



**EFFECT OF PROCUREMENT AUDIT ON THE PROCUREMENT PERFORMANCE OF NON-GOVERNMENTAL ORGANIZATIONS IN KENYA. (A CASE STUDY OF COMPASSION KENYA, MOMBASA)**

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**ABSTRACT**

*This research aimed to analyze some factors of procurement audit that may affect performance of an organization. The research was undertaken with the view of Compassion Kenya an international Non-governmental organization which implemented the procurement audit but had not experienced improvement in performance. The study helped to understand the factors that may be contributing to the poor performance in Compassion Kenya in spite of having procurement audit. The study used a descriptive research design approach. The target population used was 106. The results showed that it was clear that there was a positive correlation between the independent variables, procurement accountability, procurement conformity, procurement transparency and procurement performance of non-governmental organizations in Kenya. The results clearly depicted that procurement accountability was greatly influenced procurement performance. There was positive correlation between accountability, conformity and transparency on performance. There was strong positive correlation between procurement audit and accountability, conformity and transparency. From the study it was concluded that procurement conformity measures (quantity and quality) had significant and positive influence on procurement performance. The regression results revealed statistically significant positive relationship between procurement conformity and procurement performance. The results had positively attributed due to viable procurement entities and leadership hiring and recruiting professionals especially in procurement line with adequate expertise which gave them upper hand to handle all critical and emerging issues in procurement in regards to having proper procurement plans in place and working within the law as their guideline in whatever procurement activities. The study recommended the management and other key policy makers to provide and improve on better training mechanisms on procurement accountability, conformity and transparency that revolves around on the benefit of procurement audits for the entire organization set up. The study recommended the policy makers and top management to formulate and cultivate culture of performance in terms of appropriate accountable procedures, structures and systems for procurement that would provide appropriate direction for the organization.*

**Key terms:** Accountability, Assessment, Auditing, Conformity, Competence, Procurement efficiency, Procurement ethics, Standards, Transparency

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## INTRODUCTION

The origin of procurement auditing dates back to times scarcely less remote than that of accounting. Whenever the advance of civilization brought about the necessity of one man being in trusted to some extent with the property of another, the advisability of check upon the fidelity of the former would become apparent. The demand for both external and internal auditing is sourced in the need to have some means of independent verification to reduce record-keeping errors, asset misappropriation, and fraud within business and non-business organizations. European systems of bookkeeping and auditing were introduced into the United States. As business activities grew in size, scope, and complexity, a critical need for a separate internal assurance function that would verify the accounting information used for decision-making by management emerged. Management needed some means of evaluating not only the efficiency of work performed for the business but also the honesty of its employees. Around the turn of the 20th century, the establishment of a formal internal audit function to which these responsibilities could be delegated was the logical answer. In due course, the internal audit function became responsible for “careful collection and interpretive reporting of selected business facts” to enable management to keep track of significant business developments, activities, and results from diverse and voluminous transactions (Richard Cascarino 2013).

The U.S. General Accounting Office (GAO) and numerous State Auditors’ Offices, for instance, the State of Ohio Auditors’ Office, have traditionally employed large numbers of internal auditors’. Companies in the railroad, defense, and retail industries had long recognized the value of internal audit services, going far beyond financial statement auditing and devoted to furnishing reliable operating reports containing nonfinancial data such as

“quantities of parts in short supply, adherence to schedules, and quality of the product” (Sridhar 2012).

In Tanzania Public procurement audit in is an emerging practice conducted by the Public Regulatory Authority (PPRA) in a way to overcome unethical practices in the public procurement processes. Generally speaking, it is mandatory for PPRA to institute public procurement audits Vide Section 7(1) (j) of Act No. 21 (2004). Public procurement audit is a statutory and an approved examination or investigation of public procurement processes and practices over a given period initiated by PPRA Act No. 21 (2004) and to be executed by appointed and qualified procurement auditors. It is very important to emphasize that the purpose of public procurement auditing is not to indict any concerned but to simply ascertain whether, the public procurement law, policies and practices have been adhered to within the public procurement framework. It is therefore a systematic and systemic process in determining the compliance with the procurement best practices and value for money as envisaged by the Procurement Policy promulgated in the procurement law. The embrace of procurement audit in Tanzania was also due to vulnerability to petty, grand, systematic and systemic corruption and donor funds and money get lost every year due to waste, fraud and corruption in public procurement system as unethical and non-compliant procurement practices crop the public procurement (Omar, 2013).

