



INVENTORY AUDIT AND PERFORMANCE OF PROCUREMENT FUNCTION IN SELECTED PUBLIC UNIVERSITIES IN WESTERN KENYA

Mathias, J. M., & Kwasira, J.

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Mathias, J. M.,^{1*} & Kwasira, J.²

^{1*} Master Candidate, Department of Procurement and Logistics, College of Human Resource Development, Jomo Kenyatta University of Agriculture & Technology [JKUAT], Kenya

²Ph.D, Lecturer, Department of Procurement and Logistics, College of Human Resource Development, Jomo Kenyatta University of Agriculture & Technology [JKUAT], Kenya

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ABSTRACT

This study assessed the influence of inventory audit on performance of procurement function in selected public universities in Western Kenya. The study was guided by theory of inspired confidence. A census survey research design was adopted for the study. The study target population comprised of 72 procurement officers and internal auditors from the selected public universities in Western Kenya. Structured questionnaire was used to facilitate in data collection. A pilot study was carried out at Kaimosi University College before the main study to find out the likely weaknesses in the data collection tool by the use of validity and reliability tests. The data from pilot study was analyzed using Cronbach's Alpha coefficient which was 0.847 meaning the items in the questionnaire were reliable for this research. SPSS software was used for data analysis. Descriptive and inferential statistics were used. The study results showed that the selected public universities carried out inventory audit. The study showed that elements of inventory audit had a strong positive and significant influence on performance of procurement function in the sampled public Universities. The researcher recommended that public Universities to put in place inventory audit measures since it had a significant influence on the performance of procurement function.

Key word: Inventory Audit, Procurement Function Performance, Public Universities

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INTRODUCTION

Measuring the performance of procurement function has been a challenge in many public and private organizations. This is as a result of the fact that most of the organization's investment is highly used in the procurement function. Procuring units have been an area with a lot of unethical and malpractices in many organizations. Many organizations have come up with goals in their procurement function that enhance accountability and transparency.

Research Objective

The objective of this study was to analyze the influence of inventory audit on performance of procurement function in selected public Universities in Western Kenya. The research Hypothesis was:-

H₀: There is no significance relationship between inventory audits and the performance of procurement function in selected public Universities in Western Kenya.

The Scope of the Study

The study's main focus was on the selected public universities in Western Kenya. The focus was restricted to the procurement staff and internal auditors in the selected public Universities in Western Kenya. The study was carried within a span of six months and was estimated to cost one hundred and fifty thousand Kenya Shillings.

Conceptual framework

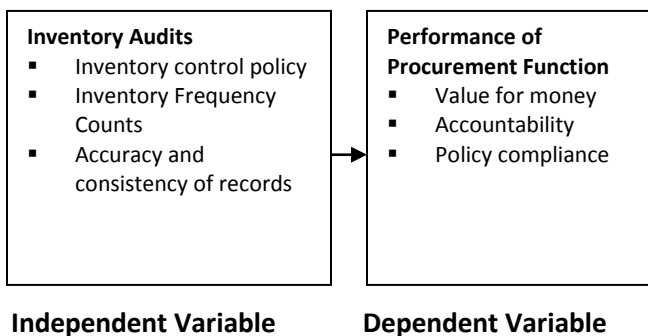


Figure 1: Conceptual Framework

Source: Researcher (2019)

Theoretical framework

Theory of Inspired Confidence

Theory of inspired confidence explains the requirement and availability of audit services to a given organization setting. This theory was established in the late 1920s by a Dutch professor Theodore Limperg. Auditing services are required by institutions because of the engagement of foreign stakeholders in the management of the institution. The stakeholders always require an assurance of accountability from the coordinators of the institution in return for their investment towards the institution. The stakeholders always believe that the management provided information which is biased and they always need a third party to provide the services of auditing to proof the management's accountability (Hayes et al., 1999). The theory points out the importance of audit services because of the involvement of outside stakeholders in the public and private organization. Procurement function is an area which involves suppliers and the public at large. This theory brings out the relationship between the suppliers and the organization. Contactors need an assured procurement process in return to their investment in the organization (Hayes et al, 2005). The information which organizations provide about their performance will be in most cases biased so as to bring out a good picture to the public. Limperg spelt out that auditing practice should be carried out to ensure the interested of the stakeholders to the company are taken care of and bring out the expectations of the stakeholders. The growing need for auditing services is due to the participation of stakeholders in the development of an organization. The institution need to ensure the attainment of value for money by developing rules that ensure eradication of procurement malpractices.

Theory of inspired confidence is highly applicable in this research as public universities should ensure procurement procedures should be carried out to enhance the public confidence on the institution.

Public Universities are autonomous institutions in which stakeholders have much interest on their general performance; enhanced procurement function performance translates to a well performing institution. To enhance accountability of an organization to the general public and stakeholders there is a great need to employ audit practices which brings out the exact picture of an institutional performance.

Empirical Literature

Inventory Audit and Performance of Procurement Function

Auditing inventory activities involves monitoring and evaluating stock activities such as buying, storage, movement of stock and the usage of finished and work in progress goods. This enables the organization to ensure availability of goods when they are needed for use within the organization functions. The basic role of inventory audit is to coordinate products throughout the procurement process. Inventory management involves the coordination of all activities within the organization storage department and the activities involved in the movement of goods within the organization. Inventory audit systems provides information that support management of products and equipment. Active and reliable information are important for an efficient and effective operating environment (Oseguera, 2014).

Developing strong controls to protect organizational products is quite important. An inventory audit practice ensures accountability of organizational products. A successful inventory monitoring involves the detailed management of upto date records of the goods stored in the organization's warehouse. Nsikan, Etim, & Ime (2015)., established that inventory audit practices improve operational performance of an organization through enhancing efficiency in capital utilization and increased service level. Institutions that implement inventory audit frameworks are able to handle material shortages, product stock outs, and

component pile up, however this study did not discuss inventory audit practices.

