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**CAPACITY BUILDING ON ENHANCING AUDITS FOR IMPROVED FINANCIAL
GOVERNANCE BY THE OFFICE OF THE AUDITOR GENERAL IN KENYA**

FREDRICK OLUOCH ODHIAMBO

No. 95872



**A THESIS SUBMITTED IN PARTIAL FULFILMENT OF THE REQUIREMENTS FOR
THE AWARD OF DEGREE OF MASTER'S IN PUBLIC POLICY AND
MANAGEMENT AT STRATHMORE BUSINESS SCHOOL,
NAIROBI, KENYA**



June, 2024

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.

NAME: FREDRICK OLUOCH ODHIAMBO

REG. NO: 95872

Sign.....   Date; May 30th , 2024...

Approval by Supervisor

This thesis has been submitted with my approval.



Sign:  . Date; May 31st, 2024

Prof. Joseph O. Onyango PhD

Associate Professor, Strathmore Business School, Kenya

DEDICATION

To my beloved parents, Hellen and Chris Odhiambo, my Partners and Children, I wish to extend my deepest gratitude for their unwavering support and provision of resources that enabled me to pursue my education. Their unconditional love and constant prayers have been a source of strength and motivation throughout my Master's academic journey. They serve as my ultimate role models, consistently encouraging me to strive for excellence and reach new heights. I am delighted to announce that this journey has now come to a close, and I attribute all glory and honor to God.



ACKNOWLEDGMENT

I extend my deepest gratitude to God for his unwavering guidance, protection, and blessing of good health throughout the entirety of this research journey. I am profoundly thankful to my supervisor, **Prof. Joseph O. Onyango PhD**, whose diligent guidance and insightful advice played a pivotal role in the successful completion of this research project. My heartfelt appreciation also goes out to my friends, classmates, and family members, whose moral and material support, along with their encouragement and willingness to review drafts of this thesis, have been invaluable.

The opportunity to work within the supportive and holistic environment of Strathmore Business School has been instrumental in the success of my Master's Program. I am sincerely grateful for the unwavering support and guidance I received from the staff and faculty throughout this journey. Special thanks are also due to all the staff of the Office of the Auditor-General, especially the ninety-five that participated in this study. I am deeply appreciative of the executives and staff members who contributed information that greatly supported the success of this study.

I recognize that this achievement was made possible through the collective efforts of my surrounding community. To my siblings, friends, and fellow students, your unwavering support has been a constant source of strength and motivation. May God abundantly bless each one of you for your contributions and sacrifices during this process.

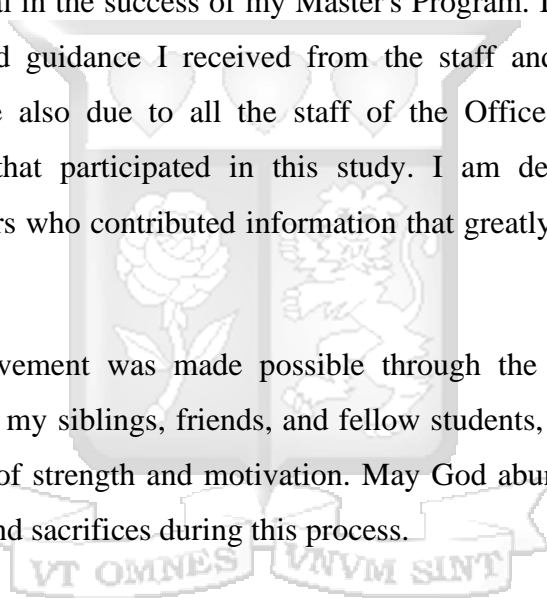


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LIST OF ABBREVIATIONS AND ACRONYMS

OAG: Office of Auditor-General

PwC: Price Waterhouse Coopers

KENAO: Kenya National Audit Office

PAA: Public Audit Act

SPSS: Statistical Package for Social Sciences

RBV: Resource Based View

IA: Internal Audit

PPP: Public Private Partnership

LMICs: Low- and middle-income countries

IAQ: Internal Audit Quality



ABSTRACT

Improving management and governance are backbones to nonprofits operations as they ensure the organization has a resilient human capacity that is committed to achieve the objectives of the organization, otherwise referred as capacity building. A failure to manage this resource may cause organization failure. There are two general ways through which any organization whether a government or non-government, can operate and achieve its missions successfully. These are through good governance and wise utilization of resources and then through persistence and reliable determination to achieve their desired results. It has been noted that attention is normally paid by researches on matters of audit quality and reporting, accountability and transparency, good governance, corporate governance, digital transformation and through systematic reviews of literature but none covers the scope of financial governance. This study was conducted to show how capacity building affects audits for better financial governance by the Office of the Auditor General in Kenya. The main objectives were to find out how human capacity building aids, legal capacity building, institutional and infrastructural capacity building that then enhances audits for improved financial governance by the OAG in Kenya. Multiple linear regression analysis model and SPSS version 29.0, data presentation involved the use bar graphs, column graphs, pie charts, line graphs and tables. The study reveals after comprehensive analysis that, various forms of capacity building human, legal, institutional, and infrastructural reveals their collective significance in enhancing audit performance within organizations. Across the board, investing in capacity building initiatives yields notable positive effects on audit performance, as evidenced by statistically significant findings and correlations. The study recommends that, to enhance audit performance and promote effective governance, organizations should prioritize the development and implementation of clear and robust policies that guide audit activities. These policies should encompass all aspects of audit processes, including planning, execution, reporting, and follow-up actions. Furthermore, policies should be regularly reviewed and updated to ensure alignment with changing regulatory requirements and organizational needs. By establishing comprehensive policies, organizations can provide auditors with clear guidance and standards to follow, fostering consistency, reliability, and transparency in audit practices

CHAPTER ONE: INTRODUCTION

This chapter entails background of the study; explained in global perspective, regional perspective and African perspective, the chapter also entails problem statement, research objectives, research questions, scope of the study and lastly summarize the significance of the study

1.1 Background of the study

1.1.1 Capacity Building

The aptness of capacity building is its approach that empowers an organization to attain its mission and fulfill its purpose through sound management and displaying good governance; as well as re-dedicating itself by blazing the way to final achievements. Organizational mission, either management or governance can be fulfilled by using the composition either sound or mix management good governance or keep pointed to achieving results (Harsh, 2010).

Whittle et al (2012) derived from Honadle (1981) scholarship proposes that organizational capacity be understood as not just one, but a complex of capacities including the capacity to deal with and manage change; make well thought out and informed decisions; launch and manage programs; attract and use resources well; and monitor outcomes to offer guidance for future move. Honadle notes capacity building framework encompasses all aspects of capacity; this way, there is a position on the means of measuring and addressing organizational weaknesses and strengths.

According to a research study by Bergeron et al (2017), they analyzed and reviewed all theories, models, and frameworks that are used in capacity building relevant to public health. This is further proof that theories, models, and frameworks should be made to be explicit, identified, and in most cases referenced against previous practices. And that the intervention programs used should be formulated in a clear way that shows how they use the indicated theories.

In the study on the usefulness of capacity-building interventions in regard to public health practice, Watson et al (2018) published a literature that showed positive outcomes in capacity-building interventions of interest and individual-level improvement in particular.

Good governance is a prerequisite for economic transformation and keeping the developed as well as developing countries on the right track. However, many of the developing countries

struggle in both capacity and the will to pursue and implement the proper governance, unlike the developed ones that do have the same reason, but a higher capacity and the will to transform their economies. With this purpose in mind, capacity development is now being recognized as a significant element of policy and development advancement, by both the international development regime and the developing countries.

Despite the fact that training is required at a global scale, especially in the countries that depend on aid, it is time-sensitive and it results in human and technical deficiencies in offering widely needed expertise and training. More studies that are well-designed are needed since those that were currently available showed a wide range of methodological problems. That is, of course, the reason why more regional studies should be done to understand local genesis of these concepts and ideas.

1.1.2 Enhancing Audits

The emergence of new facts about scandals in public and private sphere for the last decade is the indication of an important role of auditors in order to maintain the reliability and reduce the trust deficit in financial reporting. The duties of audit practitioners constitute a necessary part of maintaining a balanced market by providing assurance that financial statements are reliable, and transparent and useful for a variety of users. Trust towards the market is thus enhanced (Russo & Njeri, 2022).

Traveling down this road, they conducted a comprehensive audit in the public sector, so naturally this is one of the important factors that makes transparency and good governance. In this paper, they found out that the availability of a subject that focuses on transparency and good governance in the Rivers State, Nigeria, has affected the accountability of fiscal resources on one hand, and on the other hand it showed that by performing auditing and other good governance practices and financial transparency, the public financial accountability is to a greater extent treated as the primary determinant. For instance, in ensuring that corruption is totally eliminated whereby the government business would be fully in accordance with accountability, transparency, effectiveness and efficiency among others, responsiveness, future visioning and rule of law is the nation goal so that the population is propelled to economic well-being status.

The idea was approved in the new research by Hakimi et al in (2023) through the internal audit, internal control system and corporate governance practices that were found to be efficient.

According to this statement, the quality reports not only provide comprehensive and recent data, but these data are also actionable, which can inform decision-making process. All these data are factual and verifiable, adequate and provides the organization's accurate situation at the appropriate time; it reasonably and true-to-life picture of the related entity. Therefore, within the implications there are two choices - either the experiment could either be carried out by the private or public (sector business organization) either by an ordinary interview. It went into the nuts and bolts of internal auditing and that audits are system depended and not the operations of the day-to-day business.

Kaawase and his team (2021) experimented through a 45 financial institutions survey questionnaire in Uganda to advocate for a relationship that exists between corporate governance, internal audit quality and financial reporting of the financial institutions. The study made the discovery that there is a high positive correspondence between the quality of an audit and the report of financial statement. In spite of the fact that there is existence of a majority of boards that are independent from management was not among the signifying variables in the prediction of financial reporting quality but this factor is one of the key elements of good corporate governance. The study is comparative and non-contributory to audit quality.

Russo and Neri (2022) remarked that the main regulative measures towards the audit sector in the recent years were purposed to have a beneficial effect on the company's behavior and to set higher quality of the auditing process as a benchmark from above, impacting the market perception in a positive way. As for the investigation, they tried to introduce corporate governance in the audit practice`s to show the effect on the market share of the audit practices and particularly in the UK, where audit`s business methods are related to corporate governance standard setters` efforts to improve the subject in the audit practices and enrich the academic research. The research area included both the governance of both small and giant corporations in terms of the quality of audit.

Accountability and transparency were evaluated as the measure of success of Amalia (2023) in public sector reform with the example from the literature review. The concept of accountability and transparency serves as a basis in the public sector where these principles are necessary in order to maintain performance, retain trust and accomplish the objectives of government. The

public output has been changed markedly for many years with the growing emphasis on accountability and transparency.

As the digital transformations take new forms, the role of audit can be strengthened as an effective governance mechanism, analyzed in the case of Malaysia by Yusof et al (2023). One of the key implications of my research was that digital transformation of the audit process which was evident in the case in Malaysia which was not at a sophisticated level yet. It implies that the fact that the audit industry is undergoing digital transformation it contributed to a wider coverage and thus wide geographic areas. Therefore, through the comprehensive assessment of these challenges and needs, the government can come up with targeted solutions. For instance, the results of these assessments can steer towards the reduction of reliance on fossil fuel-based generation, environmental damaged, and air pollution. Plus, this study referred to no audit work at all, and only covered a section of digital change.

Accordingly, to the research of Montero and Le Blanc (2019), external audits has a positive role to promote transparency and accountability for the Sustainable Development Goals. Audit recommendations can be an important tool for governments to reach their SDGs (Sustainable Development Goals) however, the implementation road is the long journey and its hard.

1.1.3 Financial Governance

A legitimate use of authority by the government and administrative powers in handling the financial resources of a nation with integrity, transparency and accountability, creating a sense of equity and achieving development as a result is financial governance. Good financial governance refers to state agencies that operate within the normal operating conditions to ensure proper regulatory effectiveness, efficiency and accountability, supported by an operating rule of law.

As per Labie and Mersland (2011) financial governance in an entity may exist in the form of a set of mechanisms or a system that governs the movement, alignment and control of money which is scanty lacking interferences of embezzlement or misappropriation that is directed at the purpose of achieving mission and objectives of the public sector. Financial governance represents the regulation, laws and procedures comprising responsible management of financial resources by institutions and bound to operate according to such laws. This occurs through the supervision and control of financial operations by the jurisdiction against which the set laws provide protection and direction. Good leadership which is no doubt one of the most basic and

essential factors to be present in the financial growth is a matter of considering authority, stewardship, leadership, accountability, direction and control of an organization by capacitating themselves.

According to Okpara (2010), the complexity of a governance system's effectiveness is solely dependent on its application. This is through the application of principles and guidance and this may have its benefits which may include reduction of conflict of interest, management by which the process of receiving the input of stakeholders is improved among others. Proper coexistence of the governance mechanisms elements comes first and at this stage; governance improves performance, creates transparency, emphasizes the principles of fairness and rights of everyone involved.

The financial management practices of government agencies are heavily reliant on publicly accountable financial accounts (Mardsemo, 2018; Rostami & Razael, 2021; Tete *et al.*, 2022). The nature of financial statement information were enhanced if financial statements are of high quality.

There has been a dire perception among the world's few people that the financial statement has been misused widely. Such is the type of statistic we encounter in the Global Economic Crime and Fraud Survey conducted by Price Waterhouse Coopers (PwC, 2018) where they discovered that 49% of financial reports presented by businesses lacked the usual level of quality. On top of that, the latest PwC report says that companies are very much dedicated to developing their knowledge and technologies, as well as to make controls better, in order to fight fraud (PwC, 2022).

The term "public sector" embodies the distinction between government ownership and private. It refers to actions of the government in the running of industries and services. It also covers public goods, infrastructure and transportation, public education, health, and social services. Just to mention some examples, these include employees like elected officials, among other employees and workers. These actions must be monitored, and activity auditing is one way to achieve this (Hamid, 2023). The process of conducting a systematic audit of the public sector is intended to ensure that the financial, administrative, and technical operations being carried out and evaluated are objectively directed toward the objectives, plans, programs, and goals achieved by the entities and agencies of the public sector (Grossi, Hay, Kuruppu & Neely, 2023). The public

sector also needs a proper plan that is geared towards building capacity for the enhancement of audit and improvement of financial governance. This section focuses on how capacity building influences financial governance with a broader view of how the variables are viewed globally, regionally, and Kenyan Perspective.

1.1.4 Office of the Auditor General

Social Sector Auditing was always in use since Ancient Kenya was a Colony and Protectorate of the Britain. The Auditing Department was known as the Colonial Audit Department. As the time has gone on, the trip has been clearly very remodeling which I found very surprising. It was the year 1955 when the Office of the Controller and Auditor-General had been created according to the Exchequer and Audit Ordinance, which declared the Office's duties and authority in tasks related to the public sector auditing.

This provision in the Exchequer and Audit Act of 1985 connects the structure of the Auditor-General (Corporations) which were vested with the authority to carry out the statutory bodies, commissions or other board's audit. In 2003 the Kenya National Audit Office was established by the Act Parliament Kenya replaced the prior legislation with the Public Audit act. The passage on the statute, the 2003 Public Audit Act restored one public sector audit office by bringing together into one Office of the Auditor-General of Corporations as well the public accountability office by the name Office of the Controller and Auditor-General. This happened in a time when the 2010 Constitution was still making its way into the Country with the aspect of independence as the other concept that remained untouched. Moreover, audit was introduced in the Constitution for the purpose of deliberating on the occasion whether the public funds were applied properly and legally. In 2015, the Public Audit Act, 2015 (PAA, 2015) was passed which served as the law to ensure the operational arrangement of Article 229 of the Constitution and other related Articles including Article 249 and Article 254 with regards to the Auditors-General's office; for more than 2000 staff to pin into formalization, coordination/ teamwork, synthesis, and translation

1.2 Problem Statement

Based on the audit practices, there should be a notification to the public that the assurance provided by the audit of entities is an offer to develop confidence in the market for the audit of entities, either in public or private sector. One the other hands, the auditor's reliability, influence and durability do largely depend on the corporate governance practices which they follow. The

name of their audit industry may enhance by the organization's license to practice auditing if they would be looked upon by others as outstanding examples of the practices of good governance (Russo & Neri, 2023).

