



AUDITING PRACTICE AND SERVICE DELIVERY OF COUNTY OWNED WATER ORGANIZATIONS IN WESTERN KENYA

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ABSTRACT

Auditing is an internal control system that is put in place by governance of organizations in order to ensure adherence to stipulated procedures and acts. The practice includes financial and non- financial procedures which measure, analyse and evaluate the efficiency and effectiveness of the system. This encourages better decision making and effective use of scarce resources, for good corporate governance to achieve their objectives. Auditing faces challenges which influence service delivery. Studies were conducted on internal auditing and financial performance of public institutions. Therefore, the study found it necessary to address auditing practice and service delivery among county owned water organizations in Western Kenya. To achieve the purpose, it was hypothesized that auditing practice had no influence on service delivery in county owned water organizations in Western Kenya. The study was guided by Resource Dependency Theory. The study employed descriptive and correlational survey design. Data was collected from directors, managers and employees working in county owned water organizations in Western Kenya. The sample for directors, managers and customers, was selected using stratified, simple random sampling technique, while employee sample was determined using Yamane. The study collected both quantitative and qualitative types of data using self-administered semi structured questionnaires and interview guides respectively. Data analysis was done using descriptive statistics of arithmetic mean, frequencies among others. Inferential statistics of Pearson's Product Moment Correlation Coefficient test, and Simple Linear Regression analysis tests were used. Qualitative data was analysed using content analysis. Data was presented in form of tables. The values of Pearson correlation coefficients indicated that there is a relationship between auditing and service delivery. The results of simple regression analysis test indicated that auditing had a statistical significant effect on service delivery. It is hoped that the findings would benefit various stakeholders in the water sector including customers in Kenya and academic researchers. The study recommended an adoption of auditing practice that is independent and with competent personnel by corporate organizations in order to ensure that there is improved service delivery.

Key Words: Auditing Practice, Service Delivery and County Owned Organizations

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INTRODUCTION

Auditing is a system that is put in place by both private and public organizations to ensure adherence to stipulated procedures and acts. The practice includes both financial and non-financial procedures which measure, analyse and evaluate the efficiency and effectiveness with a view to ensure cost minimization, benefit maximization, capacity utilization, and smooth administration as well as good service delivery (Unegbu & Obi, 2007; Institute of Internal Auditors, 2008).

Malaysia used auditing as a practice to promote good governance in the county and Local Governments. Israel also embraced auditing practice in public organizations that led to improved performance. In Nigeria auditing is regarded as an efficient and effective tool in accountability in improving public sector management in Kano state as well as Ethiopia (Ali, Gloeck, Ahmi & Sahdan, 2007; Cohen & Sayag, 2010; Kuta, 2008; Unegbu & Kida, 2011; Belay, 2007).

In Kenya, auditing is embraced by both private and public organizations as a way of promoting good governance in corporate organizations. The practice ensures that organizations achieve their goals and objectives (Barasa, 2015; Mulandi, 2002).

Most studies focused on internal auditing and performance of public institutions however, the current study sought to establish the influence of auditing practice on service delivery among county owned water organizations in Western Kenya.

Statement of the Problem

Auditing is a practice that is aimed at controlling internal systems of organizations to ensure adherence to stipulated procedures and acts. The purpose is to improve organizational efficiency and effectiveness. Both internal and external auditing are important as statutory requirement process of reviewing the accounting of financial and non-financial books of companies in order to improve service delivery (Goodwin-Stewart & Kent, 2006; Unegbu & Obi 2008; Adeniji 2008; Eklov, 2009; Monday, Inneh & Ojo, 2014).

County owned water organizations in Western Kenya have made great progress since their establishment in the areas of water production, distribution, wastewater management, cost optimization and customer care (Constitution of Kenya, 2010). However, there is still much to be done for instance, there is high water loss as a result of majority of customers not metered, there is installation of defective meters to customers, and inadequate meter readings. As a result, companies have faced inadequate financial and non-financial challenges which affect service delivery.

Studies have been conducted on the relationship between internal auditing and good governance such as Belay (2007) on effective implementation of internal auditing practice to promote good governance in the public sector in Ethiopia. Unegbu and Kida (2011) conducted a study on the effectiveness of internal auditing as an instrument to improve public sector management in Kano state of Nigeria.

In Kenya, Barasa (2015) examined the role of internal auditing in promoting good governance in public institutions. The findings showed that, there is statistical significant relationship between internal auditing and good governance in public institutions. The studies focused on internal auditing and governance in public institutions. However, the current study sought to establish the influence of auditing as a practice on service delivery in county owned water organizations in Western Kenya.