The audit of Kenya’s national procurement system was carried out in six steps throughout all six stages of the assessment, OECD-DAC the methodology for audit of National Procurement Systems has been applied. This tool offers a detailed and operational assessment framework categorized under four pillars which are the legislative and regulatory framework, Institutional framework and management capacity, Procurement operations and market practices and Integrity and transparency of the procurement system. Baseline Indicators (BLIs): Measure the

quality of the legal system, formal arrangements, and structures in place in a given area. In the case of Kenya, the assessment of BLI indicators was conducted mainly as a desk review of legal, strategic and policy documents in combination with interviews with a broad range of stake-holders. Compliance and Performance Indicators (CPIs): Measure the level of compliance and performance in practice achieved in the area. In accordance with the recommendations of the OECD-DAC frame-work, Kenya carried out their CPI assessment as a questionnaire based self-assessment of PEs, both at the organizational level and at the level of individual procurement contracts. This resulted in a set of statistics indicating key CPI trends (OECD, 2013).

JoRay McCoy (2010) explains procurement Audit is a systematic, comprehensive and independent investigation or evaluation of the procurement activities. A procurement audit is a function responsible for auditing the purchases or acquisitions for the company. What they cover and how they are carried out. According to Thai (2016), efficiency encompasses the performance of the procurement process as cost effectively as possible and in a timely manner. Procurement audit evaluates the performance of the procurement department by looking into quality delivery, savings made from the procurement processes, cost reduction, lead time management and the general impact of the department in relation to the organizations performance. This helps the procurement department and the organization as whole to note the gaps, developments and opportunities available, the procurement audit also promotes consistency where application of the procurement process should be the same throughout the organization.

Compassion Kenya is an international non - governmental organization which began in 1980, has 355 children development center with 95,400 children all over the country and has its headquarters in Nairobi City. The organization a mission of

eradicating poverty and improving lives of the needy. It is a Christian foundation which reaches its targets through making partnership with churches and is supported by donors from across the globe. The organization main function is to looks after needy children by educating, feeding, clothing and empowering the children and their families both financially and emotionally. Compassions mission is to advocate for children in all circumstances putting their wellbeing, happiness and comfort at the very top of priority list. Its vision is to spread churches all over the world bringing gospel to every child and to provide a chance for each child to respond to it (Compassion International, 2018).

#### **Statement of the Problem**

Marie (2015) explains that most organizations across the world which have been able to embrace the procurement auditing have yield better results in terms of profitability, growth and business development, better relationship with their stakeholders they have experienced effectiveness in terms of production and efficiency throughout their organization by ensuring purchasing activities are done in accordance to procurement policies and procedures and that there is reduced fraud and increased transparency,

Sandra (2017), these organizations practicing procurement audit enjoy the benefits of compliance to procurement manual where there activities and documentation are done as stipulated in there manuals and face little to almost no divergence from their procurement manuals ,the organizations have procurement systems which are clear throughout the organization giving room for evaluation and follow up ,moreover they experience a high sense of accountability where procurement personnel take responsibility of their individual action and in cases of questionable or undesirable events the personnel are held personally answerable .Efficiency and effectiveness is yielded and this gears the development and growth of the organizations.

However this is not the case in Compassion Kenya, there is little improvement observed since they embraced auditing in the procurement functions .Procurement audit in Compassion Kenya is yet to achieve conformance to procurement procedures and manuals to the expected level, most purchase done by Compassion Kenya mostly lack proper documentation where tender documents are not fully recorded .The process of selection of suppliers is mostly interfered with and in most cases restricted tendering is used as opposed to competitive bidding. Straight forwardness and accountability are not mainly enforced since even after the procurement audit poor follow up is done to ensure openness and fairness of procurement process.

Naushad (2018), the main argument in favor of procurement audit is that it promotes transparency and accountability where procuring entities are able to ensure there is openness and clarity on procurement policy and its delivery. Procurement activities are to be done in a manner that there are no hidden activities or procedures which were overlooked or biased decisions made. Procurement audit also assists to keep everyone involved in procurement answerable to their decisions and activities, for the audit examines into details of decision making to processes ,how they were executed and by whom, by doing this the rate of errors, fraud and embezzlements are cut down by a very high percentage and all the involved parties are made to face the consequences of their action however he did not mention on the impact of conformity as an important part of the procurement audit.

Jones and Oliver (2013) explains that the procurement audit helps to ensure that all activities as regarding to the department follow the procurement manual ,this is done by comparing the actual practice of the procurement department to the guiding document which is the procurement manual .The gap between the two is what always raises an

alarm during the procurement audit and calls for questioning, more investigation analysis and action to ensure the procurement department is operating according to the set policies and procedure.

This research therefore sought to fill the gaps between the expected results that an organization achieves when using procurement audit and the existing situation faced by Compassion Kenya even when using procurement audit to ensure procurement performance of the organization.

### **Research Objectives**

- To analyze the effect of procurement accountability on procurement performance of Compassion Kenya.
- To determine effect of conformance to procurement manual on the procurement performance of Compassion Kenya.
- To analyze the effect of procurement transparency on the procurement performance of Compassion Kenya.