The work of scholars on issues of audit quality observed that there was neglect of audits as an avenue to curb mis-governance in financial reporting. In a quest of linking public sector audit, transparency, and good governances (Ebimobowei et al., 2020). Amalia (2022) further developed legal capacity to enhance accountability and transparency and find out that legal capacity is the most important factor to be considered for enhancing audits, whereas the other study by Yusof et al (2022) dealt with providing an examination of the audit as a governance mechanism through digital revolution and the study posits that human capacity building is the way to go, while the research by Hakimi et al (2022) took a look at internal audit, internal control systems, and corporate governance. Adedokun and Unam (2016) proved that national auditing can be improved through efficient focus on internal audit and infrastructural capacity building in Nigeria.

With environmental governance being the focus of Muigua's (2023) work, and the analysis of statistics as the basis of the paper by Sakaya (2015), these studies looked at the role that law and the work of internal auditors have in promoting good governance practices in public institutions. Kempe (2012) addressed management of the public sector in Kenya. Further the study on reforms and transformations at work to tap productivity by Wangui (2012) gave a report on whether or not the internal audit was effective in good governance in public sector in Kenya. Indeed, it is not surprising that most researchers explored audit quality and reporting, accountability and transparency, the effect of good governance, corporate governance, digital transformation, and reviewed discussions through systematic approach. Thus, Policy Studies has a chance-gap because it focuses on public policy. In fact, there's only been a few researches that compare these concepts to that of capacity building, and they largely outlined the implications on the local or regional community. This is the problem this study wants to address.

1.3 Research Objectives

The study was guided by the following objectives;

1.3.1 General Objective

The general objective of the study was to determine the influence of capacity building on enhancing audits for improved financial governance by the Office of the Auditor General in Kenya

1.3.2 Specific Objectives

- i. Evaluate how human capacity building enhances audits for improved financial governance by the Office of the Auditor General (OAG) in Kenya.
- ii. Assess the influence of legal capacity building on enhancing audits for improved financial governance by the Office of the Auditor General (OAG) in Kenya.
- iii. Assess the effectiveness of institutional capacity building on enhancing audits for improved financial governance by the Office of the Auditor General (OAG) in Kenya.
- iv. Examine the influence of infrastructural capacity building on enhancing audits for improved financial governance by the Office of the Auditor General (OAG) in Kenya.

1.4 Research Questions

- i. What is the influence of human capacity building on enhancing audits for improved financial governance by the Office of the Auditor General (OAG) in Kenya?
- ii. Does legal capacity building enhance audits for improved financial governance by the Office of the Auditor General (OAG) in Kenya?
- iii. What is the influence of institutional capacity building on enhancing audits for improved financial governance by the Office of the Auditor General (OAG) in Kenya?
- iv. Does infrastructural capacity building on enhancing audits for improved financial governance by the Office of the Auditor General (OAG) in Kenya?

1.5 The scope of the study

This research seeks to establish the determine the influence of capacity building on enhancing audits for improved financial governance in the Office of the Auditor General in Kenya. The conceptual scope covers human capacity building, legal capacity building, institutional capacity building and infrastructural capacity building.

On enhancing audits for improved financial governance, this study is anticipated to be of great value to public sector organizations and would thus allow them to enhance the audit report and improve the financial governance.

The research was conducted at the Office of the Auditor-General in Kenya, which was an advantage as information was easier to obtain, for example, public entities information in Kenya, unlike accessing such for the whole public sector in Kenya. Hence, this research focused on a specific organization because the research period and lack of resources generally limit researchers' ability to obtain data from a few entities identified as a part of the public sector. The research identified those employees who were the subjects of the research. The reason for the employees who were selected was because, they participate in capacity building through various means besides being occupier of the positions.

The study lasted between January, 2024 to April 2024, the research method employed was a correlational approach and its evaluation was limited to that specified time frame. The study was also built up by a supportive network of the Resource Based Theory, Deontological Theory, Institutional Theory and System Theory.

1.6 The significance of the study

The capacity building concerns on the audit for good financial governance highlighted the need of such new areas for future learning is one of the crucial research outcomes. But in this study, only the impetus of the mechanism of capacity building as an instrument to improve audits for good financial governance is being looked at: The Ombudsman of Kenya being the case illustration. Researchers, academic experts, auditors and practitioners were the groups who are more likely to have a positive impact towards the findings and contribution to this research.

1.6.1 Policymakers and the Government

This indicates the reports for the study were very crucial to the Kenyan Government in addition to the policy makers when new regulations of financial governance are being established which may be guided by the study recommendations.

1.6.2 Researchers and Scholars.

These results will have the most positive impact on researchers and scholars who in the future would like to study an efficiency of institution improvement for auditing improve the financial

governance, first of all, it concerns the administrative sector so the rest. The study also acted as a source of value to the existing literature and will fill the gaps still available with regard to the finance governance.

1.6.3 Office of the Auditor General

The research created a gap or lack of effectiveness not only within Office of the Auditor General but also in respect with proper management of the public funds. In addition to that, the results study will upgrade the management team and the fellow auditors in Kenya by way of familiarization and change of the current good practice which are in favour of the expansion of the capacity building management practices that increases the efficacy of the financial mapping exercise

1.7 Chapter Summary

The section includes discussions about all material using subtitle spreading the essence on the Introduction of global, regional, national lapse and other trend in the process of studying the material. I The first sub-heading should cover the study background which deals with a critical analysis of the independent and dependent variables along with the justifications for the study. 1.2 sub-heading presents a critique on the problem statement and sheds more light on what precipitated this research to undertake this study by clearly stipulating why the study ought to be carried out, sub-heading The findings was of great essence to the Kenyan Government and policy makers in d 1.3 formulates the study objectives, being divided into general objective and specific objectives being sub-measure of the independent variable; sub-heading 1.4 presents the research questions; sub-heading 1.5 presents the scope of the study, last but not least, sub-heading 1.6 presents the significance or the justification of the study, showing how the study helped the various stakeholders.

CHAPTER TWO: LITERATURE REVIEW

2.1 Introduction

This Chapter integrates theoretical frameworks and empirical literature about influence of quite a few audits building towards making a good financial governance a reality. Given sub-heading 2.2 is the theoretical part, discussing the theories that make up the basis of the study, such as the Resource based theory, Deontological theory, Institutional theory and system theory here. Also, it points out here the reason why these theories are applied. Sub-heading 2.3 subjects to a critical assessment the empirical literature on the impact of capacity building on the role of auditing for better financial governance (sub-heading 2.3). Section 2.3 expands on the aptitude gap the critical literature review discovers. It also directs the research towards developing the conceptual framework the Sub-heading 2.4 goes into Sub-heading the study's conceptual framework. The next section (Sub-heading 2.5) indicates how this study operationalizes the variables. However, the second-to-last section of this Sub-heading 2.6 is the chapter summary.

2.2 Theoretical Framework

This research proposes to be based on these four theories: Resource Based Theory, Deontological Theory, Institutional Theory and the System Theory among others.

2.2.1 Resource Based Theory

Resource Based View (RBV) theory was developed by Barney and Wernerfelt in 1930s, when they were in a mission to establish factors influencing heterogeneous organizations by coming up with idea of resource position barriers being roughly analogous to entry barriers (Lynch et al., 2000). The theory posits that the resources of an organization are vital factors in ensuring organizations perform well. The theory further asserts that resources and asserts are of great benefit to the organization and that resources are what gives organizations added value over the rest of other organizations. Firms which is well equipped with resources normally takes off the lead. In the sunlight of scanning the market structure and current opportunities in the organization using available resources of this organization, it is a joyful to view human capacity building as one of the main sources in the company's fone.

Based on the theory, different types of capital income, e.g. from human capital, organizational capital and physical capital can be distinguished. The right coordination and allocation of these resources contribute a lot to the effective management of organization and thus enhance its

productivity (Lynch, Higgins & Sinyangwe, 2000). By using resource-based view capacity building, policy processes can be well equipped for strategy development (McKone, Sweet & Lee, 2009).

Based on what is reported by a Dyer and Singh (1998), many resources required for effective fiscal administration are sponsored by organizations. This means that the capacitating of these resources must incorporate well organized as well as equitable distribution of resources so that the financial management of a financing institution works towards the same goal. On the other hand, a firm's financing sources must be handled effectively and efficiently in such a way that they are able to be integrated to the firm's own resources in order to deliver financial governance at optimum level (Hitt. 2011). Therefore, human capacity building influences audit controls which subsequently leads to better financial governance, and hence the theory is linked to the variable of this study: Thus, the human capacity building puts accounting controls into effect. These, in their turn, help to make financial management more effective, so we connect the general notion with the research variable:

2.2.2 Deontological Theory

The law and morality theory (see, Kant 1945) is treat by Kant as only the congruent but not identical factors. Virtue is seen as an attribute of what is good or bad finds its place among the particular cultural beliefs which signify in this area. So, human laws are not necessarily established by some authority the government and enforcement agencies come from but they are defined by a higher law, which is morality. Humans are one of the most law-abiding creatures in the universe. It is only because of their inherent and exclusive idea about nature of law and which ones to obey as far as financial governance is concerned.

Duties which employees should carry out (public sector or private entities), of which maximum concentration is on audit practices, the person in charge should account for the issues in a manner that admits the reality and fair view of the organization. Moreover, this conception has as a building block the principle that all people have the ability to select their own moral law. This position was helpful in the Office of the Auditor-general where the audit cores safeguarded financial safety of the beneficiaries. This thus calls fore the recognition that human beings are free as morally and each one is responsible for own duties. The theory listed down duties of these

two kinds, that which was good and the one which was imperfect. Functions, or duties, can be a positive thing, because they require one to act in a way that benefited the surroundings; or, they can be negative, because the recipient needs to refrain from acting in a manner that will not be to a good cause.

Whenever you go to the auditing industry the duties the auditors have to follow and mainly be classified under the perfect duties are absolute. With the emphasis of the auditors to adhere to the law and to ensure that they report auditing findings which range from being illegal, ambiguous to being completely appropriate to the users, financial governance takes center stage. These rules would often be helpful in implementing people's decisions and doing these decisions without being interms of other conflict.

Kantian duty is formed under categorical imperative, a rule that is the law for all human people who must follow it (Kant, 1945). By this rule, ethical decision should guide or pacify individual actions, which will regulate the behaviors of all other people that were reached or be around. As a matter of fact it is called as the principle of universality. The normative position suggests that there should be a system that is ideal in its nature, that is, it should necessarily create absolute laws that were mostly restrictive (do not harm) and it should, also, not be able to impose many negative duties. In essence, perfect duties on the contrary to the rest, teaches us what we should avoid. It does not give any particulars about the actions to be taken. 'Imperfect' duties are those that are both 'negative' (the duty not to harm others) and 'positive' (to aid others). We need imperfect duties to act differently in different circumstances, including, but not limited to, the duty to help others. Hence, conversely, we suppose that this commandment is binding upon all people, and thus they are able to set their own moral law.

As is frankly defined by Frankena (1973) deontological means that of right and wrong along is not associated with they are not determined by whether behaviour gives more happiness or unhappiness, but only with by things that defines the behavior in itself. Helms and Hutchins (1992) suggest that, to deontologists, action is justified by the fact itself – regardless of the consequences of the action since they are doubtful in the moment of making the decision. According to the deontological approach, actions are either right or wrong, good or bad on their own based on fundamental principles irrespective of the end results they generate. This belief is always on call during audits. Theory of the rule of law emphasizes on the legal capacity building

that its purpose is only justice and any law, which does not provide justice equally to all or any group of equal person, is bad law. Any norm which is right is an ethical standard and any norm which are right are moral. The law is characterized as an administrative tool, whose function is to unify the different social groups by encouraging similar psychological characteristics (Jacobs, 2012). This moral concept is seen as one that is not particular, and that this implies that what is good and right is the same for all people. Included to these same immoralities is sameness which makes the moral of law and law of morals a worldwide application, (Devine, 2000).

The theory is employed to enlighten about the practice of legal capacity building in addressing challenges in the Kenyan auditor general office, which efforts navigate between the principles of what is commonly accepted and morally correct. In this regard, auditing is applied as the technique to assess the extent to which weakening presentation of audit reports contributes to the inefficiency of financial governance. However, the theory supposes a general person who is predisposed to unquestionably accept whatever the majority views as right, and does not provide real-life examples where what is good on one end may actually be bad and the law forbids it on the other, and that is the position of financial officers in charge of audits when they perform their duties with impartiality and may not flout the rules and regulations will financial govern.

2.2.3 Institutional Theory

This theory stemmed from Meyer and Rowan (1991), which was then advanced by Wailiam (1995). These experts have defined how structures such as plans, rules, schedules and norms eventually become generally accepted as routine rules to follow as an organization. The functional propositions and assumptions of this institutional theory approach enrich us with obtaining rules that aid in the disconnecting of hierarchy subsystems through accentuating the social desires, interests, principles and norms as the sources of pressure on organizations (Porter and Kramer, 2017). This presupposition refers to the authenticity rather than the proficiency and the impact that are important ordinal goals. Environment is then described as the dominant ground, comprising of institutions of the state like judiciary and administration, conventions, institutions like universities and think tanks experts, common basis, public opinion, laws, principles, and ethics.

For Oliver (1991), institutional theory postulates that an institution must fit with its surrounding environment, which is registered by the activity of each stakeholder and influences the way that the institution behaves. It is Meyer and Rowan (1991) saying that outside an organization may be

more potential, increasing the efficiency of bureaucratic structures than the ones within market among the institutions. As an example, numerous theories such as Porter and Kramer's (2006) propose that the entity, represented by the collaboration or any other early adopter of the approach, may eventually be established in the environment. At last, as they develop to this point of legitimization, the phrase, "An Achilles heel of the civilization of the mankind" becomes ridiculous and impracticable. By that it could be said that both incumbent and entrants have adopted the standardized shape, despite the shape not enhancing the efficiency.

The main points of weakness of institutional theory are its environment and specific components have been skipped out. But they require capacity building that advanced the performance of organizations. A company gets the impression that, because they have been influenced by various interest groups, their own behavior will also be influenced by the pressure from these groups. Although this argument emphasizes multiplicity of participants' perceptions, it is also essential to note that the theory lacks a key element of consideration, which is stakeholders' involvement. More too, the way of playing by the stakeholders in reference the policy conservation and uniformity are some factors that are neglected. Institutional theory remains the most significant linkage to this study as it helps to develop the issues of financial governance.

Institutional capital building not only leads to preparation and submission of reliable audit reports but also forms a part of financial governance. The availability of a comfortable working area is an enabling factor for the regulator to join hands to achieve its objectives. What was done by the office of the auditor general considered effective and financial governance were made better. This theory specifically explains why an organizational structure as a whole will gain possession of social legitimacy through the virtue of legitimacy, which in turn provides it the means to be treated as the most natural and meaningful one. This area of the Porter Model involves many principles that determine firm's strategic choice with strategies along a continuum somewhere between the two extremes real production from passive to active options (Fineman, 2000). Within the framework of organizational capacity building and the whole monetary governance in the Office of the Auditor General, the theory applies in its going through such institutions as the audit bodies, treasury, and all governmental bodies as how they make full use of money invested in a way that will bring out the best financial governance.

2.2.4 System Theory

This is a theory which was first developed by Ludwig, Mass and Keneth (1954). The theory asserts that the whole composite is much greater than a summation of a performance brought about by the subsystems using all the components in a streamlined and coordinated manner to tackle a specific task. As mentioned by Midgley (2003), a system includes four parts that are subsystem, component, structure, and system. The first is the system 's constituents being the complex along with their variables - these could be physical, theoretical or both. The second component is the nature, and the characteristics present in the system, in other word, the system and its objects. A system has two features in common: it is built from simple objects that are tightly bound by internal connections. The fifth one is that systems are always in the proximal environment. System, at this stage, refers to a structure of parts that intermodulate within the domain and result in a higher order instance that is not much identical with any of its elements (Infante, Rancer, & Womack 1997). Universiteit Twente (2016) sets forth this thesis as the trans-disciplinary study of the collective structure of phenomena in view of their independent existence, rather than substance, type, or spatial or temporal scope. It surveys (both the common principles and the often-operational model/s which can be used to describe it) all complex entities.

As a matter of fact, wiener found that systems theory is actually the capacity for diverse disciplines to interconnect and communicate about their problems and such it was resulted in development of a common set of standards which deals with the issues of regulation and control. According to Pugh (2010), it is advisable to locate things in the context of how they will affect the construction of financial governance system and governance policy for the office of the auditor general. Furthermore, he argued that fragmentary links would be formed, these being related to the development of audit systems and the broader economic and social conditions necessary to improve the quality of audit reports that improve financial governance. The easy steps gradually demonstrated the basic and functional defects and in that precise time frame the main organizations of the world, including the World Bank, were no different to those who took into consideration the most advanced ways of auditing information, which made every organs of the workforce of vocational advancement different in the company.

