PROCUREMENT AUDIT COMPLIANCE AND PERFORMANCE OF STATE CORPORATION IN NAIROBI CITY COUNTY, KENYA

[1] Wahome Hilda Wachera, [2] Dr. Noor Shale

[1] Master of Science in Procurement and Contract Management of Jomo Kenyatta University of Agriculture and Technology

[2] Lecturer, Jomo Kenyatta University of Agriculture and Technology

ABSTRACT

This study delved into how conformance and transparency affect the effectiveness of state corporations in Nairobi City County, Kenya. Employing a descriptive survey approach, 200 heads of finance and procurement departments were sampled for the research. The study drew upon Contingency Theory, Stakeholder Theory, and Resource-Based Theory to frame its investigation. Primary data was collected through questionnaires, with a notable response rate of 78% (156 respondents). The reliability of the survey measures was assessed using Cronbach's alpha, demonstrating satisfactory reliability. Confirmatory factor analysis was utilized to establish the validity of the data. Statistical tools including SPSS and Microsoft Excel were employed to analyze the data, utilizing both descriptive and inferential statistics. Correlation analysis unveiled robust positive correlations, indicating that enhancing compliance with audit factors leads to improved performance. Regression analysis further confirmed this relationship, revealing a substantial explanatory power (R-squared of 0.9166) of compliance factors in predicting performance variations. ANOVA tests underscored the statistical significance of the regression model. The study's findings underscore the critical role of conformance, for enhancing state corporation performance. Key recommendations include enhancing audit capabilities, establishing clear audit policies, ensuring adherence to procurement protocols, fostering collaboration, and embracing advanced audit technologies. Suggestions for future research encompass broadening the geographical scope, employing qualitative methodologies, exploring the impact of technology, conducting case studies, analyzing cost-benefit dynamics, and evaluating auditor expertise.

Key Words: Procurement Audit Compliance, Performance of State Corporation, conformance, transparency

Introduction

Procurement audit compliance is the process of examining and verifying an organization's procurement policies and practices to ensure that they conform to established laws, regulations, and standards. It involves reviewing procurement documents, contracts, and financial records to ensure that procurement activities are transparent, fair, and consistent with established guidelines. Its goal is to detect and prevent fraudulent or unethical behaviour in the procurement process, and to ensure that the organization is procuring goods and services in the most effective and efficient manner. (Keating, 2016)

Procurement performance is the effectiveness and efficiency of an organization's procurement function in acquiring goods and services. It encompasses various factors such as cost, quality, delivery, and responsiveness of the procurement process. It is measured using key performance indicators (KPIs) such as lead time, cost savings, supplier performance, contract compliance, and stakeholder satisfaction. By monitoring and analysing procurement performance, organizations can identify areas for improvement and implement strategies to optimize procurement processes, reduce costs, and improve overall business performance.

(Obasun, 2018)

State corporations play a crucial role in a country's economic and social development, as they are often responsible for delivering essential services, managing public resources, and fostering economic growth. Effective and efficient procurement practices within these entities are crucial for ensuring transparency, accountability, and optimal utilization of public funds. One of the key mechanisms in ensuring compliance with procurement regulations and best practices is the procurement audit. (Prakash, 2021)

Background of the Study

The history and evolution of the procurement function have witnessed significant milestones and transformations. In the early 1900s, purchasing gained recognition, transitioning from decentralized and uncoordinated processes. The establishment of the National Association of Purchasing Agents in 1910 marked the formalization of procurement as a distinct profession. During the Great Depression in the 1930s, cost-saving became a priority, leading to the creation of centralized purchasing departments. During World War II in the 1940s, the significance of specialized procurement for military needs was amplified, and concepts such as operations research were introduced. In the 1950s, there was a strategic shift from purchasing agents to buyers and managers, which aligned with long-term planning. The impact of computers on spend data analysis and the globalization-driven growth of global sourcing were witnessed in the 1960s. (Chiappinelli, 2020)

Procurement expanded into supply chain management and adopted technology such as MRP in the 1970s. During the 1980s, trends such as outsourcing, just-in-time (JIT) production, and quality standards emerged. In the 1990s, the focus shifted towards supply chain integration, enterprise resource planning (ERP) systems, and the rise of electronic procurement (e-procurement) for process efficiency. The 2000s saw the expansion of online procurement, which fostered transparency and competition. Additionally, in the 2010s, concepts such as category management and strategic sourcing emerged, driving data-driven, real-time, and responsive procurement across global supply chains through the integration of cognitive technologies, machine learning, and digital networks. Sustainability also became a major criterion. Throughout its evolution, the procurement function has transformed from a tactical purchasing role to an integrated, strategic role that aligns with overall business objectives. It manages complex category supply bases and networks. (Caranta, Halonen, & Graells, 2019)

