THE EFFECT OF FINANCIAL FRAUD ON THE FINANCIAL PERFORMANCE OF STATE CORPORATIONS IN KENYA

BY

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DECLARATION

This research project is my original work and has not been presented for a degree in any other university.

Signature... Date................................

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Reg No:D61/79664/2015

This research project has been presented for examination with my approval as the university supervisor.

Signed.. Date..............................

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DEDICATION

This research project is dedicated to my wife Alice, my sons Muthomi, Murimi, Karani, Julius and my daughters Mugure and Muthoni for their endless love, support and encouragement.

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Thank you very much for your support.

God bless you all.

ABSTRACT

Finance is a fundamental resource that has to be efficiently and effectively managed to cause the required change. This crucial resource, however, is at times mishandled and embezzled by those in power. This study therefore, sought to establish the relationship between financial fraud and financial performance of state corporations in Kenya. This research used descriptive research design and utilized primary data. The population of study was one hundred and twenty six (126) state corporations. The population was sampled at 30% of the population. The sample size was (0.3*126 =38). This research gathered primary data using a research questionnaire. The gathered data was analyzed using inferential and descriptive analysis. The study found out that financial fraud reduces the financial performance of state corporations in Kenya to a great extent and results to poor services. The study concluded that on types of fraud in corporations, theft and embezzlement, fraudulent money transfer and unauthorized withdrawal were some of the main types of fraud witnessed. On causes of fraud in State Corporation, the study came to a conclusion that greed, poor internal controls, lack of appropriate punishment to fraudsters, poor record keeping, Poor salaries, Inadequate training were the main causes. From the findings on the extent of occurrence of fraud in state corporations in the last 5 years, it was concluded that there was evidence of fraud in every single year. Based on the findings in relation to specific objective, the study concluded that financial fraud negatively influences organization business performance. Finally given that fraud had negative effect on financial performance, the study came to conclusion that fraud leads to several shortcomings in corporations including shortage of funds for projects, reduction in liquidity position, poor share prices, higher cost for debt financing among many others. The study recommends effective governance and ethical practices within public institutions as a remedy to financial fraud. This involves: dealing with fraud at an individual level as well as with corporates. Dealing with fraud entails both internal and external effort in the corporations. Efficient governance in the corporate sector is an instrument that increases effectiveness, enhances capital access and makes sure there is sustainability and is also an efficient anti-fraud mechanism. State corporation managers must be accountable for the actions and decisions and adhere to justice, avoid biasness or conflicting business interests and should conduct their duties with probity, integrity and honesty. The building of an organization that is ethical is more about personal leadership and commitment to the organization other than about sheer compliance with a formal process or system. Business ethics is also at the basis of preventing corruption and ensuring proper corporate governance.

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LIST OF ABBREVIATION AND ACRONYM

ACFE	Association of Certified Fraud Examiners
ANOVA	Analysis of Variance
BFID	Banking Fraud Investigations Department
CEOs	Chief Executive Officer
FITC	Financial Institutions Training Centre
UNESCO	United Nations Educational Scientific and Cultural Organization

CHAPTER ONE: INTRODUCTION

1.1 Background of the Study

Finance can be defined as a resource that has to be efficiently and effectively managed so as to cause required as it emerges from availed fund activities (Allis, 2014). This crucial resource, however, is at times mishandled and embezzled by those in power (Rosen & Gayer, 2010). Prowle (2010) states that the public institutions handle large sums of public money and function in a greatly political environment, hence demanding a high level of confidence in how the financial dealings are carried out. Moreover, all factors related to management of finance in the public sector should be conducted carefully. Rosen and Gayer (2010) implies that the spending and taxing activities of the government arise from these feelings.

Financial stability in an organization is significant in that it enables efficient functioning and potential maximizing for delivery of services. The need for service deliveries that is better in Kenya, under the new public financial management in public organizations calls for proper financial standing so as to run operations and facilitate efficient and effective delivery of services in the public organizations. Lack of sufficient control measures of finance exposes the public sector's financial management to some threats like wrong financial statements, government asset loss and mishandling of important government documents, erratic and undependable financial records which could lead to loss of the integrity of the government and execution of policies of accounting that are not consistent with the legislations applicable.