Pugh (2010) argues that systems theory helps us to understand interconnections required by the sector from all stakeholders including how the players the system answerable to the requirements

of institutional delivery as it is reflected in the building of infrastructure capacity. Thus, the theory additionally shows the important role of relations and institutions among each other from the different parties, indog and inter relationships. This version of the web can be seen as a connection of inter-institutional relations represent a public institution in its entirety, thus suspending different internal institutional mechanisms that perform audits within public sector, to achieve the best financial governance.

Following Flood and Jackson (1991), there are two types of system which are the open and the closed-system. Closed system does not engage the environment while external environment plays significant role in the open system. The system feedback loops can be tackled reflexively and positively if this involves identifying successful lessons learnt or negatively if this means exposing areas that need improvement among the whole system or infrastructure. The Theory addresses the infrastructural systems that still overshadows the recent auditing resolutions most especially on the challenges that lay with our public sector and review of the challenges that impede the poor capacity building and further developments of the financial governance machineries both internally and externally.

2.2.5 Agency Theory

The agency theory was initially developed by Arrow & Alchian & Demsetz (1960) and improved upon by Jensen and Meckling (1976). Pressing further, Ross and Mitnick (1980) built on the agency theory which posits that principals assign agents to represent the former, but the latter may fail to perform because they only pursue their own interests. An important problem which may occur when the interests of the agents are not aligned with those of the collective is that of the agency problem, where agents' personal gains are placed above of the organizational objectives and this can then result in inefficiencies and suboptimal outcomes.

The role of capacity building in organizational ability is explicated, through agency theory, on the organizational obstacles the employees usually encounter in addressing strategic objectives while espousing to the organizational goals. Capacity building encompasses the concept of strengthening the existing institutional capacities, professional abilities and skills as a catalyst that ultimately result in the taking of sustainable development forward (Musa & Ibrahim, 2022).

One way agency theory relates to capacity building is through the design of incentive structures. Principals must design incentives that align the interests of agents with organizational goals to

mitigate agency problems. For example, performance-based incentives tied to key performance indicators (KPIs) can motivate employees to work towards achieving organizational objectives, thereby enhancing capacity and driving organizational growth (Ma, Du, Xu, Wang & Lin, 2022).

Moreover, agency theory emphasizes the importance of monitoring and control mechanisms to mitigate agency costs. Capacity building efforts can include establishing robust monitoring systems to track progress towards goals, evaluate performance, and identify deviations from expected outcomes. By providing feedback and accountability mechanisms, organizations can reduce the likelihood of agency problems and promote a culture of transparency and accountability conducive to capacity building. Another aspect where agency theory intersects with capacity building is in the delegation of decision-making authority. Principals must delegate decision-making power to agents while ensuring that agents act in the best interests of the organization.

Capacity building involves empowering employees with the skills and knowledge necessary to make informed decisions aligned with organizational objectives. Training programs, mentorship initiatives, and leadership development efforts can equip employees with the capabilities to exercise discretion responsibly, thereby enhancing organizational capacity. Furthermore, agency theory underscores the importance of fostering trust and building relationships between principals and agents. Capacity building efforts should prioritize communication, collaboration, and relationship-building to foster a sense of mutual trust and commitment. When employees feel valued and trusted, they are more likely to act in the best interests of the organization, contributing to capacity building initiatives and driving organizational success.

In conclusion, agency theory provides valuable insights into the dynamics of principal-agent relationships within organizations and their implications for capacity building. By understanding the incentives, monitoring mechanisms, decision-making processes, and trust dynamics inherent in these relationships, organizations can design effective capacity building strategies that align individual and organizational interests, drive performance, and foster sustainable growth (Tewari & Ramanlal, 2022).

2.3 Empirical Literature Review

This section represents a critical appraisal of the empirical literature on the influence of capacity building towards enhancing audits for improved financial governance in the public sector with

the case of the Office of the Auditor General in Kenya. Third, the gaps identified in the empirical review are detailed, accompanied by critical literature review undertaken.

2.3.1 Human Capacity building and enhancement of audits for improved financial governance

On auditing, research holds that owns the determinants of audit quality. Being these determinants highlight the significance of financial reporting to corporate governance. Additionally, this study pointed out interesting results among answers to the question why IAQ improves in the first place. This improvement comes from the fact that the practice is selected by the firm itself without seeking synergies (Thiery et al, 2023).

The internal audits quality (IAQ) has also been investigated; however, the studies focus on how variables other than IAQ affect the quality of audit. The analysis is inherently limited as there is probably not comprehensive sight of IAQ (Lenz et al., 2014) and the indicators used in the literature are designed to assess external quality of audit (e.g., Mazza & Azzali, 2015). Multiple authors proposed that there is a demand for developing new IAQ indicators in order to eliminate any missed or underestimated aspects getting its way into the system.

It is said by Su et al., the world along with the economic growth and globalization, they should need a new concept to foster the sustainable development and to increase the institutional quality which improved the quality of governance. Reporting the outcomes of their studies, the experts thought that the governance "view" is believed to be the main reason of the audit. In addition, corruption bypass is proved to be vital for the effective functioning of the "immune system" element in case of the national audits so that it can serve as protective barrier against corruption related issues. The effects of this inhibitory function were found to be the greatest and most specific in this sense.

In a study on internal audit capacity to enhance good governance of public sector organizations: Ayagre (2015) sees internal audit's ability to support the cause of governance in developing countries such as Ghana limited by; inadequate technical and professional skills of the auditors, lack of motivation, no substantial allocation on internal audit, while management and the board did not support the work of internal audit properly. One more factor is the topic of independence of the IA which refers to objectivity and on one hand may avert IA's task from the planned one and on the other hand may fail to perform his/her duties in objective manner.

Pollyn (2016) studied human capacity building and sustainable development in Nigeria: the value bases analysis. The purpose of the study was to give a solid basis for corruption-free people centred capacity building and development strategy and for well-managed plans towards the goal of sustainable development in Nigeria.

Chaulspan and Gibba (2022) discussed Human resource development strategies for enhancing PPP application in Tanzania's road projects by administering a PPP training course to 81 carefully shortlisted practitioners operating in Tanzania. Stakeholders account for the core of all PPP projects and hence their involvement determination is a key concern. Hence stakeholders' involvement development strategies have been developed as a "road-map".

Nwankwo and Nnenna (2016) also human capacity building and sustainable development in the 21st century: Important implication and challenges faced by women in Nigeria. The writers also articulated that the several HCD (human capacity development) programs implemented by the government did not achieve the planned results because of unclear and non-including goals which have led to the un-sustainability of stakeholders. The study has given tools for improving the situations of the eco-unfriendly communities and desires the relevant institutions for policy formulation and execution considering the proposals.

H01: Human Capacity building does not significantly influence enhancement of audits for improved financial governance.

2.3.2 Influence of Legal capacity building on enhancing audits for improved financial governance

Kamundia and Du Plessis (2021) . In addition, the issue of capacity has been discussed very widely across other crosscutting issues in the literature on integration in policies (Jordan & Schout, 2006; Peters, 2015).

In fact, that integrated governance is particularly difficult to achieve, since this requires to overcome the existing fragmentation of policy making by strategically introducing ex-ante inclusive programs that would unify multiple actors to collaborate in finding the consensus on the coordination of activities. Some of the causes that have been cited by researchers in their studies include financial difficulties, mounting debts, job instability, and psychological factors such as anxiety, stress, and depression. Some latest studies have shown that the nature of the

integrated interventions is characterized by a complex set of issues which are far beyond just governing the policy-making process, necessitating to intensify the coherence of the policy-making system by formally establishing the inclusive strategy, which targets at the collaboration at the national, regional and local levels in an attempt to solve the problem (Howlett & Saguin, 2018, p. 6).

Recent efforts to integrate both capacity and policy into a more fully rounded conceptualization have sought to do so from the policy design perspective, in which an integrated policy design requires a bundle of resources and skills to be in place to ensure effectiveness at the operational and political level as well as at the analytical one (Howlett & Saguin, 2018; Wu, Howlett, & Ramesh, 2018).

The concept of policy capacity is an important contribution (Peters, 2015; Wu et al., 2015), referring to the set of skills and resources—or competences and capabilities—necessary to perform policy functions. The emphasis, therefore, shifts from structural and performance to knowledge based elements. The policy capacity approach identifies three kinds of skills (analytical, operational and political) that policy actors develop at systemic, organizational and individual levels, and are basically required for policy successs (Wu *et al.*, 2015).

H01: Legal capacity building does not significantly influence enhancement of audits for improved financial governance

2.3.3 Influence of institutional capacity building on enhancing audits for improved financial governance

Manoj et al (2020) explored the role and nature of trust in institutional capacity building in low- and middle-income countries: a review finding. The doubted or doubtful institutions were considered to be critically important for addressing related capacity strengthening aspects but there is limited research on the level of institution’s trust and how it can be built. They therefore explored the idea of capacity building initiatives and identified trust at their heart as part of ‘the non-government health institutions in low- and middle-income countries (LMICs)’ and finally validated them as essential facets of trust through a systematic review. Such a review helps to define the integrity pillars indispensable for the proper functioning of TI and demonstrates the primary role of all stakeholders in ensuring trust both in and between institutions. Thus, Domorenok, et al., (2021) have narrowed down the research on the integration of policies into an

analysis of whether the policy capacity of the institution is enhanced, and the result has been the formation of different conceptions that explain the relationship between cross-sectoral policy design principles and the nature of government institutions and processes.

What we can say in the sand about the literature on broad aspects concerning the capacities of the institutions promoting policy integration had been very much normative and descriptive; in worse, even scant little effort was devoted to unpacking the causal mechanisms and the dynamics of institutional change that mirror to shift of policy from sectoral to integrative designs (Trein, Maggetti, & Meyer, 2020).

Doshmangir et al. (2022) assessed individual and institutional capacity building to support evidence-informed health policymaking in Iran: a local and global evidence of varying kinds. The current research aimed at studying the interventions enacted in advancing skills and knowledge regarding researchers and knowledge creating organizations in evidence production, and policy formation, and to look at the means to promote EIPM at the individual and organizational level in the Islamic Republic of Iran. The study was conducted in two main phases: a systematic review and qualitative research for this study. The key element of building individual and institutional capacity as gained from World Health Organization (WHO) through training improvement training programmes or some courses on health systems operation, policymaking, and policy analysis as well as research cycle management. The strong endorsed interventions include the training of the health scientists on research translation and addressing the obstacles that may be caused in a research center which can hinder the well-trained researchers from being able to transfer their knowledge.

H01: institutional capacity building does not significantly influence enhancement of audits for improved financial governance.

2.3.4 Influence of Infrastructural capacity building on enhancing audits for improved financial governance

Rittelberger (2014) researched how the issue allows you to see if coercive and infrastructural state capacity are interrelated or not. The evidence is, of course, mounting around the explanations about state infrastructural capacity and coercion contributing to the rise or absence of democracy in different countries, however, no one has yet questioned this interrelation systematically. This group came up with a proposal of filling up this gap of tenseless state

capacity by subjects the relationship between coercive and infrastructural capacity to different assessments and theory in their literature. The findings of the article show that the link between such two aspects of state capacity ('infrastructural' and 'coercive') is of a dual nature - two-way.

In her study of Infrastructural state capacity in the digital age: Therefore, in accordance to the idea that digital presence of states inevitably alters the notion of state power as state-of-infrastructure, the author Cingolani (2022) recognized that the following statement should be re-thought: Digital means now complement the state's physical presence. She has discovered, out of the sampling set of 150 nations, no clear link between timeless ways or technologies of chain of command and cutting-edge tools. This fundam ent is provided also by the fact that the governmental trust is considered to transcend the financial, institutional and technological factors.

Through Akinshipe and Aigbavboa (2020), a theoretical review of the state of the infrastructure in African people was done. Infrastructure is holds the key to the Socioeconomic development of Nations-scale in which ever country. Usually, a industrial town or an urban area is not a sustainable living area if it lacks the essential infrastructure that maintains and ensures its normal working condition. Unlike Africa civilisation they do not possess enough basic infrastructure. Through the grace of the African governments, with the support of the international organizations, foreign governments as well as the private sector which have invested the funds to better the state of infrastructure in Africa. Localization techniques must be taken into consideration AI development in Africa in order to ensure that the vital infrastructure projects in Africa are appropriately encapsulated.

Gomide et all (2018) investigated the issue of state capacity and its measurement (in empirical research of various kind). The study of public policies is connected with the concept of the state and that of it being relevant in the context of social and economic development. A fundamental role is played both on the power that democracy gives and on globalization and market-led public services supply in this process. They claimed that the notion suits an investigation of state in a state of constant transformation, being richly conscripted and applicable under various different aspects.

H01: Infrastructural capacity building does not significantly influence enhancement of audits for improved financial governance

2.3.5 Research Gap

The reviewed empirical studies point towards a number of research gaps to be evaluated. A review of some of the selected studies is presented.

Thiery *et al* (2023) presented the importance of financial reporting for corporate governance as highlighted by research into the determinants of audit quality. The findings from this study showed that organizations decide among available determinants of Internal Audit Quality (IAQ) in that better IAQ is the result of a choice to implement these practices without seeking synergies. The study results indicated that although studies on internal audit quality (IAQ) have increased, few studies examine the determinants of IAQ. This study only focused on audit quality and does not use a public policy concept such as capacity building which forms the basis of the current study.

Amalia (2023) study on improvement of accountability and transparency in the Public sector. The study was through a review of extant literature. Principles upon which this integrity in governance is said to hang include accountability and transparency. This study did not collect new data through field work. Instead, it collated studies that have been done on the subject of accountability and transparency. The study only investigated accountability and transparency. These are limited indicators of financial governance.

Hakimi (2023) observed the influence of the internal audit, internal control systems, and corporate governance practices towards the quality of the financial report. It becomes necessary to identify factors that would influence and contribute to the quality of the financial report in order to improve the quality of the report. Thus, the study aimed to offer the scientific contribution to the field of the public sector auditing and to provide the remedy for the raised issues related to the quality of the financial reports in relation to the factors of internal audits, internal control systems, and corporate governance procedures. The research was on quality financial report while the present relates to enhanced audit as a way of improving financial governance.

On the other hand, Russo and Neri (2022) recognized that there have been important regulations and the audit issues in recent years, which have been aiming at improving the audit firm regularity in the processes. The process of company governance would therefore be a catalyst in the market perception of the audit firm being of the desired quality. "This research is assumed to

contribute to the academic literature and enable regulators to develop best practices toward corporate governance of audit firms via finding the key connection with the market shares of audit firms in the UK market." The present study can add to the literature.

In Sakaya (2015) a research study was carried out that has determined that internal audit has a role to play in ensuring good governance in Kenya's public institutions. This research can be considered a duality of descriptive and correlation design where population sample constituted of public institutions of 370 respondents who were personally handed with the structured questionnaire. This study, therefore, has found that there is an association between accounting audit internally and good public governance; a highly significant association. Yet this study did not regard us outsiders as some kind of external auditors, although they are so closely related.

However, on her part, she took the story of the Internal audit, its role in intensifying good governance in the public sector in Kenya with the reliance of the government ministries. A descriptive study with cross-sectional method was the central part of this study. The project's targeting group was identified as 44 government ministries. The primary data which was used in the study involved the use of questionnaires. The testing established that the organizational control had most impact on the local government administration within Kenyan ministries. The research thus is advising the authorities to take the auditing of companies and watches as their consideration for them to work effectively and efficient. This involved research that looked into their part in business administration and had no defined government ministry by the Government in Kenya. It has been equally known as being less focused on capacity building. Okpara (2010) studied the effectiveness of governance system and noted that they depend on application of principles and guidance standards in companies in a way that using these principles may have benefits like reducing conflict of interest, control and improving transparency for shareholders. The study did not pay attention to or demonstrate how capacity building enhanced audit for improved financial governance. This shows there exists a conceptual gap that needs to be filled.

Finally, Kempe (2009) considered good governance capacity building for developing countries. The study found out that good governance is an integral part of the sustenance of economic transformation in developing country. However, the leadership good which currently is not there and this has led to lack of the capacity to achieve good governance in many of the developing

countries. The current study seeks to enhance financial governance as it results from enhanced audits and capacity building unlike this study that also focuses on good governance.

These was presented in form of a summary of the Literature and Research Gaps Table 2.1

Table 2.1 Literature and Research Gap

The Key studies, the Research Gaps, and how the study filled the Research Gaps.

