

**BUDGETARY CONTROL PRACTICES AND FINANCIAL EXPENDITURE IN  
PUBLIC TECHNICAL AND VOCATIONAL EDUCATION TRAINING  
INSTITUTIONS IN NAIROBI COUNTY, KENYA**

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## DECLARATION

I hereby declare that this research project is my original work and has not been presented in any university or college for examination/academic purposes

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## **DEDICATION**

With love and gratitude, I dedicate this work to my family, whom I owe my work.

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## **OPERATION DEFINITION OF TERMS**

<b>Audit control</b>	It's a process of ensuring that TVETs adhere to reliable financial reporting, and compliance with the institutions financial laws and regulations
<b>Budget Controls practices:</b>	In this study, budgetary control will involve the establishment of budgets plan, procurement plans, cash plans and audit control and its influence on the financial expenditures of the institutions.
<b>Budget Plan:</b>	An estimation of revenue and expenses of the institution over a specified future period.
<b>Cash management</b>	Is the process of collecting and managing TVETs' cash flows.
<b>Efficiency</b>	Using available resources with minimum wastage
<b>Effectiveness</b>	Achieving intended or expected results at the right time
<b>Finance</b>	Money or funds used in running the operations of the Institute. Finance will cover cash money and other resources of financial nature used to run and meet financial obligation of the Institute.
<b>Financial Resources</b>	Refers to the various avenues or channels the Institutes have for raising funds and other resources of monetary value that can be used to run the Institutes.
<b>Financial expenditure</b>	In this study, financial expenditure is the payment for goods/services of the institution in accordance with general acceptance accounting principles. It is measured against the received revenue /funds of the institution.
<b>Management</b>	The process of designing, occupying and affecting organizations objectives pre- determined organization goals.
<b>Principal</b>	The chief executive of the Institute in charge of the daily operations of the Institute
<b>Procurement plans</b>	This is the process by which TVETs identify and consolidate their procurement requirements and determine the timeframes for their procurement with the aim of having them and when they are required.
<b>Role</b>	An obligation or responsibility entrusted to a person or a group of people especially mandated by an act of parliament.

## **ABBREVIATIONS AND ACRONYMS**

<b>A.I.A</b>	Appropriation In Aid
<b>BOM</b>	Board of Management
<b>NG-CDF</b>	National Government Constituency Development Fund
<b>HOD's</b>	Head of Departments
<b>MTEF</b>	Medium Term Expenditure Framework
<b>MoEST</b>	Ministry of Education Science & Technology
<b>PBB</b>	Program Based Budgeting
<b>PFMA Act</b>	Public Finance Management Act 2015
<b>SAGAS</b>	Semi- Autonomous State Agency
<b>TVET</b>	Technical, Vocational Educational Training Institutes

## ABSTRACT

Good financial management is fundamental to the success of both public and private institutions globally. Many companies make use of budgets mainly as an internal control tool for efficient and effective resource allocation. Budgets help organizations compare between the actual and intended performance for effective inference and evaluations. Ideal budgets are a base for performance management and standard setting. A detailed review of past studies shows that they either were carried out on a different context or interrogated different conceptual issues. In addition, some of the past empirical studies focused on different research methodologies and adopted different data collection instruments. Ineffective management and administrative mechanisms, lack of appropriate budgetary control systems has contributed to imprudent budgetary resource utilization, in public training institutes. The purpose of this study was to establish the influence of budgetary control practices on financial expenditure in public technical and vocational education training institutions in Nairobi County, Kenya. The study was anchored on the Agency Theory/Public Sector Budgeting Theory. The study adopted a cross-sectional survey as it seeks to describe data and characteristics about the population or phenomenon being studied. The study targeted 21 TVET institutions, principals, BOM, HODS, Finance Officers, Accountant / Bursars and Procurement Officers. The study results indicated that budgetary plans has a positive and significant effect on financial expenditure ( $P = 0.031$ ). In addition, the study found that procurement plans was found to have positive and significant effect on financial expenditure ( $P= 0.039$ ). Further, cash management had a positive and significant effect on financial expenditure ( $P = 0.038$ ). In addition, the study found that audit control was also found to have positive and significant effect on financial expenditure ( $P=0.043$ ) followed by procurement plans, audit control and cash management. The study recommends that the principals of the TVETs should review their current performance yearly targets, work on financial threats and opportunities and analyses the success and failure of previous budgetary plans to improve on their budgetary planning. Further, the principals in TVETs should employ more budget officers and provide budget manual in order to improve on their budgetary control. In addition, they should solicit feedback, review budget conference for accuracy and arrange for catering and other vendors to improve on the budget conference.

## **CHAPTER ONE**

### **INTRODUCTION**

#### **1.1 Background of study**

Good financial management is critical to the global achievement of both government and personal organizations. Many businesses use expenditures primarily as an inner power instrument to allocate resources efficiently and effectively. Budgets assist organizations to distinguish efficient reasoning and evaluations between real and designed results. Budgeting, according to Kimani (2014), involves predetermined objectives versus real duly assessed performance outcomes in order to show any variability after action. Budgetary monitoring schemes are an important global instrument for financial planning. Riley (2012) claims that accounts are revenue management instruments that are used to direct goals establishing goals to guarantee company goals are achieved. Budgets are used to help potential predictions, regulate expenditures, profitability as well as scheduling, according to Uyar and Bilgin (2011). To regulate and schedule short-term and long-term money streams, organizations should have both recurrent and equity plans. Early in the Millennium Summit held in the year 2000, the largest gathering of world leaders in history, adopted the Millennium Declaration of the United Nations (UNMD), in which nations committed themselves to a new global partnership to reduce extreme poverty and set a series of time-bound and qualified targets for 2015 (MDGs). This project was subsequently refresh as the 2015 Sustainable Development Goals (SDG).

One of the main agenda adopted was the application of science, technology and innovation (ST & 1) as one of the platform on which the pillars of social, economic and political where hinged. To meet the objectives of Sustainable Economic Development Goals, by the year 2030, through the Kenya Development agenda of vision 2030 its ministries, parastatals

and semi- autonomous agencies (SAGA'S) have developed strategic plans that are expected to contribute to the country's vision, mission, goals, objectives and action plans. Kenya's 2030 strategy is built on the foundations of financial, cultural and political research, technology and innovation. According to MoEST (2008), a powerful technical agricultural vocational entrepreneurship learning (TVET), capability is viewed by the Kenyan government as an absolute necessity for the country to engage as a complete participant in the fast-changing, knowledge-based economy. In perspective of the objectives of this strategy, TVET must provide the foundation for transforming the required human resource abilities for technological and economic development that will contribute to enhanced riches and economic well-being, as well as enhancing the global competitiveness of the country. The National TVET Strategy was created to maintain a harmonized scheme to foster the procurement, development and implementation of high-quality technical know-how in a way coherent with defined teaching objectives and domestic principles as a foundation for financial growth, private well-being, environmental preservation and democratic management MoEST (2015). The most significant element in generating riches, enhancing social welfare and global competitiveness is the effective use of information. Implementation of the 2030 vision will involve the use of more knowledge-based abilities to enable scientific technology and development (STI) to be created, adopted and used as an essential aspect of the education policy.

### **1.1.1 Budgetary Control Practices**

Riley (2012) asserts that budgets are a source of income control used to establish priorities and set targets in order to provide direction and co-ordination, so that business objectives can be turned into practical reality, to assign responsibilities to budget holders (managers) and allocate resources, to communicate targets from management to employees, to motivate staff, to improve efficiency and to monitor performance. According to Uyar and Bilgin (2011), budgets are used to aid longer planning, co-ordinate the operation, control

expenses, profitability, aid short-term planning, evaluate performance, motivate managers, motivate employees and communicate plans with employees. Organizations should have both recurrent and capital budgets in order to control and plan for both short term and long term cash flows.

Mohamed et al. (2015) recommends that management in various organizations should put in place measures to solve the budgetary control system problems such as enhancing better understanding of budgetary plans techniques, procurement plans and cash management, developing strong financial integration with performance management, quarterly revision of financial plan to redirect resources at frequent intervals and better engagement between organizational leaders, managers and finance staff with proper timing of the financial plan.

The effectiveness of resources is dependent on how enterprises use resources and not just on whether they are present in the first place. It is important to recognize however that the effects of spending on firm performance are difficult to isolate. If resources have a clear and consistent effect on firm performance, then policy-making and budgeting would likely be straightforward as well. Mwaura (2010) asserts that participation in the budgetary plans affects the return on capital employed and return on assets as well. Gacheru (2012) also finds that, the process of budget preparation, control of procurement plans and implementation of budgets substantially influences possible budget variances.

Badu (2011) researched on budgeting plans in Ernest Chemist, a pharmaceutical company based in Ghana with an aim of identifying the perception of budgeting experts in the Ernest Chemist. Self-designed interview questionnaires were sent to members of staff in the companies to seek their views on the problems and concerns regarding budgeting and budgetary plans in the firms. The results of the study indicated that appropriate systems of

budgeting and budgetary plans had been adopted and used to prepare the pharmacy's budgets but there were a few problems associated with ethical issues which were also revealed.

In their study, Nickson and Mears (2012) examined the relationship between audit control and performance of state ministries in Boston Massachusetts. A sample of five ministries was examined to test the relationship between audit control, performance of state ministries, secondary data was used, and a review of 10 years was used. A regression model was used for data analysis. The study found a statistical positive relationship between audit control and performance of state ministries. The results of the regression analysis concluded that proper audit control measures led to increased performance of state ministries.

### **1.1.2 Financial Expenditure in Public TVETs in Nairobi County**

Principals are the Institutes' top executive and billing departments and are influential in implementing the corresponding Institutes' authorized expenditures. According to the Ministry of Education Act of 2010 MOEST, (2010), the headmaster is the school's chief accountant and is liable for the command and use of college funds; -According to chapter 21 of the Act, the director of the college "shall retain or trigger accounts of the school's revenue and expenses".

A survey research done by Mobegi, Ondigi and Simatwa (2012) established that weak accounting control mechanisms were major factors contributing to financial mismanagement and misappropriation in TVETs in Nairobi county. Bursars and accounts clerks were mostly unqualified as so unable to prepare books of accounts. Head teachers were not in a position of identifying wrong entries and anomalies in financial records if done by the bursars/accounts clerks.

It was revealed that due to the incompetence of the TVETs principals and bursars took books of accounts to pseudo-accountants to update them to fit their interests. Mito and Simatwa (2012) however note that fee defaulting and late payment of fees affects financial management

in TVETs. Principals are not able to plan effectively as so at times ask students to go home for fees.

For proper management of resources to achieve the educational objective in TVETs, Okumbe (1998) states that, education managers must draw a budget principals exhibit inadequate performance in financial management. They lack sufficient skills in budget preparation and administration. Their attitude is that they should provide services regardless of costs. Many principals are not well versed with accounting procedures.

Irungu (2012) further posits that TVETs in Nairobi County lack budgetary programme planning and budgeting systems, where plans are provided for obtaining educational objectives. The study established that principals did not attempt to measure the results of expenditure to determine whether the budget decisions have achieved desired results. Subsequently the study recommended intensive in service courses for principals in financial management. Poor budgeting has made it difficult for head teachers of public TVETs to run the institutions effectively. Some principals in in Nairobi County where the study was conducted were overspending on some vote heads and under spending on some leading them into other problems such as misappropriation and mismanagement of school funds; a mistake punishable by interdiction and subsequent demotion as per the Teachers Service Commission code of conduct and regulations. This is in agreement with Irungu (2012), who established that preparation measures and support systems for principals in public TVETs is weak and do not adequately prepare them for responsibilities in financial management.

### **1.1.3 Budgetary Control Practices and Financial Expenditure**

Silva & Jayamaha (2012) study sought to evaluate budgetary control practices of apparel industry in Sri Lanka and see whether budgetary control practices has significant impact on financial expenditure of such industry. The budgetary control practices of apparel

industry was assessed by using variables such as planning, coordination, control, communication and evaluation. The financial expenditure of apparel industry in Sri Lanka was examined by using budget absorption rates. Based on the data extracted from apparel industry's financial statements, correlation coefficients and regression analysis showed that budgetary control practices have significant associations with the financial expenditure of apparel industry in Sri Lanka. This confirms that efficient apparel companies maintain sound budgetary control practices which contributes to higher levels of financial expenditure hence a positive relationship.

Inadequate budgetary control practices lead to objectives not being clear and performance not being achieved or satisfactory. This reduces output because employees do not know or are doubtful about what to do, when and how to do it. They spend a lot of time seeking clarifications from executives. Thus leading to delays in identification of deviations from plans, which lead to failure in goal achievement and hence poor financial expenditure.

A study by Brownell (1982) suggested that participation in the budgeting process moderates the effects of reliance on budget controls practices so that high (low) reliance on budget controls practices interacting with (low) budgetary participation is associated with higher performance of financial expenditure.

Gacheru (2012) in her study on the effect of budget controls practices on financial expenditure in NGOs in Kenya sought to determine the relationship between budget controls practices and financial expenditure in Kenyan NGOs. Based on the population of 6,075 she used a sample of 20 to collect data and descriptive data analysis and concluded that budget preparation, control and implementation significantly influence financial expenditure.

#### **1.1.4 Public TVETs in Nairobi County**

Geographically, TVET institutions in Kenya are categorized into six regions: Western, Nyanza, North Rift, Central, Nairobi, and Coast (MOHEST, 2000). Of concern to this study is Nairobi region, which covers TVET institutions in Nairobi County. The organization of TVET institutions in any of the six regions is anchored in the Technical and Vocational Education and Training Bill (2012). According to the Bill, 3 institutions offering TVET are organized at five levels namely: Vocational Training Centers (VTCs), which offer Artisan Certificate; Technical Colleges which offer Craft Certificate and Technician Diploma; Technical Teacher Training Colleges, which offer awards up to diploma level on technical and vocational education and training; National Polytechnics, which offer Technician Diploma; and Technical Universities established in accordance with the provisions of the Universities Act (2012).