Issues of corruption and fraud are so prominent in the public sector. Corruption has been a major impediment to the prosperity and general financial performance of state corporations in Kenya and as a result public funds have been lost at the expense of the tax payers' general benefit. It has been cited as one of the causes of numerous corporate failures nationally and even on international level. Over the years, corruption has become a reality of monumental proportions in Kenya, it has in fact grown bigger in terms of participating personalities and the amount of money involved. The public sector's fraud and corruption harms the economy heavily, it lowers the levels of investment and reduces public finances. Fraud and corruption causes severe damage to public institutions and their budgets, from financial loss to reduced performance, reputation, integrity and public confidence.

In Kenya, the departments of national and county governments are expanding. The expansions is a sign of fraud risk where new programmes and projects attract fraudsters so as to take advantage of situations in which control and assessment of risks are still being developed. According to KPMG (2016) public sector financial fraud report; parastatals in Kenya on average registered a higher occurrence of fraud. The report indicates that more than (77%) of government and state-owned enterprises experienced economic crime annually with most cases of the fraud relating to the misappropriation of assets.

1.1.1 Financial Fraud

Fraud definition as per Zimbelman and Albrecht (2012), is generic term,it encompases multi-farious that can be invested by human creativity can invent. A person resorts them so as to obtain benefits over another person through phony representations. Singleton and singleton (2010) reveal that government or entities needs to define fraud and make it part of fraud policy or ethics and ensure all employees have to sign their acknowledgment of understanding and accepting to abide by it. Oyadonghan (2008) sees fraud as the use of deception for unlawful gain and unjust advantage.

Association of Certified Fraud Examiners (2008) classifies fraud as occupational fraud and abuse, financial statement fraud. Occupational fraud and abuses (employee frauds) are act of employee's occupation utilization for personal gain via the deliberate theft or misuse of the employer's resources or assets; while financial statements fraud is the deliberate act of misrepresentation of the financial reports. Based on various definitions of fraud above, we can conclude that fraudulent activities involve deception in any form to gain advantages of the victim who suffers financial damage. Therefore, we will adopt definition of The Association of Certified Fraud Examiners (ACFE) because it addresses fraudulent activities that are prevalent in most public sector institutions.

The broad definition of financial fraud is a deliberate act of fraud involving for the sake of self-gain (Hornby, 2015). Fraud is a crime and civil law violation. Several cases of fraud entail complex financial transactions carried out by white collar criminals like professionals in business with expertise knowledge and intention of crime (Hornby, 2015). Financial fraud is any activity that leads to dishonest or unfair dealing and use of fraud with the aim of attaining unwarranted benefits, evading a responsibility or causing loss to another party through either words or conduct, through allegations that are untrue or misleading or by concealing a deceit and is aimed at deceiving another it shall be acted upon not legally.

Fraud is wide and covers everything from account of expense and scams of procurement to irregularities in financial reporting, bid-rigging, intellectual property and the rest. Fraud and misappropriation is high, as is bribery and corruption (KPMG, 2016). In recent years, the volume and frequency of fraudulent practices in Kenyan state corporations have been on the increase. Recently, fraud has become a difficult and monumental problem. In fact, state corporations are now the main target by conmen. Going by the data from the Banking Fraud Investigations Department (BFID), Kenyan state corporations lost KSh.3.5 billion over the last year, with negligible amount being recovered by investigators. The amounts reported, according to security experts, are only a portion of the actual losses incurred because the state corporations do not have the capacity to investigate (BFID, 2016).

1.1.2 Financial Performance

The subjective accountability measure of an entity for its policies and results, functions and activities measured for a specific period in financial terms defines financial measure. The nature of financial performance in the public sector is an operation of what the entity of the public sector is held responsible for achieving in financial terms in a period identified. There are several perspectives of financial performance put into consideration to give a detailed image of the accomplishment of the entity of the public sector in relation to various responsibilities expected of it.

The reason for existence of the public sector is for public service. This authority is the sieve through which vital character of public sector entities are separated from the less important attributes. Financial reporting's aim by a public sector is for information provision for the purpose of accountability. This kind of information helps in financial health understanding and analyzing the public sector. The public sector entities are accountable to the public and report through the representatives elected through information provision in their financial reports. The reports should avail information useful in evaluation of the financial performance entity during the period of accounting and its financial health at the end of the period.