Summarized in the table below:

Author	Title	Findings	Research Gap and how the study filled them
Thiery <i>et al</i> (2023)	How can governance, human capital, and communication practices enhance internal audit quality?	According to this research’s result, it has come to our knowledge that the organization select among available determinants of internal audit quality (IAQ) so that IAQ accomplished through those practices that do not consider any cooperation of these practices to any synergies.	The study results indicated that although studies on internal audit quality (IAQ) have increased, few studies examine the determinants of IAQ. This study only focused on audit quality and does not use a public policy concept such as capacity building which forms the basis of the current study.
Amalia (2023)	Enhancing Accountability and Transparency in the Public Sector: A Comprehensive Review of Public Sector Accounting	This study was conducted through an evaluation of the extant literature on the subject. It emerged that accountability and transparency are some of the founding principles in the public sector, which means integrity of governance and effective provision of service	This study did not collect new data through field work. Instead, it collated studies that have been done on the subject of accountability and transparency. The study only investigated accountability and transparency. These are limited indicators of financial governance. Leading to

	Practices	is by and large pegged on the two.	contextual gap.
Hakimi (2023)	Impact of internal audit, internal control systems, and corporate compliance habits as regards financial statement appropriateness.	Finding from the book indicates that factors that influence and contribute to the quality of the financial report need to be identified to enhance the quality of the report. This study has given a scientific contribution to the field of public sector auditing, offering solutions to issues regarding the enhancement of the quality of financial reports through the factors of internal audits, internal control systems, and procedures of corporate governance.	The focus of this study was financial report quality while the present focuses on enhanced audit as a means to improve financial governance leading to conceptual gap
Russo and Neri (2022)	The Role of the Audit Firm Governance in Enhancing Audit Market Stability	The study was that there has been important regulations related to the audit matters as significant efforts has also been made in pervious years towards the development of trustful audit firm focusing the significance of corporate governance to market perception of the audit firm quality	Their study looked at whether or not, and if so, in the UK market the corporate governance of the audit firms is correlated with the market share of audit firms in order to support the efforts of standard setters to improve the corporate governance of audit firms and to enrich the academic literature. This

			study focused on corporate governance and audit quality leading to both conceptual and geographical gap
Sakaya (2015)	role of internal audit in promoting good governance in public institutions in Kenya	For this research to have positive outcomes, it has created space for two research designs namely descriptive and correlation. From the eighteen (18) public officers sampled and 370 staff interviewed from these institutions, a structured questionnaire was administered. This work substantiates the fact that there is a strong significant association between internal audits and sound governance in public service. This recommends that governments should strengthen regular auditing systems in public organizations.	The study did not include external audits therefore was limited in scope. Leading to Contextual and scope gap
Wangui (2012)	Effectiveness of internal audit in promoting good governance in the public sector in	Hence, a descriptive research or cross-sectional design method was conducted for this research. The 44 government ministries	The study leaned towards business administration and its scope was undefined government ministries in Kenya. It did not also talk

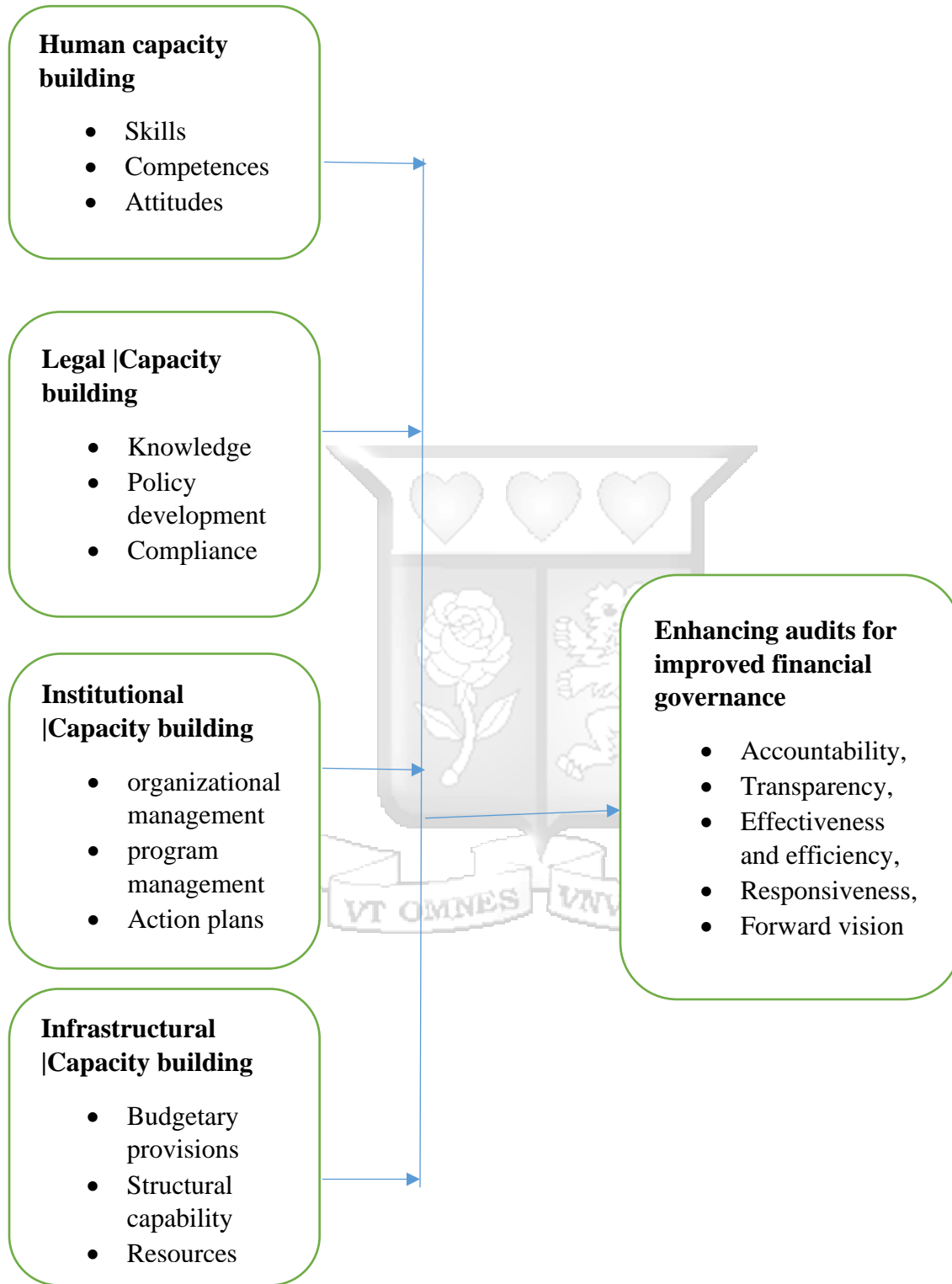
	Kenya with a focus on government ministries	formed my main target audience. The research has been carried out with the help of the questionnaires that were distributed. The analysis of the study was that the biggest impact on corporate governance within the local government agencies was from internal control and internal finance. The research is proposing that for the government to be an effective structure while offering quality service to the citizens, that they need to appreciate the role of internal audit as a result.	about capacity building leading to conceptual gap
Okpara (2010)	Perspectives on corporate governance challenges in a Sub-Saharan African economy.	The study noted that they depend on the application of the principles and guidance standards in companies in such a way that the principles may have benefits like reduction of conflict of interest, control, and improving transparency for shareholders.	The study did not pay attention to or demonstrate how capacity building enhanced audit for improved financial governance. This shows there exists a conceptual gap that needs to be filled
Kempe (2009)	Capacity development for	This study noted that good governance is inevitable for	This study also focuses on good governance as opposed

	good governance in developing countries: some lessons from the field.	the sustainability of economic transformation in developing countries. On the other hand, many of the developing countries lack the capacity of achieving good governance since there is lack of goodwill from the leadership.	to the current study which seeks to improve financial governance as a result of enhanced audits and capacity building leading to contextual gap to be filled by this study
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2.4 Conceptual Framework

According to Robson (2011), a conceptual framework refers to a graphic, verbal or explanatory product. This explains, either in pictures or words, the key components, factors, variables or the expected relationships among them. The most crucial thing one should know about conceptual framework is that it is a conception or a model of the phenomena that you plan to study; with this in mind, one should execute a reliable theory of why the things that you are studying are the way that they are.

The structure is set in logic to ensure that the ideas are clearly presented in a way that indicates how resolving to one idea is dependent on first settling another. This process allows the researcher to introduce, define and clarify the central concepts of the theme under focus of the study (Luse, Mennecke & Townsend, 2012) quite easily.



Independent Variable

Dependent Variable

Figure 2.1 Conceptual Framework
2.5 Operationalization of the Variables

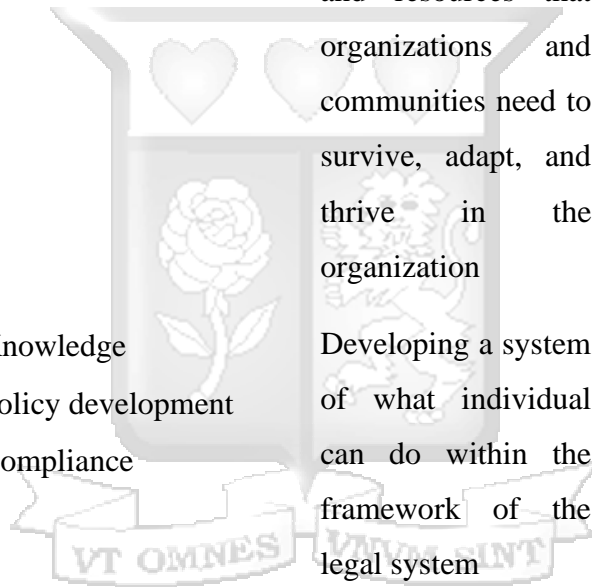
Capacity building was operationalized as human capacity building, institutional capacity, legal and infrastructural capacity while enhancement of audit for improved financial governance was operationalized accountability, transparency, effectiveness and efficiency, responsiveness and forward vision. These were presented in Table 2.2 to show the measures for each of the independent and dependent variables in the study.

Table 2.2 Operationalization of the Variables

Variables	Measures	Definition of Operation	of Likert Scale
Dependent Variable: ENHANCING AUDITS FOR IMPROVED FINANCIAL GOVERNANCE	Accountability, Transparency, Effectiveness and efficiency, Responsiveness, Forward vision	A process of improving legitimate use of governmental power and authority in the management of a country's financial resources with integrity, transparency, accountability, equity and a result-orientation to promote development. Good Financial Governance implies effective, efficient and accountable state departments	A five-point Likert scale on the implementation level and the believed usefulness

Aikins, (2011).

		and financial institutions	
<u>Independent Variable:</u>	Human Capacity building was measured using three indicators	Human capacity building is the process of developing and strengthening the skills, instincts, abilities, processes and resources that organizations and communities need to survive, adapt, and thrive in the organization	A five-point Likert scale on the implementation level and the usefulness
Human Capacity building	Skills Competences Attitudes		
Thiery <i>et al</i> , (2023)			
<u>Independent Variable:</u>	Legal capacity building	Developing a system of what individual can do within the framework of the legal system	A five-point Likert scale on the implementation level and the usefulness
Legal capacity building	Knowledge Policy development Compliance		
Kamundia and Du Plessis (2021)			
<u>Independent Variable:</u>	organizational management program management	Is the ability of developing an organization to achieve its stated goals	A five-point Likert scale on the implementation
Institutional capacity building	Action plans		
Doshmangir <i>et al</i>			



(2022)

level and the

believed

usefulness

**Infrastructural
capacity building**

Budgetary provisions
Structural capability
Resources

Is the potential to
schedule train paths
on an element of
budgets, structure
and resources for the
organization

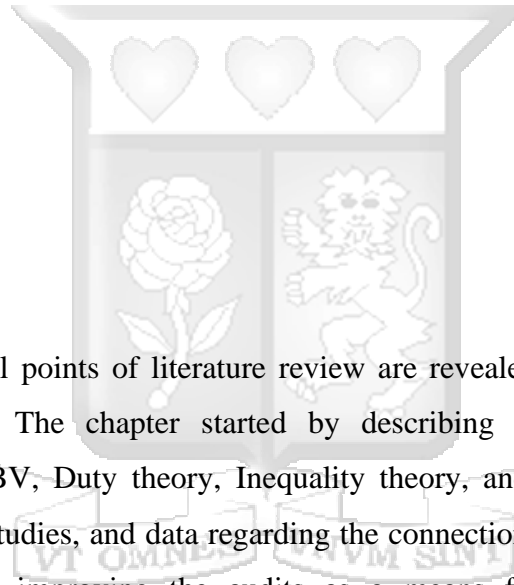
A five-point
Likert scale on
the
implementation

Rittberger (2014)

level and the

believed

usefulness



2.6 Chapter Summary

In this chapter, the essential points of literature review are revealed with the paragraphs each possessing a sub-heading. The chapter started by describing the four theories that are underpinning the study: RBV, Duty theory, Inequality theory, and system theory are among others. Efforts, researched studies, and data regarding the connection between the availability of accountability support and improving the audits as a means for enhancing the financial governance. The forthcoming presentation highlights the specific objectives variables of the upcoming goals conversely, the fourth element of the presentation show the conceptual framework that demonstrates the kind of relationship that exists between capacity buildings and audit enhancement for improved financial governance which is a result of reviewing the literature. The chapter ends up with the generation of operations for the variables that contributed to the measurement process as well as in designing the instrument for data collection.

CHAPTER THREE: RESEARCH METHODOLOGY

3.1 Introduction

The following section explains the detailed research design that was used for the investigation. In this chapter, the research design, the study population, the appropriate sample size, the use of sampling techniques, and data source, are all clearly explained. Next, the chapter describes the instruments, the research design, collection and data analysis procedures, and ethical considerations, which was all utilized.

3.2 Research Philosophy

Philosophy is one of the principles of developing knowledge assisted by logic and practical applications and observations research. Philosophy is about the veracity of the knowledge and assumptions that breed the belief system of a specific field of study or a study area. This skill is explained in ways in which during research data collection; it develops the ability to get expertise in any research processes and tends to tackle socio economic issues (Saunders, Lewis & Thornhill, 2015).

In this case, the pragmatism philosophy that the study adopted is of importance. Pragmatism emphasizes concepts' true worth is revealed in action and not in truth (Kelemen and Rumens 2008). Realities accounting for pragmatists is a practical factor which proves a task helpful and allows to implement ideas practically. So knowledge is valued because ideas are converted into actions.

For a pragmatist, research commence with problem, and the end goal is to design sensible solutions which are convertible to action and to serve as a reliable reference for coming practices. When researcher values enkindle the reflexive process of inquiry, which begins with doubt in the assumptions and hunches which may be wrong or not correctly fitting a new situation, and is completed with new beliefs when the problem has been resolved (Elkjaer & Simpson, 2011).

Pragmatists tend to admit that there are different ways of looking at things and be prepared to give their own answer, that there is no one correct notion to grasp everything, and that there might be many realities. This issue does not imply that pragmatists always use various methods; rather they select the method or methods which allow gathering of the data that has the status of

the credible and respected evidence, providing the researchers with the foundation for the reliable and appropriate conclusions (Kelemen & Rumens 2008). The decision in this concept is to be governed with the fact that this research has the intent and so that it understands the involved relationships for the selected Capacity building and the dependent variable upgrading audit reports for the purposes of improving the financial governance ability. This purpose is to suggest some practical answer to part of the problem of capacity building which has since been showed to be an area to be addressed for improvement of the office of the auditor general.

3.3 Research Design

When summarizing the research design, Silverman (2016) presents its significance as the master plan that a researcher draws to answer the research questions. It becomes a tool, that allows organization and analysis of data, and the political question concerns performance measures that have already been selected (Bryman, 2016). A research design is a general plan that guides the study of a particular research question. In this case, it means the strategy of the kind of course you adopt whereby you make all the components of the study to fit in naturally and logically.

This study of causation was utilising correlational method where there researcher established the relationship existing between one variable to the other and determine their degree of correlation. This type of study is a correlational study which means the researcher is investigating whether or not two variables are correlated. This implies that, the changes involving one variable can be correlated with the changes in the equality in the other variable. The fact should be kept in mind that although correlation does not imply causation the relationship may still exist (Kabir, 2016). In a correlational design, there is no intervention or manipulation of the variables, but rather their measurement and then the analysis of the data to check if this pairs of variables are related to each other. The two major statistical measures - magnitude and correlation - is used to establish a threshold level of the relationship between two factors.