State corporations play a vital role in the public procurement sector, undertaking a wide range of procurement activities to meet the needs of government agencies and public entities. However, ensuring transparency, accountability, and efficiency in procurement processes within state corporations is a persistent challenge. In recent years, there has been an increasing emphasis on procurement audit compliance and its impact on procurement performance in state corporations. (Khan, Alam, Tabassum, & Khan, 2022)

As literature concerning procurement audit compliance and procurement performance continues to expand, there remains an evident gap in research specifically targeting state corporations. Current studies often encompass diverse organizational types or fail to delve into the distinct features, obstacles, and regulatory frameworks pertinent to state-owned entities. This research endeavors to bridge this void by undertaking a thorough examination of the correlation between procurement audit compliance and procurement performance within state corporations. (Khan, Alam, Tabassum, & Khan, 2022)

Objectives of the Study

The research follows the following objectives:

1. To identify influence of conformance on the performance of state corporations in Nairobi City County, Kenya.

2. To evaluate influence of transparency on the performance of state corporations in Nairobi City County, Kenya.

LITERATURE REVIEW

Theoretical Review

Contingency Theory

Contingency theory, a management concept, posits that a singular organizational and managerial method cannot universally apply to all organizations. Rather, the most suitable approach to management and structuring depends on diverse external and internal elements. This theory emphasizes that successful management strategies hinge upon aligning organizational frameworks, procedures, and tactics with both external environmental demands and the unique attributes of the organization itself. (Tate, Lydia, & Lisa, 2022)

Contingency theory is essential in procurement conformance. It involves recognizing that effective procurement conformance practices may vary depending on the specific circumstances and contingencies faced by an organization. Contingency theory highlights the importance of adapting management practices to the external environment. In procurement, the external environment can include factors such as industry regulations, market conditions, supplier capabilities, and technological advancements. Procurement conformance practices must be customised to meet specific regulatory requirements and adapt to market dynamics and supplier landscape. Organizations operating in highly regulated industries may need to implement stricter compliance measures compared to those in less regulated sectors. (Tate, Lydia, & Lisa, 2022)

Effective management practices should align with the unique characteristics of the organization. In the context of procurement conformance, organizational factors such as size, structure, culture, and goals can influence the approach to ensuring compliance. Large organizations with complex structures may require more formalized and centralized conformance processes, while smaller organizations with simpler structures may adopt more informal and decentralized approaches. The organization's culture and values also play a role in shaping procurement conformance practices. The theory recognizes that the level of risk and uncertainty faced by an organization affects management approaches. In procurement, the risk of non-compliance with regulations, ethical

standards, or contractual obligations can vary. Procurement conformance practices should be tailored to address the specific risks and uncertainties associated with the organization's procurement activities. This may involve implementing robust risk assessment processes, establishing control mechanisms, and conducting regular audits to ensure compliance. (Tate, Lydia, & Lisa, 2022)

Management practices should adapt to the characteristics of suppliers and the nature of the relationship. In procurement conformance, organizations must consider the diversity and complexity of their supplier base. Depending on factors such as supplier size, capability, geographic location, and industry reputation, different conformance approaches may be necessary. For critical suppliers, organizations may implement stricter monitoring and control measures to ensure adherence to conformance requirements. Contingency theory recognizes that technological advancements influence management practices. In procurement conformance, organizations can leverage technology to enhance compliance processes. This may involve implementing automated systems for monitoring, reporting, and tracking procurement activities, as well as utilizing data analytics tools to identify patterns or anomalies that could indicate non-compliance. (Tate, Lydia, & Lisa, 2022)

Stakeholder Theory

Stakeholder theory, a management and ethical framework, advocates for organizations to take into account the interests and welfare of all stakeholders when making decisions and conducting business activities. It contends that businesses should not only prioritize the concerns of shareholders but also acknowledge their broader responsibility towards a diverse set of stakeholders who can directly or indirectly influence or be affected by the organization's actions. In the context of procurement transparency, Stakeholder theory plays a pivotal role. It entails considering and addressing the interests and concerns of various stakeholders involved in the procurement process. Stakeholder theory underscores the importance of identifying all relevant stakeholders in procurement, both internal - such as procurement personnel, management, and employees - and external, including suppliers, customers, regulatory bodies, and the wider community. Recognizing and comprehending the interests and requirements of these stakeholders is essential for fostering transparency in procurement procedures. (Vasudev, 2021)

