup>b</sup> which was greater than the benchmark figure of 0.05, moreover, the F-Statistic of 23.034 was considerably a large value. The Regression Coefficient results posted in Table 4.15 in the next page showed how each independent variable influenced the effective investigation of corruption cases in Kenya.

**Table 4. 15: Regression Coefficient Results**

Model	Coefficients <sup>a</sup>						
	Unstandardized Coefficients		Standardized Coefficients	t	Sig.	Collinearity Statistics	
	B	Std. Error	Beta			Tolerance	VIF
1 (Constant)	1.092	0.447		2.442	0.020		
Forensic Audit Reports' Comprehensiveness	0.452	0.214	0.386	2.112	0.022	0.285	3.504
Limited Access to Government Commercial in Confidence Contracts	-0.099	0.189	-0.092	-1.273	0.048	0.741	1.350
independence of the Office of the Auditor General on forensic auditing	0.500	0.211	0.479	2.481	0.017	0.258	3.882
2 (Constant)	0.191	0.179		1.063	0.288		
Corporate Governance	0.046	0.018	0.038	2.544	0.011	0.255	3.801

a. Dependent Variable: Effective Investigation of Corruption Cases

**Source: Researcher (2023)**

Based on the findings presented in Table 4.21 above, the researcher was able to construct the following regression equation;

$$y = 1.092 + 0.452X_1 - 0.099X_2 + 0.500X_3 + 0.046X_4$$

Whereby;

- y = the dependent variable representing the effective investigation of corruption cases
- X<sub>1</sub> = forensic audit reports' comprehensiveness and audit clarity
- X<sub>2</sub> = limited access to Government Commercial in Confidence contracts
- X<sub>3</sub> = independence of the Office of the Auditor General on forensic auditing
- X<sub>4</sub> = corporate governance (control variable)

The constant value of 1.092 indicated that in the absence of all the 3 independent variables when everything else is held constant then the level of effective investigation of corruption cases will be at 1.092 which is considerably low ( $p$ -value = 0.020 < 0.05). Thus indicating the importance of the value of forensic audit reports from the Auditor General towards ensuring effective investigation of corruption cases in Kenya. Each of the regression coefficient are explained in line with the study objectives in the following subsections;

#### **4.12.1 Effect of Forensic Audit Reports' Comprehensiveness and Audit Clarity on Effective Investigation of Corruption Cases in Kenya**

The first regression coefficient value of 0.452 was used to address the first specific objective of the study that sought to establish the effect of forensic audit reports' comprehensiveness and audit clarity on effective investigation of corruption cases in Kenya. The regression coefficient revealed that a unit increase of the forensic audit reports' comprehensiveness and audit clarity subsequently leads to 45.2% increase of effectiveness in investigation of corruption cases in Kenya, which is statistically significant (coefficient = 0.452 & P-value=0.022<0.05). The findings meant that forensic audit reports' comprehensiveness and audit clarity significantly leads to effective investigation of corruption cases in Kenya. The findings of the study concurred with Olukayode (2018) who observed that comprehensive forensic auditing techniques leads to successful prosecution of corruption cases in Nigeria though the only difference is that the aforementioned study established no significant relationship. The findings were also congruent with both Kundu (2017) and Odelabu (2014) who posited that comprehensive forensic auditing involving data analysis, interviews, undercover operation, document reviews, financial transaction analysis, background investigation and data mining techniques leads to unearthing of fraudulent/corrupt activities that can be used as evidence for successful prosecution in the court of law.

In line with the fraud management lifecycle theory, the findings of the study agrees with Wilhelm (2004) that comprehensive forensic auditing easily detects fraud conducted together with the perpetrators, thus, leading to successful prosecution of the perpetrators in the court of law in order to deter future fraud occurrences that could create huge losses. When forensic audits are more intensive involving a series of steps to determine if allegations can be substantiated they can lead to unraveling the perpetuated financial crimes that is sufficient and effective in prosecuting the perpetrators (Grippio & Ibex, 2003). A comprehensive forensic audit report from the OAG would highly contribute to the efficiency of concluding subsequent investigations by other agencies on a matter. Despite the main thrust of forensic auditing being the financial aspect of investigation, it also encompasses all the necessary investigative expertise and experience such as interrogative skills, knowledge of law and rules of evidences, investigative proficiency, and interpersonal skills to bring out details necessary for molding sufficient water-tight evidence (Salleh & Aziz, 2014).