3.4 Target Population

Population is a term referring to the number of subjects prospected, who form the human research study sample (Creswell, 2015). Besides, the researcher opines it is where the collection of what is addressing the purpose of general interest and happenings with shared visible attributes to (Kothari, 2013); while sampling frame is the population selections frame of unrelated element with similar or common features (Gibson, 2017). The population of the

research was from the 1857 employees who are working in the office of the Auditor General in Kenya (2024)

3.5 Sample Size and Sampling technique

S. Kothari defines (2013) a sample as a subset of a big population. He believes sample having the characteristic of population is a better one. Wilson (2014) notes that here lies a common issue with the sampling method in statistical sampling strategy, i.e. more work load to be done, which may lead to enlargement of tabulation errors. As a factor of the variation in the population, choice of appropriate sample size is also a function (Thapa, Cohen, Guffey & Higgins-D'Alessandro, 2013; Gibson, 2017). This is guided by principles such as: abortion studies have consequences, which include refraction, spread accuracy, error range, and sample size engaging the population (Sounders & Ma, 2012). As per Creswell (2015), sampling is the part of remaining statistical practice which is interested in selecting the individuals' or observations for the procedure reasoned accordingly, the researcher should assume sampling size of 10%. Into consideration may be plinking at sampling process, the organization type, the objective, influence of time and previous research. This Study used Simple Random sampling since it is very simple and accurately representing the larger group where calculation of the sample size was based on Nassiuma's (2000) formula as presented below

$$\frac{NC^2}{C^2 + (N-1)e^2}$$


Where: n = sample size;

N = population size;

C = coefficient of variation which is 50%

e = error margin which is 0.05.

Substituting these values in the equation, estimated sample size (n) was;

$$= \frac{1857 (0.5)^2}{0.5^2 + (1857 - 1)0.05^2}$$

$$= 464.25 / 4.89 = 94.94$$

=95 Respondents

3.5.1 Sample Frame

The sampling frame is a boundary of space having all components in the target population that help in drawing that sample (Kothari, 2013). Moreover, Creswell (2015), in describing a sampling frame holds that it is a list of the whole population from which the sample was tapped. Composed of all of the units which make part of a sample, it is so (Wilson, 2014). The constituent of the sampling frame was represented by Senior Executives as well as by Supporting Staff.

Table 3.1 Sampling Frame

Management Level	Population Size	Sample Size
Operating Managers	1423	73
Supporting Staff	434	22
Total	1857	95

(Office of the Auditor General, Human Resource Report, 2024)

3.6 Data Collection Method

The study used semi-structured questionnaires in obtaining primary data for analysis. The choice of this instrument was viewed in line with the fact that they are easily administered and analysis too was relatively economical. Questionnaires are instruments that ask individuals to answer a set of questions or respondent to a set of statements (Rowley, 2014).

A self-administered semi- structured questionnaire of 5-point Likert scale was developed for the various variables (Human Capacity building, legal capacity building, Institutional capacity building and Infrastructural capacity building) in the study to enable collection of well thought responses and provide confidentiality compared to an interview. The questionnaire was structured based on each of the four independent variables; Human Capacity building, Legal capacity building, Institutional capacity building and Infrastructural capacity building) of the study as well as the dependent variable which is enhancing audits for improved financial governance.

3.7 Research quality

A small-scale replication trial for a major study that assesses the validity and reliability of the research instruments to be utilized as well as practical concerns with questionnaire administration constitutes the research quality (Bhattacharjee, 2012). The researcher used a test-retest methodology to conduct a pretest in order to confirm the questionnaire's dependability. Depending on the sample size, Mugenda & Mugenda (2013) advise using a pretest sample of 1–10%. As there were 95 respondents in the sample size, the researcher piloted 10% of the 95, which means that 10 (10) respondents from the Office of the Auditor General in Kenya was selected at various managerial levels.

3.7.1 Validity test

Validity is the extent to which findings from data analysis accurately reflect the issue being researched (Wood, Wright, Harris, Franklin, & Vine, 2021). The time to which research instruments assess the variables they claim to (Riazi, 2017). The usage of content and Construct validity was permitted in the study.

3.7.2 Reliability test

Consistency is a characteristic of a tested instrument in which repeated use produced the same outcomes (Cooper et al., 2014). In this study, Cronbach's alpha was used to measure the accuracy and consistency of questions; these questions were then determine the internal consistency of the questions that are been used (Creswell, 2013). The scale was also be consider as reliable cause of its reliability, the Cronbach's alpha exceeding 0.7.

3.8 Data analysis and presentation

During the given process, volatilities like omissions, exaggeration, and bias can be detected in responses by the correctness and an extent to which the entire data is completed. Lugonishini has based the raw data on the field research and analysis of the case study. The analysis came back through fieldwork.

The quantitative data was analyzed by making use of the SPSS (The Statistical Package for Social Sciences, where version 24.0 is being cited. It is a precise numerical analysis that the impact of various types of first-tier factors on the study was observed and it was done through mean, standard deviation, variation, skewness, and kurtosis. We further used the Rank-Sum Test statistic for Kruskal–Wallis that tested the effect categories of responses and also the Correlation

Analysis (CA) technique in order to observe the Relationship between various responses by presenting the results in the charts, graphs, and tables.

The following multiple regression model was used in the Study.

$$Y = \beta_0 + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + \beta_4 X_4 + \mu$$

Where Y = Enhancing audits for improved financial governance

X₁ = Human Capacity building

X₂ = Legal capacity building

X₃ = Institutional capacity building

X₄ = Infrastructural capacity building

The regression coefficients or changes in Y brought forth by each independent variable are β_1 – β_4 . The random error term μ accounted for all other factors impacting the enhancement of audits for improved financial governance but is not included in the model.

3.9 Ethical considerations

The researcher is required to approach the administration of Strathmore Business School as well as any other organization prior to the commencement of the study through the permission letters. The secretary of the library shall collect authorization cards by the office of the public service commission and the National Commission for Science, Technology and Innovation (Naacosti). Once approval is granted as for the questionnaire, the researcher addressed interviews with key questions which are have been previously sourced from among the Office of the Ombudsman. Researchers are surely made sure that the secret was not exposed, with the same level of trust and secrecy was given to the results.

3.10 Chapter Summary

The chapter discusses the research philosophy, as well as the study design, the target population, the sampling methodology, and data collection method. The chapter also presents the quality of research as validity and reliability are assessed, data analysis and presentation. It equally aims at the question of ethics and moral issues which was resolved at the stage of data gathering.

CHAPTER FOUR: DATA ANALYSIS AND PRESENTATION

4.1 Introduction

This chapter presents the study findings. The findings are organized according to the specific objective. The chapter contains the response rate, descriptive statistics, diagnostic test and regression analysis of the study variable is presents in this chapter. Additionally, a discussion of the study findings and interpretation from the data analyzed is provided.

4.2 Response Rate

The survey targeted 73 operating managers and 22 supporting staff where 72 operating managers and 19 supporting staff respondents to the survey translating to a 99% and 96% response rate respectively. Overall response rate was 96% which is adequate. According to Fincham (2008) a response rate above 60% is deemed adequate.

Table 4.1 Response rate

Category	Sample Size	Response	Response Rate
Operating Managers	73	72	99%
Supporting Staff	22	19	86%
Total	95	91	96%

4.3 Demographic Information

4.3.1 Gender Distribution

The distribution of respondents-based gender revealed that 38% of the respondents were males while 62% were females this implied that female employees are more and well conversant with capacity building compared to male counterparts

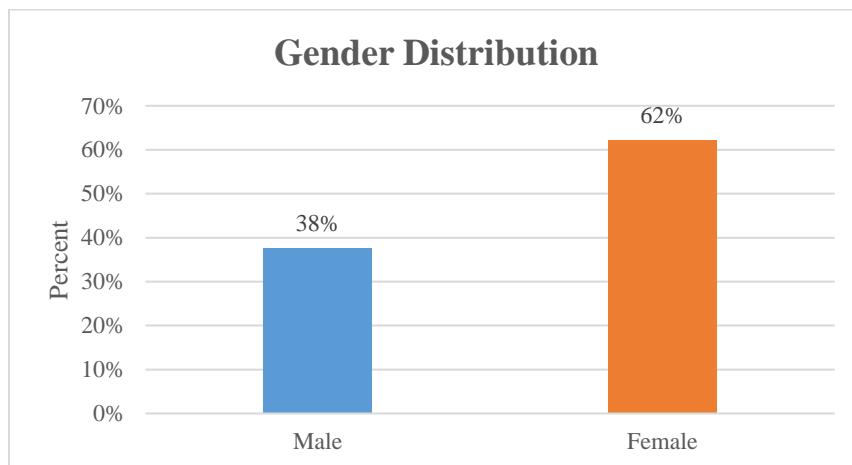


Figure 4.1 Gender Distribution

4.3.2 Respondent Education

The findings of the analysis revealed that most of the respondents (13%) had attained a university degree while 8% were on tertiary or vocational level. Additionally, 12% of the respondents had attained secondary and primary level of education.

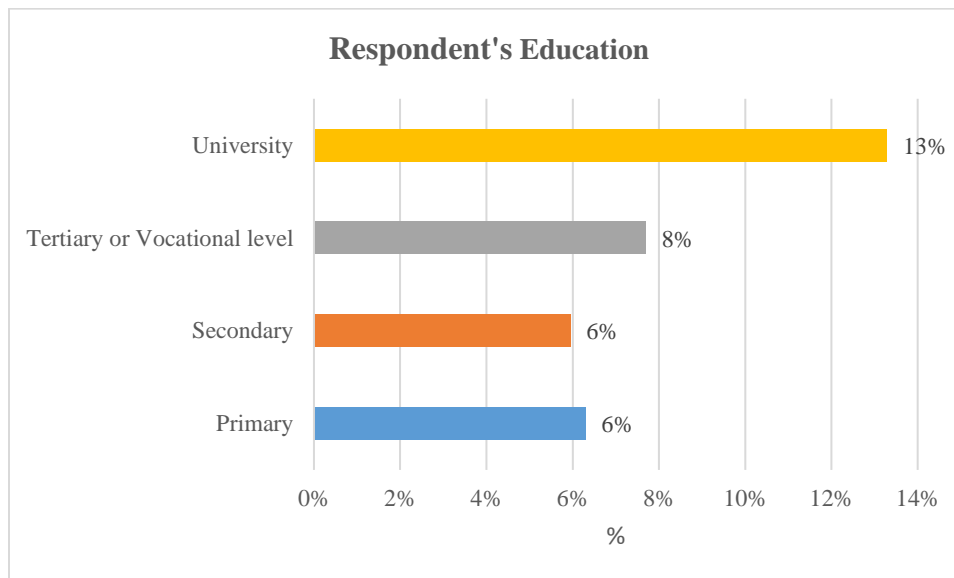


Figure 4.2 Respondent Education

4.3.3 Age Distribution

The distribution of respondents by age showed that most of the respondents (35%) were between 36 and 45 years while 27% were above 45 years. Sixteen percent (16%) were between 26 and 35 years of age. Finally, 23% of the respondents were between 18 and 25 years.

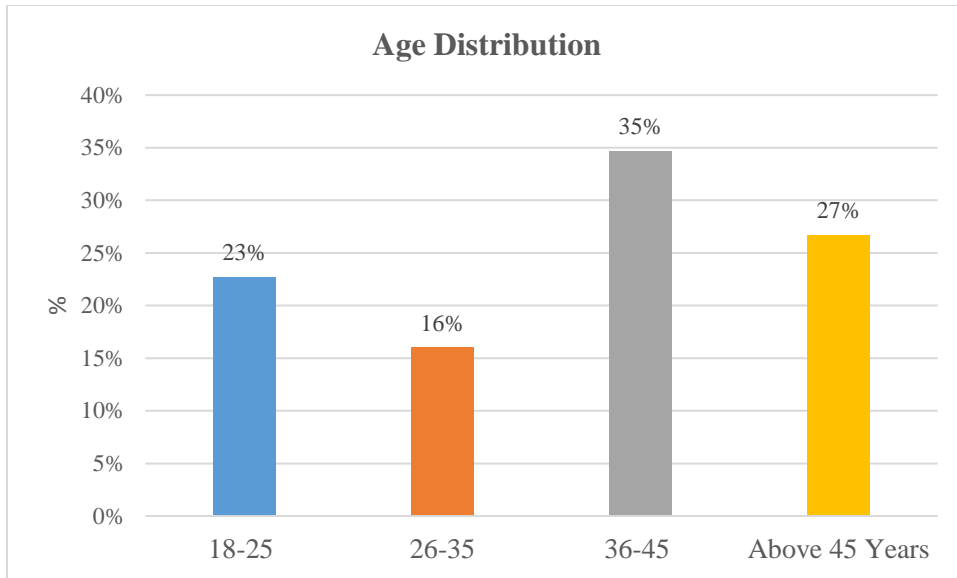


Figure 4.3 Age Distribution
4.3.4 Duration of Work

The respondent's duration of work showed that most (58%) of the participants had worked for 3 years while 29% had worked for two years. Only 13% of the respondents had worked for one year.

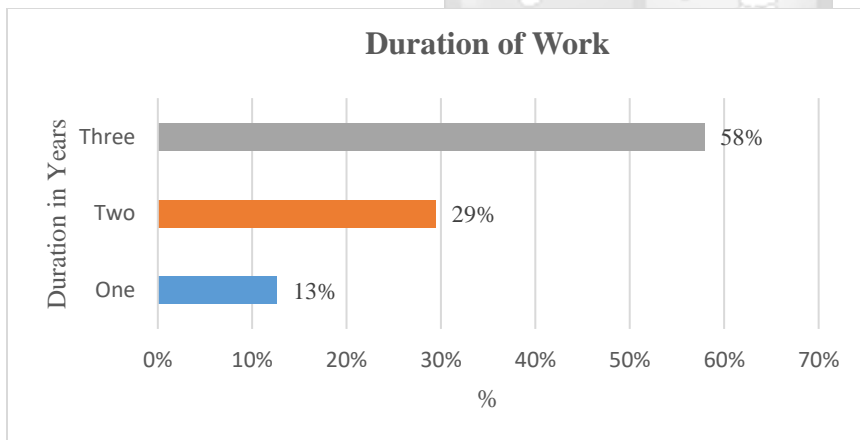


Figure 4.4 Duration of Work

4.4 Diagnostic Test

Before conducting regression analysis, diagnostic test was conducted to ensure all assumptions of the test were met. Some of the test conducted entailed normality, linearity and multicollinearity.

4.4.1 Normality Assumptions

The normality test was examined using Shapiro Wilk test and histograms. This test was conducted on enhanced audit which is the dependent variable. The hypothesis for the test was formulated as follows;

H0: Data is normally distributed

H0: Data is not normally distributed.

The p-value generated from the Shapiro Wilk test was 0.12 which is greater than 0.05. Therefore, the null hypothesis is not rejected. This means that distribution of enhance audit is normally distributed.

Table 4.2 Tests of Normality

	Kolmogorov-Smirnov ^a			Shapiro-Wilk		
	Statistic	df	Sig.	Statistic	df	Sig.
Enhanced_audit	.115	92	.400	.965	92	.120

a. Lilliefors Significance Correction

The histogram supports the Shapiro Wilk findings as the distribution of enhanced audit is fairly symmetrical.

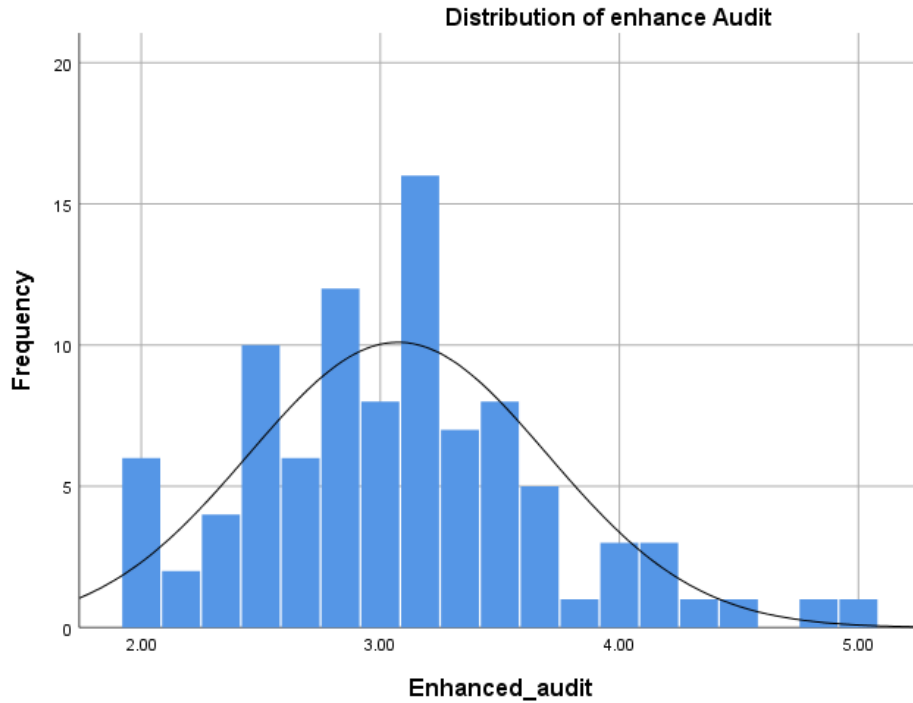


Figure 4.5 Distribution of Enhance Audit

4.4.2 Linearity Assumptions

Linearity assumption was conducted using correlation analysis. The aim of the test was to reveal whether the dependent variable was linearly associated with the independent variables. The relationship between human resource capacity and enhance audit show a moderate association ($r=0.385$). There was a linear relationship between legal capacity and enhanced audit with variable exhibiting a moderate association ($r=0.354$). Additionally, institution capacity and enhanced audit had positive linear relationship ($r=0.368$).