Stakeholder theory advocates for involving stakeholders in decision-making processes. In the context of procurement transparency, organizations can engage stakeholders by seeking their input, soliciting feedback on procurement practices and policies, and involving them in the development of transparency initiatives. This can be done through consultation sessions, stakeholder forums, surveys, and other engagement mechanisms. By including stakeholders in the decision-making process, organizations can gain valuable insights and ensure that transparency measures are aligned with stakeholder expectations. Transparency requires clear and open communication about procurement practices, processes, and outcomes. (Vasudev, 2021)
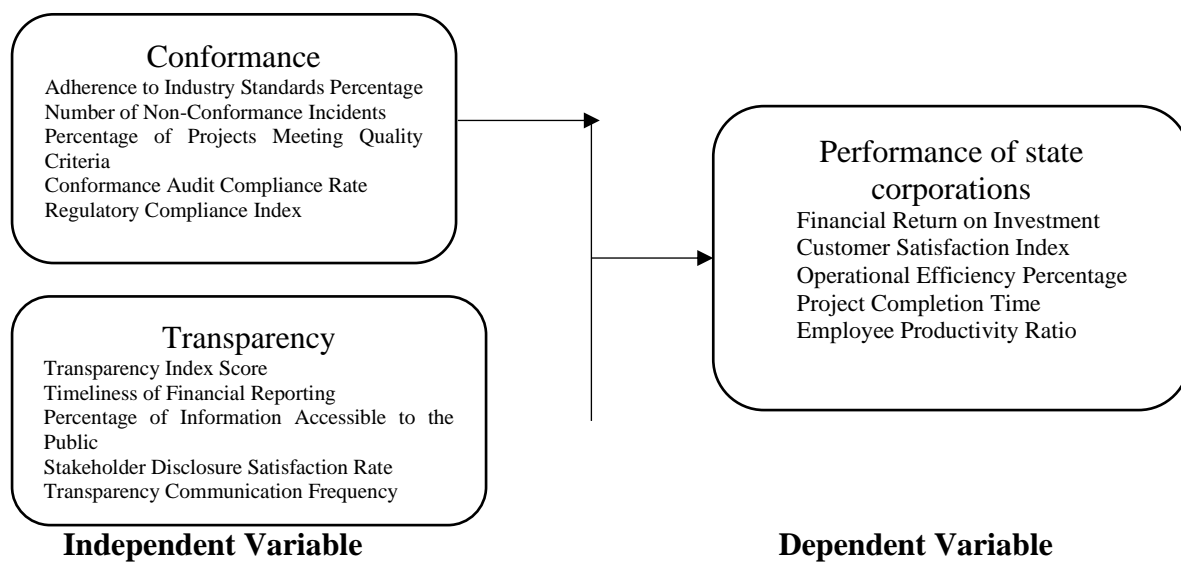
Stakeholder theory emphasizes the importance of effective communication with stakeholders. Organizations can proactively communicate information about procurement policies, procedures, and performance. This can include disclosing information about supplier selection criteria, bidding processes, contract awards, and monitoring mechanisms. Transparent communication helps stakeholders understand how procurement decisions are made and fosters trust and accountability. Stakeholder theory suggests that organizations should address the concerns of stakeholders. In procurement transparency, organizations should actively listen to stakeholder feedback and address any concerns or complaints related to procurement practices. This may involve establishing mechanisms for stakeholders to raise concerns, conducting investigations into alleged improprieties, and taking appropriate action to rectify any identified issues. By addressing

stakeholder concerns, organizations demonstrate their commitment to transparency and responsiveness. (Vasudev, 2021)

Suppliers are key stakeholders in the procurement process. Stakeholder theory encourages organizations to collaborate with suppliers to promote transparency. This can be achieved by establishing clear communication channels, sharing relevant information with suppliers, and engaging in regular dialogue to address concerns or challenges related to transparency. Collaboration with suppliers helps build trust, fosters a culture of transparency, and promotes ethical procurement practices. (Vasudev, 2021)