## **LITERATURE REVIEW**

### **Theoretical Framework**

#### **Contingency Theory**

Partricia Key (2014) explains contingency theory as a grade of behavioral hypothesis that asserts that there is no fitness means to arrange a company, to head a corporation, either to create resolutions. Instead the best organization of activity is dependent on the interior and outside. A contingency theory is an organizational theory that claims that there is no best way to organize a corporation, to lead a company, or to make decisions. Instead, the optimal course of action is contingent dependent upon the internal and external situation. The contingency theory of leadership and management states that there is no standard method by which organizations can be led, controlled and managed. Organizations and their functions depend on various external and internal factors. The functions of audits are themselves, types

of organizations that are affected by various factors in the environment. The presence of such factors is why auditing can be managed by applying the contingency theory, with a recognition that processes, and outcomes of audits are dependent on variable and contingent factors. Thomson (2010) believes the adaptation of a firm to its business environment will determine whether it succeeds or not.

Larry & James Patterson (2011), on a broad level, the audit process is straightforward. Auditors require access to documents, systems, policies and procedures to manage an audit. They must conform with industry standards, government regulations and internal requests. Audit teams may begin the audit process with meetings where they gather risk and control awareness, after which the field work begins. During the audit process, auditors perform substantive procedures and test controls. They then draft reports that they submit to management and regulatory authorities. The audit sub-processes, particularly in planning and field work, include contingencies such as business type, employee skill level, applicable laws, available audit workforce, available technology and systems, and deadline.

### **Agency Theory**

According to Gunter & Claus (2012), agency theory explains how to best organize relationships in which one party determines the work while another party does the work. In this relationship, the principal hires an agent to do the work, or to perform a task the principal is unable or unwilling to do. Agency theory assumes both the principal and the agent are motivated by self-interest. This assumption of self-interest dooms agency theory to inevitable inherent conflicts. Thus, if both parties are motivated by self-interest, agents are likely to pursue self-interested objectives that deviate and even conflict with the goals of the principal. Agency theory also provides a useful theoretical framework for the study of the auditing function. Proposes that agency theory not only helps to explain and predict the existence of

audit but that it also helps to explain the role and responsibilities assigned to auditors by the organization, and that agency theory predicts how the audit function is likely to be affected by organizational change.

The important assumptions underlying agency theory is that; potential goal conflict between the principle and the agent and that each party acts on its self-interest, information asymmetry frequently exists between the two. Agents are more risk averse compared to the principle, there is also a problem where it is difficult to verify whether the agents have effectively and efficiently performed the work given to them by the principle. It is also difficult and expensive to have the skill and expertise to perform the work (Xingxing, 2012). There are several costs incurred in the situation of agency this includes the cost incurred by the agent to guarantee the quality of his action, the cost incurred by the principle to monitor the agent's behavior and the cost value of any loss in utility experienced by the principle due to agents self-interest behavior. This enhances the scope of monitoring and enforcement of procurement decisions and standards by the procurement department (Sminia, 2014).

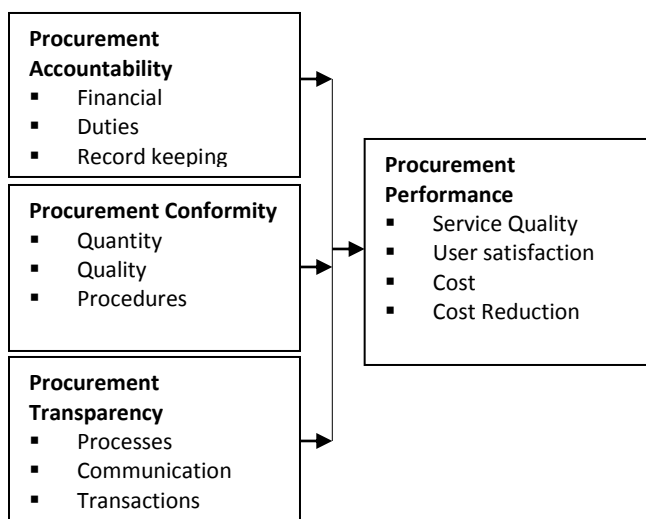
### **Allocative Efficiency Theory**

In the economic efficiency literature two types of efficiency are usually distinguished. One is technical or production efficiency associated with the production frontier, which measures the firm's success in producing maximum possible output from a given set of inputs. The second is Allocative or price efficiency, which measures the firm's success in choosing an optimal set of inputs with a given set of market prices for inputs. Allocative efficiency can be characterized by a conditional cost minimization model, where the firm minimizes total input costs:

Here the objective function is the total cost of controllable inputs, which at its optimum yields the

efficient total cost which the unit should incur by operating as efficiently as possible. Allocative Efficiency, also sometimes called social efficiency, means that scarce resources are used in a way that meets the needs of people in a Pareto-optimal way, and is not to be confused with the concept that resources are used to meet the needs as best as possible. It guarantees only that the allocation of resources will be correct for the wants and tastes of the people involved and says nothing about the intelligence or correctness of the choices of these people. (Kirzner, Boettke and Sautet, 2011).