Table 4.3 Correlation

	Human_Reso urce_Capacit y	Legal_Capac ity	Institution_C apacity	Infrastrucultu ral_Capacity	Enhanced_au dit
Human_Resource_Ca pacity	Pearson Correlation	1	.242*	.209*	.348**
	Sig. (2-tailed)		.018	.042	.001
	N	92	92	92	92

Legal_Capacity	Pearson Correlation	.242*	1	.118	.248*	.354**
	Sig. (2-tailed)	.018		.253	.015	.000
	N	92	92	92	92	92
Institution_Capacity	Pearson Correlation	.209*	.118	1	.267**	.331**
	Sig. (2-tailed)	.042	.253		.009	.001
	N	92	92	92	92	92
Infrastructural_Capacity	Pearson Correlation	.348**	.248*	.267**	1	.368
	Sig. (2-tailed)	.001	.015	.009		.104
	N	92	92	92	92	92
Enhanced_audit	Pearson Correlation	.385**	.354**	.331**	.368	1
	Sig. (2-tailed)	.005	.000	.001	.104	
	N	92	92	92	92	92

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

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

4.4.3 Multicollinearity Assumptions

The multicollinearity test was assessed to confirm whether the independent variables are correlated. Based on the findings, human resource capacity has a VIF value of 1.19 while legal capacity has VIF value of 1.099. Institution capacity and infrastructural capacity have a VIF values of 1.096 and 1.226 respectively. The VIF values are less than 5 suggesting no case of multicollinearity in the data.

Table 4.4 Multicollinearity Assumptions

Variables	Collinearity Statistics	
	Tolerance	VIF
Human Resource_Capacity	0.841	1.190
Legal Capacity	0.910	1.099
Institution Capacity	0.912	1.096
Infrastructural Capacity	0.815	1.226

4.4.4 Heteroskedasticity

The assumption of heteroskedasticity was examined using a scatter plot showing the difference between the observed and the predicted values. From the findings, the errors were viewed to exhibit consistency. Therefore, the variance was noted to be constant.

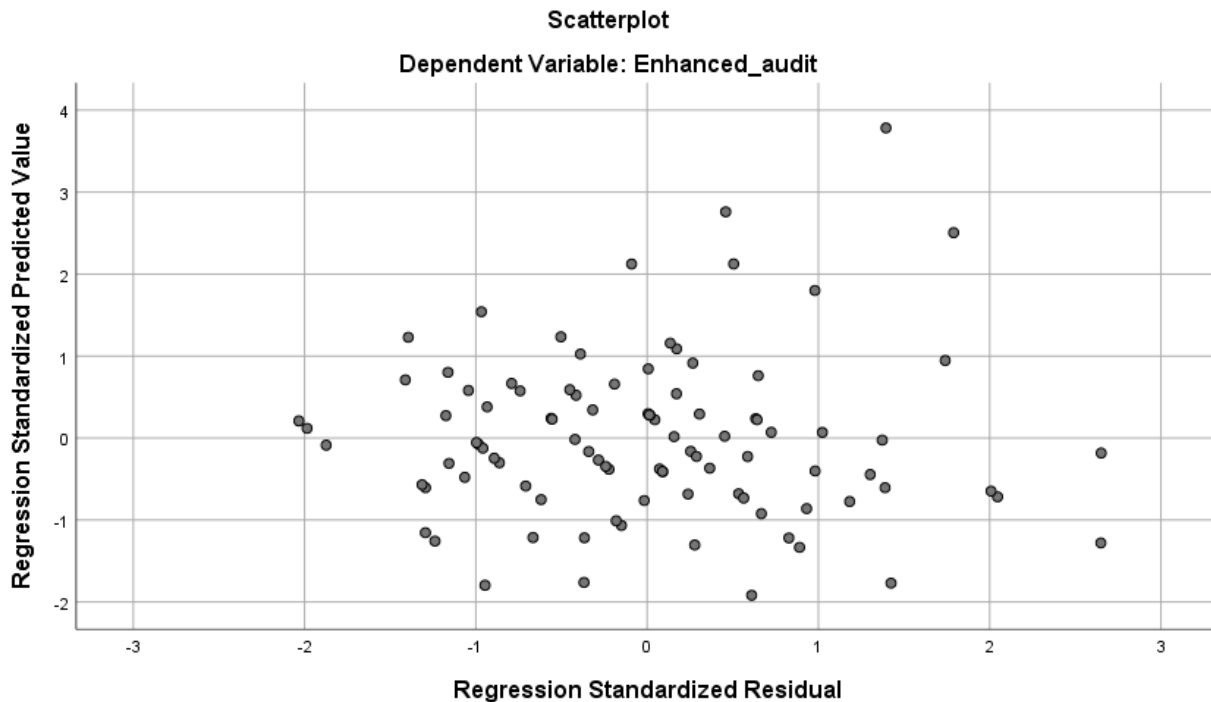


Figure 4.6 Regression Standardized Residual

4.5 Evaluate how human capacity building enhances audit performance

4.5.1 Summary Statistics for Human Resource Capacity

The study assessed respondents' level of agreement with various statements related to the human resource capacity of their organization. The highest level of agreement was for the statement "The firm encourages the use and management of technical knowledge and skills" ($M = 3.2$, $SD = 1.492$), indicating a moderate overall agreement with this aspect of human resource capacity. This was followed closely by "I engage in people management within my section" ($M = 3.16$, SD

= 1.379) and "I am trained on staff supervision and carry out the tasks" (M = 3.09, SD = 1.459). These results suggest that there is a relatively consistent perception of support for technical knowledge management and people management activities. On the lower end, the statement "Managers have responsibility for managing some finances within their Department" received the lowest mean score (M = 2.81, SD = 1.409), suggesting less agreement or perceived effectiveness in financial management responsibilities. Other areas with lower agreement include "The firm keeps written records of all events/occurrences around me" (M = 2.97, SD = 1.38) and "My staff have attended a training on self-improvement in the last one year" (M = 3.06, SD = 1.443).

Table 4.5 : Human Resource Capacity

Factor	Minimum	Maximum	Mean	Std. Deviation	Rank
The firm encourages the use and management of technical knowledge and skills	1	5	3.2	1.492	1
I engage in people management within my section	1	5	3.16	1.379	2
I am trained on staff supervision and carry out the tasks	1	5	3.09	1.459	3
The organization has prepared its leaders to handle advanced problem solving for my section	1	5	3.08	1.427	4
The firm communicates effectively with its clients	1	5	3.07	1.438	5
My staff have attended a training on self-improvement in the last one year	1	5	3.06	1.443	6
The firm keeps written records of all events/occurrences around me.	1	5	2.97	1.38	7
Managers have responsibility for managing some finances within their Department.	1	5	2.81	1.409	8

4.5.2 Regression Analysis

The study conducted a bivariate regression analysis to explore the impact of human capacity building on the improvement of audit performance. The findings revealed that human capacity building has a significant impact on audit performance, $F(1,92) = 8.23, p = 0.003$.

Table 4.6 Anova human capacity building enhances audit performance

ANOVA ^a						
Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	2.989	1	2.989	8.230	.003 ^b
	Residual	33.773	91	.363		
	Total	36.762	92			

a. Dependent Variable: Enhanced_audit

b. Predictors: (Constant), Human_Resource_Capacity

The Coefficient table shows that human resource capacity has a significant positive effect on audit performance ($\beta = 0.303$). Increase in human capacity enhances audit performance. The bivariate regression model is as follows;

$$\text{Enhanced Audit Performance} = 2.154 + 0.303 (\text{Human Resource Capacity})$$

Table 4.7 Coefficients human capacity building enhances audit performance

Coefficients ^a						
Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	2.154	.326		6.597	.000
	Human_Resource_Capacity	.303	.106	.285	2.869	.003

a. Dependent Variable: Enhanced_audit

4.6 Assess the Influence of Legal Capacity on Enhanced Audit Performance

4.6.1 Summary Statistics for Legal Capacity

The survey assessed respondents' level of agreement with various statements related to the legal capacity of their organization. The highest level of agreement was for the statement "The firm raises awareness about the importance of legal capacity with different key actors" (M = 3.37, SD = 1.488), indicating a moderate overall agreement and suggesting that respondents perceive their organization to be proactive in raising awareness about legal capacity. This was followed by "This organization promotes legal reforms that recognize and regulate the legal capacity of each person" (M = 3.2, SD = 1.426) and "The firm has limited expertise on the right to legal capacity" (M = 3.19, SD = 1.378). These responses highlight areas where the organization is seen as actively involved in legal capacity initiatives.

On the lower end, the statement "The staff monitor and report on their experiences of support and implementation promoted by state-funded initiatives irrespective of their size and scope" received the lowest mean score (M = 3.08, SD = 1.31), suggesting less agreement or perceived effectiveness in monitoring and reporting experiences. Other areas with relatively lower agreement include "The firm trained its officers in the last year on the use of current audit standards and guidelines" (M = 3.12, SD = 1.465) and "Reforms for legal capacity initiatives engage a wide variety of stakeholders" (M = 3.13, SD = 1.223).

Table 4.8: Legal Capacity

Factor	Minimum	Maximum	Mean	Std. Deviation	Rank
The firm raises awareness about the importance of legal capacity with different key actors.	1	5	3.37	1.488	1
This organization promotes legal reforms that recognize and regulate the	1	5	3.2	1.426	2

legal capacity of each person					
The firm has limited expertise on the right to legal capacity	1	5	3.19	1.378	3
The firm provides alternative support approaches that that help staff engage with audit and community services.	1	5	3.17	1.478	4
Reforms for legal capacity initiatives engage a wide variety of stakeholders	1	5	3.13	1.223	5
The firm trained its officers in the last year on the use current audit standards and guidelines.	1	5	3.12	1.465	6
The staff monitor and report on their experiences of support and implementation promoted by state funded initiatives irrespective of their size and scope	1	5	3.08	1.31	7

4.6.2 Regression Analysis

The study conducted a bivariate regression analysis to explore the impact of legal capacity building on the improvement of audit performance. The findings revealed that legal capacity building has a significant impact on audit performance, $F(1,92) = 13.34, p < 0.01$.

Table 4.9 Anova legal capacity on enhanced audit performance

ANOVA ^a						
Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	4.613	1	4.613	13.344	.000 ^b
	Residual	32.149	91	.346		
	Total	36.762	92			

a. Dependent Variable: Enhanced_audit

b. Predictors: (Constant), Legal_Capacity

The Coefficient table shows that legal capacity has a significant positive effect on audit performance ($\beta=0.359$). Increase in legal capacity enhances audit performance. The regression model is as follows;

$$\text{Enhanced Audit Performance} = 1.932 + 0.359 (\text{Legal Capacity})$$

Table 4.10 Coefficient legal capacity on enhanced audit performance

		Coefficients^a				
Model		Unstandardized Coefficients		Standardized	t	Sig.
		B	Std. Error	Coefficients		
1	(Constant)	1.932	.318		6.068	.000
	Legal_Capacity	.359	.098	.354	3.653	.000

a. Dependent Variable: Enhanced_audit

4.7 Assess the Influence of Institution Capacity on Enhanced Audit Performance

4.7.1 Summary Statistics for Institutional Capacity

The survey assessed respondents' level of agreement with various statements related to the institutional capacity of their organization. The highest level of agreement was for the statement "There is adequate financial management including budgeting, accounting and fundraising to enhance sustainability" ($M = 3.20$, $SD = 1.411$), indicating a moderate overall agreement. This suggests that respondents generally perceive their organization to have adequate financial management practices in place. Following closely, "We engage in good program planning, monitoring and evaluation" ($M = 3.19$, $SD = 1.424$) and "The administrative procedures are available and are followed by staff" ($M = 3.15$, $SD = 1.391$) were also rated highly, highlighting areas where the organization is seen as effective in program management and adherence to administrative procedures.

On the lower end, the statement "The firm exercises good external relations with its stakeholders" received the lowest mean score ($M = 2.93$, $SD = 1.431$), suggesting less agreement or perceived effectiveness in external relations. Other areas with relatively lower agreement include "The governance approach adopted is receptive to institutional change" ($M = 3.04$, $SD =$

1.436) and "There is sufficient leadership capacity and style embraced in the organizational values" (M = 3.06, SD = 1.435), indicating potential areas for improvement in governance and leadership capacity.

Table 4.11: Institutional Capacity

Factor	Minimum	Maximum	Mean	Std. Deviation	Rank
There is adequate financial management including budgeting, accounting and fundraising to enhance sustainability	1	5	3.20	1.411	1
We engage in good program planning, monitoring and evaluation	1	5	3.19	1.424	2
The administrative procedures are available and are followed by staff.	1	5	3.15	1.391	3
Human resource management practices such as recruitment, placement and support are given to staff	1	5	3.12	1.421	4
Staff understand and abide by organizational identity, culture, vision and purpose	1	5	3.11	1.533	
There is sufficient leadership capacity and style embraced in the organizational values	1	5	3.06	1.435	5
The governance approach adopted is receptive to institutional change	1	5	3.04	1.436	6
The firm exercises good external relations with its stakeholders	1	5	2.93	1.431	7

4.7.2 Regression Analysis

A bivariate regression analysis was conducted to explore the impact of institution capacity building on the improvement of audit performance. The findings revealed that institution capacity building has a significant impact on audit performance, $F(1,92) = 11.45, p = 0.001$.

Table 4.12 Anova Institution capacity on enhanced audit performance

ANOVA ^a						
Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	4.031	1	4.031	11.454	.001 ^b
	Residual	32.731	91	.352		

Total	36.762	92
a. Dependent Variable: Enhanced_audit		
b. Predictors: (Constant), Institution_Capacity		

The Coefficient table shows that institution capacity has a significant positive effect on audit performance ($\beta=0.340$). Increase in institution capacity enhances audit performance. The regression model is as follows;

$$\text{Enhanced Audit Performance} = 2.02 + 0.340 (\text{Institution Capacity})$$

Table 4.13 Coefficients infrastructural capacity on enhanced audit performance

		Coefficients ^a				
		Unstandardized Coefficients		Standardized Coefficients		
Model		B	Std. Error	Beta	t	Sig.
1	(Constant)	2.020	.317		6.365	.000
	Institution_Capacity	.340	.101	.331	3.384	.001

a. Dependent Variable: Enhanced_audit

4.8 Assess the influence of infrastructural capacity on enhanced audit performance

4.8.1 Summary Statistics for Infrastructural Capacity

The survey assessed respondents' level of agreement with various statements related to the infrastructural capacity of their organization. The highest level of agreement was for the statement "Staff population and densities served by a facility or service are considered when estimating the infrastructure needs of the firm" ($M = 3.41$, $SD = 1.341$), indicating moderate overall agreement. This suggests that respondents perceive their organization as being somewhat attentive to the needs based on staff population and service densities when planning infrastructure. Following closely, the statement "Infrastructure capacities are often mismatched

with our current needs" (M = 3.4, SD = 1.348) suggests a recognition of challenges in matching infrastructure capacity with current demands.

In the middle range, the statement "There are sufficient transport facilities that permit staff to transverse geographical space efficiently and in a timely manner for some desired audit activity" (M = 3.14, SD = 1.301) received moderate agreement, indicating that while transport facilities are generally seen as adequate, there is room for improvement. Similarly, "There is good management of resources e.g., information" (M = 3.13, SD = 1.438) received a comparable level of agreement.

On the lower end, the statement "Capital investments for infrastructure are not paid for directly through user fees and are heavily influenced by other policies" received the lowest mean score (M = 2.91, SD = 1.481), suggesting less agreement or perceived effectiveness in the funding and policy influence over capital investments. Other areas with relatively lower agreement include "Human and financial resources are provided when needed and used optimally" (M = 3.05, SD = 1.454) and "Infrastructure demand is expected to increase with an anticipated increase in staff levels" (M = 3.06, SD = 1.535).