#### **1.2. Statement of the problem**

TVETs principals had limited knowledge in accounting for TVETs funds. Some were over spending on some vote heads and under spending on some leading them into other problems such as misappropriation and mismanagement of institution funds, a mistake punishable by interdiction and demotion as provided in the TSC code of regulations. Such principals subsequently may not be in a position to audit TVET finances.

Mobegi, Ondigi and Simatwa (2012) conducted a study that established that 61% of bursars and accounts clerks in TVETs were typists and holders of short courses while those qualified in accounting made up to 29%. It revealed that hired accountants who were paid highly did most of the work of balancing books of accounts. In some instances, secretaries received TVETs money and wrote in exercise books which were handed over together with money to the principals at the end of the day if it was the right amount of money collected. Such challenges that principals face in financial management should be established and

appropriate recommendations made to provide clarity and effectiveness in use of finances in TVETs.

As noted above, the state of Kenya has tried to implement budget reforms aimed at addressing resource constraints, domestic growth goals and operational efficiency, but a divide remains to be identified on the impact of budgetary control on the economic results of public technical education organizations. Therefore, this study was set to explore the influences of budgetary control practices on financial expenditure of public TVET institutions.

### **1.3 Objectives of the study**

#### **1.3.1 The General Objective**

The main objective of this study was to establish the influences of budgetary control practices effects on financial expenditure in public technical and vocational education training institutions in Nairobi County, Kenya.

#### **1.3.2 The Specific Objective**

- (i) To assess the influence of budgetary plans on the financial expenditure of the public technical and vocational training institutions in Nairobi County.
- (ii) To determine the influence of procurement plans on the financial expenditure of public and technical and vocation training institutions in Nairobi County.
- (iii) To assess the influence of cash management on financial expenditure of public technical and vocational training institutions in Nairobi County.
- (iv) To analyze the influence of audit control on the financial expenditure in public technical and vocational training in the Nairobi County.

### **1.4 Research Questions**

- (i) What influences budget plans has on the financial expenditure of the public technical and vocational training institutions in Nairobi County?

- (ii) What is the influences of procurement plans on financial expenditure of public, technical, and vocational training institutions in Nairobi County?
- (iii) What is the influences of cash management on financial expenditure of public, technical, and vocational training institutions in Nairobi County?
- (iv) What is the influences of audit control on the financial expenditure of public and technical and vocational training institutions in Nairobi County?

### **1.5 Scope of the study**

This study was confined on the budgetary control practices that effects financial expenditure in public technical and vocational education training institutions in Nairobi County, Kenya. There are various budget control practice, however, this study concentrated on budgetary plans, procurement plans, cash management and audit control. The study targeted 21 public TVET institutions.

### **1.6 Significance of the study**

This study is expected to contribute towards improvement of financial management in public technical institutions. Good performance will contribute to national development through production of appropriate human resources. It will help fill the gap between theory and practice as applied in management of technical institutions.

The study will form a basis for academics and further research and knowledge on the subject budgeting control process. The recommendation of this study is expected to enhance management and general performance of technical Institutes on the control of budget.

It is also expected that the study will serve as a source of information to the public who are interested in knowing more about the budgeting process in technical Institutes. The study aims at providing information that will enable the government to come up with putting measures that will facilitate smooth and efficient and effective budget plans and control of funds and management in technical institutions.

Additionally the study findings will be of great significance to future researchers since the study report will provide significant source of literature with regard to budget control practices and its role on the financial expenditure control of TVET in Kenya. In conclusion the findings will also contribute towards stimulating interest in the area of budgetary control amongst academicians and stakeholders and its impact on the financial performance of public tertiary/technical institutions' budgetary control practices.

### **1.7 Limitations of the study**

The study being cross-sectional in nature could limit the researcher in various ways. Some of the respondents may be unwilling to give accurate and relevant information as some information is regarded as confidential and hence unwilling to disclose it to the researcher.

However, it was assumed that an introduction letter from the university would assure the respondents that the information given would be treated with the confidentiality it deserves and that the purpose of the researcher is to collect data for academic purpose. Since the research was to be conducted on a sample basis, the information obtained may not apply to the entire TVET population study. Because of time limitation, the researcher had to work within the stipulated work plan and controlled financial budget allocation.

Some of the respondents were unwilling to volunteer the correct information. In this case, the researcher allayed their fears by explaining to them that the study aimed at complementing their efforts in improving the financial expenditure in public technical and vocational education training institutions in Nairobi County, Kenya. Furthermore, time was a limitation as the TVETs had a daily routine programme, which they did not want disrupted. The researcher identified free time in the timetable and maximized collection of data during that time.

## **1.8 Organization of the Study**

Chapter one entails the background of the study, statement of the problem, objectives of the study and research hypothesis. The chapter covered significance of the study, scope of the study and limitations of the study. Chapter two described the theoretical framework of the study, empirical review, summary of research gaps and the conceptual framework. Chapter three presents the methodology, which was used to carry out the study. It further describes the research design and the target population. The chapter also describes the sample size and sampling procedure as well as research instruments. In addition, the chapter covers validity and reliability of research instruments, data collection procedure, data analysis and ethical considerations. Chapter four covers data analysis, discussions, presentation and interpretation. Chapter five described summary of findings, conclusion, recommendations and suggestions for further research.

## **CHAPTER TWO: LITERATURE REVIEW**

### **2.1 Introduction**

The review examines some of the contributions that other writers, authors and academics have made to the production and execution of governmental budgets.

### **2.2 Theoretical Review**

This study is based on a number of theories that tends to explain the relationship between government budget allocation and control systems and in public TVET institutions. The theories of focus in this study were three in number thus, new public management theory, theory of financial control and Differential Association Theory.

#### **2.2.1 New Public Management Theory**

This theory was applied in this study to link effective budget control practices and financial expenditure of TVETs in Nairobi County. The new public management (NPM) theory by Kaboolian (1998) focuses specifically on issues of making governments efficient. Savoie (2003) notes that the theory recommends changes to make governments more efficient and responsive by employing private sector techniques and creating market conditions for the delivery of services. Additionally, Osborne (2006) indicates that the NPM theory asserts the superiority of private managerial techniques over those of public administration and has the assumption that the adoption of private sector practices would lead to improvements in the efficiency and effectiveness of public services.

The assumptions of NPM easily apply to issues of public financial management and its influence on financial expenditure. NPM perspectives emphasize compliance with ethics, transparency, equality, fairness, responsibility, accountability, prudence, participation, responsiveness to the necessities of the people and efficiency in the administration of public resources. Public financial management is the coordination of public financial resources for efficiency in public service delivery. It involves planning and budgeting, internal controls, audit

and external oversight, among others with a view to promoting availability of benefits to the greatest number of citizens (Broback & Sjolander, 2002). Bartle and Ma (2004) posit that PFM involves effectively organizing, directing and managing financial transactions in the public sector. There is therefore a need for effective management and institutional designs, both of which are aimed at making the public sector more efficient like the private sector. This is expected to invigorate performance and decrease corruption. Osborne (2006) describes some other elements of NPM, which have strong relevance to public financial management. NPM theory was applied in this study to link best practices in budgeting, auditing and governance to financial expenditure of public TVETs in Nairobi County.

### **2.2.2 Theory of Financial Control**

In relation to the objective relating to the effect of budgetary control practices on financial expenditure, this study focused on the financial control theory by Laughlin (1980). The personal functions of human being both the present and future are thought to constitute the most important part of reference in the financial control theory. According to this theory the possible and the existing functions of financial tools for institutions are the most crucial.

On the same note it is argued that financial instruments, accounting, payments, control models, economic calculations and other the related considerations both outside and with the institution discussions ought to be carried out in regards to inner features as well as possible effects. From a financial control point of view it is important to establish the relationships between financial processes and various activities which are seen to be the basic and general issue (Ostman, 2009).

The financial controls theory for institutions puts much focus on the firms such that they can be looked at from several latitudinal areas. The first aspect is on human beings' functions, thus the accomplishments through firms, the activities they carried out and the

output. The second aspect is on structure of the firm and the processes, and the activities that parties might be having with each other. The third regards to control systems in the form of procedures recurring and the methods employed relating to present and future resource functions both internally and externally. The fourth area, which is the last, focuses on the processes that are specific to individual firms for issues that are certain. This theory further point out that the structure and the financial control systems work depend on another (Ostman, 2009). The theory of financial control was relevant in this study owing to the fact that it gave an insight on the intricacies that might surround financial management in an institution.

### **2.2.3 Differential Association Theory**

Sutherland proposed differential association theory in 1947. According to differential association theory fiscal accountability affects all the classes in society, all government departments, republics and monarchies, be it in times peace and war, no matter the age groups, both sexes and at all times, old, modern and mediaeval. The challenges of fraud are that it is trans-systemic in that it exists in all the systems from capitalism, communism, socialism and feudalism (Alatas, 1990). In most instances the pressure or motivation is a creation of demands with higher earnings at times it results from the company position thus from the top level. The need to post financial results or improved stock price may force individuals and firms to cut corners thinking they are acceptable (Ernst & Young 2009).

Justification which is more of a psychological factor arises mostly from within a person. By validation the behavior which is fraudulent makes a person to commit fraud and assure him or herself that this behavior is acceptable to done that. For example, an employee may rationalize stealing funds in that he thinks that having worked so hard it is justified for him to steal since he deserves it (Harrison et al. 2011). 15 Ernst and Young (2009) established that the most common types of corporate fraud include fraudulent financial reporting, misappropriation of assets and corruption. The most common of this is misappropriation of

assets. According to their findings 88.7% of the incidents reported are in the asset misappropriation category which 27.4% account for corruption case while 10.3% of the incidents are that of fraudulent financial reporting which is not frequent form of occupational fraud. According to Adeoti (1996) approaching the issue in regards to prevention of fraud found out that the best approach and that is also cheaper is taking precaution. He concluded that there are two common types of fraud that impact on the financial statements of an organization namely misappropriation of assets which sees employing stealing money from the firm and covering that up through making entries that are wrong in the books of account and managers reflecting false and misleading entries on financial statements showing the firm performing better than in reality.

Harrison et al. (2011) was of the opinion that fraudulent reporting of financial statements is the least frequent among the forms of fraud but it is the most expensive both in terms of longterm damage and money lost. Examples of schemes that relate to fraudulent financial reporting are revenues smoothing, storing funds away for future uses, liabilities overestimation during perfect times, not reporting information properly for example in regards to loans management and transactions involving parties, or the execution of transactions that are highly complex (Ernst & Young 2009).

Financial management needs to analyze what factors lead to fraud so that they can come up with appropriate measures and policies to prevent or control such occurrences. Example of such measures include relationships, attitudes, awareness and regulations that must be in place to reduce the opportunities for fraud and at the same time aid people to resist engaging in such acts of crime. According to Okafor (1986), fraud is individualistic in nature in that one may choose to cash in as at when there is an opportunity. Alashi (1994) on the other hand is of the opinion that fraud occurs whenever opportunity exists and there is intent from an individual. The theory that guided this study in regards to fiscal accountability was differential association

theory. This theory gives an explanation on the circumstances and the motivations that influence an individual to commit fraud thus highlighting the mechanisms to prevent any fraud.

## **2.3 Empirical review**

This chapter of the literature review provides an assessment of the problem- and purpose-related literature. To guarantee significance to the research problem, the literature review chapter is structured or classified according to study issues or particular goals.

### **2.3.1 Budgetary Plans and Financial Expenditure**

In her analysis of the impacts of budgeting on different budgeting practices in governmental organizations in Kenya, Gacheru (2012) found that budgetary preparation, budgetary control and execution had a substantial effect on budgetary variation. The counties with bad spending intentions may lose the distribution of resources, as it may be difficult to manage these resources. Some counties produced expenditures that included incredible allocations for rulers, such as luxurious vehicles, holiday pay, and building villas. This has given rise to issues about preferences regarding the concentrate of financial management on tasks that have been devolved. This study however was conducted out in NGOs, but it is fitting to bring it in TVETs.

Studies indicate that ability to execute the budgetary system in organizations can significantly improve financial management and efficiency. Study on the budgetary scheme for SMEs in the hospitality industry in Nairobi Central Business District, Njeru and Thuo (2013) discovered that executives' abilities and authority had a favorable and significant connection with budgeting. The findings indicate that a favorable growth of executives abilities and authority increase the budgeting strategy for SMEs in the hospitality industry in Nairobi CBD. Therefore, the past research analyzed above contribute to the assumption that there is a growing perception of expenditures being helpful in today's extremely difficult company setting. The

assessments mentioned that adequate project scheduling frameworks and policies should be incorporated and stakeholder engagement in TVETS should be improved. However, there was a lively connection between policy preparation and public sector economic results, and none concentrated on the place of the research. Consequently, understanding of budgeting procedures and economic results in government technical and vocational training establishments in the county of Nairobi, Kenya is still not transparent and accessible data is helpful for providing understanding into whether projects are still adequate scheduling and regulate instruments.

Zipporah (2017) carried out research on the impacts of budgeting and budget management and found that county governments are faced with challenges during the execution of their budgets, such as failure to comply with fiscal deadlines in compliance with PFM Act 2012. The study found that financial planning and budgeting management allows a county government to forecast its finances. And in the financial year, the researcher proposed that bills of appropriations be approved for the county governments, that the performance of the county administration, budget laws should be better enforced to avoid threats to financial efficiency. Budgetary plans are essential in every organization for proper cash management. The study by Zipporah (2017) focused on budgeting and budgetary control. This study will establish the relationship between budgetary plans and the financial expenditure.

### **2.3.2 Procurement Plans and Financial Expenditure**

Kiage (2013), in a study on factors affecting procurement performance of energy ministry. While current research agrees, it expands the scope and involves such areas as suppliers and sources. In addition, current research examines the effects on the overall performance of TVETs of procurement plans. In addition, this report is TVETs unique while the preceding study is general on the Energy Ministry. In conclusion, the present research explores the impact of the majority of studies on factors responsible for financial spending

procurement plans on financial expenditure in TVETs. This study is therefore, designed to show whether specific procurement plans are key determinants of financial expenditure in TVETs.