Conceptual Framework

The study's independent variables encompass conformance, and transparency. The dependent variable pertains to the performance of state-owned corporations. The interconnections among these variables are encapsulated within the conceptual framework outlined below in Figure 1.

```
┌─────────────────────────────────┐
│          Conformance            │
│ Adherence to Industry Standards │
│   Percentage                    │
│ Number of Non-Conformance       │
│   Incidents                     │
│ Percentage of Projects Meeting  │        ┌─────────────────────────────┐
│   Quality Criteria              │───┐    │   Performance of state      │
│ Conformance Audit Compliance    │   │    │      corporations           │
│   Rate                          │   │    │ Financial Return on         │
│ Regulatory Compliance Index     │   ├───▶│   Investment                │
└─────────────────────────────────┘   │    │ Customer Satisfaction Index │
                                       │    │ Operational Efficiency      │
┌─────────────────────────────────┐   │    │   Percentage                │
│         Transparency            │   │    │ Project Completion Time     │
│ Transparency Index Score        │   │    │ Employee Productivity Ratio │
│ Timeliness of Financial         │───┘    └─────────────────────────────┘
│   Reporting                     │
│ Percentage of Information       │
│   Accessible to the Public      │
│ Stakeholder Disclosure          │
│   Satisfaction Rate             │
│ Transparency Communication      │
│   Frequency                     │
└─────────────────────────────────┘
```

      Independent Variable   **Dependent Variable**

Figure 2.1: Conceptual Framework

Empirical Review
Conformance

Adewoyin and Adediran (2022) conducted an inquiry into the level of adherence to the public procurement regulations in Lagos State. The aim was to evaluate how effectively the implementation of these policies has promoted transparency and effectiveness within the Ministries, Departments, and Agencies (MDAs) in Lagos State. The study employed both primary and secondary data sources. Primary data was gathered through the distribution of questionnaires and conducting in-depth interviews. The study encompassed a population of 1,398 individuals comprising staff and stakeholders from various agencies, ministries, construction firms, and civil society organizations. A proportionate random sampling method of 15% was employed, resulting in a sample size of 210 respondents for the questionnaire administration. Additionally, two senior procurement officers from the Ministries of Works and Infrastructure, and Housing, along with one senior officer from the Lagos State Public Procurement Agency, were selected for in-depth interviews. Data analysis involved utilizing percentage, mean, regression, and content analysis techniques. The findings indicated that the implementation of public procurement regulations had improved compliance among procuring entities, particularly in areas such as professionalism (68.3%), competitiveness (59%), and adjudicatory mechanisms (59.9%). Furthermore, the study

revealed a statistically significant correlation between the level of compliance with public procurement regulations and the identified entities, particularly in terms of transparency and efficiency, with a resulting p-value of 0.000, and a chosen alpha value of 5%. (Adewoyin & Adediran, 2022)

Nderui's (2022) study aimed to identify the factors that influence compliance with procurement regulations in Kenyan public universities. These factors include procurement expertise, information and communication technology (ICT), procurement ethical standards, and top management support. The research adopted a census sampling method, encompassing 31 state-funded universities and involving 333 respondents. Employing an Ex-post facto design, the research aimed to explore the causal relationship between variables beyond the researcher's control. The study collected primary data by distributing questionnaires to procurement staff members in selected universities. The findings indicate that procurement expertise, information and communication technology, top management support, and organizational culture significantly contribute to the level of procurement regulatory compliance. However, the study found that procurement ethical standards have an insignificant influence on procurement regulatory compliance. The study concluded that procurement expertise is crucial in ensuring consistency and effectiveness in making strategic purchasing decisions. (Nderui, 2022)

Transparency

Masoud (2022) delved into the impacts of conflicts of interest on the performance of procurement functions within state corporations in Tanzania. The study aimed to investigate how conflicts of interest influence the effectiveness of procurement functions. Its objectives included assessing the effects of a code of ethics, lack of transparency, and lack of accountability on procurement function performance. Employing an explanatory research approach, data were gathered from 241 department heads within state corporations in the Dar es Salaam region through a standardized questionnaire. Prior to conducting multiple linear regression analysis, the data underwent descriptive analysis and were summarized using frequency distribution tables. All analyses were performed using SPSS version 26.The findings unveiled that a lack of transparency and accountability exhibited a significant negative correlation with procurement function performance at $p<0.05$. Meanwhile, the presence of a code of ethics displayed a non-significant positive association with procurement function performance. A notable limitation of the study lies in its limited scope, focusing solely on state corporations within the Dar es Salaam region. The study's practical implications underscored that the prevalence of conflicts of interest within the procurement process impedes the ability of procuring entities to achieve desired outcomes from the acquired goods and services. Moreover, conflicts of interest within procurement functions have broader societal repercussions, making it more challenging for society to access essential services such as healthcare, infrastructure development, clean water, and quality education.. (Masoud, 2022)