The financial statements are significant element of the financial reporting of the public entity. Widely, it is expected of the public sector entity to be responsible for: the degree of financial performance of the entity in line with its financial plan, the effect of current activities on future activities or results, and the financial state of the entity. More particularly, public sector entities are expected to illustrate accountability in their financial statements, for eight feature of financial performance alongside eight other financial features related to their position financially.

1.1.3 Financial Fraud and Financial Performance

Financial fraud hurts both state corporations and their customers. They need to recognize the fraudulent exchanges, convey them to their company, start the blocking, and question the repayment of their financial misfortunes. Being a victim of fraud has an impact on customers (Douglass, 2009; Malphrus, 2009).

As shown by Adebisi (2009) there is a fruitful incident of fraud any point. Various occurrences occur without stopping any point. This is because it will leave positive mental and social impacts. Fraud's impact on organization's main concern is quite recently a hint of a greater challenge. Without a proactive way to deal with battling extortion, the capacity to pick up and to keep up client loyalty is practically nonexistent.

As per Meridian Exploration, in 2005 alone, the cost of U.S organizations not utilizing application of anti-fraud was $60 billion. Furthermore, organizations are said to lose six percent averagely of their yearly income to fraud and abuse submitted by internal workers. Loss of income is just the quick issue engaged with not managing fraud proactively. Absence of client confidence and of saw security prompts long term misfortune in income.

1.1.4 State Corporations in Kenya

Parastatals, also referred to as state corporations are set up within the State Corporations Act provision, chapter 446 of the laws of Kenya, and granted the independence to run and focus on precise permission so as to enhance delivery of services to the public. They function within the overall observation of their respective ministries despite having Board of Directors or equivalent entities to supervise their day to day activities, apart from the constitution commissions and autonomous offices. Pressure comes about as a result of making sure conformity to the regulations of the complex public procurement and most significantly from the desire to attain effectiveness and value for money targets. In Kenyan, there exists about 126 state corporations divided into eight wide operational classes on the basis of the authority and primary functions. (http://www.infohub.co.ke).

The eight categories include the following: Commercial/ manufacturing Corporations, Financial Corporations, Public universities Regulatory Corporations, Service Corporations, Training and research Corporations, Tertiary education, authorities for regional development, and Training Corporations. The number of the state corporations has changed overtime due to creation of new ones. The guides on state corporations terms and conditions released by office of President in collaboration with Advisory committee of state Corporation in November 2004, emphasizes on the need for Corporations to embrace practices of modern business management (Government Press, 2004).

1.2 Research Problem

Fraud is one of the greatest problems we have in our Nation today (Owojori & Asaolu, 2012). There have been several alarming and shocking cases of corruption and fraud in the Kenyan public sector. Public officers and politicians have been found to be unaccountable and lack transparency. Some perpetrators have been taken to court; some cases were never even investigated as many of the cases remain unresolved. The list of corruption and fraud is long; these have led to degrade of our national reputation and representation in foreign nations.

Financial fraud in Kenya is on the increase. The data from the Banking Fraud Investigations Department (BFID), shows that fraudsters have stolen at least Ksh4.5 billion from Kenyan state corporations over the past year alone in plots devised by state workers in collaboration with private sector service providers and employees in various financial institutions in Kenya. Increasing fraud cases means that state agencies need to immediately assess the extent of financial damage on their institutions and invest in detection and precautionary methods as the fraudsters around now are increasingly complicated (BFID, 2015).

There are several studies on fraud. Financial institutions training centre, Lagos (FITC: 2005) carried out an investigation on the correlation between the extents of state frauds and the periods of existence of such state corporations. The conclusion of the study was that the staff who were experienced swindled the state of more money sums in comparison with the less experienced ones. Idowu (2009) carried out a research intended to find the means of reducing the fraud incidents in the state corporations of Nigeria. The study's findings showed that several factors contributed to fraud incidents in the corporations including poor policies and procedure of management, insufficient conditions of working, and frustrations due to poor salary.

Mutua and Gachunga (2014) carried out a study on the effect of fraudulent practices on the growth of the insurance industry in Kenya. The main objective of their study was to determine the level of fraud in insurance companies and how it was affecting growth of the industry. The results from the study established that a great number of the respondent organizations stated that misappropriation of premiums affected the growth of the insurance companies. Ohando (2015) also did a study about the impact of financial fraud and the liquidity on financial performance of commercial banks operating in Kenya. Their study findings indicated that a positive relationship exists between fraud risk management practices and financial performance of commercial banks operating in Kenya. Maina (2016) conducted a study on the effects of financial fraud and liquidity on financial performance of insurance companies in Kenya. The results indicated that insurances financial performance variable return on assets is considerably affected by liquidity ratios and fraud loss with positive relationship.