Poor management of inventories affect's an institution's operations by piling finances on goods which could be used to other profitable ventures for the organization. Inventories help an organization to continue smoothly in activities such as customer service, production and distribution processes (Nsikan at al, 2015). The purpose of the inventory audit function is to support the business activities to optimize customer service, inventory costs and operating cost (Tony, 2002).

An inventory audit practice enhances the performance of the procurement function. This is because managers will be able to point out areas that need improvement. The reviewed literature highlights the need of inventory audit systems which should be put in place to enhance the performance of the organization. Most of the reviewed literature did not point out the influence brought about by the inventory audit practices on the procurement function performance and this is the gap the research intends to fill.

METHODOLOGY

The researcher used descriptive research to establish the influence of inventory audit on performance of procurement function in selected public Universities in Western Kenya. The target population for the study comprised of 66 procurement officers and 6 internal auditors in selected public universities in Western Kenya which included Masinde Muliro University, Kibabii University and Jaramongi Oginga Odinga University.

The sample frame for the study involved all the Procurement staff and internal auditors in the selected public Universities in Western Kenya that is, Masinde Muliro University, Jaramogi Oginga Odinga University and Kibabii University.

Table 1: Sample Frame

PUBLIC UNIVERSITY	PROCUREMENT STAFF	NUMBER OF AUDITORS
Masinde Muliro University	25	2
Kibabii University	18	2
Jaramogi Oginga Odinga	23	2
TOTAL	66	6

Source: HR Department of the University (2019)

The sampling procedure used for this study was stratified random sampling where respondents who conform to the purpose of the study were selected from the selected public universities in Western Kenya.

Since the study was a census all the procurement staff and internal auditors in the selected public universities in Western Kenya comprised of a total of 72 respondents. It was further ascertained that the census method not only does it eliminate the

sampling error, but it also get rid of sampling bias. In this study, a structured questionnaire was used to facilitate in data collection. In the study the content validity of the research questionnaire was determined through consultation by the supervisor whose opinion is deemed to be sufficient. The questionnaires from respondents were sorted, checked and edited for completeness and consistency. The study used descriptive and inferential statistics to analyze data. The study results were presented using tables.

RESULTS AND DISCUSSIONS

Table 2: Response rate of respondents

Response Rate			
	Response	Frequency	Percentage
Valid	Questionnaires send	72	1
	Total Questionnaires returned	67	89
	Correctly filled questionnaires	64	89
	Not returned	8	11
Total		72	100

Source: Field data (2019)

Inferential analysis

Table 3: Inventory audit and performance of procurement function

Model Summary						
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate		
1	.807 ^a	.651	.646	.23269		
a. Predictors: (Constant), Inventory audits						
ANOVA ^a						
Model		Sum of Squares	Df	Mean Square	F	Sig.
1	Regression	6.270	1	6.270	115.791	.000 ^b
	Residual	3.357	62	.054		
	Total	9.627	63			

a. Dependent Variable: Performance of procurement function
 b. Predictors: (Constant), Inventory audits

Model		Coefficients ^a			T	Sig.
		Unstandardized Coefficients		Standardized Coefficients		
		B	Std. Error	Beta		
1	(Constant)	.547	.102		5.337	.000
	Inventory audits	.599	.056	.807	10.761	.000

a. Dependent Variable: Performance of procurement function

Summary of simple regression model results in Table 3 showed that there is a strong positive relationship between inventory audits and performance of procurement function (R=0. 807). It also revealed that inventory audits accounted for 65.1% of the performance of procurement function and the rest 34.9% of procurement function performance was as a result of other factors a part from inventory audits (R²=0.651).

ANOVA results in Table 3 revealed that the overall simple regression model was feasible in measuring the influence of inventory audits on performance of procurement function. This was shown by a significant F-statistical test (F=115.791; p=0.000).

Coefficient results in Table 3 depict that inventory audits has a strong positive and significant measure on performance of procurement function thus an increase by 1 unit leads to an increase of 0. 599 units on use of inventory audits. The results can be interpreted that, use of inventory audits enhances performance of procurement function in terms of value for money, accountability and policy compliance. The third null hypothesis was, Inventory audits have no significance influence on the performance of procurement function in selected public universities in Western Kenya'. From the results, the overall simple linear regression model can be written as; Y (performance of procurement function) = 0.547-0.599IA, Where: IA=Inventory audits. 0.599 represents β. Since β≠0, the study rejects the research null hypothesis and concluded that there is a significant relationship between inventory audits on performance of procurement function. The study results were in agreement with

past research findings that found out inventory auditing has a significant positive influence on performance of the procurement function (Benjamin & Wanyoike, 2016).

SUMMARY

The study found out that selected public universities established inventory audits. The results revealed that inventory audits elements had the strongest positive influence on the performance of procurement function on the sampled public Universities. This had enabled the organizations to comply with the procurement policies as well as enhancing accountability and value for money in the procurement processes. The correlation results showed that elements of inventory auditing had a positive influence on the performance of procurement function in the sampled public Universities. The study findings on regression analysis found out that inventory audits have a significant influence on the performance of procurement function hence its increase leads to an increase on performance of procurement function. The study thus rejected the third research hypothesis and concluded that inventory audit has a strong positive and significant influence on performance of procurement function.

CONCLUSIONS

The study concluded that inventory audits enhanced the performance of procurement function by carrying out, inventory audits regularly, inventory accuracy and consistency audits and having in place a reliable inventory policy. The study also concluded that there was a strong positive and significant influence of

inventory audits on performance of procurement function.

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