Njeru (2015) examined factors affecting the effective execution of procurement plans in Kenya's tertiary public colleges. We have introduced a descriptive study in which 40 public education entities in Kenya shape the sample. Random stratified methods for selecting a sample size in 35 public training establishments have been applied. The adoption of the procurement method in more than 80% of Kenya's tertiary public educational institutions has been hampered by supplier management methods, inventory management practices, training, and the use of ICT-based systems. A systematic analysis was conducted to identify the key factors that affect the effective implementation of tertiary public education institutions in Kenya. The study looked at this question of "how are procurement plans created?"

Kipkemoi (2013) researched the impact of public procurement policies on project execution by conducting research on Kericho District. The researcher using a descriptive research study methodology, collected data through use of questionnaires. This method was administered to a random sample of 48 workers in different public institutions in Kericho County. Secondary data were gathered through literature search and content analysis, theoretical and empirical study, and the conceptual framework. Data analysis was done using SPSS to obtain the required statistics especially measures of central tendency like mean and standard deviation which were then presented using tables and charts. Participants' participation and interaction and community forums had a positive impact on projects progress and sustainability. Fraud and corruption at the project planning stages causes resources to be lost and projects to stall. Most projects were focused on price offers for the job and assessing cost bids. This study found that a lack of uniform cost accounting rules across projects leads to cost exaggeration.

### **2.3.3 Cash Management and Financial Expenditure**

Mungai (2013) conducted studies on the connection between cash management and private hospital economic results in Kenya. This research was aimed at examining the connection between operating equity leadership and private hospital economic results in Kenya. The research created a favorable money leadership connection. This means that profitability rises as inventory rises and median reports payable while reducing as median records payable rise. The research found that executives must proceed to handle their working capital more effectively as this will always impact profitability if not effectively controlled. Furthermore, steady attempts should be created to decrease the amount of stocks and not only boost the disposal attempts of their debtors while bargaining with their customers for greater loan phases, but also generate importance for their shareholders by decreasing the amount of days for receivables. This study was carried out in a hospital setting, the current study will attempt to address cash management and the financial expenditure in TVETs.

Bosra (2013) did a survey to determine if cash management correlated with insurance corporate performance. During the collection average time and cash conversion process, many working capital indicators have been identified. The trial also performed the linear regression analysis and concluded that the financial performance of insurance firms in India was not substantially related to the cash management results. This study was conducted in India, an economical creation with numerous cash management systems. The present study will be localized (Kenyan Context) and address issues cash management and its influence on the financial Expenditure of TVETs.

### **2.3.4 Audit Control and Financial Expenditure**

A study by Zipporah (2017) on how budgeting and budgetary control would influence financial expenditure. The study found that budgeting and budgeting management allows a county government to forecast its finances. In addition, in the financial year, the researcher

proposed that bills of appropriations be approved for the county governments, that the performance of the county administration, budget laws should be better enforced to avoid threats to financial efficiency. This study did not stipulate how audit control affects financial expenditure a gap that will be addressed by the present study.

The research sought to determine the effectiveness of budgeting control in development organizations. In order to analyze the data, the researchers have used the method of definition research design, which describes who, why, when and where the budget and budget control mechanisms have a major impact on budgetary variance. This study did not provide a relationship of budgeting control system on expenditure.

According to Bernard (2013), audit in public service projects is one of the approaches of evaluating whether Governments successfully achieve their goals and make competitive and productive use of their resources. The audit is mainly performed to ensure independent public officials and community accountable funds that are used wisely and in accordance with Parliament's expectations for specific government activities. The audit is an objective evaluation by an audit body, to decide the degree to which resources are properly managed in terms of economic quality, quality and performance, and to give the community concerned positive or agreeable desired results.

Audit Control is a deterrent process against misappropriation of funds in terms of procedures and rules that establish the boundaries of financial behavior. Audit control process is a systematic and continuous one which is characterized by the following stages: The stages mentioned include: Establishing targeted performance or level of activity for each department of the organization by way of setting targets to be achieved enhances the monitoring of the organizations performance. Communicating details of the budgetary policy to all the

stakeholders for easy appreciation of the set targets and objectives enhances ownership of the results achieved at end of the day.

Hansen & Kræmmergaard (2018) contend that, accessing the high level of budgeting process and executions a challenging task for local government. Hawkesworth et al.(2017) show that, many local governments have not been examining efficiently the internal audit in budgeting process and execution and this has consequently led to mismanagement; lack of control and less budget execution from their activities or operations. However, there is no evidence of adequate follow up done to verify the accountability reports submitted to Districts by no budget agencies and to follow up activities reported. Such follow up should have been done on a regular basis by Internal Audit unit (Onumah & Krah, 2012). Consequently, there is a continued problem of misuse and misappropriation of public funds being perpetuated through non budget agencies.

Theletsane (2019) argues that audit control actual revenue or cost data is done by way of continuous comparison of actual performance with the budgeted performance and regular reporting of variances to the responsible officers. This helps in asserting the reasons for the differences between actual and budgeted performance and taking the suitable corrective action. Emerging experience from the public sectors in both industrial and developing countries suggests that the greater the complexity and scale of the ICT platform to support financial systems, the greater the risk of failure or underperformance of that platform and, by extension, the system as a whole. ICT systems that started small and are iteratively expanded are less likely to fail or underperform because the associated risks can be managed better. In Kenya, the Controller of Budget was established by the Constitution of Kenya under Article 228 to oversee the implementation of budgets of both national and county governments by authorizing withdrawals from public funds. The controller also oversees the implementation of the budgets

of national and county governments. Article 228(4) and monitors use of funds in-year and raise concerns on any signs of mismanagement to the Auditor General and both houses of Parliament. The COB also prepares quarterly, annual and special reports on budget implementation. Articles 254(1), (2) and 252(1) (a). Through these reports, the COB ensures continuous monitoring of usage of public funds. The reports are published and publicized for transparency.

Richard (2016) study on determinants of integrated financial management information systems strategy implementation in devolved units in Kenya; a case of Kisii county government reiterated that in Kenya the national treasury introduced the integrated financial management information system as a PFM reform initiative aimed at automating and streamlining Governments financial management processes and procedures. However, the implementation of such a project has proved to be a very demanding undertaking and has not been met with resounding success.

Chebet (2018) studied issues that elevated successful implementation of the re-engineered IFMIS in the departments of Kenya. The research results presented that the involved awareness and appreciative of the ministries and by the users and how IFMIS is applied in those ministries was prejudiced by the element that the users had operated for long within the ministries. As per the findings integrated financial information system can be applied by system applicants to carry out dealings, that the system is working as it should with least difficulties and all the system structures or abilities for IFMIS were brought though there is hesitation as to whether the execution was accomplished within targeted budget and the execution was completed within the projected period. Evaluation is an important role of budgeting for attaining the expected quality and standards in planning, control, leadership and

staffing. It measures the extent to which budgetary goals are achieved and illuminates any anomalies on such achievement. Reports should be made on the status of county finances periodically.

According to Serem (2019), reports should be accurate to enable the making of corrective decisions based on the reports. He noted that the principle of exception should be utilized where possible and that budgetary Control is not effective unless there is continuous flow of budget reports. He observes that the reports should be prepared at regular intervals (say monthly) to show comparison of actual performance with that budgeted. Such reports may be presented to heads of budget centres, showing favourable or unfavourable variances from budget figures.

Mpakaniye (2017) study aimed at investigating the effect of internal audit on budget process and execution of local government of Rwanda taking Musanze District as case study. It was found that asset management; management control and staffing management are well used to 35 enhance good budgeting process and execution in local government. The budget process and execution in local government is based on budget formulation; budget proposal and dialogue, budget monitoring, budget adjusting, budget control and budget reporting. This confirmed that there is significant relationship correlation between internal audit and budget process and execution in Musanze district office.

Kanyinga (2018) contended that similarly, the ability to understand the political bargaining process around the budget and to check whether individual policy makers kept the commitments they entered into during this process is an important condition for holding policy makers personally accountable in elections. Citizens can also participate in public finance management through various forms of social accountability, such as social audits, Public

expenditure tracking surveys and citizen report cards among others to monitor the social impact of public spending. It's only through such active participation that governments will be compelled to put in place systems to monitor budget implementation on a real time basis.

### 2.3.5 Financial Expenditure in TVETs

Ndungu (2017) contends that sections 163,164 and 165 of the Public Finance Management Act, 2013 requires that, at the end of each financial year, the County Treasury shall prepare financial statements of each County Government entity, receiver of revenue and consolidated financial statements for all County Government entities in accordance with the standards and formats prescribed by the Public Sector Accounting Standards Board. The Auditor-General has the mandate under Article 229 of the Constitution to audit and report on the accounts of the National and County Governments, (ROK, 2013).

From 2016 to 2018, the total development expenditure by the Ministry of Education increased by 44% (i.e., from 21 billion to 30 billion). The growth in development 4 expenditure in the Ministry was mainly attributed to the funding of development expenditures for the State Department responsible for TVET. In addition, the Government has also committed resources (including human resources (tutors), tools and equipment) to provide relevant and adequate skills and competencies in strategic discipline by 2020 (GoK, 2012). The Government has also set the annual increase in the number of TVET graduates as a Key Performance Indicator (KPI) for the TVET sector (GoK, 2019). To measure the graduation rates, there must be data on enrolment and progression.

### 2.4 Summary of the Literature Review

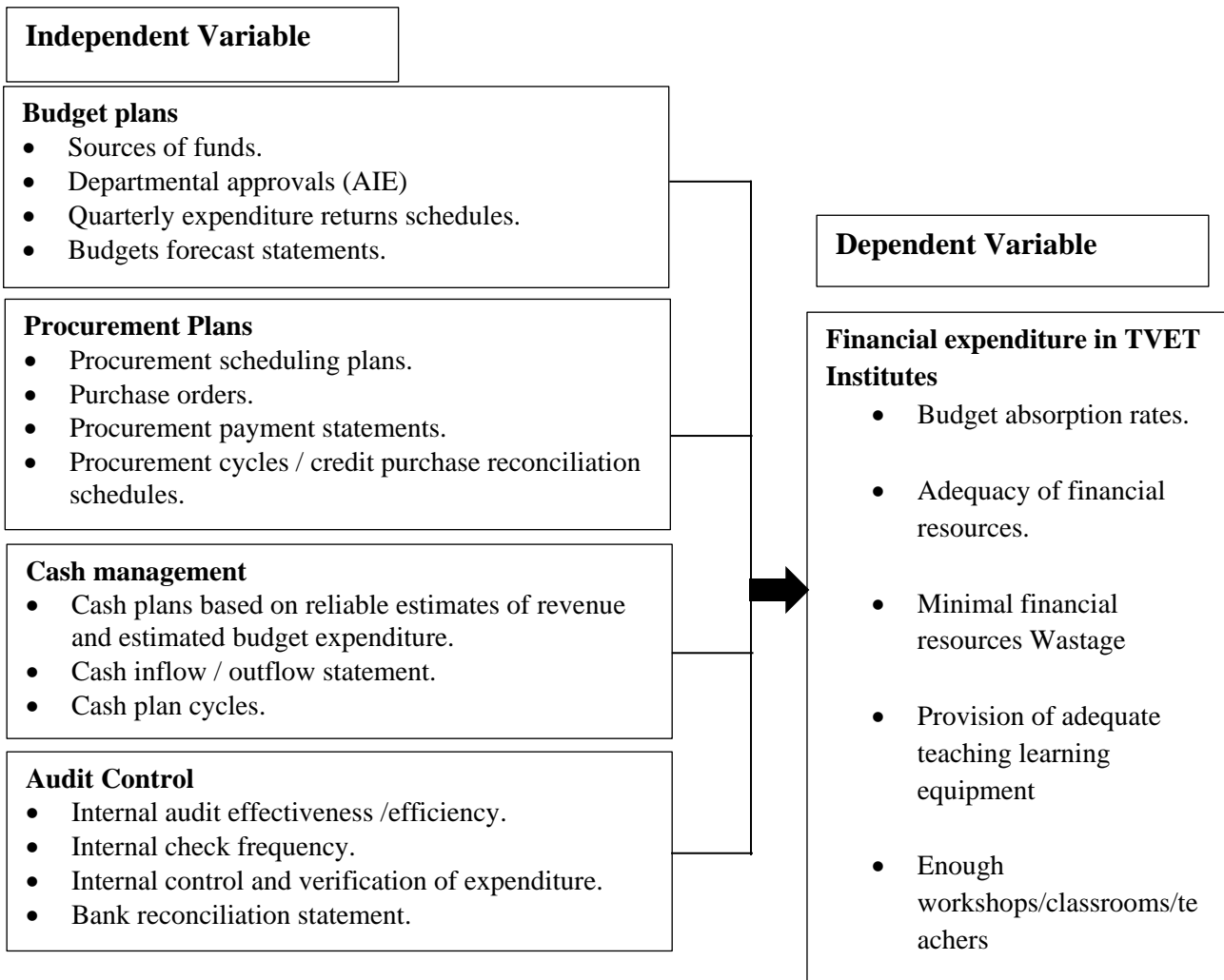
Author (year)	Title	Findings	Gap
Zipporah (2017)	How budgeting and budgetary control would influence	The study found that budgeting and budgeting management allows	This study did not stipulate how audit control affects financial expenditure a

	school financial expenditure	a county government to forecast its finances.	gap that was addressed by the present study.
Mpakaniy e. J.P. (2017)	The effect of internal audit on budget process and execution of local government of Rwanda	Local governments have not been examining efficiently the internal audit in budgeting process	Failure to relate on financial expenditure of TVETs
Richard (2016)	Determinants of integrated financial management information systems in Kenya; A case of Kisii county government	IFMIS project implementation not successful	The study was carried out in county government as opposed to TVETs
Kimani,R. N. (2019)	The effect of budgetary control on effectiveness of nongovernmental organizations in Kenya	There is a weak positive effect of budgetary control on performance of Nongovernmental Organizations	Focus was on budgetary controls, which is a factors in budget process to examined
Nyageng'o L. (2016)	Identifying determinants to effective budget implementation among local authorities in Kenya	Effective Budgetary control improved performance of local authorities.	Failed to address the case of new county governments and did not overhaul budgeting process
Serem (2019)	Effect of Budgetary Control on Performance of Nongovernmental Organizations in Kenya	A weak positive effect of budgetary control on performance of NGO's in Kenya	No focus on TVETs
Njeru and Thuo (2017)	Budgetary process in SMEs in hospitality industry in Nairobi Central Business District	Skills and power of managers had positive and significantly related to budgeting	Not related to TVETs
Gacheru, N. (2015).	The effect of budgeting process on Budget Variance in NGOs in Kenya	Budget preparation, budgetary control and budget implementation significantly influence budget variance	No focus on TVETs

*Source: Author, (2020)*

## 2.5 Conceptual Framework

A conceptual framework is description of the phenomenon under study. This phenomenon is variables under review. The conceptual framework illustrated in figure 2.1 represents the link between independent variables, which are budgetary control structure, and the dependent financial expenditure variable.