### Conceptual Framework



**Independent Variable**                      **Dependent Variable**

**Fig 1: Conceptual Framework**

**Source: Author (2019)**

### Review of Literature Study Variables

#### Procurement Accountability

Marshall and Macdonald (2016), accountability is the willingness to accept responsibility, it is essential for anyone who wants excellence and its necessity is magnified in formal organizations, whose purpose has been argued to predict and control behavior. The very notion of organizing necessitates answering to others, and this feature implies an interface of work and social enterprises,

the individuals comprising them, and subunits from dyads to divisions. Because the nature of workplace accountability is multi-level as well as interactive, single-level conceptualizations of the phenomenon are incomplete and inherently misleading.

Accountability in procurement essentially means to be responsible for our actions and decisions and having the obligation to report and answer to a designated oversight entity on the consequences of those actions and decisions. As procurement practitioners, and others involved in the public procurement process, are accountable and thus exposed to sanctions as a remedy for any behavior that contravenes the procurement legal framework and principles (Jorge Lynch, 2017).

#### Procurement Conformity

Lysons K & Farrington (2010), Conformity is being in accordance to or to comply with set boundaries policies or ascertain way of practice. Conformance assessment of procurement management performance is defined in terms of conformity with set procurement rules. Conformity in procurement in most organization is implied to following of the set procurement rules, policies, guidelines, laws, procedures in each procurement process or decision. Every organization have different procurement policies and guiding principles set to specifically match their needs, nature of business, market they operate in and historical issue they have had just like business objectives and codes of conduct personnel and everyone operating in an organization must comply to these culture so as to enable the organization attain its goals.

Burt, Dobler, Petvage and Pinkerton (2010) explain that every organization develops procedure to enable its personnel implement policies and plans to meet his objectives. Policies provide guidelines and a basis for management control allowing the coordination throughout the entire organization, a

cluster of reliable procedures form a system which comprises a number of operations which enable the staff to execute plans and the management to control and monitor the activities. To ensure that policies are effective there should be periodic reviews, effective policies should be clear, concise, timely, relevant to aims and current operations.

### **Procurement Transparency**

Karanja & Mugo (2010) opined transparency is about information. It is about the ability of the receiver to have full access to the information he wants, not just the information the sender is willing to provide. Transparency embodies honesty and open communication because to be transparent someone must be willing to share information when it is uncomfortable to do so. Transparency is an individual being honest with himself about the actions he is taking. Transparency is also the organization being upfront and visible about the actions it takes, and whether those actions are consistent with its values.

David Gebler (2011) expresses the opinion that in an organization where there is alignment between their Standards and their Values, there is no fear in raising or disclosing difficult issues. A value of honesty is consistent with the ability to act on one's concerns, or ask questions. Employees and managers can safely admit mistakes and can openly deal with problems and challenges. There is true open communication. If an engineer raises a concern about product quality, for example, that person is given a chance to be heard and have the issue either resolved. The engineer may not be correct, but there is enough respect that if he or she is wrong, they are given an opportunity to learn why, and the encounter has a positive outcome. Procurement has direct relevance to information, when people have a right to information that demand and receive information about projects, processes and funds. It is important to note that transparency when it comes to transaction and payment is sensitive and may affect in a great

way the relationship and reactions of the stakeholders.

### **Procurement Performance**

Zairi (2012) explains Performance as accomplishment of a given task measured against preset known standards, this measurement is the trigger for improvement which leads to building strength, growth and improvement. A balanced scorecard can provide guidance on critical areas where action may be needed to ensure achievement of goals. Three key outcomes of success are: better, faster, and cheaper. The goals combine customer-based measures of performance in terms of total quality with internal measures of resource and asset utilization. Benchmarking helps identify current best practice and then focuses on how processes could be re-engineered and managed to achieve excellence in critical procurement areas.

Emphasis should be on search for strategies that provide superior value in the eyes of customers seeking greater responsiveness and reliability. Natasa (2012) distinguished features of a responsive organization. Major transformations are; from functions to process, profit to performance, products to customers, inventory to information, and transactions to relationships. Critical measures of procurement performance need to be continuously monitored. The idea of 'Key Performance Indicators' (KPI) framework suggests that whereas there are many measures of procurement performance to be deployed in an organization, only a small number of critical dimensions contribute more than proportionately to success or failure.

### **METHODOLOGY**

The descriptive research method was used in this study since it produced a higher response rate and quality and that a scientific method which involved observing and describing the behavior of a subject



without influencing it in any way. The SPSS version 22 and multiple regression model was used in data analysis, and the descriptive statistics. The researcher used multiple regression analysis to show the relationship and the effect of the independent variables to the dependent variables. A correlation analysis was conducted to establish the relationship between the independent and dependent variables. Person was used to determine if there was a significant, positive relationship between the independent and dependent variables.