Kumar and Ganduly (2020) aimed to elucidate the mechanisms through which the external dissemination of business-to-business (B2B) e-procurement influences firm performance. They developed a research model to empirically investigate how information transparency and supply chain coordination contribute to enhancing firm financial performance through the external diffusion of e-procurement. The survey was conducted in India, targeting purchasing professionals engaged in B2B e-procurement platforms. Initially, the measurement model underwent confirmatory factor analysis to assess reliability and validity, followed by structural equation modeling (SEM) using AMOS 22 to test the research model's hypotheses. The phantom model approach was employed to test multiple mediators. The study's findings underscore the significance of information transparency and supply chain coordination in bolstering firm financial performance through the external diffusion of e-procurement. The results underscore the role of

information transparency in augmenting firm performance by fostering improved supply chain coordination. Additionally, the findings suggest that supply chain coordination acts as a mediator in the relationship between the external dissemination of e-procurement and firm financial performance. (Kumar & Ganguly, 2020)

Performance in state corporations

Salim and Kitheka (2019) aimed to investigate the impact of procurement planning on the procurement performance of State Corporations in Mombasa County, Kenya. The specific objectives of the study included examining the effects of need identification, need specialization, budgeting and cost estimates, as well as procurement methods on procurement performance. The study employed a descriptive research design, and the researchers utilized a stratified random sampling technique to select a representative sample from the entire population. The target population comprised 204 employees, consisting of middle-level and senior-level staff selected from 34 state corporations in Mombasa County. A sample size of 135 was determined to achieve a statistically significant level at a 95% confidence level.Primary data was collected through questionnaires distributed to various departments, including procurement, finance, human resources and administration, operations, engineering, and legal departments, as their functions were centralized and deemed suitable for providing relevant data. Descriptive analysis was conducted using SPSS software version 24 to explore the relationship between dependent and independent variables. Multivariate regression analysis was used to establish the relationship between independent and dependent variables, while the strength of these relationships was assessed using the Pearson correlation coefficient (r). The findings were presented in frequency distribution tables, and a quantitative report was generated, featuring percentages, measures, tabulations, and central tendency. The study concluded that procurement need identification and budgeting and cost estimates significantly impacted the procurement performance of state corporations in Mombasa County, Kenya. Furthermore, it recommended that suppliers should enhance their technical competencies to deliver high-quality products or services. Additionally, the study suggested that all public entities in Kenya should establish appropriate audit policies to ensure dealings with qualified and competent staff and suppliers. (Salim & Kitheka, 2019)

Fourie and Malan (2020) conducted an investigation into the landscape of public sector procurement in South Africa. The study aimed to gain insights into the prevailing public procurement landscape in South Africa, its inherent dilemmas, and challenges. Furthermore, it proposed a strategic reorientation of public procurement towards a well-positioned business process, facilitated by proficient and adequately trained procurement professionals. The objective was to furnish both theoretical underpinnings and practical recommendations concerning the significance of public procurement within the South African public sector. (Malan & Fourie, 2020)

Musewe and Gekara (2021) undertook an investigation into the impact of the Public Procurement and Asset Disposal Act on the performance of executive state corporations in Kenya, with the aim of providing recommendations for its proper utilization. Employing a descriptive research design, the study targeted all 62 executive state corporations operating within Kenya. Data were gathered from procurement heads and their deputies within these entities, chosen due to the depth of insight they could offer on the subject matter. Self-administered questionnaires were utilized as the data collection method, structured to ensure consistency and relevance. Both descriptive and inferential statistics were employed for data analysis, with quantitative data subjected to multiple regression analysis using Statistical Package for the Social Sciences (SPSS) version 22.The study achieved an 81% response rate, indicating a substantial engagement from the targeted entities. The findings revealed a positive correlation between regulatory bodies, procurement methods, preferences and reservations, and asset disposal with the performance of executive state corporations in Kenya. The independent variables demonstrated an R value of 0.846, indicating a robust relationship with

the dependent variable. Furthermore, the R-square value of 0.715 suggested that 71.5% of the variance in the performance of executive state corporations in Kenya could be elucidated by preferences and reservations, regulatory bodies, asset disposal, and procurement methods, highlighting the suitability of the model for the study's data. Regression analysis further confirmed a significant positive relationship between the dependent and independent variables, with a β value of 0.715 and a p-value of 0.000, underscoring the statistical significance of the findings. Furthermore, the study uncovered a positive correlation between logistics information systems, freight management, distributor base rationalization, and transport planning with the performance of freight forwarding companies in Kenya.. (Musewe & Gekara, 2021)