**Figure 2.1 Conceptual Framework**

**Source: Researcher, 2020**

## **CHAPTER THREE**

### **RESEARCH METHODOLOGY**

#### **3.1 Introduction**

This chapter presents the research methods that were adopted in this study. The chapter outlines various sections including; research design; research philosophy; empirical model; operationalization and measurements of variables; Target population; Sampling techniques; Data collection process and tools; validity and reliability test; Data analysis and presentation; and ethical consideration

#### **3.2 Research design**

The research embraced a cross-sectional survey as it attempts to define the population or event being researched information and features. This research design was chosen because a cross-sectional survey collects data to make inferences about a population of interest (universe) at one point in time. Cross-sectional surveys have been described as snapshots of the populations about which they gather data. According to Kothari (2008), a research design is "the arrangement of conditions for the collection of data analysis in a matter aimed at combining relevance for the purpose of research with economy in procedure." This layout is chosen because very big samples are possible, which even when testing various factors makes the findings statistically important. Surveys are helpful to describe a big population's features. Furthermore, Mugenda and Mugenda (2009) notice that elevated accuracy is simple to achieve by introducing a uniform stimulus to all topics that guarantees that the subjectivity of observers is largely eliminated.

#### **3.3 Target Population**

TVET colleges in Kenya comprise of Technical Training Institutes (TTIs), Polytechnics, Vocational Training Centers (VCTs), Technical Training Colleges, and any other approved learning institution. The study targeted 21 public TVET institutions from Nairobi County.

From the TVET institutions, the researcher interviewed principals, accounting and financing officers, procurement officer, head of department and internal auditors as indicated in table 3.1 below.

**Table 3.1 Study Population**

<b>Respondents</b>	<b>Target population</b>
Principal	21
Respective HOD's	21
Accountant / Bursar	21
Procurement officer	21
Finance officer	21
<b>Total</b>	<b>105</b>

**Source: TVET Institutions, Nairobi (2020).**

### **3.4 Data Collection Instrument**

The primary data was collected through self-administering questionnaires, Focus group discussions and interview schedules. The researcher assisted some of the respondents whenever necessary to answer the questions by either explaining further a question that the respondent has not understood or also assist in responding to any questions regarding the research that the respondent had. These questionnaires had both open-ended and close-ended questions to enable the researcher collect both qualitative and quantitative data. To get the required information the researcher has set the questions in a way that inquiries begins with the general questions, on matters that are general to the research problem then ventured into the specifications of the study. The researcher booked appointments with various teachers and education officials to conduct interviews. Focus group discussions were held among the staff.

#### **3.4.1 Validity**

Cronbach (1982) indicates that the legitimacy of a tool can be deductively determined by demonstrating that the product refers to the meaning of the characteristics to be assessed.

The investigator requested supervisor knowledge to determine the legitimacy of material and evaluate the significance of the tools to the research. To examine each subject element against study goals, the investigator administered the study tools separately of the three

academics or scientists. Each of them was asked to offer an autonomous view on the appropriateness and appropriateness of each query element. Comments and suggestions from their opinions were used to enhance the questionnaire while collaborating on the initial version in which they were integrated into the initial device layout. In order to obtain the validity of the entire instrument, the Spearman-Brown Prophecy formula indicated below will be used:

$$R_e = \frac{2r}{1 + r}$$

Where r – validity

R<sub>e</sub>– validity coefficient

The closer the reliability coefficient value is to 1.0 the higher the degree of the reliability of the data. Alpha above the 0.7 value is deemed appropriate (George & Mallery 2015). Cronbach's Alpha graded scores as excellent, reasonable, acceptable and unacceptable where calculated by the Scale Reliability Coefficient.

**Table 3.2: Validity Results**

Variable	Respondents	α=Alpha	Comment
Budgetary plans	4	0.818	Good
Procurement plans	4	0.921	Excellent
Cash management	4	0.789	Acceptable
Audit control	4	0.811	Good

**Source: Research data (2020)**

### **3.4.2 Reliability**

Random errors can affect reliability in studies, the pre-test assisted the investigator recognize the most probable cause of mistakes and thus react to them before the real study was conducted. Errors may lead from incorrect coding, unclear guidelines, meeting, tiredness, and bias. The divided quarter method was used to check the accuracy of the tools, testing the level to which all components of the experiment add similarly to the measurement. The investigator used the method of late reaction, which provided the tools to the respondent and the investigator offered the same respondent another one after fortnight. The investigator then contrasted the response reliability. In the event of a coherent reaction from the same respondent, the tool was regarded safe.

### **3.5 Data Collection Procedure**

The study collected primary data with the help of a questionnaire. The questionnaire had both open and close-ended questions and employed the Likert scale methodology. In the Likert scale, the respondents were expected to either indicate their level of agreement using a five point scale namely; Strongly Agree, Agree, Neither Agree or disagree, Disagree and Strongly

The research was administered individually to all study respondents via questionnaire. The research exercised care and control to ensure that it received all questionnaires given to the respondents. The questionnaire was performed using a later form of drop-and-pick.

### **3.6 Data analysis and presentation**

The completed questionnaires were revised for completeness and accuracy before processing of the answers. Using descriptive statistics using SPSS (version 22), the quantitative data collected was analyzed and presented by percentages, methods, standard deviations and frequencies. The information was presented using, and in prose-form, bar charts, graphs and pie charts. This was achieved by counting responses, measuring the percentages of response

37 variations as well as explaining and interpreting the data in line with the study goals and conclusions by using SPSS (Version 22) to communicate research findings.

### 3.7 Empirical model

The study adopted a descriptive study model. In descriptive research, such phenomena are reported and interpreted. Like the acknowledgment analysis, hypothesis-led descriptive studies do not require quantitative calculation. The main purpose of the descriptive study is a simple linear regression analysis to understand a particular phenomenon by means of detailed description and interpretation. Analysis of the content was used to assess data of a qualitative nature or component of the data obtained from the open ended questions the study utilized the multiple regression model below to establish the relationship between variables;

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

Where Y stands for financial expenditure

$\beta_0$  stands for intercept (constant)

$\beta_1, \beta_2, \beta_3, \beta_4$  stands for coefficient

$X_1$  stands for budgetary plans

$X_2$  procurement plans

$X_3$  stands for cash management

$X_4$  stands for audit control

E- Error term and  $\beta_0, \beta_1, \beta_2, \beta_3, \beta_4$  are the coefficients

Where;

$\beta_0$  = the rate of change of dependent variable holding other independent variables constant.

$\beta_1$  = the rate of change of the budget plans that influence a unit change in financial expenditure

$\beta_2$  = the rate of change of procurement plans that influence a unit change financial expenditure.

$\beta_3$  = the rate of change in cash management that influence a unit change in financial expenditure.

$\beta_4$  = the rate of change in audit control, that influence a unit change in financial expenditure.

### **3.8 Ethical considerations**

While carrying out this study, the investigator critically regarded the numerous ethical problems that are of major interest and are extremely regarded today. The investigator assured that the people involved in the studies are regarded as autonomous agents with respect to people. With respect to charity, the investigator had to guarantee that all respondents were ensured of maximizing potential advantages and minimizing potential harms. The researcher offered preliminary consideration to maximizing the advantages and reducing the danger that may arise from the studies. Regarding judicial problems, the investigator guaranteed equality in the choice of respondents in all information gathering processes.

**CHAPTER FOUR:  
DATA ANALYSIS AND PRESENTATION**

**4.1 Introduction**

This chapter provides a description of the approaches used in the analysis and its performance. The results of the study show how budgetary management activities have an effect on the overall spending at public technical training institutes in Kenya. The data was only acquired as collected study data. The project survey was crafted to achieve the study goals.

**4.2 Response rate**

The table below is a summary of the response rate

**Table 4.1 Response rate**

	<b>Target population</b>	<b>Response</b>
Principal	21	3
Respective HOD's	21	5
Accountant / Bursar	21	18
Procurement officer	21	40
Finance officer	21	13
Total	<b>105</b>	<b>79</b>

**Source: TVET Institutions, Nairobi County (2020)**

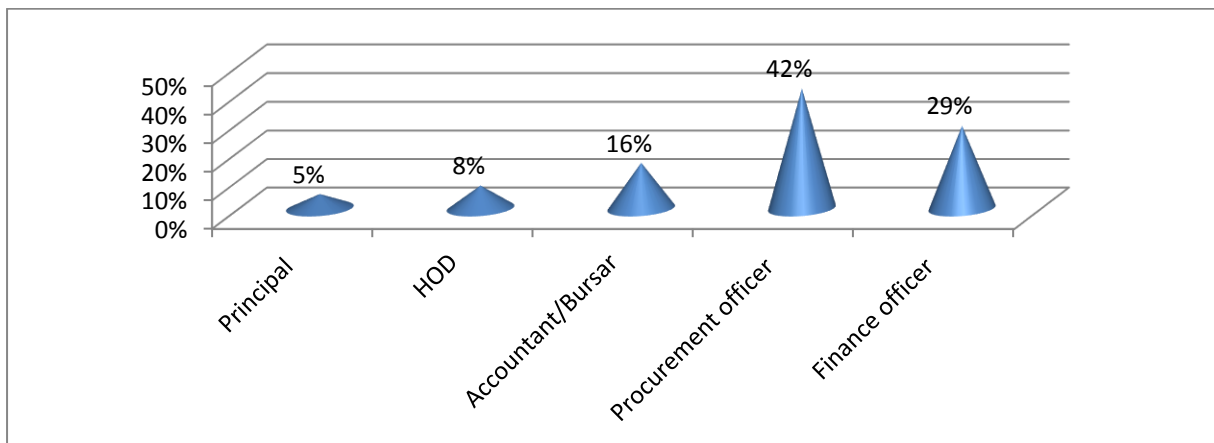
The targeted sample size was 105 participants. Those filled and returned questionnaires were 79 respondents making a response rate of 75%. The 50% response ratio is adequate for research and reporting, according to Mugenda and Mugenda (1999), the 60% response rate is good and the 70% response rate is over and above excellent. For this study, which has been found to be 75%, the response rate was therefore good and adequate for analysis and interpretation of data.

**4.2 General Information**

**4.2.1 Capacity Served in the Institution**

The researcher had to establish the capacity of the respondents serving at the institution. The results were recorded in figure 4.1.

**Figure 4.1 Capacity Served in the Institution**



The results indicated that 5% of the respondents came from the principles’ office, 8% from the HOD, 16% came from the accountant/bursar, 42% from procurement office while 29% came from the finance office.

### 4.3 Descriptive Statistics Analysis

The following section entails data presentation in line with the study objectives.

#### 4.3.1 Budget Plans and Financial Expenditure in TVETs

The researcher sought to establish the influence of budget plans on the expenditure management performance of TVET institutions.

##### 4.3.1.1 Sources of Funds /Income

The researcher had to establish the sources of funds /income for the Institute. The results were recorded as indicated in table 4.2.

**Table 4.2 Sources of Funds /Income**

	<b>Frequency</b>	<b>Percentage</b>
Capitation grants	7	9
NG-CDF	21	26
Training levy fund /Fees	18	23
A-In-A	11	14
Borrowing	10	13
Donations	12	15
<b>Total</b>	<b>79</b>	<b>100</b>

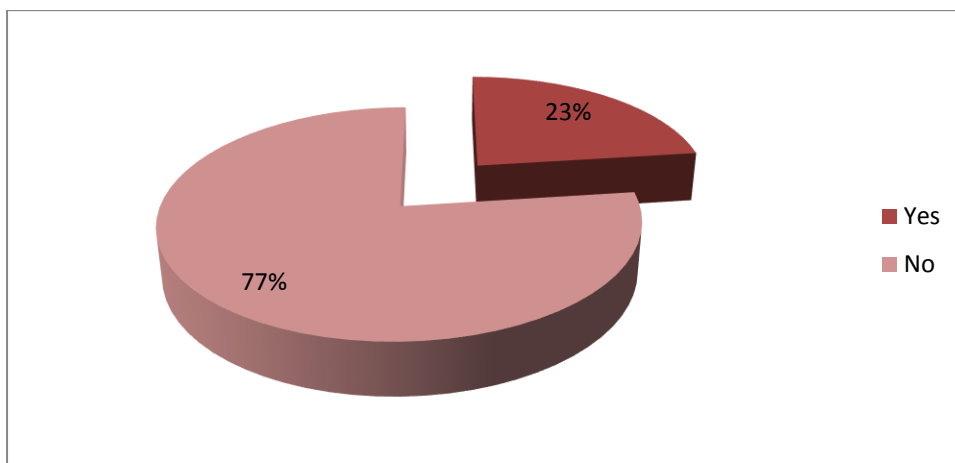
Source: Research data (2020).