The regression model for the study is as follows:  
 $Y = \beta_0 + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + \epsilon$   
 Y = Dependent Variable (Procurement Performance)  
 Where: Beta ( $\beta$ ) is the constants  
 ( $\beta_0, \beta_1, \beta_2, \beta_3$ ) are coefficients  
 $X_1$  = Procurement accountability  
 $X_2$  = Procurement conformance  
 $X_3$  = Procurement transparency  
 $\epsilon$  = error term

**Table 1: Measurement of Variables**

Variable	Operational Definition	Measurement scale
Accountability	Financial Duties Record keeping	Extent to which application of accountability influences Procurement performance on 1-5 scale
Conformity	Quantity Quality Procedures	Extent to which application of conformity influences Procurement performance on 1-5 scale
Transparency	Processes Communication Transactions	Extent to which application of transparency influences Procurement performance on 1-5 scale
Procurement Performance	Service quality User satisfaction Cost reduction	Extent to which application performance influences procurement audits

**Table 2: Hypotheses Testing**

Hypothesis Statement	Hypothesis Analysis	Decision Rule
<b>H<sub>01</sub></b> : There is no significant relationship between procurement accountability and procurement performance at Compassion Kenya	Pearson's Correlation F-test (ANOVA) T-test <b>H<sub>0</sub>: <math>\beta_1=0</math>; H<sub>0</sub>: <math>\beta_1 \neq 0</math></b>	Reject <b>H<sub>01</sub></b> if P- value $\leq 0.05$ otherwise fail to reject <b>H<sub>01</sub></b> if P- value $> 0.05$ <b><math>Y = \beta_0 + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + \epsilon</math></b>
<b>H<sub>02</sub></b> : There is no significant relationship between procurement conformance and procurement performance at Compassion Kenya.	Pearson's Correlation F-test (ANOVA) T-test <b>H<sub>0</sub>: <math>\beta_2=0</math>; H<sub>0</sub>: <math>\beta_2 \neq 0</math></b>	Reject <b>H<sub>02</sub></b> if P- value $\leq 0.05$ otherwise fail to reject <b>H<sub>02</sub></b> if P- value $> 0.05$ <b><math>Y = \beta_0 + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + \epsilon</math></b>

<b>H<sub>03</sub></b> : There is no significant relationship between procurement transparency and procurement performance at Kenya Maritime Authority.	Pearson's Correlation F-test (ANOVA) T-test <b>H<sub>0</sub>: β<sub>4</sub>=0; α: β<sub>4</sub>≠ 0</b>	Reject <b>H<sub>04</sub></b> if P- value ≤ 0.05 otherwise Fail to reject <b>H<sub>04</sub></b> if P- value > 0.05 <b>Y=β<sub>0</sub>+β<sub>1</sub>X<sub>1</sub>+β<sub>2</sub>X<sub>2</sub>+ β<sub>3</sub>X<sub>3</sub> + ε</b>
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## FINDINGS

### Procurement Accountability

The first objective was to analyze the effect of procurement accountability on procurement performance of Compassion Kenya. Most people agreed that responsibilities are clearly stipulated for all staff and that staff understands the regularities and requirements. It attained a mean of 3.99. This supports Marshall and Macdonald (2016), who assert that accountability is the willingness to accept responsibility hence it is essential for anyone who wants excellence and its necessity is magnified in formal organizations and whose purpose has been argued to predict and control behavior.

Most people agreed that there are relevant and adequate documentation to cover start to end procurement process. It attained a mean of 4.07 and a standard deviation of 48.6%. This supports Knight, Harland and Telgen (2016) who explain that procurement audit raises caution on faulty procedures, decisions and characters in the procurement department as it goes through

documentation and follow up on processes in the procurement department.

Most people agreed that there were set procedures for handling poor performance, errors and fraudulent issues it attained a mean 3.95 and a standard deviation of 65.7%. Most people also agreed that the set correctional and preventive procedures for poor performance and corruption were always implemented by attaining a mean of 3.99 and a standard deviation of 57%. This was in support of Jorge Lynch (2017), who asserted the that procurement practitioners, and others involved in the public procurement process were accountable and thus exposed to sanctions as a remedy for any behavior that contravenes the procurement legal framework and principles.

Most respondents agreed that the organization had improved due to the state of responsibility and cautiousness in the procurement function through attaining a mean of 4.17 and a standard deviation of 61.8%. This supported Beard and Jackson (2012) who explain that accountability plays an important role in helping to maintain a strong effective and it improves relationships and clarifies direction, it helps in expansion and growth.