Objective of the study

The study sought to establish the influence of auditing practice on service delivery among county owned water county organizations in Western Kenya.

The following study hypothesis guided the study;

H₀₁: Auditing practice has no influence on service delivery among county owned water organizations in Western Kenya

LITERATURE REVIEW

The study was guided by Resource Dependency Theory which was originally developed by Pfeffer and Salancik in 1978. The theory focuses on the role played by governance in utilization of important and scarce resources needed by organizations. The theory involves composing and structuring of systems and management of the resources through practices such as auditing (Pfeffer & Salancik, 2003; Hillman, Canella & Paetzold, 2009)

EMPIRICAL REVIEW

Studies have been conducted on the relationship between internal auditing and good governance. Ali, Gloeck, Ahmi and Sahdan (2007) examined the role of internal auditing in promoting good governance in the county and Local Governments of Malaysia and established that auditing is significant. Kuta (2008) studied on the effectiveness of auditing for proper accountability in Nigerian Local Governments and the results indicated that auditing is effective. Cohen and Sayag (2010) assessed the effectiveness of internal auditing in public organizations in Israel. Unegbu and Kida (2011) conducted a study on the effectiveness of internal auditing as an instrument to improve public sector management in Kano state of Nigeria.

Suyono and Hariyanto (2012) examined the relationship between internal auditing and organizational commitment with good governance in Indonesia and found out that there is a positive relationship. Rahmatika (2014) examined the impact of internal auditing function of effectiveness on quality of financial reporting and its implications on good governance, in Local Government Provinces in Indonesia.

In Kenya, Mulandi (2002) also conducted a study on internal auditing and performance of organizations and concluded that auditing is significant in ensuring that companies comply with governance practices.

Barasa (2015) examined the role of internal auditing in promoting good governance in public institutions. The findings showed that, internal

auditing was statistically significant on good governance in public institutions in Kenya.

Auditing

The relevance of auditing in any organization is anchored on three pillars. The first one is governance which relates to how organizations are managed including their structures, culture, policies and strategies, and the way they deal with their various stakeholders. It also includes activities that ensure credibility, establish equitable provision of services and assure appropriate behaviour of government officials whilst reducing the risk of public corruption. Therefore, auditing as a practice helps to improve governance processes by focusing on how systems are established to ensure efficient and effective control scarce resources in public organizations (Internal IA, 2008; Australian National Audit Office, 2014; Rahmatika, 2014).

The second pillar is the control structure which refers to all the policies and procedures put in place by governance for promoting transparency and accountability of resources (Monday *et al.*, 2014). The third pillar is risk management which constitutes an essential part of the strategic management process of organizations involved in the implementation of developed strategies.

Auditing plays an important role in risk management which involves assessing and monitoring the risks that organizations face, recommending the controls required to mitigate those risks, and evaluating necessary trade-offs (Australian National Audit Office, 2014; Monday & Aladeraji, 2015).

METHODOLOGY

The study employed descriptive survey and correlational design because the study wanted to provide the picture of the situation as it naturally happens on the ground (Kothari, 2011; Mugenda, 2011). The study was conducted on auditing practice and service delivery among county owned water organizations in Western Kenya which borders Uasin Gishu to the east, Uganda to the West, Nyanza to the South and to the North, it

shares a common border with West Pokot. The study area lies within longitudes 34.675250 and latitudes 0.550432 approximately (Mynasadata, 2017). The Counties of Trans Nzoia, Bungoma, Kakamega and Vihiga were purposively sampled for the study because they had three water organizations namely, Nzoia Water and Sanitation Services Company, which serves Trans Nzoia and Bungoma customers, Kakamega Water and Sanitation Services Company which serves Kakamega customers while Amatsi Water and Sanitation Services Company which serves Vihiga customers respectively.

Data was collected from directors because they are the policy makers, managers and employees because they are the implementers of the practice, and customers because they are the consumers of the services/products, among the three county owned water organizations in Western Kenya namely, Nzoia Water and Sanitation Services, Kakamega Water and Sanitation Services and Amatsi Water and Sanitation Services respectively. The study used structured and semi structured questionnaires which were designed based on the main concepts and constructs that led to auditing practice and service delivery among county owned water organizations in Western Kenya. Construct validity was checked by use of content validity index and recorded the results of 0.60 and above, while reliability was checked using Cronbach's alpha coefficient which was 0.79. The study used purposive technique to get the ideal number of respondents. Later, stratified simple random sampling was used in the selection of directors, managers and customers respectively. While Yamane (1973) was used to determine employee

respondents in order to get adequate representations of groups.