The results indicates that 9% of the respondents indicated capitation grants as the source of funds, 26% indicated NG-CDF, 23% were for Training levy fund/Fees, 14% indicated A-In-A, 13% were for borrowing while 15% indicated donations.

The findings indicate that NG-CDF as supported by 26% was the main source of funding for the institutions. These findings are consistent with Ngware et al. (2016) that financing tertiary education through the years, through user charges, has been a collective responsibility of parents and communities. Colleges have built-up their current physical structures. Until feasible steps are established, it may be difficult to substantially expand physical infrastructure in learning establishments. These actions could include channeling part of the NG-CDF funds into development projects in education.

The researcher had to establish whether the Institute raises enough funds /income from the above sources to sustain the expenditure of the Institute. The results were recorded in figure 4.3 below.

**Figure 4.2 Sources of Funds /Income**



**Source: Research data (2020).**

The results indicate that 23% agreed while 77% disagreed that the Institute raises enough funds /income from the above sources to sustain the expenditure of the Institute. The researcher

sought to establish how the Institute finances the shortfall /deficit. The results were recorded as indicated in the table 4.3.

**Table 4.3 Finances the Shortfall /Deficit**

	<b>Frequency</b>	<b>Percentage</b>
Request additional capitation grant from government	32	41
Request additional funding from NG-CDF	15	19
Raises addition funds by increasing Training levy (Increase fees from students)	13	16
Increases A-I-A	10	13
Additional borrowing	9	11
<b>Total</b>	<b>79</b>	<b>100</b>

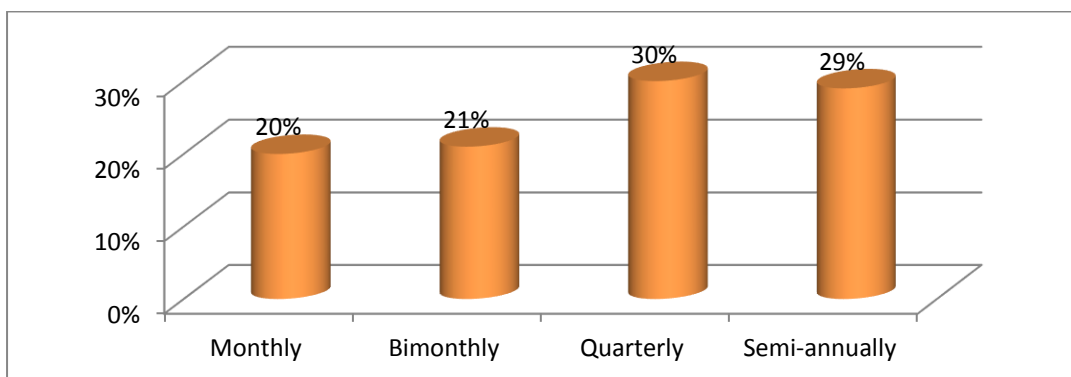
**Source: Research data (2020).**

The result shows that 41% were for the idea that the deficit was covered through request of additional capitation grant from government. On the other hand, 19% indicated request of additional funding from NG-CDF. Further, 16% said the institution raises addition funds by increasing Training levy (Increase fees from students). A further, 13% indicated that the institution increases A-I-A while 11% indicated that there was additional borrowing to cover the deficit.

#### **4.3.1.2 Preparation of cash budgets forecasts**

The researcher had to establish how often cash budgets forecasts prepared by the Institute are. The results were recorded as shown in figure 4.4.

**Figure 4.3 Preparation of cash budgets forecasts**



**Source: Research data (2020).**

The researcher sought to determine how often cash budgets forecasts prepared by the Institute are. According to the results, majority of the respondents indicated that their cash budgets forecasts were done quarterly as shown by 30%, monthly as shown by 20% semi-annually as shown by 29% respectively.

#### 4.3.1.3 Budget expenditure returns

The researcher had to establish how often are budgets expenditure returns made to monitor the budget expenditure trends of the Institute. The results were recorded as indicated in table 4.4.

**Table 4.4 Budget expenditure returns**

	<b>Frequency</b>	<b>Percentage</b>
Monthly	39	49
Every two months	18	23
Quarterly	13	16
Semi-annual	9	12
<b>Total</b>	<b>79</b>	<b>100</b>

**Source: Research data (2020).**

The study shows that 49% indicated that the budget expenditure returns were done monthly, 23% were for every two months, 16% indicated quarterly while 12% said semi-annual.

#### 4.3.1.4 Fund raised and Project Completion

The researcher had to establish whether funds raised has enabled projects to be completed in time and thus budgets plans has a positive allocation efficiency influence on the financial expenditure of the Institute.

**Table 4.5 Fund raised and Project Completion**

	<b>Frequency</b>	<b>Percentage</b>
Indifferent	7	9
Do not agree	17	22
Agree	23	29
Strongly agree	32	40
<b>Total</b>	<b>79</b>	<b>100</b>

**Source: Research data (2020).**

The results shows that 9% indicated indifferent, 22% did not agree, 29% agreed while 40% strongly agreed that funds raised has enabled projects to be completed in time and thus budgets plans has a positive allocation efficiency influence on the financial expenditure of the Institute.

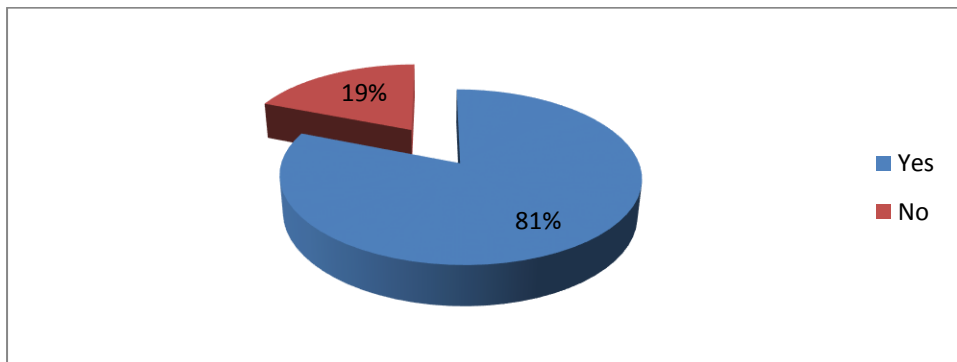
### 4.3.2 Procurement Plans and Financial Expenditure in TVETs

The researcher sought to establish the influence of procurement plans on the financial expenditure of public and technical and vocation training institutions in Nairobi County.

#### 4.3.2.1 Consolidated Procurement Plans

The study sought to establish whether there were consolidated procurement plans prepared by the Institute. The results were recorded as shown in figure 4.4.

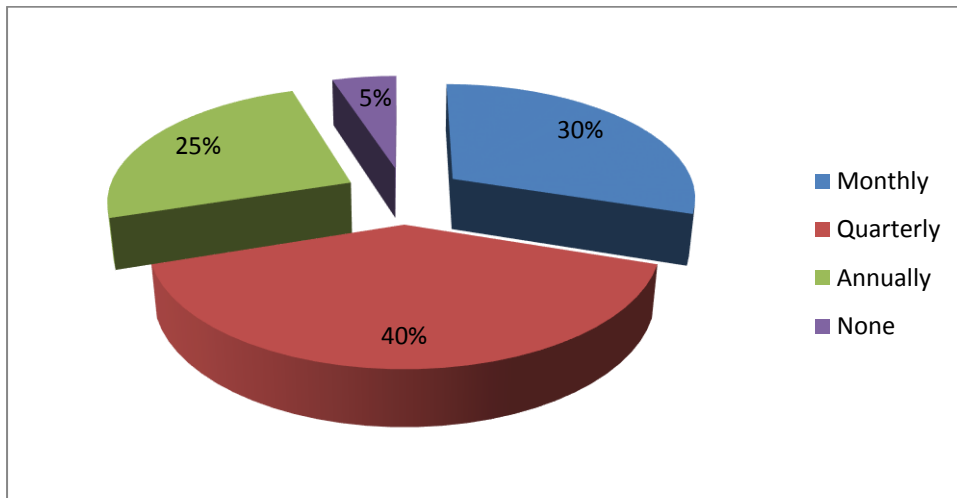
**Figure 4.4 Consolidated Procurement Plans**



**Source: Research data (2020).**

The results shows that 81% agreed that there were consolidated procurement plans prepared by the Institute. The researcher further sought to establish how often the procurement plans we reviewed.

**Figure 4.5 Review of Procurement Plans**



Source: Research data (2020).

According to the results, majority of the respondents indicated that their procurement plans are reviewed quarterly as shown by 40%, monthly as shown by 30%, annually as shown by 25% respectively.

The study shows that the procurement schemes were revised largely quarterly, as shown by 40%. In their study findings, they found that the initial procurement plan is to be monitored and updated regularly during project execution, consistent with Gesuka and Namusonge (2013). The purpose of this is to assess whether real activity correlates to or compares to expected activities in order to make potential adjustments. For subsequent review and approval, a copy of the revised and modified plan must be submitted. This shall be done in the course of the financial year quarterly.

#### **4.3.2.2 Preparation of Procurement Plans**

The researcher sought to establish who prepares individual departmental procurement plans.

**Table 4.5 Preparation of Procurement Plans**

	Frequency	Percentage
Principal	3	4
Respective HOD's	5	6
Accountant / Bursar	18	23
Procurement officer	40	51
Finance officer	13	16
Total	<b>79</b>	<b>100</b>

**Source: Research data (2020).**

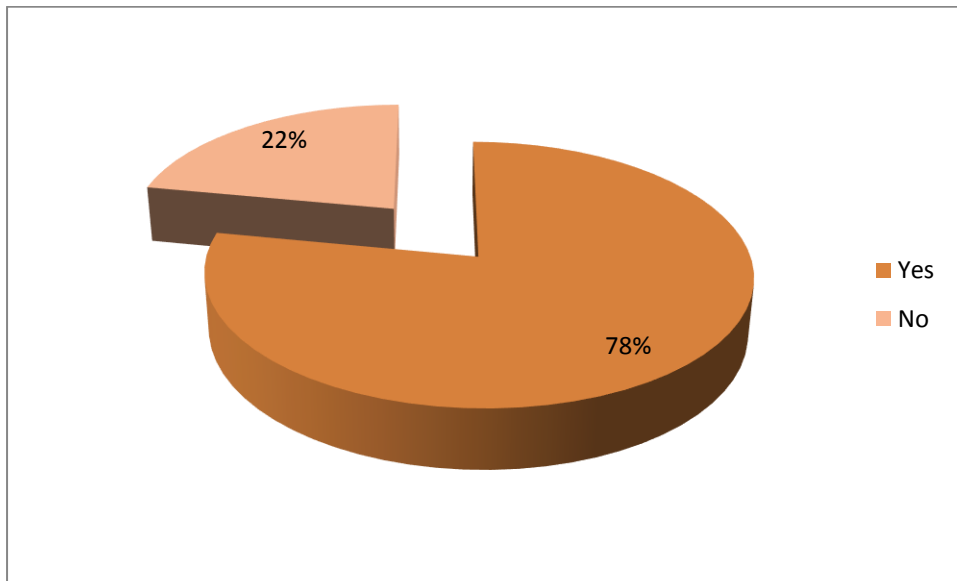
The results indicates that 4% of the respondents indicated the principal was in charge of preparation of procurement plans, 6% indicated respective HOD's, 23% were for Accountant / Bursar, 51% indicated procurement officer while 16% were for finance officer.

Therefore, the findings indicate that most of the procurement officials were responsible for making procurement plans 51 percent. The results were consistent with the findings from Kiage (2013) in a review of procurement factors in the Energy Ministry that found that procurement officers had effectively exercised their planning, resource allocation skills and contract management.

#### **4.3.2.3 Procurement Authorization Procedures**

The researcher had to find out whether there are procurement authorization procedures in relation to requisition of goods /services between the departments of the Institute.

**Figure 4.6 Procurement Authorization Procedures**



Source: Research data (2020).

The result shows that 78% of the respondents agreed that there are procurement authorization procedures in relation to requisition of goods /services between the departments of the Institute. The researcher sought to establish the number of copies of purchase order is issued per every order made.

**Table 4.6 Number of Copies of Purchase Order**

Number of Copies of Purchase Order	Frequency	Percentage
1	18	23
2	14	18
3	36	45
4	11	14
Total	<b>79</b>	<b>100</b>

Source: Research data (2020).

The results shows that 23% of the respondents indicated that one copy of purchase order was available, 18% said 2, 45% were for the idea of 3 purchase orders while 14% indicated 4 copies of purchase orders was made.

#### 4.3.2.4 Inspection of Goods

The researcher sought to establish whether goods inspected by the user department for shortages and damaged items in reference to the Purchase Order made and Certificate of Inspection issued.

**Table 4.7 Inspection of Goods**

<b>Number of Copies of Purchase Order</b>	<b>Yes (f/ %)</b>	<b>No (f/ %)</b>
Are goods inspected by the user department for shortages and damaged items in reference to the Purchase Order made and Certificate of Inspection issued?	51(65%)	28(35%)
If yes, are goods inspection note raised and sent to accounts department as part of approval confirmation procedure?	53(67%)	26(33%)

**Source: Research data (2020).**

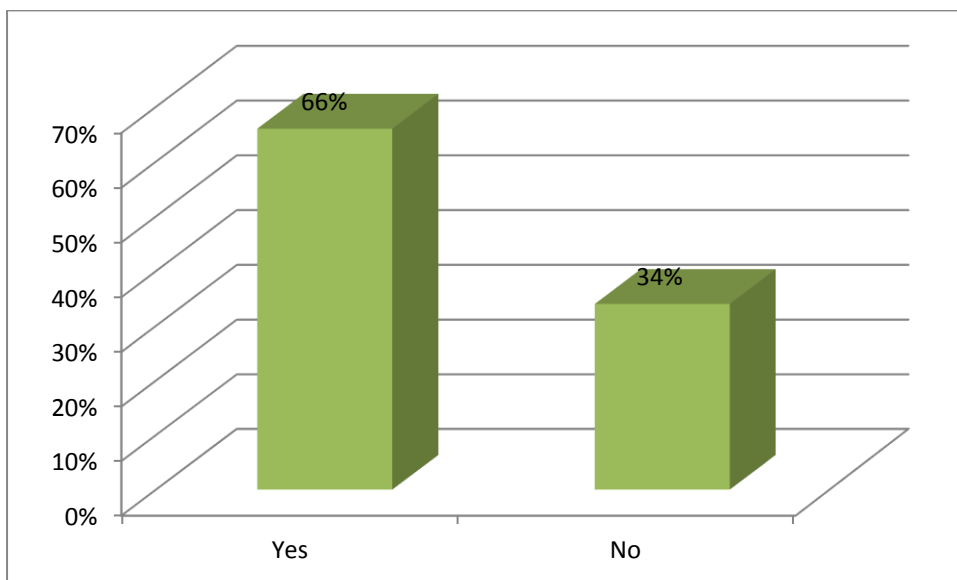
The results shows that 51(65%) agreed that goods are inspected by the user department for shortages and damaged items in reference to the Purchase Order made and Certificate of Inspection issued. Further, 53(67%) supported the idea that goods are inspection note raised and sent to accounts department as part of approval confirmation procedure.