#### **4.12.2 Effect of Limited Access to Government Commercial in Confidence Contracts on Effective Investigation of Corruption Cases in Kenya**

The second regression coefficient value of -0.063 was used to address the second specific objective of the study that sought to establish the effect of limited access to Government Commercial in Confidence Contracts on effective investigation of corruption cases in Kenya. The regression coefficient revealed that a unit increase of limited access to Government Commercial in Confidence Contracts subsequently leads to 9.9% decrease in effective investigation of corruption cases in Kenya, (coefficient = -0.099 &  $p$ -value  $0.048 < 0.05$ ). This means that when forensic auditors are restricted from accessing some vital information that can unravel the fraud together with the fraud perpetrators then it might be hard for them to carry out a successful investigation that can lead to effective prosecution. Similarly, other users will not find reason to rely on the report from the SAI while aware that their scope of evidence is limited. The findings concurs with the Fraud Pentagon theory that government confidentiality can be used as an opportunity to perpetuate and conceal fraud by competent and arrogant employees since they know that they can't be caught (Wolfe & Hermanson, 2004; Marks, 2012).

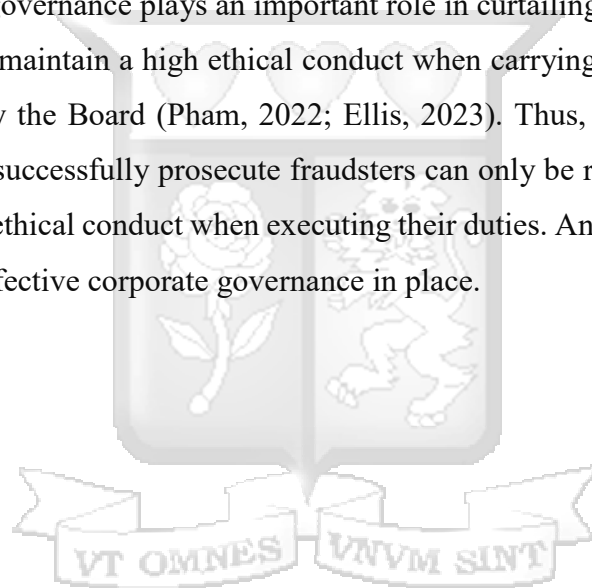
The findings of the study agrees with Barton (2006) who noted that outsourcing activities in a commercial-in-confidence basis restricts accountability and transparency which could lead to failure to realize effective investigation of corruption cases. Though, Funnel (2001) together with Salleh and Aziz (2014) posited that even if the corrupt individuals uses the excuse of government confidentiality to frustrate the auditing process, a comprehensive investigation involving the exploration of other evidences based on the rule of law can lead to the successful prosecution of the corrupt individuals (Funnel, 2001; Salleh & Aziz, 2014).

#### **4.12.3 Effect of the Independence of the Office of the Auditor General on Effective Investigation of Corruption Cases in Kenya**

The third and final regression coefficient value of 0.532 was used to address the last specific objective of the study that sought to establish the effect of the independence of the Office of the Auditor General on effective investigation of corruption cases in Kenya. The regression coefficient revealed that a unit increase of the independence of the Office of the Auditor General subsequently leads to 53.2% increase in effective investigation of corruption cases in Kenya, which is statistically significant (coefficient = 0.532 &  $P$ -value =  $0.017 < 0.05$ ). The findings of the study meant that when the Office of the Auditor General is completely independent from undue influence

and from conflicts of interest on when, where and how they can utilize forensic auditing, then its forensic auditing activities would significantly improve effective investigations of corruption that could lead to successful prosecution. Additionally, when forensic auditors are granted independence and are not exposed to the risk of conflict of interest then they can comprehensively carry out their duties without fear with an aim to unravel fraudulent activities and the perpetrators behind it for successful prosecution (DeAngelo, 1981; Supreme Auditor, 2017).