Table 4.14: Infrastructural Capacity

Factor	Minimum	Maximum	Mean	Std. Deviation	Rank
Staff population and densities served by a facility or service are considered when estimating the infrastructure needs of the firm.	1	5	3.41	1.341	1
Infrastructure capacities are often mismatched with our current needs	1	5	3.4	1.348	2
There are sufficient transport facilities that permit staff to transverse geographical space efficiently and in a timely manner for some desired audit activity.	1	5	3.14	1.301	3
There is good management of resources e.g. information	1	5	3.13	1.438	4
Infrastructure demand is expected to increase with an	1	5	3.06	1.535	5

anticipated increase in staff levels

Human and financial resources are provided when needed and used optimally

1 5 3.05 1.454 6

Capital investments for infrastructure are not paid for directly through user fees and are heavily influenced by other policies.

1 5 2.91 1.481 7

4.6.4 Assess the influence of infrastructural capacity on enhanced audit performance

A bivariate regression analysis was conducted to explore the impact of infrastructural capacity building on the improvement of audit performance. The findings revealed that infrastructural capacity building has a significant impact on audit performance, $F(1,92) = 8.35$, $p = 0.004$.

Table 4.15 Anova infrastructural capacity on enhanced audit performance

ANOVA ^a						
Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	1.036	1	1.036	8.354	.004 ^b
	Residual	35.726	91	.384		
	Total	36.762	92			

a. Dependent Variable: Enhanced_audit

b. Predictors: (Constant), Infrastructural_Capacity

The Coefficient table shows that infrastructural capacity has a significant positive effect on audit performance ($\beta = 0.192$). Increase in infrastructural capacity enhances audit performance. The regression model is as follows;

$$\text{Enhanced Audit Performance} = 2.469 + 0.192 (\text{Infrastructural Capacity})$$

Table 4.16 Coefficients infrastructural capacity on enhanced audit performance

Coefficients ^a						
Model		Unstandardized Coefficients		Standardized	t	Sig.
		B	Std. Error	Coefficients		
1	(Constant)	2.469	.374		6.605	.000
	Infrastructural_Capacity	.192	.117	.168	1.642	.004

a. Dependent Variable: Enhanced_audit

4.9 The overall impact of Human Resource Capacity, Legal Capacity, Institution Capacity and Infrastructural Capacity on Enhanced Audit Performance.

4.9.1 Summary Statistics for Financial Governance

The survey assessed respondents' level of agreement with various statements related to financial governance within their organization. The highest level of agreement was for the statement "The firm responds swiftly to feedback on their clients" ($M = 3.2$, $SD = 1.396$), indicating a moderate overall agreement. This suggests that respondents generally perceive their organization to be responsive to client feedback, which is crucial for maintaining trust and improving service delivery. Following closely, the statement "The firm has ensured a sealing of financial loopholes thereby reducing fraud and pilferage" ($M = 3.18$, $SD = 1.313$) suggests a recognition of efforts made by the organization to enhance financial security and reduce fraudulent activities.

In the middle range, the statement "The vision of the firm is adequately maintained and adequately reviewed in line with its work" ($M = 3.09$, $SD = 1.422$) indicates that there is moderate agreement on the alignment of the firm's vision with its operational activities. Similarly, "The services given to the public are efficiently delivered" ($M = 3.07$, $SD = 1.438$) reflects a moderate perception of service efficiency.

On the lower end, the statement "The organization sits down with its key stakeholders and helps them to identify areas of weakness in the financial system with a view to changing them" received a mean score of 2.98 ($SD=1.36$), suggesting less agreement or perceived effectiveness in stakeholder engagement for financial system improvements. The statement "The firm embraces accountable and open forms of doing its work" received the lowest mean score ($M = 2.92$, $SD = 1.442$), indicating that respondents perceive room for improvement in the organization's transparency and accountability practices.

Table 4.17: Financial Governance

Factor	Minimum	Maximum	Mean	Std. Deviation	Rank
The firm responds swiftly to feedback on their clients	1	5	3.2	1.396	1
The firm has ensured a sealing of financial loopholes thereby reducing fraud and pilferage	1	5	3.18	1.313	2
The vision of the firm is adequately maintained and adequately reviewed in line with its work	1	5	3.09	1.422	3
The services given to the public is efficiently delivered	1	5	3.07	1.438	4
The organization sits down with its key stakeholders and helps them to identify areas of weakness in the financial system with a view to changing them.	1	5	2.98	1.36	5
The firm embraces accountable and open forms of doing its work	1	5	2.92	1.442	6

4.10.1 Summarized Statistics for Dependent and Independent Variables

The descriptive statistics was conducted for Human Resource Capacity, Legal Capacity, Institution Capacity, Infrastructural Capacity and Enhanced Audit. The findings showed that average level of human resource capacity was 3.04 (M=3.04, SD=0.59). The average level for legal capacity was at 3.18 (M=3.18, SD=0.61) while institution capacity registered a level of 3.0987 (M=3.10, SD=0.61). Infrastructural capacity recorded an average score of 3.16 (M=3.16, SD=0.55) while enhanced audit registered a level of 3.0737 (M=3.07, SD=0.63).

Table 4.18 Descriptive Statistics

	N	Minimum	Maximum	Mean	Std. Deviation
Human Resource Capacity	92	1.57	4.86	3.0361	.58863
Legal Capacity	92	2.00	4.86	3.1789	.61673
Institution Capacity	92	1.75	5.00	3.0987	.60880
Infrastructural Capacity	92	1.86	4.43	3.1564	.54779
Enhanced audit	92	2.00	5.00	3.0737	.62537
Valid N (listwise)	92				

4.10.2 Multiple Regression Analysis

A multiple regression analysis was conducted to examine the impact of human resource capacity, legal capacity, institution capacity and infrastructural capacity on enhanced audit performance. The model summary table generated a R-squared value of 0.555. The value suggests that 55.5% of variability in audit performance is influenced by human resource capacity, legal capacity, institution capacity and infrastructural capacity.

Table 4.19 Model Summary

Model Summary				
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.0743 ^a	.555	.524	.55901

a. Predictors: (Constant), Infrastructural_Capacity, Legal_Capacity, Institution_Capacity, Human_Resource_Capacity

The ANOVA table shows the significance of the regression model. Human resource capacity, legal capacity, institution capacity and infrastructural capacity are significant predictor of enhance audit performance, $F(4, 94) = 6.91, p < 0.0$.

Table 4.20 ANOVA

ANOVA ^a						
Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	8.638	4	2.159	6.910	.000 ^b
	Residual	28.124	87	.312		
	Total	36.762	91			

a. Dependent Variable: Enhanced_audit

b. Predictors: (Constant), Infrastructural_Capacity, Legal_Capacity, Institution_Capacity, Human_Resource_Capacity

The coefficient table shows the significance of each of the independent variable. Human resource capacity has a p-value of 0.039 which is less than 0.05. The variable is a good predictor of enhanced audit performance. The coefficient value is 0.182 which mean that a unit increase in human capacity results to increase in enhance audit performance by 0.182. Legal capacity has a

p-value of 0.004 which is less than 0.05 hence it's a significant impact on enhanced audit performance. The coefficient value under legal capacity is 0.294 which means that a unit increase in legal capacity leads to increase in enhanced audit performance by 0.294. Additionally, institutional capacity recorded a p-value of 0.006 which is less than 0.05. Thus, institutional capacity is a significant predictor of enhanced audit performance. The coefficient value is 0.278 implying that a unit increase in institutional capacity leads to enhanced audit performance by 0.278. The infrastructural capacity recorded a p-value of 0.03 which is less than 0.05 indicating that the variable is a significant predictor of enhanced audit performance. The coefficient value under infrastructural capacity is 0.241 which shows that a unit increase in infrastructural capacity leads to enhanced audit performance by 0.241. The model generated from the coefficient table is as follows;

$$\text{Enhanced Audit Performance} = 0.856 + 0.182 (\text{Human Capacity}) + 0.294 (\text{Legal Capacity}) + 0.294 (0.278) + 0.241 (\text{Infrastructure Capacity})$$

Table 4.21 Coefficient

		Coefficients ^a				
		Unstandardized Coefficients		Standardized Coefficients		
Model		B	Std. Error	Beta	t	Sig.
1	(Constant)	.856	.470		1.820	.072
	Human_Resource_Capacity	.182	.107	.171	1.699	.039
	Legal_Capacity	.294	.098	.290	2.997	.004
	Institution_Capacity	.278	.099	.271	2.804	.006
	Infrastructural_Capacity	.241	.117	.036	.350	.003

a. Dependent Variable: Enhanced_audit

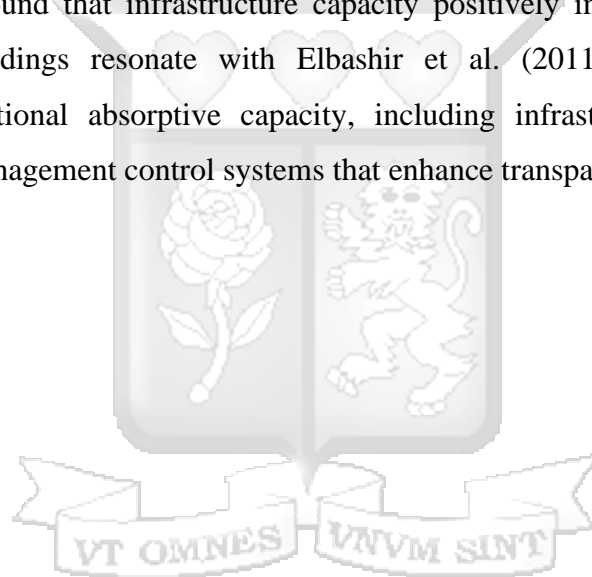
4.8 Summary of the Chapter

The regression analysis findings unveiled a notable positive correlation between human capacity and enhanced audit performance. This discovery resonates with Pollyn's (2016) affirmation that human capacity building is pivotal for sustainable development, particularly in combating corruption. The purpose of this study was to establish a vigorous foundation for a corruption-free.

The research further confirmed that legal capacity positively influenced enhanced audit performance. These results resonate with the findings of Howlett & Saguin (2018), emphasizing the significance of effective policy formulation in organizational operations. Additionally, Wu et al. (2018) argue that integrating both capacity and policy into a comprehensive conceptual framework enhances overall effectiveness and efficiency.

Furthermore, it was observed that institutional capacity positively impacted enhanced audit performance. These findings are consistent with Doshmangir et al.'s (2022) assertion that sufficient institutional capacity, encompassing skills and knowledge, fosters organizational performance.

In conclusion, it was found that infrastructure capacity positively influenced enhanced audit performance. These findings resonate with Elbashir et al. (2011), who emphasized the importance of organizational absorptive capacity, including infrastructure development, in promoting integrated management control systems that enhance transparency.



CHAPTER FIVE: DISCUSSION, CONCLUSION, AND RECOMMENDATIONS

5.1 Introduction

The findings, conclusions, contributions, suggestions, limits, and opportunities for further research are summarized in this chapter. The chapter provides a summary of the outcomes that was established based on the study's objectives which examined the influence of various capacities, human resource, legal, institutional, and infrastructural on enhanced audit performance within organizations. Utilizing a quantitative approach, the study gathered data from a diverse group of operating managers and support staff within the organization.

5.2 Summary of the Study

This study investigated the relationship between various organizational capacities namely; human resource, legal, institutional, and infrastructural and their influence on audit performance. Employing a quantitative research methodology, the investigation engaged operating managers and support staff within a corporate setting, achieving a high response rate which underscores the robustness and reliability of the collected data. Data collection was executed through surveys distributed among operating managers and supporting staff, achieving an overall response rate from majority of the respondents. Descriptive and inferential statistics were used to analyze the data, with regression analyses employed to ascertain the relationships between the independent variables (different capacities) and the dependent variable (audit performance). Descriptive statistics provided valuable insights into the average levels of key capacities, including human resource, legal, institution, infrastructural, and enhanced audit capabilities, indicating a considerable degree of organizational readiness. Diagnostic tests ensured the validity of subsequent analyses, confirming the normality, linearity, absence of multicollinearity, and homoscedasticity assumptions. Bivariate regression analyses highlight significant positive relationships between each capacity variable and enhanced audit performance, underlining their individual importance. Moreover, multiple regression analysis reveals that human resource, legal, institution, and infrastructural capacities collectively account for bigger percentage of the variability in enhanced audit performance, emphasizing their collective significance in organizational effectiveness. These findings hold practical implications for policymakers and managers aiming to enhance organizational performance through targeted capacity-building initiatives.

5.3 Discussion of Findings

5.3.1 Evaluate how human capacity building enhances audit performance

The findings regarding human capacity building highlight a compelling link between investing in personnel development and improving audit performance. This correlation is pivotal, as it suggests that organizations can significantly enhance their ability to conduct thorough audits by focusing on the development of their human resources.

Moreover, these findings resonate deeply with the assertions put forth by Pollyn (2016), who emphasizes the critical role of human capacity building in fostering sustainable development and combating corruption. By investing in the skills, knowledge, and capabilities of their workforce, organizations not only improve their audit performance but also contribute to larger societal goals of integrity and transparency. This alignment with Pollyn's perspective adds weight to the significance of the study's results.

Furthermore, it's essential to consider the broader implications of these findings. The study's objective of establishing a robust foundation for a corruption-free environment aligns closely with the global agenda for ethical governance and accountability. Effective audit processes serve as a cornerstone in this endeavor, and the positive relationship between human capacity building and audit performance identified in this study provides valuable insights for policymakers and organizational leaders. By prioritizing investments in human resources, institutions can not only enhance their own operational efficiency but also contribute to the larger societal goal of fostering integrity and trust

5.3.2 Assess the influence of legal capacity on enhanced audit performance

The study's examination of legal capacity building sheds light on another crucial aspect influencing audit performance. The statistical analysis, with a significant F-value of 13.34 and a p-value of less than 0.01, underscores the importance of legal capacity in this context. Specifically, the study identifies a substantial positive effect ($\beta=0.359$) of legal capacity on audit performance, indicating that as legal capacity increases, so does the effectiveness of audit processes. This finding underscores the critical role of legal expertise and understanding within organizations engaged in audit activities.

These results are consistent with previous research findings, such as those highlighted by Howlett & Saguin (2018), which emphasize the importance of effective policy formulation in

organizational operations. Effective policies provide the framework within which audits are conducted, guiding auditors in their assessments and ensuring consistency and reliability in the audit process. By enhancing legal capacity, organizations are better equipped to develop and implement these policies, thereby improving the overall quality of their audit functions.

Additionally, the argument put forth by Wu et al. (2018) regarding the integration of capacity and policy into a comprehensive conceptual framework further reinforces the importance of legal capacity in audit performance. A holistic approach that combines both legal expertise and sound policy formulation not only enhances the effectiveness of audits but also contributes to overall organizational efficiency and efficiency. This suggests that investments in legal capacity not only benefit audit processes directly but also have broader implications for organizational performance and governance.

5.3.3 Assess the influence of Institution capacity on enhanced audit performance

The investigation into institution capacity building uncovers yet another vital aspect influencing audit performance. The statistical analysis, yielding a significant F-value of 11.45 and a p-value of 0.001, underscores the critical role of institution capacity in this context. Specifically, the study identifies a substantial positive effect ($\beta=0.340$) of institution capacity on audit performance, indicating that as institution capacity grows, so does the effectiveness of audit processes. This finding underscores the pivotal role of organizational resources, skills, and knowledge in driving audit excellence.

These findings align closely with the assertions made by Doshmangir et al. (2022), who argue that sufficient institutional capacity is essential for fostering organizational performance. Institutions with robust capacity are better equipped to support audit activities effectively, providing the necessary infrastructure, expertise, and support systems to facilitate rigorous and reliable audit processes. By investing in institution capacity building, organizations can create an environment conducive to high-quality audits, thereby enhancing transparency, accountability, and governance practices.

Moreover, the significance of institution capacity in audit performance extends beyond the audit function itself. A well-equipped institution is better positioned to respond to the complexities and challenges of the audit environment, enabling it to adapt and evolve in response to changing regulatory requirements, technological advancements, and organizational needs. This

underscores the broader implications of institution capacity building for organizational resilience and sustainability.

5.3.4 Assess the influence of infrastructural capacity on enhanced audit performance

The examination of infrastructural capacity building unveils yet another critical factor influencing audit performance. The statistical analysis, yielding a significant F-value of 8.35 and a p-value of 0.004, underscores the importance of infrastructural capacity in this context. Specifically, the study identifies a notable positive effect ($\beta=0.192$) of infrastructural capacity on audit performance, indicating that as infrastructural capacity increases, so does the effectiveness of audit processes. This finding underscores the pivotal role of organizational infrastructure in facilitating rigorous and reliable audit activities.