The results therefore reveal that the institutions carry out routine inspection of goods as supported by 51(65%) of the respondents. Those results corresponded to Lysons (2012), the process of receipt of goods always begins with the acquisition of an organization. A provision for delivery of the product is included in the purchase order. So the procurement agent who receives the products will check for any signs of damaged goods when any goods are delivered to a company. The recipients must give the goods to the section or agency that first ordered the

goods if the package is sealed. Once the items were received by the section or department that placed the order and if it is satisfied that the goods are indeed the ones that were ordered, they will collect a receipt of goods against the purchase order by using e-procurement. The accounting department can then pay an invoice, as it has a record of receiving the goods. During receipt transactions, the procedure is essentially a way to align the goods that the company receives with an order and check that the products are right and appropriate in the sense they are in good conditions (Ahire, 2016).

#### 4.3.2.5 Separation of Duties within the Institution

The study sought to establish whether there was segregation of duties practiced between the procurement department, user department and accounts department with respect to purchase requisition, receipts and inspection of goods done, billing, by procurement department and payment to creditors by accounts department. The results were recorded as indicated in figure 4.7.



Source: Research data (2020).

### Figure 4.7 Separations of Duties

The results shows that 66% agreed that there was segregation of duties practiced between the procurement department, user department and accounts department with regards to purchase requisition, receipts and inspection of goods done, billing and payment to creditors by accounts department. The researcher further sought to establish the specific roles played by each staff as shown in the table below.

**Table 4.8 Specific Duties**

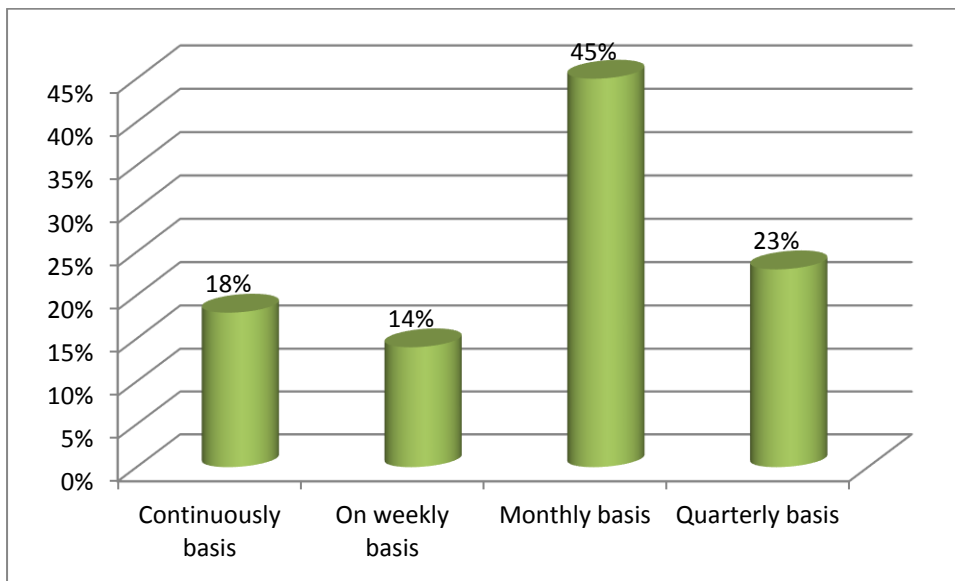
	<b>Yes</b>	<b>No</b>
Who initiates the ordering of goods/ services in the Institute? (Procurement officer)	59(75%)	20(25%)
Who does the processing of invoice and setting up liability in the Institute? (Accountant)	59(75%)	20(25%)
Who does the payments? (Cashier)	61(77%)	18(23%)
Who does the checking of bank statements with cash book in the Institute? (Accountant)	67(85%)	12(15%)
Who does the posting to the general ledger (Accountant)	58(73%)	21(27%)

The study indicates that 59(75%) agreed that procurement officer initiates the ordering of goods/ services in the Institute. On the other hand, 59(75%) indicated that accountant was in charge of the processing of invoice and setting up liability in the Institute. Further, 61(77%) indicated that cashier was in charge of payments while 58(73%) indicated accountant as the one who does the posting to the general ledger.

#### 4.3.2.6 Reconciliation done against Purchases Ledger and Creditors Register

The researcher sought to establish how often reconciliations are done against purchases ledger and creditors register. The results were recorded in figure 4.9.

**Figure 4.8 Reconciliation done against Purchases Ledger**



Source: Research data (2020).

The result shows that reconciliation was done against purchases ledger and creditors register on a continuous basis as supported by 18%. 14% is done on weekly basis, 45% is done on monthly basis while 23% indicated that it was done on quarterly basis.

The study shows the majority of reconciliations were done against purchases ledger and creditors register on a monthly basis as supported by 45% of the respondents. These findings were in line with Lysons (2012) that claims that reconciliation is a basic mechanism that guarantees how much money is spent reflects how much money was actually spent. Fraud detection is essential for companies and organizations to deter nefarious transactions and to protect financial data. At the end of every month and quarterly or whatever reporting timeframe is adopted by the Institute it's prudent idea to reconcile accounts receivables and payables to ensure that they are free from material misstatements, whether due to error or fraud and ensure that there is accurate and proper accounting records maintained.

#### 4.3.2.7 Procurement Plan on the Overall Financial Expenditure

The researcher sought to establish the influences of procurement plan on the overall financial expenditure efficiency of the Institute. The results were recorded in table 4.9 below.

**Table 4.9 Procurement Plan on the Overall Financial Expenditure**

Statement	SA (%)	A (%)	N (%)	D (%)	SD (%)	Mean	SD
Indifferent	0%	12%	25%	43%	20%	4.234	.4322
No influence	4%	8%	17%	51%	20%	4.243	.5321
Low influence	3%	22%	30%	24%	21%	4.245	.6234
High influence	6%	51%	25%	18%	0%	3.541	.3543

**Source: Research data (2020).**

The study shows that 63% of the respondents disagreed, 25% were neutral, 12% were in agreement with a mean of 4.234 and standard deviation of .4322 being recorded. On the other hand, 71% of the respondents disagreed, 17% were neutral while 12% agreed that procurement plan had no influence on the overall financial expenditure efficiency of the Institute a mean of 4.243 and standard deviation of .5321 being recorded. Further, 43% of the respondents were in disagreement while 30% were neutral and 25% agreed that procurement plan had low influence on the overall financial expenditure efficiency of the Institute with a mean of 4.245 and standard deviation of .6234 being recorded. Finally, 57% agreed, 25% were neutral while 18% disagreed that procurement plan had very high influence on the overall financial expenditure efficiency of the Institute with a mean of 3.541 and standard deviation of .3543 being recorded.

The study findings reveals that procurement plans influences the expenditure management performance of TVET institutions as supported by 75% of the respondents. These findings are in accordance with Musienga (2014) who found that lack of transparency and accountability within budget formulation of public secondary schools were negatively impacted by the general

lack of knowledge about the legislative and policy structures, values, procedures and processes among school tender committee members.

Planning and executing efficient resource allocation methods ensure equitable distribution and utilization of resources (Willy and Njeru, 2014). Effective procurement preparation reflects the primary goals of an organization's procurement method. Failure to match procurement with budgetary allocations contributes, in effect, to inadequate procurement preparation. In other stages of the procurement process, there is scope for violence, such as corruption in procurement. Poor procurement planning leads to the process being abused as well as providing an opportunity for financial misconduct in the procurement system. Taking these challenges into account, the researcher suggested a more efficient and effective procurement system to ensure the appropriate planning of procurement.

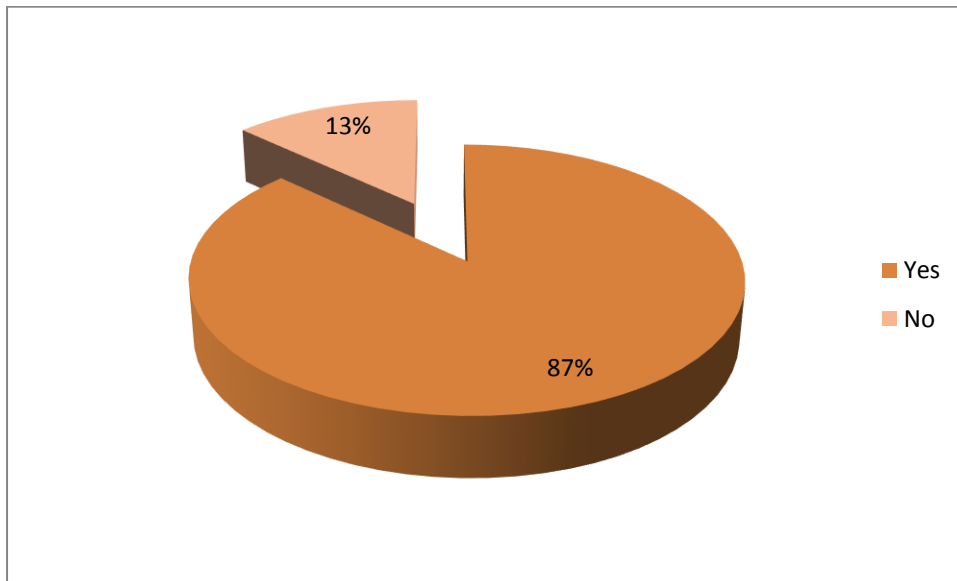
### **4.3.3 Cash Management and Financial Expenditure in Public TVETs**

The following section entails presentation of results in regard to the influences of cash plans on financial expenditure of public technical and vocational training institutions in Nairobi County.

#### **4.3.3.1 Cash Inflow /Cash Outflow Forecast**

The researcher sought to establish whether the Institute prepare cash inflow /cash outflow forecast for the activities of the Institute. The results were as indicated in figure 4.9.

**Figure 4.9 Cash Inflow /Cash Outflow Forecast**



Source: Research data (2020).

The results indicate that 87% of the respondents agreed that the Institute prepare cash inflow /cash outflow forecast for the activities of the Institute. The researcher further sought to establish who prepares the cash inflow/ cash outflow projection of the Institute. The results were recorded as shown in table 4.10.

**Table 4.10 Preparation the Cash Inflow/ Cash Outflow Projection**

	Frequency	Percentage
Principal	3	4
Respective HOD's	4	5
Accountant /Bursar	35	44
Procurement	21	27
Finance officer	16	20
BOM	0	0
<b>Total</b>	<b>79</b>	<b>100</b>

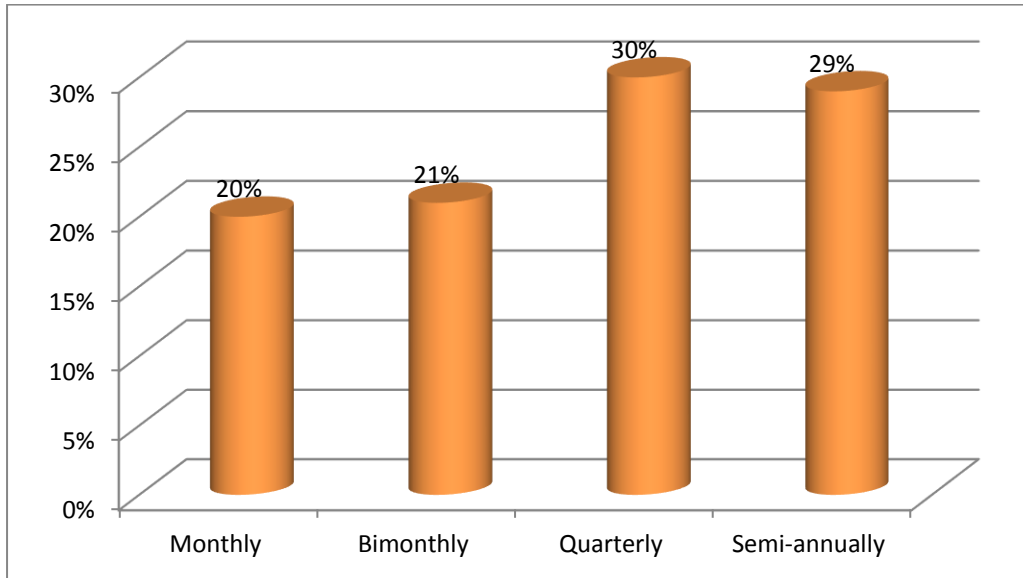
Source: Research data (2020).

The result shows that 4% of the respondents indicated that the principal was the one who prepares the cash inflow/ cash outflow projection of the Institute. On the other hand, 5% indicated respective HOD's, 44% said accountant /bursar was in charge of the projections, 27% indicated procurement, 20% said it was finance officer while none said BOM.