Finally, with regard to corporate governance as a control variable, the findings observed that a unit increase of corporate governance subsequently leads to 4.6% increase in effective investigation of corruption cases in Kenya, which is statistically significant (coefficient = 0.046 &  $p$ -value =  $0.017 < 0.05$ ). Corporate governance plays an important role in curtailing corruption fraud through ensuring that employees maintain a high ethical conduct when carrying out their duties based on the tone at the top set by the Board (Pham, 2022; Ellis, 2023). Thus, the production of quality forensic audit reports to successfully prosecute fraudsters can only be realized when the forensic auditors maintain a high ethical conduct when executing their duties. And this can only be realized when there is a proper effective corporate governance in place.



## CHAPTER FIVE

### SUMMARY OF RESEARCH FINDINGS, CONCLUSIONS AND RECOMMENDATIONS

#### 5.1 Introduction

This chapter summarizes the discussion of the statistical findings the study was able to achieve in regard to examining the value of forensic audit reports from the Office of the Auditor General towards effective investigation of corruption cases in Kenya. The chapter then goes ahead to discuss the conclusions that could be made from the interpreted research findings and the proposed recommendations that closes the chapter.

#### 5.2 Summary of Discussion of Findings

This section summarizes the discussion of findings in line with each specific objective.

##### 5.2.1 Effect of Forensic Audit Reports' Comprehensiveness and Audit Clarity on Effective Investigation of Corruption Cases in Kenya

Descriptive and regression analyses were employed to establish the effect of forensic audit reports' comprehensiveness and audit clarity on effective investigation of corruption cases in Kenya in line with addressing the first specific objective of the study. The descriptive results noted that a comprehensive forensic audit report from the OAG would highly contribute to the efficiency of concluding subsequent investigations by other agencies on a matter. The descriptive results also observed that through their comprehensiveness, the OAG forensic audit reports can be utilized as sufficient and appropriate evidence by the ODPP to initiate prosecution. The regression analysis results was able to note that the forensic audit reports' comprehensiveness and audit clarity can significantly lead to the effective investigation of corruption cases in Kenya. The findings of the study concurred with Olukayode (2018) who observed that comprehensive forensic auditing techniques leads to successful prosecution of corruption cases in Nigeria though the only difference is that the aforementioned study established no significant relationship.

The findings were also congruent with both Kundu (2017) and Odelabu (2014) who posited that comprehensive forensic auditing involving data analysis, interviews, undercover operation, document reviews, financial transaction analysis, background investigation and data mining techniques leads to unearthing of fraudulent/corrupt activities that can be used as evidence for

successful prosecution in the court of law. In line with the fraud management lifecycle theory, the findings of the study agree with Wilhelm (2004) that comprehensive forensic auditing easily detects fraud conducted together with the perpetrators, thus, leading to successful prosecution of the perpetrators in a court of law in order to deter future fraud occurrences that could create huge losses. When forensic audits are more intensive involving a series of steps to determine if allegations can be substantiated, they can lead to unraveling the perpetuated financial crimes that is sufficient and effective in prosecuting the perpetrators (Grippe & Ibex, 2003). A comprehensive forensic audit report from the OAG would highly contribute to the efficiency of concluding subsequent investigations by other agencies on a matter.

Despite the main thrust of forensic auditing being the financial aspect of investigation, it also encompasses all the necessary investigative expertise and experience such as interrogative skills, knowledge of law and rules of evidences, investigative proficiency, and interpersonal skills to bring out details necessary for molding sufficient water-tight evidence (Salleh & Aziz, 2014). The findings concur with the Fraud Management lifecycle theory that forensic audit reports' comprehensiveness and audit clarity through thorough fraud detection and fraud analysis leads to effective investigation and successful prosecution.