**Table 3: Procurement Accountability**

Statement	Mean	Std. Deviation
Responsibilities are clearly stipulated for all staff	3.99	.478
The staff understand the regularity requirements	3.99	.611
The staff are competent and have relevant skills and training	4.04	.548
Process and financial monitoring is precise and easy follow up on individual activities	3.95	.536
There are relevant and adequate documentation to cover start to end procurement process	4.07	.486
There are set procedures for handling poor performance, errors and fraudulent issues	3.95	.657

The set correctional and preventive procedures for poor performance and corruption are always implemented	3.99	.570
There are specific individuals that handle procurement issues in all units	4.10	.506
The organization's culture support accountability	4.07	.617
The organization has improved due to the state of responsibility and cautiousness in the procurement function	4.17	.618
Valid N (listwise)		

### Procurement Conformity

The second objective was to determine effect of conformance to procurement manual on the procurement performance of Compassion Kenya. Most people agreed that there are set policies and manual to be used in procurement processes. It attained a mean of 4.17 and a standard deviation of 55.6%. This is agreed by Burt, Dobler, Petvage and Pinkerton (2010) who explain that every organization develops procedure to enable its personnel implement policies and plans to meet his objectives. They further assert that these policies provide guidelines and a basis for management control allowing the coordination throughout the entire organization, a cluster of reliable procedures form a system which comprises a number of operations which enable the staff to execute plans and the management to control and monitor the activities.

Most respondents agreed that procurement processes and manuals are well adhered to by all in organization. It attained a mean of 4.11 and a

standard deviation of 64%. Most respondents agreed that the organization delivers quality to its beneficiaries by attaining a mean of 4.07 and a standard deviation of 48.6%. This is supported by Sacher (2013) who assert that conformance with the procurement procedures and policies ensure achievement of value for money, quality goods and services, customer satisfaction, growth of organization and direct on the possible areas of development. National Research Council (U.S)(2018), asserts that a standard is a set of characteristics or quantities that describes features of a product, process, service, interface or material. It further explains that Standards are mainly used for commercial communication, productive efficiency, public welfare, to ensure compatibility, and for process management. These standards furnish objective criteria for evaluating a firm's quality assurance processes. Assessing conformity enables an organization to understand the gaps that exist between the desirable outcomes to the ideal results its yielding.

**Table 4: Procurement Conformity**

Statement	Mean	Std. Deviation
There are set policies and manual to be used in procurement processes	4.17	.556
The standards for goods/services are well communicated	3.95	.710
There are monitory and evaluation tools that help the organization check for standards and quality	4.18	.415
Procurement processes and manuals are well adhered to by all in organization	4.11	.640
There are guidelines to be used in case of poor quality or unimplemented policies	4.12	.547
The organization delivers quality to its beneficiaries	4.07	.486
The quality and policies improves beneficiary satisfaction	4.08	.732
Valid N (listwise)		

### Procurement Transparency

The third objective was to analyze the effect of procurement transparency on the procurement performance of Compassion Kenya. Most respondent agreed that the procurement processes is open for entire public to participate. It attained a mean of 4.05 and a standard deviation of 65.7%. Most respondents agreed that there is timely and well shared information throughout the organization by attaining a mean of 4.10 and a standard deviation of 55%. Further, most respondents agreed that the Whistle blowers in the organization are protected through attaining a mean of 4.14 and a standard deviation of 58.4%. David Gebler (2011) expresses the opinion that in an organization where there is alignment between their Standards and their Values, there is no fear in raising or disclosing difficult issues. A value of honesty is consistent with the ability to act on one's concerns, or ask questions. Employees and managers can safely admit mistakes and can openly deal with problems and challenges. There is true open communication. If an engineer raises a concern about product quality, for example, that person is given a chance to be heard and have the issue either resolved. The engineer may not be correct, but there is enough respect that if he or she is wrong, they are given an opportunity to learn why, and the encounter

has a positive outcome. Therefore, Procurement has direct relevance to information, when people have a right to information that demand and receive information about projects, processes and funds.

Most respondents agreed that there is a flowing communication between the organization stakeholders, other departments and suppliers. It attained a mean of 4.14 and a standard deviation of 49.4%. Most of respondents also agreed that the level of openness in the procurement function is helping the organization achieve its goals by attaining a mean of 4.08 and a standard deviation of 62.5%. Thai (2017) asserted that transparency in procurement can be expressed in terms of provision of adequate information to suppliers, declaration of conflict of interest or legal situation affecting the procurement process, fair selection and evaluation of suppliers and tender awarding, upright negotiations and payments. Transparency within an organization reduces inefficiencies in strategy execution and is a key factor in attracting and retaining high performance. Better transparency empowers an organization with to add more strategic value and helps to answer accountability questions and help to conduct fair procurement practice. Transparency provides better team performance due to clarity and good distribution of information.