These findings resonate strongly with the assertions made by Elbashir et al. (2011), who highlight the significance of organizational absorptive capacity, particularly in terms of infrastructure development, in promoting integrated management control systems that enhance transparency. Robust infrastructure provides the necessary foundation for audit activities, supporting data collection, analysis, and reporting processes. By investing in infrastructural capacity building, organizations can create an environment conducive to efficient and effective audit operations.

Moreover, the importance of infrastructural capacity in audit performance extends beyond the audit function itself. A well-developed infrastructure not only facilitates audit activities but also enhances organizational resilience and agility. By investing in infrastructure development, organizations can better adapt to changing regulatory requirements, technological advancements, and organizational needs, thereby improving overall organizational performance and sustainability.

5.4 Conclusion

In conclusion, the comprehensive analysis of various forms of capacity building human, legal, institutional, and infrastructural reveals their collective significance in enhancing audit performance within organizations. Across the board, investing in capacity building initiatives yields notable positive effects on audit performance, as evidenced by statistically significant findings and correlations.

Human capacity building emerges as a cornerstone, with a well-trained and skilled workforce proving crucial for effective audit execution. Legal capacity building underscores the importance of sound policy formulation and adherence to legal frameworks in guiding audit processes. Institutional capacity building provides the necessary resources, skills, and knowledge to support audit activities effectively, fostering organizational performance. Infrastructural capacity building, meanwhile, ensures the availability of robust infrastructure to facilitate efficient audit operations.

These findings resonate with existing literature, affirming the interconnectedness of capacity building initiatives with audit performance enhancement. Moreover, they underscore the broader implications of capacity building efforts, not only for audit effectiveness but also for organizational resilience, transparency, and governance practices.

In light of these insights, organizational leaders and policymakers are encouraged to prioritize investments in capacity building across various dimensions to optimize audit performance and promote ethical governance practices. By fostering a culture of continuous learning and development, organizations can position themselves for sustained success in navigating the complexities of the audit environment and contributing to broader societal goals of integrity and accountability.

5.5 Study Contribution to Theory and Existing Knowledge

The study's findings contribute significantly to various theoretical frameworks, including deontological theory, resource-based theory, institutional theory, and systems theory.

5.5.1 Deontological Theory

Deontological theory, which emphasizes ethical principles and duties, is enriched by the study's emphasis on human and legal capacity building. By investing in these capacities, organizations align with deontological principles by prioritizing ethical conduct and adherence to legal frameworks. The study demonstrates how enhancing human and legal capacities supports auditors in upholding ethical standards and fulfilling their duties to conduct thorough and reliable audits. Thus, the study provides empirical support for deontological principles in the context of audit performance.

5.5.2 Resource-Based Theory:

Resource-based theory suggests that organizational resources, such as human capital and infrastructure, are key sources of competitive advantage. The study contributes to this theory by

highlighting the importance of investing in various forms of capacity building, including human, institutional, and infrastructural capacities, to enhance audit performance. By building these capacities, organizations can develop unique and valuable resources that contribute to their competitive advantage in the audit environment. Therefore, the study underscores the relevance of resource-based theory in understanding the determinants of audit effectiveness.

5.5.3 Institutional Theory

Institutional theory focuses on the influence of social institutions and norms on organizational behavior. The study's emphasis on institutional capacity building aligns with this theory by highlighting the importance of organizational norms and structures in supporting audit performance. By investing in institutional capacity, organizations conform to institutional norms related to transparency, accountability, and governance, thereby enhancing their legitimacy and reputation. The study thus contributes to institutional theory by demonstrating how capacity building initiatives shape organizational behavior and responses to institutional pressures.

5.5.4 Systems Theory

Systems theory examines organizations as complex, interconnected systems. The study contributes to this theory by emphasizing the interdependence of various organizational capacities, such as human, legal, institutional, and infrastructural capacities, in driving audit performance. By adopting a systems perspective, the study recognizes that changes in one aspect of organizational capacity can have ripple effects throughout the entire audit system. Therefore, the study enhances our understanding of organizational dynamics and performance through the lens of systems theory

5.6 Recommendations

5.6.1 Policy Recommendations

To enhance audit performance and promote effective governance, organizations should prioritize the development and implementation of clear and robust policies that guide audit activities. These policies should encompass all aspects of audit processes, including planning, execution, reporting, and follow-up actions. Furthermore, policies should be regularly reviewed and updated to ensure alignment with changing regulatory requirements and organizational needs. By establishing comprehensive policies, organizations can provide auditors with clear guidance and standards to follow, fostering consistency, reliability, and transparency in audit practices.

Moreover, organizations should integrate capacity building initiatives into their policy frameworks to ensure that audit personnel are equipped with the necessary skills and knowledge to perform their roles effectively. Training programs should be designed to address specific policy requirements and focus on areas such as regulatory compliance, risk assessment, and data analysis. By linking capacity building efforts with policy objectives, organizations can enhance the overall effectiveness of their audit functions and strengthen their ability to achieve governance goals.

5.6.2 Managerial Recommendations

Organizational leaders should take proactive steps to support audit performance through effective managerial practices. This includes allocating sufficient resources to support capacity building initiatives, such as training programs, technology upgrades, and infrastructure improvements. Managers should also foster a culture of continuous learning and development within the organization, encouraging audit personnel to pursue professional certifications and participate in ongoing training opportunities.

Furthermore, managers should prioritize collaboration and communication across departments to ensure that audit activities are integrated into broader organizational processes and goals. This includes establishing clear lines of communication between audit teams and other stakeholders, such as senior management, legal counsel, and regulatory authorities. By promoting collaboration and transparency, managers can enhance the effectiveness of audit processes and strengthen organizational governance practices.

5.7 Study Limitations and Suggestions for Further Studies

While the current study provides valuable insights into the relationship between capacity building and audit performance, several limitations need to be acknowledged, paving the way for future research endeavors. One notable limitation is the sample size, which may constrain the generalizability of findings. Future studies could aim for larger and more diverse samples to enhance the external validity of results across various organizational contexts. Additionally, the cross-sectional design employed in this study limits its ability to establish causality. Longitudinal studies could offer a more nuanced understanding of how capacity building initiatives influence audit performance over time, elucidating dynamic relationships. Moreover, reliance on self-reported measures introduces potential biases, suggesting a need for objective measures or multiple data sources in future investigations. Lastly, contextual factors such as organizational

culture and industry-specific regulations warrant closer examination to comprehensively assess the impact of capacity building on audit effectiveness.



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APPENDIX I: INTRODUCTION LETTER

The Office of Auditor General

P.O. Box 30084-00100

Nairobi

Dear Sir/Madam,

RE: ACADEMIC RESEARCH THESIS

I am a student of masters in public policy and management at Strathmore Business School. I would like to conduct a research study on "*Influence of capacity building on enhancing audits for improved financial governance by the Office of the Auditor General in Kenya*". A questionnaire has been designed and will be used to gather relevant information to address the study's research objectives. The purpose of writing to you is to request your permission to collect information on this important subject from randomly selected Employees in your organization.

Please note that the study will be conducted for *academic research purposes only*, the information provided will be treated in strict confidence and strict adherence to ethical principles to ensure confidentiality. The study outcomes and reports will not include references to any individuals and upon completion the results will be shared to your organization to aid in improving the strategy being adopted for the Capacity building.

Your acceptance will highly be appreciated.

Yours Sincerely,

Fredrick Oluoch Odhiambo



APPENDIX II: QUESTIONNAIRE

SECTION A: DEMOGRAPHIC CHARACTERISTICS OF RESPONDENTS

Please Tick (✓) your most preferred Response:

1. What is your Gender?

- Male ()
- Female ()

2. Kindly tick inside the correct box that describes your age

18-25 years ()

26-35 years ()

36-45 years ()

Above 45 Years ()

3. What is your highest level of education?

Primary ()

Secondary ()

Tertiary or Vocational level ()

University ()

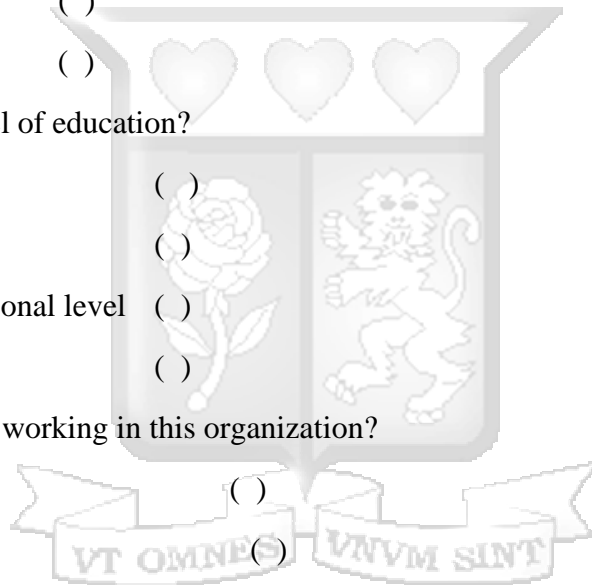
4. How long have you been working in this organization?

2 years ()

3 years ()

4 years ()

5. What is your job title?



SECTION B: HUMAN RESOURCE CAPACITY

1. To the best of your knowledge, indicate your level of agreement with the statements below

The following scale will be applicable: Please tick ✓ once for each question

Use a scale of 1-5, Where 5= Strongly Agree; 4= Agree; 3= neither agree/disagree; 2= Disagree;

1= Strongly Disagree

No.	Statement	1	2	3	4	5
1	The firm keeps written records of all events/occurrences around me.					
2	My staff have attended a training on self-improvement in the last one year					
3	The firm communicates effectively with its clients					
4	Managers have responsibility for managing some finances within their Department.					
4	I am trained on staff supervision and carry out the tasks					
5	I engage in people management within my section					
6	The organization has prepared its leaders to handle advanced problem solving for my section					
7	The firm encourages the use and management of technical knowledge and skills					

SECTION C: LEGAL CAPACITY (Constantino, 2022)

2. To the best of your knowledge, indicate your level of agreement with the statements below

The following scale will be applicable: Please tick \surd once for each question

Use a scale of 1-5, Where 5= Strongly Agree; 4= Agree; 3= neither agree/disagree; 2= Disagree;

1= Strongly Disagree

No	Statements	1	2	3	4	5

1	This organization promotes legal reforms that recognize and regulate the legal capacity of each person					
2	The firm has limited expertise on the right to legal capacity					
3	The firm trained its officers in the last year on the use current audit standards and guidelines.					
4	The firm provides alternative support approaches that that help staff engage with audit and community services.					
5	The staff monitor and report on their experiences of support and implementation promoted by state funded initiatives irrespective of their size and scope					
6	Reforms for legal capacity initiatives engage a wide variety of stakeholders					
7	The firm raises awareness about the importance of legal capacity with different key actors.					

SECTION D: INSTITUTIONAL CAPACITY

3. To the best of your knowledge, indicate your level of agreement with the statements below

The following scale will be applicable: Please tick \surd once for each question.

Use a scale of 1-5, 5= Strongly Agree; 4= Agree; 3= neither agree/disagree; 2= Disagree; 1=

Strongly Disagree

No.	Statements	1	2	3	4	5
1	The administrative procedures are available and are followed by staff.					
2	There is adequate financial management including budgeting, accounting and fundraising to enhance sustainability					
3	Human resource management practices such as recruitment, placement and support are given to staff					
4	We engage in good program planning, monitoring and evaluation					
5	Staff understand and abide by organizational identity, culture, vision and purpose					
6	There is sufficient leadership capacity and style embraced in the organizational values					
7	The firm exercises good external relations with its stakeholders					
8	The governance approach adopted is receptive to institutional change					

SECTION E: INFRASTRUCTURAL CAPACITY (Fortin-Ruttberger, 2014)

4. To the best of your knowledge, indicate your level of agreement with the statements below

The following scale will be applicable: Please tick \surd once for each question

Use a scale of 1-5, 5= Strongly Agree; 4= Agree; 3= neither agree/disagree; 2= Disagree; 1=

Strongly Disagree

No	Statements	1	2	3	4	5
1	There is good management of resources e.g. information, equipment and infrastructure					
2	Human and financial resources are provided when needed and used optimally					
3	There are sufficient transport facilities that permit staff to transverse geographical space efficiently and in a timely manner for some desired audit activity.					
4	Capital investments for infrastructure are not paid for directly through user fees and are heavily influenced by other policies.					
5	Infrastructure capacities are often mismatched with our current needs					
6	Staff population and densities served by a facility or service are considered when estimating the infrastructure needs of the firm.					
7	Infrastructure demand is expected to increase with an anticipated increase in staff levels					

SECTION F: ENHANCING AUDITS FOR IMPROVED FINANCIAL GOVERNANCE

- To the best of your knowledge, indicate your level of agreement with the statements below

The following scale will be applicable: Please tick \surd once for each question

Use a scale of 1-5, 5= Strongly Agree; 4= Agree; 3= neither agree/disagree; 2= Disagree; 1=

Strongly Disagree

No	Statements	1	2	3	4	5

1	The firm embraces accountable and open forms of doing its work					
2	The services given to the public is efficiently delivered					
3	The firm has ensured a sealing of financial loopholes thereby reducing fraud and pilferage					
4	The organization sits down with its key stakeholders and helps them to identify areas of weakness in the financial system with a view to changing them.					
5	The firm responds swiftly to feedback on their clients					
6	The vision of the firm is adequately maintained and adequately reviewed in line with its work					

THE END: THANKYOU!



APPENDIX III: INTRODUCTION LETTER

Ole Sangale Rd, Madaraka Estate,
P.O Box 59857 00200, Nairobi, Kenya.
Cell: +254 703 414/6/7, Twitter: @SBSKenya
Email: info@sbs.ac.ke or visit www.sbs.strathmore.edu



Friday, 05 April 2024

To Whom It May Concern,

RE: FACILITATION OF RESEARCH – ODHIAMBO FREDRICK OLUOCH

This is to introduce Fredrick Oluoch who is a **Master's in Public Policy and Management (MPPM)** student at Strathmore University Business School, admission number MPPM 95872. As part of our MPPM Program, Fredrick is expected to do applied research and undertake a project. This is in partial fulfilment of the requirements of the MPPM course. To this effect, he would like to request for appropriate data from your organization.

Fredrick is undertaking a research paper on "**Capacity Building on Enhancing Audits for Improved Financial Governance by the Office of the Auditor General in Kenya.**" The information obtained from your organization shall be treated confidentially and shall be used for academic purposes only.

Our MPPM program seeks to establish links with industry, and one of these ways is by directing our research to areas that would be of direct use to industry. We would be glad to share our findings with you after the research, and we trust that you will find them of great interest and of practical value to your organization.

We appreciate your support and shall be willing to provide any further information if required.

Yours Faithfully,

A handwritten signature in black ink, appearing to read "Njoki Kiagiri".

Njoki Kiagiri.
Manager – Graduate Programs.
Strathmore University Business School

Strathmore Business School is a Proud member of:



APPENDIX IV: ETHICAL LETTER



22nd April 2024

Mr Odhiambo Fredrick,
wazualink@gmail.com

Dear Mr Odhiambo,

**RE: Capacity Building on Enhancing Audits for Improved Financial Governance
by the Office of the Auditor General in Kenya**

This is to inform you that SU-ISERC has reviewed and **approved** your above **SU-masters** research proposal. Your application reference number is **SU-ISERC2167/24**. The approval period is from **22nd April 2024 to 21st April 2025**.

This approval is subject to compliance with the following requirements:

- i. Only approved documents including (informed consents, study instruments, MTA) will be used.
- ii. All changes including (amendments, deviations, and violations) are submitted for review and approval by SU-ISERC.
- iii. Death and life-threatening problems and serious adverse events or unexpected adverse events whether related or unrelated to the study must be reported to SU-ISERC within 72 hours of notification.
- iv. Any changes anticipated or otherwise that may increase the risks or affected safety or welfare of study participants and others or affect the integrity of the research must be reported to SU-ISERC within 72 hours.
- v. Clearance for the export of biological specimens must be obtained from relevant institutions.
- vi. Submission of a request for renewal of approval at least 60 days prior to the expiry of the approval period. Attach a comprehensive progress report to support the renewal.
- vii. Submission of an executive summary report within 90 days of completion of the study to SU-ISERC.

Before commencing your study, you will be expected to obtain a research license from National Commission for Science, Technology, and Innovation (NACOSTI) <https://research-portal.nacosti.go.ke/> and obtain other clearances needed.

Yours sincerely,

**Mr Ambrose Rachier,
Chairperson; SU-ISERC**