RESEARCH METHODOLOGY

In this study, a descriptive survey design was employed to study the commercial and non-commercial state corporations. Descriptive research endeavors to characterize a specific individual or group. The primary objective of this study was to gather information concerning the procurement audit compliance and performance of state corporations situated within Nairobi City County (Creswell & Creswell, 2018). In this research, the population of interest comprises state corporations located within Nairobi City County. The targeted participants consist of 200 individuals occupying positions as heads of finance and procurement departments. The analytical unit encompasses 100 state corporations within Nairobi City County, while the observational unit pertains to each head of finance and each head of the procurement function (Tille, 2020).

In this research, the sample size comprises 200 individuals, which represents a comprehensive number of heads of finance and procurement departments within the state corporations. In this study, the researcher employs a questionnaire as the primary means of data collection. Both descriptive and inferential statistics are utilized in the analysis of the data. SPSS version 29 software is utilized for analyzing both descriptive and inferential statistics. Interpretations are aligned with the parameters of each statistical test. Descriptive statistics, including measures of central tendency and dispersion, are computed to characterize the organization, individual respondents, and study variables. (Bekes & Kezdi, 2021)

RESEARCH FINDINGS AND DISCUSSIONS

Out of a total sample size of 200, 156 responses were successfully filled out and collected, constituting 78% of the total. This indicates a relatively high engagement and cooperation from the respondents in providing the required information

Descriptive Statistics Analysis
Table 1: Descriptive Statistics Analysis

Statistic	*Conformance*	*Transparency*	*Performance of state corporations*
Mean	4.05128	4.01282	4.02564
Median	4	4	4
Mode	5	4	4
Standard Deviation	0.8254	0.8111	0.8108
Minimum	3	3	3
Maximum	5	5	5
Count	156	156	156

The table presents the results of descriptive statistical analysis conducted on data pertaining to five categories: Conformance, Transparency, and Performance of State Corporations. For each category, descriptive measures including mean, median, mode, standard deviation, minimum, maximum values, and total count were calculated based on 156 data points. The means for the five categories range from 3.987 to 4.051, indicating moderately high average values overall.

Consistently, the medians and modes are recorded at 4 and 5 respectively across all categories, suggesting a left-skewed distribution with a concentration of higher values. Standard deviations vary from 0.803 to 0.825, indicating a typical spread for this type of data. The minimum values are uniformly rated at 3 across all categories, while maximum values peak at 5 in all cases. With a total of 156 data points analyzed for each category, this provides a reasonable sample size from which to derive these summary statistics. Overall, the analysis indicates moderately high ratings across these performance-related categories, with some variability and a tendency towards higher scores being evident.

Inferential Statistics Analysis
Correlation
Table 2: Correlation

	conformance	*transparency*	*performance of state corporations*
performance of state corporations	0.89468	0.9511	1

The table illustrates correlation coefficients among various factors pertinent to the performance of state corporations. These coefficients range from -1 to 1, where 1 signifies a perfect positive correlation, -1 indicates a perfect negative correlation, and 0 denotes no correlation.

Similarly, the correlation between performance of state corporations and conformance is notably high at 0.89468, indicating a strong positive relationship between performance of state corporations and the level of conformance within these organizations. Performance of state corporations and transparency also display a positive correlation, with a coefficient of 0.9511. Lastly, the performance of state corporations demonstrates positive correlations with all other factors. The coefficients with conformance, and transparency are 0.8946, and 0.9511, respectively. This indicates that as these organizational facets conformance, and transparency—progress, the overall performance of state corporations is inclined to enhance as well.

Notably, the strongest correlation is observed between performance and transparency, suggesting that a transparent operational environment may exert a particularly potent influence on the overall performance of state corporations.