The sample size for directors was 8 and 11 managers who were determined using stratified simple random sampling. The sample size for employees was 229 which was determined by Yamane (1973), for each of the three water companies to make meaningful inferences from the findings. Purposive technique was used to determine 144 customers. Later customers were chosen through simple random sampling.

Data analysis was done using SPSS software version 22. Pearson Product Moment Correlation Coefficient analysis test was used to establish the relationship between auditing practice and service delivery. Simple Linear Regression analysis test was used to establish the effect of auditing practice on service delivery among county owned water organizations in Western Kenya.

RESULTS

The study employed descriptive statistics specifically inferential, using Pearson Product Moment Correlation Coefficient analysis test to establish the relationship between auditing practice and service delivery among county owned water organizations in Western Kenya. Simple Regression Analysis test was used to establish the effect of auditing practice on service delivery among county owned water organizations in Western Kenya.

Auditing and service delivery

To establish the relationship between auditing practice and service delivery, Pearson's Product Moment Correlation Coefficient test was used and the results were presented in Table 1.

Table 1: Auditing and service delivery

Practice	Statistic	Service Delivery
Auditing	Pearson's Moment Correlation	.306**
	Sig. (2-tailed)	.000
	N	229

Source: Research Study (2019)

From the table, $r = 0.306$ which showed that there existed a relationship between auditing practice

and service delivery among the county owned water companies in Western Kenya.

Auditing on service delivery

The study also sought to establish the level of significance between auditing practice and service delivery among county owned water organizations in Western Kenya. To accomplish this, it formulated and tested the null hypothesis which stated that;

H_{01} : Auditing has no influence on service delivery among county owned water organizations in Western Kenya.

This was tested using simple regression analysis test and the findings were presented in Table 2.

Table 2: Auditing on service delivery

Model Summary						
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate		
1	.306a	0.0938	0.09	0.54459		
a. Predictors: (Constant), Auditing Practice						
b. Dependent Variable: Service delivery						
ANOVA ^a						
Model		Sum of Squares	Df	Mean Square	F	Sig.
1	Regression	6.972	1	6.972	23.508	.000b
	Residual	67.322	227	0.297		
	Total	74.294	228			
a. Dependent Variable: Service delivery						
b. Predictors: (Constant), Auditing Practice						
Regression Coefficients ^a						
Model	Unstandardized Coefficients		Standardized Coefficients		T	Sig.
	B	Std. Error	Beta			
(Constant)	2.533	0.298	0	8.495	0.000	
1 Auditing	0.356	0.073	0.306	4.849	0.000	

a. Dependence Variable: Service Delivery

Source: Research Study (2019)

From the table, model summary indicated that r squared was 0.0938 which translated to 9.38%. This indicated that auditing practice caused 9.38% variations in service delivery, while 90.62% was caused by other factors or unexplained variations.

ANOVA results showed that F was 23.508 and P was 0.000. The tests were done on 0.5 or 5% level of significance. The results indicated that auditing was statistically significant on service delivery among county owned water organizations in Western Kenya. The value of regression coefficient was 0.356 which indicated that an increase in one unit of auditing was associated with an increase in 0.356 units of service delivery.

The results led to the rejection of the null hypothesis and concluded that, auditing was

statistically significant on service delivery among county owned water organizations in Western Kenya.

Qualitative findings from employees indicated that organizations embraced auditing. However; there was no independence in internal auditing. They also indicated that organizations lacked effective personnel to manage the practice. The study also established that organizations engaged in external auditing which was quite independent and had competent personnel.

The study findings corroborated with Nyokabi (2009) who pointed out that internal audits in organizations play an important role in checking and balancing of organizations which improves service delivery. The findings also corroborated

with Barasa (2015) who asserted that organizations should have mechanisms of auditing with the aim of improving service delivery. Mulandi (2002) also agreed with the findings by indicating that auditing is significant in ensuring that companies improve their service delivery. These findings are also in line with Ali, Gloeck, Ahmi and Sahdan (2007) who established that organizations can be in positions to perform better by ensuring effective personnel and audit independence.

However, the findings differed with Ali, Gloeck, Ahmi and Sahdan (2007) who established that organizations can be in positions to perform better even without sufficient personnel to conduct the auditing.

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CONCLUSIONS

Auditing as a practice had significant relationship with service delivery among county owned water organizations in Western Kenya and the practice was statistically significant on service delivery among county owned water organizations in Western Kenya.

RECOMMENDATIONS

County owned water organizations should put more emphasis on internal auditing to ensure that quality and independence is maintained. Organizations should also recruit competent personnel to handle the practice. Governance should give more support and become more committed to the practice since it had a positive influence on service delivery among county owned water organizations in Western Kenya.

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