### **5.2.2 Effect of Limited Access to Government Commercial in Confidence Contracts on Effective Investigation of Corruption Cases in Kenya**

Descriptive and regression analyses were employed to establish the effect of limited access to Government Commercial in Confidence Contracts on effective investigation of corruption cases in Kenya in line with addressing the second specific objective of the study. The descriptive findings observed that Government Commercial in confidence outsourced contracts should be scrutinized by the OAG forensic auditing unit whenever any malpractice is suspected. The descriptive findings also noted that despite the lack of access to information on commercial in confidence outsourced government contracts, the OAG's forensic audit reports still remain reliable. The probable reason for these findings is that forensic audits are more comprehensive, detailed and deep, involving a series of steps to determine if allegations can be substantiated (Grippe & Ibex, 2003). The regression results revealed that limited access to Government Commercial in Confidence Contracts decreases effective investigation of corruption cases in Kenya, though statistically insignificant. This meant that when forensic auditors are restricted from accessing some vital information that

can unravel the fraud together with the fraud perpetrators then it might be hard for them to carry out a successful investigation that can lead to effective prosecution.

The findings concur with the Fraud Pentagon theory that government confidentiality can be used as an opportunity to perpetuate and conceal fraud by competent and arrogant employees since they know that they can't be caught (Wolfe & Hermanson, 2004; Marks, 2012). The findings of the study agree with Barton (2006) who noted that outsourcing activities in a commercial-in-confidence basis restricts accountability and transparency which could lead to failure to realize effective investigation of corruption cases. Though, Funnel (2001) together with Salleh and Aziz (2014) posited that even if the corrupt individuals use the excuse of government confidentiality to frustrate the auditing process, a comprehensive investigation involving the exploration of other evidences based on the rule of law can lead to successful prosecution of corrupt individuals (Funnel, 2001; Salleh & Aziz, 2014). The study also concurs with the Fraud Management lifecycle theory that limited access to Government Commercial in Confidence contracts through fraud detection, analysis and fraud policy (that empowers investigators to access confidential government material) reduces effective investigation and prosecution the final stage of the theory.

The study also concurs with the Public Choice theory that limiting the forensic auditors from accessing the Government Commercial in Confidence contracts for personal interests with an aim of hiding the illegal acts carried out in a government institution would lead to ineffective investigation of corruption cases.

### **5.2.3 Effect of the Independence of the Office of the Auditor General on Effective Investigation of Corruption Cases in Kenya**

Descriptive and regression analyses were employed to establish the effect of independence of the Office of the Auditor General on effective investigation of corruption cases in Kenya in line with addressing the third specific objective of the study. The descriptive results observed that the OAG forensic audit reports are free from bias and can be rated as objective. The descriptive findings also interestingly noted that due to the increased misappropriation of public funds, forensic auditing should be frequently employed by the OAG. This is because the Kenyan 2010 Promulgated Constitution has empowered the Office of the Auditor-General to independently carry out in-depth forensic audits to establish financial fraud that can be used as evidence in the court of law (Supreme Auditor, 2017). Aside from that, the descriptive findings noted that the OAG can only consider utilizing forensic auditing, upon request by Parliament, to conduct forensic audits to establish

fraud, corruption or other financial crime. The Parliament's role is only to approve the OAG's request to conduct forensic audits, facilitate for OAG's effective delivery of the auditing process and to receive the findings of the auditing process from the OAG (Supreme Auditor, 2017).

But Parliament has no powers to influence the independence of the OAG in regard to how it should conduct its auditing processes, which cases it should audit and which cases should not be audited, since OAG is empowered by the 2010 Kenyan Constitution which is Supreme than any branch of government (Supreme Auditor, 2017). Finally, the descriptive results observed that the OAG forensic audit is free to examine any national or county government account that has been suspected of fraud. This is because the Public Audit Act, 2015, has mandated and empowered the OAG to carry out forensic audits on any public office to establish fraud, corruption and any other financial fraud.