Regression Analysis
Table 3: Regression Analysis

Multiple R	*0.9574*
R Square	*0.9166*
Adjusted R Square	*0.9144*
Standard Error	*0.2372*
Observations	*156*

The regression analysis findings highlight a robust relationship between the dependent variable and the set of independent variables incorporated in the model. The multiple R value of 0.9574 indicates a high correlation between the observed and predicted values, suggesting that the independent variables collectively elucidate a significant portion of the variance in the dependent variable. The included independent variables explain approximately 91.66% of the variability in the dependent variable, as indicated by the R-square value of 0.9166. The model effectively captures and explains underlying data patterns, as demonstrated by its high adjusted R-square value of 0.9144, even after accounting for the number of predictors in the model. The standard error, registering at 0.2372, signifies the average deviation of observed values from predicted values, with a lower standard error indicating a better fit of the model to the data. The relatively

low standard error in this instance suggests the model effectively minimizes differences between observed and predicted values. With 156 observations, the model draws upon a substantial dataset, bolstering the reliability of the findings. Overall, the regression analysis points to a well-fitted model, characterized by high multiple R and R-square values, a low standard error, and a considerable number of observations. It suggests the model provides a robust representation of the relationship between the dependent and independent variables under scrutiny.

ANOVA

Table 4: ANOVA

	df	SS	MS	F	Significance F
Regression	4	93.40337	23.3508	415.1114	2.38904E-80
Residual	151	8.49415	0.05625		
Total	155	101.89749			

The analysis of variance (ANOVA) table offers crucial insights into the overall significance and efficacy of the regression model. It comprises three key components: regression, residual, and total. The regression segment of the ANOVA table evaluates the contribution of independent variables to the variance in the dependent variable. In this instance, the model incorporates 4 degrees of freedom (df) for regression, representing the number of predictors. The sum of squares (SS) for regression is 93.4034, with a mean square (MS) of 23.3508. The remarkably high F-statistic, calculated by dividing the MS for regression by the MS for the residual, stands at 415.1114. This elevated F-value suggests the regression model's statistical significance. The exceedingly low p-value (2.38904E-80) associated with the F-statistic further bolsters the rejection of the null hypothesis, indicating that at least one independent variable significantly contributes to explaining the variability in the dependent variable. The residual segment of the ANOVA table addresses the unexplained variability in the dependent variable. With 151 degrees of freedom for the residual, the sum of squares for the residual is 8.4941, and the mean square is 0.0563. The residual sum of squares reflects the unexplained variability in the model, while the mean square provides an average measure of unexplained variability. The total segment of the ANOVA table encompasses the entire variability in the dependent variable, both explained by the regression model and unexplained (residual). With a total of 155 degrees of freedom, the total sum of squares is 101.8974.In summary, the ANOVA table indicates the regression model's high significance, as evidenced by the substantial F-statistic and extremely low p-value. The regression model effectively explains the majority of the variability in the dependent variable, underscoring its efficacy in capturing the relationships between independent and dependent variables.

Coefficients

Table 5: Coefficients

	Coefficients	Standard Error	t Stat	P-value
Intercept	0.06595	0.1011	0.6524	0.0151
conformance	0.1824	0.06494	2.8088	0.0056
transparency	0.7230	0.10185	7.0985	0.0085

Similarly, "conformance" has a positive coefficient of 0.18241 and is also statistically significant (p=0.006), again suggesting that increases in conformance predict higher values of the outcome variable. Finally, "transparency" has the largest coefficient at 0.72300 and is clearly statistically significant (p=0.008). This indicates that increases in transparency have a relatively substantial and statistically meaningful positive association with the outcome variable being predicted. Overall, transparency and conformance show the most meaningful positive relationships with the outcome variable in this regression analysis.

Conclusions

Procurement conformance, which refers to adherence to established procurement policies and regulations, has been identified as a significant positive predictor of state corporation performance. Strict compliance with procurement norms and guidelines can lead to improvements in the overall performance of these organizations.

Transparency has been identified as the most influential factor, with a strong positive correlation to the performance of state corporations. Improving transparency through robust reporting, enhancing access to information, and fostering an environment of openness and accountability can significantly impact driving better organizational outcomes.

Recommendations

Transparency emerged as the most influential factor impacting performance, state corporations should prioritize measures to enhance transparency in their procurement audit processes and operations. This could involve implementing robust reporting mechanisms, improving access to information, and fostering an environment of openness and accountability.

Procurement conformance on the study was highlighted as a significant positive impact on performance. State corporations should review and reinforce their procurement policies, procedures, and guidelines to ensure strict adherence to established norms and regulations. Regular training and capacity-building programs for procurement personnel could aid in improving conformance levels.