### 4.3.3.2 Preparation of Cash Inflows/ Cash Outflow Forecasts

The researcher sought to establish how often the cash inflows are/ cash outflow forecasts prepared in one financial year. The results were presented in figure 4.10.

**Figure 4.10 Preparation of Cash Inflows/ Cash Outflow Forecasts**



**Source: Research data (2020).**

The researcher sought to determine how often the cash flow forecasts were prepared. According to the results, majority of the respondents indicated that cash flow statements are prepared quarterly as shown by 30%, monthly as shown by 20% semi-annually as shown by 29% respectively.

### 4.3.3.3 Cash Inflow/ Outflow on the Financial Expenditure Efficiency

The researcher had to establish the influence of cash inflow/ outflow on the financial expenditure efficiency of the Institute. The results were presented as shown in table 4.11.

**Table 4.11 Cash Inflow/ Outflow on the Financial Expenditure Efficiency**

<b>Statement</b>	<b>SA (%)</b>	<b>A (%)</b>	<b>N (%)</b>	<b>D (%)</b>	<b>SD (%)</b>	<b>Mean</b>	<b>SD</b>
Indifferent	0%	10%	27%	51%	12%	4.411	.5451
No influence	4%	8%	23%	40%	25%	4.354	.5744
Low influence	5%	8%	20%	43%	24%	4.621	.6875
High influence	25%	48%	10%	6%	11%	4.645	.6325

**Source: Research data (2020).**

The results show that 63% of the respondents disagreed, 27% were neutral, 10% agreed while non-agreed that cash inflow/ outflow have indifferent influence on the financial expenditure efficiency of the Institute with a mean of 4.411 and a standard deviation of .5451 being recorded. On the other hand, 65% disagreed, 23% were neutral while only 12% agreed that cash inflow/ outflow have no influence on the financial expenditure efficiency of the Institute. We had 67% who disagree, 20% who indicated neutral, while 13% respondents agreeing that cash inflow / outflow has a low influence on the financial expenditure efficiency of the Institute with a mean of 4.621 and variance of .6875. Finally, 73% agreed, 10% were neutral while 17% disagreed that cash inflow/ outflow have high influence on the financial expenditure efficiency of the Institute with a mean of 4.645 and standard deviation of .6325 was recorded.

The study indicated that the respondents agreed that cash flow affects the expenditure management performance of TVET institutions. This was supported by 76% of the respondents. These findings were in line with 63% in the case of Damian (2013) who analyzed the relationship between operating cash flows and profitability of small and medium enterprise Nairobi County. The study specifically focused on the effect of costly products and profitability of firms, to

examine the influence of operating cash flows on profitability and the effect of customer payments on profitability. The study concluded that many firms are early payers and late revenue collection /cash flows being misappropriated. Thus, the recommended that companies should aim at reducing overdue payment and accelerate collection by cash receivables, but this study did not analyze the sample size used to arrive at the findings.

#### 4.3.4 Audit Control and Financial Expenditure in public TVETs

The following section entails result of the influence of audit control on the financial expenditure in public technical and vocational training in the Nairobi County.

##### 4.3.4.1 Financial Accounting Records

The researcher sought to establish the financial accounting records maintained in your Institute.

The results were recorded as indicated in table 4.12.

**Table 4.12 Financial Accounting Records**

	<b>Frequency</b>	<b>Percentage</b>
Fees register	7	9
Receipts books	5	6
Cash books	6	8
Imprest register	7	9
Counter receipts book (CRB's)	5	6
Delivery notes	6	8
Invoices	5	6
Payment vouchers	8	10
Inventory register	1	1
Debtors registers	8	10
Creditor registers	5	6
Portage register	4	5
Telephone register	3	4
Trial balance	8	11
Ledger account	1	1
<b>Total</b>	<b>79</b>	<b>100</b>

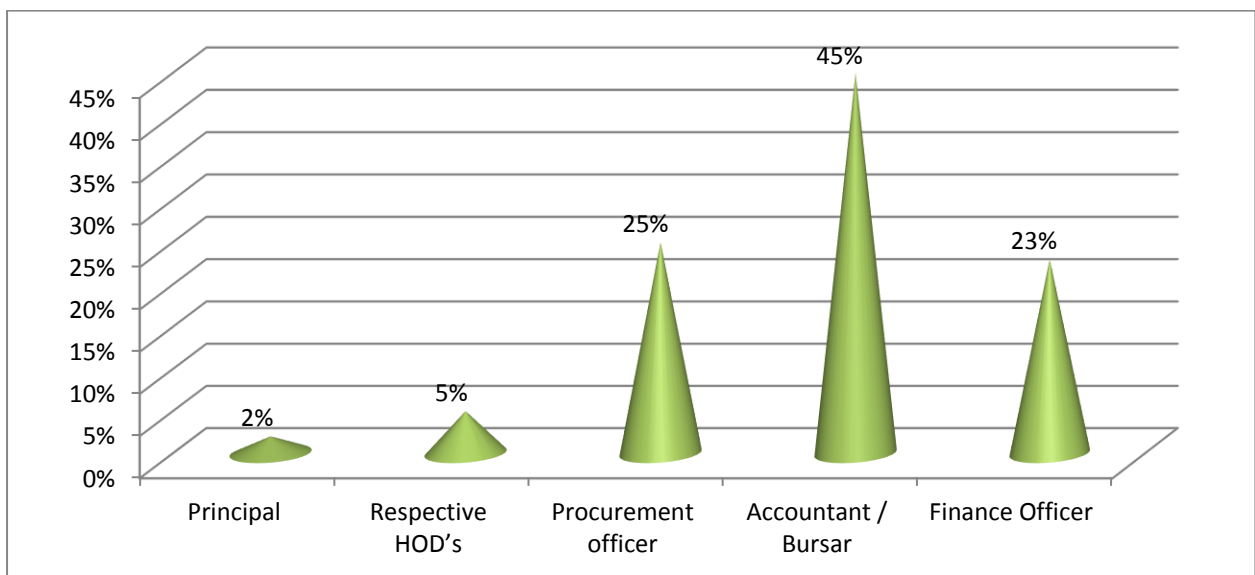
Source: Research data (2020).

The results indicate that fees register was one of the financial accounting records maintained in your Institute as supported by 9% of the respondents. On the other hand, 6% said receipts books, 8% said cash books, 9% indicated imprest register, 6% indicated counter receipts book (CRB's), 8% indicated delivery notes, 6% said invoices, 10% indicated payment vouchers, 1% indicated inventory register, 10% indicated debtors registers, 6% indicated creditor registers, 5% indicated portage register, 4% indicated telephone register, 11% indicated trial balance while 1% indicated ledger account.

#### 4.3.4.2 Maintenance of Institute's financial accounting records

The researcher sought to establish who maintains the Institute's financial accounting records. The results were as recorded as shown in figure 4.11.

**Figure 4.11 Maintenance of Institute's financial accounting records**



Source: Research data (2020).

The study shows that 2% of the respondents indicated principals, 5% were for respective HOD's, 25% indicated procurement officers were in charge of maintains the Institute's

financial accounting records, 45% indicated accountant/bursar while 23% indicated finance officers were in charge.

#### 4.3.4.3 Audit of Institute’s Financial Statement

The researcher sought to establish how often the Institute’s financial statement have been internally audited / checked for the last three years. The results were as recorded in table 4.13.

**Table 4.13 Audit of Institute’s Financial Statement**

YEAR	FREQUENCY			
	1	2	3	4
2017	12(20%)	14(24%)	15(25%)	18(31%)
2018	16(27%)	21(36%)	13(22%)	9(15%)
2019	17(29%)	15(25%)	10(17%)	17(29%)

**Source: Research data (2020).**

The results indicates that in 2017, the frequency of Institute’s financial statement have been internally audited / checked 12 times in the first quarter supported by 20% of the respondents, on the other hand, the second quarter was represented by 14(24%), the third was indicated by 15(25%) while the fourth quarter indicated 18(31%). In 2018, the first quarter had 16 times of auditing as supported by 27%, the second quarter indicated 13(22%), while the third was 9(15%). Lastly in the year 2019, 17(29%) was for the first quarter, 15(25%) for the second, 10(17%) for the third while 17(29%) for the last quarter.

#### 4.3.4.4 Financial Audit on the Financial Expenditure of the Institute

The researcher sought to establish the influences of the financial audit on the financial expenditure of the Institute. The results were as indicated in table 4.14.

**Table 4.14 Financial Audit on the Financial Expenditure of the Institute**

	<b>Frequency</b>	<b>Percentage</b>
Financial audit has effectively enhanced the quality of financial statement of prepared by the Institute	28	35
Financial audit has ensured value for money audit i.e. effective economic and efficient utilization of financial resources	21	27
Periodical financial audit has minimized the risk associated with lack of misallocation of funds and enhanced financial probity of the Institute	12	15
Financial internal audit check and control has enhanced reliability and authenticity of financial accounting records of the Institute	18	23
<b>Total</b>	<b>79</b>	<b>100</b>

Source: Research data (2020).

The results show that 35% agreed that financial audit has effectively enhanced the quality of financial statement of prepared by the Institute. On the other hand, 27% agreed that financial audit has ensured value for money audit i.e. effective economic and efficient utilization of financial resources. Further, 15% agreed that Periodical financial audit has minimized the risk associated with lack of misallocation of funds and enhanced financial probity of the Institute. Finally, 23% agreed that financial internal audit check and control has enhanced reliability and authenticity of financial accounting records of the Institute. Financial audit refers to a structured merger of functions and procedures defined by the administration and whose object is the effective operation of the company.

## 4.4 Inferential Statistics Analysis

### 4.4.1 Regression Analysis

The study sought to assess the influences of budgetary control practices on financial expenditure in public technical and vocational education training institutions in Nairobi County, Kenya. These practices include: budgetary plans, procurement plans, cash management plans and audit control review. The regression model was:

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

Whereby Y represent the **financial expenditure**,  $X_1$  is budgetary plans,  $X_2$  is procurement plans,  $X_3$  is cash management and  $X_4$  is audit control.  $B_0$  is the model's constant, and  $\beta_1 - \beta_4$  are the regression coefficients while  $\varepsilon$  is the model's significance from f-significance results obtained from analysis of variance (ANOVA).

**Table 4.15: Model's Goodness of Fit Statistics**

<b>R</b>	<b>R Square</b>	<b>Adjusted R Square</b>	<b>Std. Error of the Estimate</b>	<b>Durbin-Watson</b>
.654 <sup>a</sup>	.442	.403	.1643	1.341

a. Predictors: (Constant), budgetary plans, procurement plans, cash management and audit control

Source: Research data (2020).

Table 4.7 shows that the linear relationship between the dependent and independent variables shows positive correlation. This is shown by the correlation coefficient of 0.654. The coefficient of determination is moderately high at 0.403, which is consistent with a strong relationship between both dependent and independent variables. The approximate model accounts for 40.3 percent of the overall data while the remaining 44.2 percent remains unidentified.

Durbin–Watson statistics were used to assess if there was some autocorrelation in the residuals in the regression model. Since the Durbin Watson statistic was similar to the model was not auto correlated.

**Table 4.16: Analysis of Variance (ANOVA)**

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	2.132	3	.231	13.457	.035 <sup>a</sup>
	Residual	8.431	125	.046		
	Total	12.234	143			

a. Predictors: (Constant), Budgetary plans, procurement plans, cash management and audit control

b. Dependent Variable: **Financial expenditure**

Source: Research data (2020).

The ANOVA statistics the importance of the regression model was discussed in the table above. An F-meaning value of  $p = 0.035$ , indicating that a 3.5 percent chance of false information is given in the regression model. Thus, the model is significant.

**Table 4.17: Regression Coefficients**

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
	B	Std. Error	Beta		
(Constant)	4.321	.425		8.545	.045
Budgetary plans	.621	.154	.656	5.574	.031
Procurement plans	.562	.874	.241	2.486	.039
Cash management	.368	.441	.282	1.031	.038
Audit control	.532	.685	.257	2.412	.043

a. Dependent Variable: **financial expenditure**

Source: Research data (2020).

The following regression result was obtained:

$$Y = 4.321 + 0.621X_1 + 0.562X_2 + 0.368X_3 + 0.532X_4$$

$$P = 0.038^a$$

From the model, financial expenditure would be 4.321 while other variables (budget plans, procurement plans, cash management and audit control) are at zero. Constancy would lead to an increase of 0.621 ( $p=.031$ ) in financial spending by increasing the unit's budgetary plans. However, if other factors were held steady, the unit increase would lead to a financial expenditure increase of 0.562 ( $p=0.039$ ). The table above also shows that a unit increase in cash management would lead to an increase in financial expenditure of 0.368 ( $p=0.038$ ), given other factors to be consistent. Finally, an increase in audit checks units will result in a financial expenditure rise of 0.532 ( $p=0.043$ ).

**Table 4.18 Correlation Analysis**

		<b>Budgetary plans</b>	<b>Procurement plans</b>	<b>Cash management</b>	<b>Audit control</b>
Budgetary plans	Pearson Correlation	.536*			
	Sig. (2-tailed)	.023			
	N	79			
Procurement plans	Pearson Correlation	.646*	1		
	Sig. (2-tailed)	.044			
	N	79	79		
Cash management	Pearson Correlation	.909**	.853**	1	
	Sig. (2-tailed)	.000	.002		
	N	79	79	79	
Audit control	Pearson Correlation	.958**	.695*	.888**	1
	Sig. (2-tailed)	.000	.026	.001	
	N	79	79	79	79
*. Correlation is significant at the 0.05 level (2-tailed).					
**. Correlation is significant at the 0.01 level (2-tailed).					

Source: Research, (2020)

The Results of the Pearson correlation, as shown in Table 4.8 above indicate that there is a significant positive correlation between budgetary plans and financial expenditure ( $r=0.536$ ,  $p=0.023<0.05$ ); procurement plans and financial expenditure ( $r=0.646$ ,  $p=0.044<0.05$ ); significant positive correlation between cash management and financial expenditure ( $r=0.909$ ,  $p=0.000<0.05$ ); significant positive correlation between audit control and financial expenditure ( $r=0.958$ ,  $p=0.000<0.05$ ). This implies that any positive changes in budgetary plans, procurement plans, cash management and audit control Increases prudent financial expenditure in TVETs.