The regression results observed that the independence of the Office of the Auditor General significantly increases the effective investigation of corruption cases in Kenya. The findings of the study meant that when the Office of the Auditor General is completely independent from undue influence and from conflicts of interest then its forensic auditing activities would significantly improve effective investigations of corruption that could lead to successful prosecution. Additionally, when forensic auditors are granted independence and are not exposed to the risk of conflict of interest then they can comprehensively carry out their duties with an aim to unravel fraudulent activities and the perpetrators behind it for successful prosecution (DeAngelo, 1981; Supreme Auditor, 2017). The findings of this study concur with the fraud diamond theory that influential individuals linked to corruption can influence the independence of the office of the auditor thus hindering effective investigation of corruption cases.

### **5.3 Conclusions**

In line with the first specific objective of the study we can conclude that the forensic audit reports' comprehensiveness and audit clarity significantly leads to the effective investigation of corruption cases in Kenya. Moreover, comprehensive forensic audit report from the OAG contributes to the efficiency of concluding subsequent investigations by other agencies on a matter. Due to their comprehensiveness, the OAG forensic audit reports can be utilized as sufficient and appropriate evidence by the ODPP to initiate prosecution. In line with the second specific objective of the study we can conclude that limited access to Government Commercial in Confidence Contracts decreases effective investigation of corruption cases in Kenya, though not momentarily. This is

the reason why the Government Commercial in confidence outsourced contracts should be scrutinized by the OAG forensic auditing unit whenever any malpractice is suspected.

Finally, in line with the third specific objective of the study we can conclude that the independence of the Office of the Auditor General significantly increases the effective investigation of corruption cases in Kenya. When the Office of the Auditor General is completely independent from undue influence and from conflicts of interest then its forensic auditing activities would significantly improve effective investigations of corruption that could lead to successful prosecution. Finally, the study also concludes that Parliament has no powers to influence the independence of the OAG in regard to how it should conduct its auditing processes, which cases it should audit and which cases should not be audited, since OAG is empowered by the 2010 Kenyan Constitution which is Supreme than any branch of government (Supreme Auditor, 2017).

## **5.4 Recommendations**

### **5.4.1 Recommendation for Practice**

The Office of the Auditor General is recommended to be always comprehensive when conducting forensic auditing activities. A detailed forensic audit report answering to the questions of who, where, when, what and which will ease the conclusion of investigations done by the subsequent agencies. In the face of little evidence when the corrupt individuals use the excuse of government confidentiality to frustrate the auditing process, a comprehensive investigation involving the exploration of other evidences based on the rule of law can lead to the successful prosecution.

The study contributes to the exiting auditing/fraud literature by establishing the value of forensic audit reports from the Office of the Auditor General towards effective investigation of corruption cases in Kenya.

### **5.4.2 Recommendation for Policy Formulation**

The study recommends for the policymakers to formulate policies that will make the Office of the Auditor General to be more autonomous and be granted unlimited access to confidential information protected by the government for the sake of increasing government transparency and accountability.

### **5.4.3 Areas for Further Research**

This study was limited to analysing the significance of forensic audit reports from the Office of the Auditor General towards effective investigation of corruption cases in Kenya. Future research can open out into the investigating agencies to find out if indeed the forensic audit reports are well utilized in the conduct of further investigations, equally on the subject of corruption deterrence in Kenya, further research can be done to establish why the courts find the evidence provided is not sufficient enough for prosecution. All these studies combined would add value to the fight against corruption in Kenya.

### **5.5 Study Limitations**

This study was limited in the context of Kenya. Therefore, future researchers can use this study to extend the research to other countries or even into the private sector. Moreover, this study solely relied on questionnaires to address its objectives; future studies can consider qualitative approaches such as interviews and focus group discussions to provide more in-depth information concerning the value of forensic audit reports towards effective investigation of corruption cases.



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## APPENDICES

### APPENDIX 1: INTRODUCTION LETTER

**Amon Nyansera Nyakundi**

Strathmore University,  
Strathmore Business School  
P.O. Box 59857 – 00200,  
**Nairobi.**

Dear respondent,

#### **RE: RESEARCH DATA COLLECTION REQUEST.**

I am a final-year Master of Commerce student at Strathmore University. My research topic is “The value of Forensic Audit reports from the Office of the Auditor General towards effective investigation of corruption cases in Kenya. This research contributes to my Master's degree completion.