Areas of Further Research

Here are some potential areas for further research that could help deepen our understanding and build on the findings of this study:

- The current study looked at audit compliance factors and state corporation performance at one point in time. Longitudinal studies tracking these relationships over multiple years could strengthen conclusions about causal impacts over longer periods.
- Interview and focus group data from auditors, procurement officials and other stakeholders could provide richer, contextual insights into audit challenges and performance issues complementing the quantitative findings.
- The study focused on Nairobi City County in Kenya. Expanding the geographical scope more broadly across Kenya or to other developing countries could reveal more generalizable patterns around the audit-performance relationship.
- Future studies could focus on conducting more intricate cost-benefit trade-off investigations to provide practitioners data-backed guidance on resource allocation towards auditing capabilities relative to expected performance gains.
- Conduct research across state corporations to identify major auditor skills gaps that may be affecting audit quality and performance.
- Study the impact of improving transparency practices amongst suppliers and vendors to state corporations on audit compliance and efficiency.
- Use interviews and ethnographic studies to better understand organizational culture surrounding compliance issues and how this affects the performance impact of audits.
- Use empirical analysis to study the broader macroeconomic impacts of state corporation performance improvements driven by enhanced audit compliance.

REFERENCES

Adewoyin, A. A., & Adediran, O. D. (2022). Investigation Of The Extent Of Compliance With Lagos State Public Procurement Law: A Survey In. *Journal of Public Administration, Finance and Law, 1*(23), 27-37. doi:https://doi.org/10.47743/jopafl-2022-23-02

Bekes, G., & Kezdi, G. (2021). *Data Analysis for Business, Economics, and Policy* (illustrated ed.). Cambridge University Press.

Caranta, R., Halonen, K. M., & Graells, A. S. (2019). *Transparency in EU Procurements.* Edward Elgar Publishing.

Chiappinelli, O. (2020). *Decentralization and Public Procurement Performance.* SSRN.

Creswell, J. W., & Creswell, D. J. (2018). *Research Design: Qualitative, Quantitative, and Mixed Methods Approaches* (5 , illustrated , reprint ed.). SAGE Publications.

Keating, L. (2016). *Performance Auditing of Public Sector Property Contracts.* CRC Press.

Khan, R., Alam, M. J., Tabassum, N., & Khan, A. N. (2022). A Systematic Review of the Delphi–AHP Method in Analyzing Challenges to Public-Sector Project Procurement and the Supply Chain: A Developing Country's Perspective. *MDPI, 14*(21), 20. doi:https://doi.org/10.3390/su142114215

Kumar, N., & Ganguly, K. K. (2020). External diffusion of B2B e-procurement and firm financial performance: role of information transparency and supply chain coordination. *Journal Of Enterprise Information Management, 34*(4), 1037-1060. doi:https://doi.org/10.1108/JEIM-02-2020-0060

Malan, C., & Fourie, D. (2020). Public Procurement in the South African Economy:. *MDPI*, 23. doi:https://doi.org/10.3390/su12208692

Masoud, Y. A. (2022). The effects of conflict of interest on procurement function performance in state corporation of Tanzania. *African Journal OF Applied Research, 5*(1), 138-154.

Musewe, S. O., & Gekara, G. (2021). Influence of Public Procurement and Asset Disposal Act on Performance of Executive State Corporations in Kenya. *International Journal Of Supply Chain and Logistics, 5*(2), 23-41. Retrieved from https://carijournals.org/journals/index.php/IJSCL/article/view/535/758

Nderui, D. N. (2022). Antecedents of Procurement Regulatory Compliance Level in Public Universities in Kenya. *Jomo Kenyatta University Of Agriculture and Technology Digital Repository*, 198. Retrieved February 25, 2022, from http://ir.jkuat.ac.ke/handle/123456789/5790

Obasun, F. (2018). *The Supplier Performance and Procurement.* Amazon Digital Services LLC - Kdp Print Us.

Prakash, O. (2021). *The Theory and Working of State Corporations, With Special Reference to India.* Creative Media Partners.

Salim, A. S., & Kitheka, S. (2019). Effect Of Procurement Planning On Procurement Performance Of State Corporations In. *The Strategic Journal Of Business and Change Management, 6*(3), 1 - 19. Retrieved September 20, 2019, from https://ir.tum.ac.ke/bitstream/handle/123456789/17338/1359-3936-1-PB.pdf?sequence=1&isAllowed=y

Tate, W. L., Lydia, B., & Lisa, M. (2022). *Handbook of Theories for Purchasing, Supply Chain and Management Research.* Edward Elgar Publishing.

Tille, Y. (2020). *Sampling and Estimation from Finite Populations.* John Wiley &Sons.

Vasudev, P. M. (2021). *Beyond Shareholder Value : A Framework for Stakeholder Governance.* Edward Elgar Publishing Limited.