**Table 5: Procurement Transparency**

Statement	Mean	Std. Deviation
The procurement processes is open for entire public to participate	4.05	.657
There is timely and well shared information throughout the organization	4.10	.551
Whistle blowers in the organization are protected	4.14	.584
The channels of communication are user friendly	4.12	.476
There are a large numbers of suppliers attempting to bid	4.07	.433
The suppliers are given equal chances to compete	4.11	.491
There is a flowing communication between the organization stakeholders, other departments and suppliers	4.14	.494
The level of openness in the procurement function is helping the organization achieve its goals	4.08	.625
Valid N (listwise)		

### Procurement Performance

The general objective of the study was to determine the effect of performance audit on the procurement performance of non-governmental organization in Kenya. Most of the respondents agreed that procurement audit keenly observes processes and documentation of procurement activities. It attained a mean of 4.00 and a standard deviation of 51.5%. This was supported by Zairi (2012) who explains that Performance as accomplishment of a given task measured against preset known standards, this measurement is the trigger for improvement which leads to building strength, growth and improvement. It also supported Ochonma (2015) urged that the effectiveness and efficiency can be increased by having targets of procurement processes and activities within the procurement cycle, measuring the procurement performance assists in cost reduction, quality improvements, increased profitability and assured supplies.

Most respondents agreed that procurement audit help to improve the beneficiary satisfaction. It attained a mean of 3.95 and a standard deviation of 74.3%. This contradicts Kakwezi and Nyeko (2010) who explained that it was difficult to determine the effectiveness and efficiency of procurement systems since procurement entities were faced with challenges of not acquiring adequate information on procurement process and management of resources.

Most respondents agreed that procurement audit enable the delivery of quality in the organization. It attained a mean of 4.00 and a standard deviation of 56%. Smith and Conway (2013) asserted that satisfactory profits for sustainability can be attained through well executed procurement plan,

he identifies the main factors that influence procurement that is clear procurement strategy, effective management information and control systems. It also supports Hardy & Williams (2011) who purported that adopting an effective and efficient procurement system improves the performance of the procurement department and its entity as well and the auditing of the same assists in better decision making and strategizing

Robert J. Hanlon (2002), a procurement specialist and author who studied Malaysian Public Procurement System explained six challenges facing procurement. The result points to a widespread lack of compliance with the set of procedures that are designed to support fairness and transparency, achieve best value, and manage risks. These weaknesses resulted in errors ranging from missing documents to more serious issues such as awarding a contract to a bidder that clearly did not meet one of the mandatory requirements. This is in contrast to the study where 55.6% agreed that there are set policies and manual to be used in procurement processes. 64% also agreed that procurement processes and manuals are well adhered to by all in organization.

Nicholas, Michael and Simone (2008) explored whether opportunities for fraud and corruption might be reduced or increased by rules governing public procurement. They concluded that fraud risks in public procurement may be summarized in terms of insider-driven specifications, low visibility of procurement processes, and ample opportunities for renegotiation of terms. This is supported by the study which outlines that there are set policies and manuals in procurement process. The study further outlines that there are guidelines to be used in case of poor quality or unimplemented policies by 54.7% of respondents.

**Table 6: Procurement Performance**

Statement	Mean	Std. Deviation
Procurement audit takes place in the organization	4.12	.568

Procurement audit undertaken in the organization are preventive and corrective in nature.	3.96	.630
Procurement audit keenly observes processes and documentation of procurement activities	4.00	.515
Procurement audit is done by specialists in procurement function	3.99	.649
Procurement audit help to improve the beneficiary satisfaction	3.95	.743
Procurement audit enable the delivery of quality in the organization	4.00	.560
Procurement audit can to be done more keenly ad vigorously for better performance of the organization	3.93	.708
Valid N (listwise)		

**Table 7: Correlation Analysis**

		Effect of accountability on procurement procedures	Effect of conformity on performance	Effect of transparency on performance	Effect of procurement audit on performance
Effect of accountability on procurement procedures	Pearson Correlation	1			
	Sig. (2-tailed)				
	N	84			
Effect of conformity on performance	Pearson Correlation	.300**	1		
	Sig. (2-tailed)	.000			
	N	84	84		
Effect of transparency on performance	Pearson Correlation	.597**	.480**	1	
	Sig. (2-tailed)	.000	.000		
	N	84	84	84	
Effect of procurement audit on performance	Pearson Correlation	.496**	.277*	.319**	1
	Sig. (2-tailed)	.000	.000	.000	
	N	84	84	84	84

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

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

**Table 8: Coefficient of Determination**

Model Summary					
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Sig.
1	.515 <sup>a</sup>	.265	.238	1.78741	.000

a. Predictors: (Constant), Effect of transparency on performance, Effect of conformity on performance, Effect of accountability on procurement procedures

**Table 9: Analysis of Variance**

		ANOVA <sup>a</sup>				
Model		Sum of Squares	Df	Mean Square	F	Sig.
1	Regression	92.222	3	30.741	9.622	.000 <sup>b</sup>
	Residual	255.588	80	3.195		
	Total	347.810	83			

a. Dependent Variable: Effect of procurement audit on performance

b. Predictors: (Constant), Effect of transparency on performance, Effect of conformity on performance, Effect of accountability on procurement procedures

**Table 10: Multiple Regression Analysis**

		Coefficients				
Model		Unstandardized Coefficients		Standardized Coefficients		Sig.
		B	Std. Error	Beta	t	
1	(Constant)	10.544	3.758		2.806	.000
	Effect of accountability on procurement procedures	.353	.089	.472	3.953	.000
	Effect of conformity on performance	.155	.111	.153	1.399	.000
	Effect of transparency on performance	.039	.137	.037	.282	.000

a. Dependent Variable: Effect of procurement audit on performance

The regression equation was:

$$Y = 10.544 + (\beta_1 \times 0.353) + (\beta_2 \times 0.155) + (\beta_3 \times -0.039)$$

Where: Y = the dependent variable which is procurement performance, X1 = accountability, X2 = conformity, X3 = transparency.