I respectfully request that you take part in this research. I guarantee that all information you provide will be kept strictly confidential and used solely for the purposes of this study.

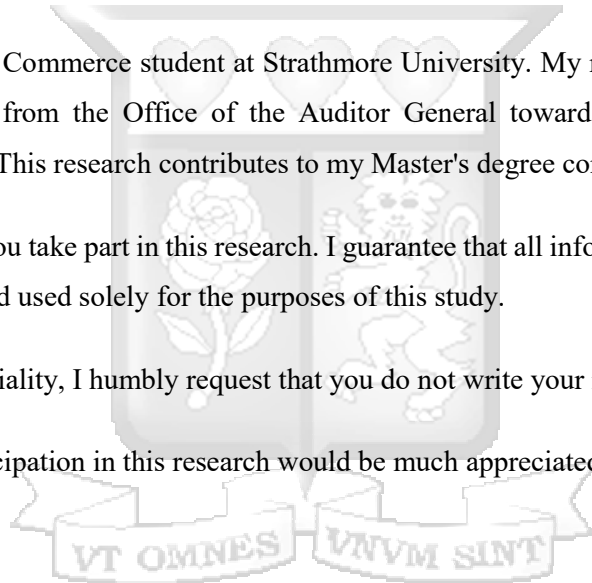
To preserve strict confidentiality, I humbly request that you do not write your name in the form.

Your cooperation and participation in this research would be much appreciated.

Thank you once again,

---

**Amon Nyansera Nyakundi**



**APPENDIX 2: QUESTIONNAIRE**

*Please Tick where appropriate.*

**PART A: RESPONDENT’S BASIC INFORMATION**

- 1. Please indicate your Gender: Male [ ] Female [ ]
- 2. Please indicate your education Level: PhD [ ]; Master [ ]; Degree [ ]; Diploma [ ]
- 3. Professional Qualification: CPA [ ]; CFE [ ]; CISA [ ]; CIA [ ]; CIFA [ ];  
Others: please specify. ....
- 4. Age: < 20 years [ ]; 20 – 30 [ ]; 30 – 40 [ ]; >40 [ ]
- 5. Your current level in the organization: Top [ ]; Middle [ ]; Lower [ ]

**PART B: COMPREHENSIVENESS OF FORENSIC AUDIT REPORTS IN CORRUPTION INVESTIGATIONS**

This section assesses the content of the forensic audit reports in addressing material issues of investigation cases.

- 6. Please indicate your level of agreement with the statements below.  
(a) **1 = Strongly disagree; 2 = Disagree; 3 = Neutral; 4 = Agree; 5 = Strongly agree**

	1	2	3	4	5
Forensic audit reports from the Office of the Auditor General (OAG) comprehensively capture key Issues that enhance conclusion of investigations.					
A comprehensive forensic audit report from the OAG would highly contribute to the efficiency of concluding subsequent investigations by other agencies on a matter					
The OAG Forensic audit reports require minimal modification to conclude corruption investigations and submit for prosecution consideration					
Due to their comprehensiveness, the OAG forensic audit reports can be utilized as sufficient and appropriate evidence by the ODPP to initiate prosecution					

- (b) On a suspected corruption case, which details would you expect to find in a forensic audit report to satisfactorily term it as comprehensive?

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**PART C: EFFECT OF INFORMATION ACCESS RESTRICTIONS TO PUBLIC AUDIT ON COMMERCIAL IN CONFIDENCE OUTSOURCED CONTRACTS**

This section requests your opinion on the issue of information access restrictions to audit on commercial in confidence outsourced government contracts.