## **CHAPTER FIVE**

### **SUMMARY, CONCLUSION AND RECOMMENDATIONS**

#### **5.1 Introduction**

This chapter entails the discussion, conclusion and recommendations from the research findings.

#### **5.2 Summary**

The purpose of this study was to establish the relationship between budgetary control practices and financial expenditure in public technical and vocational education training institutions in Nairobi County, Kenya. The study was guided by specific objectives that were; to assess the influence of budgetary plans, to determine the influence of procurement plans, to assess the influence of cash management and to analyze the influence of audit control on the financial expenditure in public technical and vocational training in the Nairobi County. The research embraced a cross-sectional survey as it attempts to define the population or event being researched information and features. The gaps highlighted in chapter two of this research were filled. For instance, most studies were carried in banks and secondary schools; however, the present study filled the contextual gaps by studying TVETs.

##### **5.2.1 Budgetary plans and financial expenditure**

The results indicates that budget plans influences the expenditure management performance of TVET institutions. This is explained because the mutual company, with 89 per cent response rate, has long term and short-term budget plans. These findings were in line with Merchant and van der Stede, (2007) that the allocation of domestic resources to achieve certain goals is concerned with budgetary planning. Organizations also use three structured, distinctive, sequenced planning cycles such as policy, equity and organizational budgeting. Strategic planning is the organizational phase in which the strategy can be established and where resources are allocated to execute the strategy. There is a consensus that an organization is

benefiting from a coherent and implementable plan and that it should include a process, but it can be based on an incomprehensible process. The mission and vision of an organization are measurable and realized as strategic goals and objectives by various market competition approaches as well as internal activities alignment (Blumentritt, 2006). Strategic planning allows a mechanism for defining and incorporating environmental factors both internally and externally. Planning is also in advance decision-making.

### **5.2.2. Procurement Plans and Financial Expenditure**

The findings show that procurement plans have an effect on TVET institutions' cost management efficiency, supported by 75 percent of respondents, when it says that the management has set up the procurement committee to control institutional procurement. Such findings were consistent with the findings of Musienga (2014) that the general lack of knowledge among school tenderers on legislative and policy structures, standards, procedures and procurement processes prevents the achievement of openness and accountability in public secondary school procurement plans in Vihiga. The study showed that the respondents agreed that cash flow influences TVET institutions' spending management performance. The assertion that the Budgetary Committee conducts a cash flow review on a regular basis was endorsed by 63% of the respondents. The results reflected the relationship between cash flows and the competitiveness of the Nairobi County SMEs, which was examined in Damian (2013). The research was primarily aiming to investigate the effects of expensive and profitable goods on productivity and the impact on productivity of the operating cash flows. Time series data and the model applied to the regression of the effect were used. The study concluded that many businesses are early-paying and late-flow cash collectors. The study therefore suggested that businesses try to eliminate outstanding payments and to increase cash collections, but did not examine the sample size to achieve the results.

### **5.2.3 Audit control and financial expenditure**

The findings showed that audit Control Review on the expenditure management performance of TVET institutions. The respondents were supportive of the argument that the defined audit control system has improved the workload of the institution by 75%. These results suggest that internal management is one of many organizational processes used by organizations to handle organizational problems (2008). We also briefly discuss financial statements, budgeting, independent auditors and external audits. And studies have also shown that internal management can decrease organization costs, with an economic incentive even without requirements. The logic is based on the premise that the provision of this more information to the principal (shareholder) on the agent's conduct decreases asymmetry of information and decreases investor risk and therefore equity capital costs. Many researches have shown that internal control deficiencies are correlated with higher earnings management rates.

### **5.2.4 Cash management and financial expenditure**

The results indicate that 87% of the respondents agreed that the Institute prepare cash inflow /cash outflow forecast for the activities of the Institute. The study indicated that the respondents agreed that cash flow affects the expenditure management performance of TVET institutions. This was supported by 63% of the respondents. These findings were in line with Damian (2013) who analyzed the relationship between operating cash flows and profitability of small and medium enterprise Nairobi County. The study specifically focused on the effect of costly products and profitability of firms, to examine the influence of operating cash flows on profitability and the effect of customer payments on profitability. The study concluded that many firms are early payers and late revenue collection /cash flows being misappropriated. Thus, the recommended that companies should aim at reducing overdue payment and accelerate collection by cash receivables, but this study did not analyze the sample size used to arrive at the findings.

### **5.3 Conclusion**

Conclusions can be made that budget plans influences the expenditure management performance of TVET institutions. Budgeting is concerned with the distribution of resources within an entity to meet those goals. Organizations use three different planning processes: strategic planning, capital budgeting, and organizational planning. Strategic planning is an organizational method for determining the strategy and agreeing on how to distribute resources to execute the strategy. Further conclusions are made that procurement plans affects the expenditure management performance of TVET institutions. Moreover, cash flow affects the expenditure management performance of TVET institutions. TVET institutions should aim at reducing overdue payment and accelerate collection by cash receivables, but this study did not analyze sample size used to arrive at the findings.

Conclusions are made that internal Control Review influences the expenditure management performance of TVET institutions. Internal controls are one way to fix organization issues in industry. Others include auditing, budgeting, and financial reporting of business operations. Studies indicate that internal control decreases organization costs. However, it has been suggested that companies report on internal control even without the criteria. This statement implies that offering this additional information to shareholders would lower information asymmetry and lower investor risk as well as lowering the cost of equity capital. The study also found deficiencies in management controls are correlated with increases in management perquisites. When all aspects of service, budgeting, procurement, and cash management are at zero, the financial expenditure constant variable becomes 4.321.

## **5.4 Recommendations**

### **5.4.1 Policy Recommendations**

This research suggests that the institutional administrators continue to emphasize budgetary control in their policies (for preparation, monitoring and control as well as participatory budgeting for these has been found to facilitate their capital expenditures and efficiency to a great extent. The study also recommends that the institutional administrators produce comprehensive budgetary plans to enable the execution of the long term or strategic plan.

### **5.4.2 Recommendations related to practice**

The budget process must be welcomed often and encouraged managers to prepare for future activities refine current strategic strategies and consider how they will adapt to changing circumstances. This helps facilitate administration to predict challenges and make reasoned decisions. The results of this study suggest that managers have a good understanding of their positions in ensuring budgetary compliance. It means that the majority of people responsible for budget execution are accountable. Management uses budgets to convey their organizational goals to people lower in the organization to ensure that everyone working together realizes them. The budget itself, as well as its planning, would strengthen contact. The degree to which subordinates are able to manipulate the figures embedded in their goals. The study argues that the management in order for success increments to be reached in vocational and technical training institutions should always embrace participation.

### **5.4.3 Recommendations for further research**

The purpose of this study was to establish the relationship between budgetary control practices and financial expenditure in public technical and vocational education training institutions in Nairobi County, Kenya.

This study only focused on public technical and vocational education training institutions in Nairobi County, Kenya. Therefore, the study suggests that further studies should be conducted in other educational entities in both Kenya and other part of the world. Moreover, the focused on budgetary plans, procurement plans, cash management and audit control). Hence, the study recommends that further study should be done on other factors affecting financial expenditure of both public and private TVETs in Kenya.

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## **APPENDIX I : LETTER OF INTRODUCTION**

CALEB MUDONYI NGAIRA

P.O. BOX 32460 - 0060

NAIROBI

Dear Respondent,

I am a postgraduate student registered at the department of School of Business, Kenyatta University. I am currently carrying out a research on the topic.

“Budgeting control practices and financial expenditure of Public Technical Vocational Education Training Institutions in Nairobi County, Kenya”.

Since you are directly involved in the subject of the study completion of the attached questionnaire is important. All responses will be treated confidential. All responses will be reported only in terms of the entire population.

Therefore, do not write your name or that of the Institute in this questionnaire.

Thank you in advance for your anticipated co-operation.

Yours faithfully,

**CALEB NGAIRA**





- i) Continuously [     ] ]
- ii) Monthly [     ] ]
- iii) Quarterly [     ] ]
- iv) Semi-quarterly [     ] ]

c) Who prepares individual departmental procurement plans? Please tick (✓) where appropriate.

- Principal [     ] ]
- Respective HOD's [     ] ]
- Accountant / Bursar [     ] ]
- Procurement officer [     ] ]
- Finance officer [     ] ]

11. (a) Are there procurement authorization procedures in relation to requisition of goods /services between the departments of the Institute?

Yes [     ] ]     No [     ] ]

(b) If yes, how many copies of purchase order are issued per every order made?

- i) 1
- ii) 2
- ii) 3
- iv) 4

12. (a) Are goods inspected by the user department for shortages and damaged items in reference to the Purchase Order made and Certificate of Inspection issued?

Yes [     ] ]     No [     ] ]

(b) If yes, are goods inspection note raised and sent to accounts department as part of approval confirmation procedure?

Yes [     ] ]     No [     ] ]

13. (a) Is there segregation of duties practiced between the procurement department and user department and accounts department with respect to purchase requisition, receipts and inspection of goods done, billing and payment to creditors by accounts department?

Yes [     ] ]     No [     ] ]

(b) If no

- (i) Who initiates the ordering of goods/ services in the Institute? .....
- .....

- (ii) Who does the processing of invoice and setting up liability in the Institute? .....
- .....
- (iii) Who does the payments? .....
- .....
- (iv) Who does the checking of bank statements with cash book in the Institute?
- .....
- ..
- (v) Who does the posting to the general ledger? .....
- .....

14. a) How often are reconciliation done against purchases ledger and creditors register?

- i) Continuously basis [     ]
- ii) On weekly basis [     ]
- iii) Monthly basis [     ]
- iv) Quarterly basis [     ]

b) On the Likert scale of 1-5 where 1 is lowest and 5 highest. What are the influences of procurement plan on the overall financial expenditure efficiency of the Institute? Please tick (√) where appropriate.

- i. Indifferent [     ]
- ii. No influence [     ]
- iii. Low influence [     ]
- iv. High influence [     ]
- v. Very high influence [     ]

**C. Cash Plans**

15. a) Does the Institute prepare cash inflow /cash outflow forecast for the activities of the Institute? Yes [     ]                      No [             ]

b) If YES, who prepares the cash inflow/ cash outflow projection of the Institute?

- i. Principal [     ]
- ii. Respective HOD's [     ]
- iii. Accountant /Bursar [     ]
- iv. Procurement [     ]

- v. Finance officer [     ]
- vi. BOM [     ]

c) How often are the cash inflow/ cash outflow forecasts prepared in one financial year.

- i) Weekly basis [     ]
- ii) Monthly basis [     ]
- iii) Quarterly basis [     ]
- iv) Semi-annually basis [     ]

16. Based on the Likert scale of 1 to 5 how would you rate the influence of cash inflow/ outflow on the financial expenditure efficiency of the Institute? Please tick (√) where appropriate.

- i) Indifferent [     ]
- ii) No influence [     ]
- iii) Low influence [     ]
- iv) High influence [     ]
- v) Very high influence [     ]

**D. Internal Audit Control.**

17. What are the financial accounting records maintained in your Institute? Put a tick (√) for Acceptance and (X) for NO

- Fees register [     ]
- Receipts books [     ]
- Cash books [     ]
- Imprest register [     ]
- Counter receipts book (CRB's) [     ]
- Delivery notes [     ]
- Invoices [     ]
- Payment vouchers [     ]
- Inventory register [     ]
- Debtors registers [     ]
- Creditor registers [     ]
- Portage register [     ]

- Telephone register [    ]
- Trial balance [    ]
- Ledger account [    ]

18. Who maintains the Institute’s financial accounting records? Please tick (√) where appropriate.

- i. Principal [    ]
- ii. Respective HOD’s [    ]
- iii. Procurement officer [    ]
- iv. Accountant / Bursar [    ]
- v. Finance Officer [    ]

19. Indicate how often the Institute’s financial statement have been internally audited / checked for the last three years.

YEAR	FREQUENCY			
	1	2	3	4
2017	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
2018	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
2019	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

20. What are the influences of the financial audit on the financial expenditure of the Institute? Please tick (√) where appropriate.

- i) Financial audit has effectively enhanced the quality of financial statement of prepared by the Institute [    ]
- ii) Financial audit has ensured value for money audit i.e. effective economic and efficient utilization of financial resources [    ]
- iii) Periodical financial audit has minimized the risk associated with lack of misallocation of funds and enhanced financial probity of the Institute [    ]
- iv) Financial internal audit check and control has enhanced reliability and authenticity of financial accounting records of the Institute [    ]

### APPENDIX III: Public TVET Institutions in Nairobi

1.	Administration police training	Nairobi
2.	Burshani womens finishing college	Nairobi
3.	Chiromo industrial electronics college	Nairobi
4.	East African school of Aviation	Nairobi
5.	G.S.U Training School Embakasi	Nairobi
6.	K.P.L.C Technical Training Institute	Nairobi
7.	Kabete Technical Training Institute	Nairobi
8.	Kenya Armed Forces Technical college	Nairobi
9.	Kenya Institute of Business Training	Nairobi
10.	Kenya Institute of Highways and Building Technology (NBI)	Nairobi
11.	Kenya Institute of Professional Studies (Travin House)	Nairobi
12.	Kenya Institute of Surveying and Mapping	Nairobi
13.	Kenya School of Monetary Studies	Nairobi
14.	Kenya Technical Teachers college	Nairobi
15.	Kenya Water Institute	Nairobi
16.	Kenya Institutes of Monetary studies	Nairobi
17.	Nairobi Technical Training Institute	Nairobi
18.	National Youth Service Training	Nairobi
19.	NYS Vocational Training Institute	Nairobi
20.	PC Kinyanjui Technical Training Institute	Nairobi
21.	Railway Training Institute	Nairobi

Source:- Ministry of Education State Department for Science and Technology, 2020