The regression equation above established that taking all accountability, conformity and transparency to account constant at zero procurement audit will be 10.544. The findings also showed that taking all other dependent variables at zero, a unit increase at accountability led to 0.353 effect on procurement audit, a unit increase in land tenure conformity on procedures led to 0.155 increase in effect on procurement audit and a unit increase in the transparency led to 0.039 in effect on procurement audit. Therefore, this implied that the two variables; accountability and conformity to procedures have strong positive relationship in the procurement audit while transparency have a negative relation in procurement audit.

The results showed that a change in a given unit of the independent variable would lead to increase in the dependent variable (procurement performance). The findings were in support of Mahinda (2014) who asserted that procurement performance for any organization can be achieved through better procurement audits and accountability structures that provides avenue for checks and balances of the procurement processes and systems at any given time.

## CONCLUSIONS

From the study it can be concluded that procurement accountability measures (financial & duties) had significant and positive influence on procurement performance. The regression results revealed statistically significant positive relationship between procurement accountability and procurement performance. This was attributed by proper procedures in place and the ability for the staff to have positive mind to follow all the rules and

regulations laid down in the procurement manual that enhances the performance.

It can therefore be clearly concluded that procurement accountability greatly influences procurement performance.

From the study it was concluded that conformity procurement can be in terms of goods specification which is observed during inspection to ensure the goods or materials received match the specification of items ordered and quality. This type of conformity is used to rule out chances of poor supplier delivery, poor quality and quantity, cost misappropriation and to ensure customer satisfaction. Conformity can be in terms of compliance to stipulated rules, policies and procedures. Procurement policies are set to guide the procurement function in its operation and decision making, using procurement policies prevents incompetence and gaps in the procurement function

From the study it was concluded that procurement conformity measures (quantity and quality) had significant and positive influence on procurement performance. The regression results reveals statistically significant positive relationship between procurement conformity and procurement performance. From the study it concluded that the regression analysis conducted showed that there was strong positive significant relationship to the procurement performance. Based on the results it depicts that when an organization has good conformance to the laid down procedures of procurement auditing for the entire organization, results would be higher procurement performance.

From the study it was concluded that procurement transparency measures (processes and communication) had significant and positive influence on procurement performance. The regression results revealed statistically significant positive relationship

between procurement transparency and procurement performance.

The results has positively attributed due to viable procurement entities and leadership hiring and recruiting professionals especially in procurement line with adequate expertise which gives them upper hand to handle all critical and emerging issues in procurement in regards to having proper procurement plans in place and working within the Act as their guideline in whatever procurement activities. The results attributed to procurement organization ensuring all procurement staff follows and practices the code of conduct in regards to having transparency ethic when it comes to awarding of contracts or other related activities in procurement. Therefore from the study it was concluded that procurement transparency greatly influences procurement performance.

## **RECOMMENDATIONS**

- Policy makers should formulate the best methodology to approach the procurement audits in a way that it will achieve procurement performance of the organization. This achievement is cultivated by having improved and enhanced procurement accountability procedures in place that will provide opportunity for all the responsible management to account for whatever they would have done in the procurement department.
- The study recommends formulation and cultivation culture of performance in terms of appropriate accountable procedures, structures and systems for procurement that would provide appropriate direction for the organization.
- The study recommends the provision and improvement for better training mechanisms on procurement accountability, conformity and transparency that revolves around on the benefit of procurement audits for the entire organization set up.



- Ethical procurement practices in the procurement world plays exorbitant and significance role to the procurement and procurement performance. Therefore this study ethics in procurement cannot be left out. This is because the issues discussed revolve around procurement ethics. This study would assist policy makers to have proper solid and sound ethical procurement practices clearly underlined in the procurement manuals and supported also with procurement professional bodies in emphasis on procurement professionals adhering to ethical practices.

#### Areas for Further Research

This study's emphasis was on the following variables, procurement accountability, procurement conformity and procurement transparency which have all contributed to the results of this study. Basing on that fact we find that the independent variables studied were not exhaustively done hence further research can be carried out to articulate on the other effects of procurement audits on procurement performance that contribute to challenges in the procurement processes and systems. Lastly further study should be carried out on the effect of procurement ethics on the procurement performance in government state owned entities to compare the contributions of ethics to procurement performance.

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