- 7. Please indicate your level of agreement with the statements below.  
(a) **1 = Strongly disagree; 2 = Disagree; 3 = Neutral; 4 = Agree; 5 = Strongly agree**

	1	2	3	4	5
Kenya’s Supreme Audit Institution, should have full access to the accounts of all funds and authorities of the national government and county governments					

The OAG's failure to provide information on government Commercial in Confidence Contracts impedes investigations of government fraud practices					
Government Commercial in confidence outsourced contracts should be scrutinized by the OAG forensic auditing unit whenever any malpractice is suspected					
Despite the lack of access to information on commercial in confidence outsourced government contracts, the OAG's forensic audit reports still remain reliable					

(b) In your opinion, what could be the reasons for preparation of contracts funded through public funds with secrecy clauses and what is the effect of that on fraud investigations?

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**PART D: LEVEL OF INDEPENDENCE OF THE OAG TO EMPLOY FORENSIC AUDITING AS AN EFFECTIVE TOOL IN FRAUD AND CORRUPTION**

This section asks for your opinion on the determinants by the Office of the Auditor General to deploy the forensic auditing department.

8. Please indicate your level of agreement with the statements below.  
 (a) **1 = Strongly disagree; 2 = Disagree; 3 = Neutral; 4 = Agree; 5 = Strongly agree**

	1	2	3	4	5
The OAG can only consider utilizing forensic auditing, upon request by Parliament, to conduct forensic audits to establish fraud, corruption or other financial crime					
The OAG forensic audit is free to examine any national or county government account that has been suspected of fraud					
Due to the increased misappropriation of public funds, forensic auditing should be frequently employed by the OAG					
The OAG forensic audit reports are free from bias and can be rated as objective.					

(b) Section 37 of the Public Audit Act 2015 provides that the Auditor General may, upon request by Parliament, conduct forensic auditing to establish whether fraud, corruption or other financial improprieties have occurred. What is your opinion on the clause 'upon request by Parliament' in the Act?

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**PART E: EFFECTIVE INVESTIGATIONS OF CORRUPTION CASES**

This section seeks for your opinion on the effective investigations of corruption cases in Kenya.

9. Please indicate your level of agreement with the statements below.  
 (a) **1 = Strongly disagree; 2 = Disagree; 3 = Neutral; 4 = Agree; 5 = Strongly agree**

	1	2	3	4	5
If forensic audit reports by the Office of the Auditor General are comprehensively prepared, there would be an increase in prosecution rates of corruption cases.					
Unlimited access to the accounts of all funds and authorities of the national and county governments would enhance prosecution of public officials involved in malpractices that can be shielded under government commercial in confidence outsourced contracts.					
If forensic audits were carried out by the OAG whenever suspicion or indications of misappropriation of public funds are noted, increased prosecution of corruption would be achieved.					
If forensic audit by the OAG provides sufficient evidence of corruption, there would be successful and increased prosecution of corruption cases					
If forensic audits by the OAG have sufficient evidence of malpractices involving public resources, there would be timely completion of subsequent corruption investigations.					

b. What is your opinion on the contribution of the Office of the Auditor General’s forensic audit reports towards the investigation and prosecution of corruption cases in Kenya?

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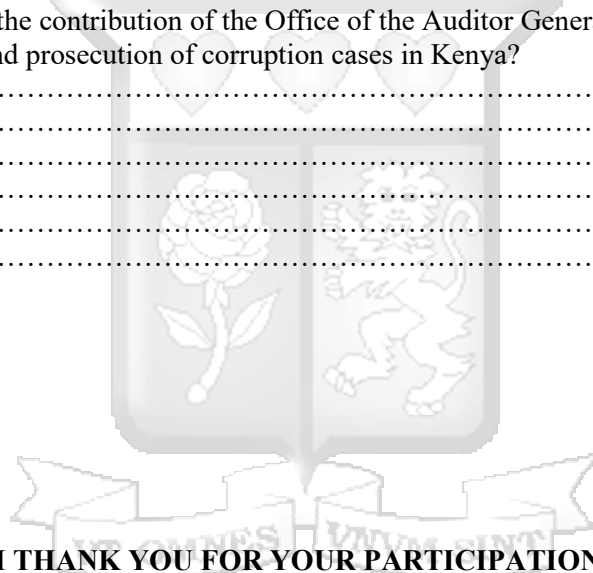
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**I THANK YOU FOR YOUR PARTICIPATION**