While a very small number of researches appear to take account of financial fraud as a descriptive variable for the state financial performance, this correlation is not the center of attention of those papers and the empirical results are mixed. Many studies that examined fraud in banking are mostly qualitative in nature and focus on the details of types and causes of fraud, and strategies of responding to fraud, without providing compelling empirical support. This is the gap in literature that this study is attempting to fill by empirically investigating the financial fraud impact on financial performance of state corporations in Kenya hence the research question: What is the effect of financial fraud on financial performance of state corporations?

1.3 Research Objective

The objective of this study was to establish the relationship between financial fraud and financial performance of state corporations in Kenya.

1.4 Value of Study

The findings were of value to different stakeholders in the field; to management the results of the study could aid in identification of gaps within the financial control systems in the organization of public sector. Accordingly, the findings of this research could be of importance in addressing of these gaps. The results may also be of significant importance to the management and those in charge of governance of the public sector because they are supposed to facilitate them restructure the financial control systems. Finally, the results could make sure that the financial management is enhanced and also the public sector organization attains the objectives outlined in the vision 2030

Policy makers are usually informed by research findings that attempt to explain a phenomenon or address an existing knowledge gap. The finding of this study was of great importance to the policy makers especially the Kenya anti-fraud agencies in their efforts to dissuade, avert and ensure timely fraud detection, as the threat of fraud in Kenya can be managed by taking the right steps. The regulator should be alert in ensuring all state corporations put in place suitable measures and policies, screens the capacity of these controls and their proficiency, make great workplace and uphold an anti-fraud culture.

More insights are expected to be brought about by the study on the contradiction or support of the financial fraud theory. This will expand the literature that may be reviewed in future and hopefully provide reasons for development of new theories.

CHAPTER TWO: LITERATURE REVIEW

2.1 Introduction

The theoretical literature are reviewed in this section offering a critical analysis of literature and finally the summary of the studies conducted in relation to the problem under investigation and emerging research gaps.

2.2 Theoretical Framework

This section discusses the theories guiding this study. The section discusses the agency theory, the theory of Fraud Triangle and the fraud diamond theory.

2.2.1 The Agency Theory

In 1970, the theory of principal and agent emerged form the collective disciplines of economics and the Stephen Ross and Barry Mitnick institutional theory. The principal-agent theory is known as agency dilemma in political science and economics. It arises when an individual or an entity, the agent makes decisions for or that impacts someone else. When agents act on their own personal interests rather than that of their principal, causes dilemma to occur.

The problem occurs when two parties have varied interests and have parallel information, such that there is no direct assurance of the principle that the agents actions are always in the best interest of the principal, especially when the useful activities to the agent happen to be expensive to the agent, and where aspects of what the agent does are expensive to be observed by the principal. Regularly, the principal maybe adequately worried at the probability of being extorted by the agent that they opt not to get into the transaction totally, when it would have been of mutual advantage: a result that can reduce the general welfare.

The divergence of the agent from the interest of the principal is referred to as costs. This theory is applicable in this study such that fraud in public institutions can be explained by the agency conflict and the agency costs associated with the agency conflict is anticipated to affect the financial performance of public institutions hence the need for this study.

2.2.2 The Theory of Fraud Triangle

In the theory of fraud triangle by Donald Cressey (1973), it was discovered that fraud has a chance of occurrence considering a blend of these three aspects: pressure (motivation), opportunity and rationalization. Trusted individuals become perpetrators when they perceive themselves to have financial problems that are not sharable, are conscious that this issue can be solved in secret through financial trust breach. They are in a position to implement their own ways which allows to modify their notion.

The fraud triangle provides an important structure for organizations to assess their susceptibility to fraud and unscrupulous behavior, and provides a method of avoiding the victimization. Globally, all the three factors of the triangle have to be present for one to act in an unethical way. If a state corporation can pay attention to prevention of individual factors, it can avoid creation of a viable ground for unacceptable behaviors.

The model can help the state corporations in analysis of operations, review of internal controls and tackle any current or future susceptibility. It is a valuable investment for any organizations that intends to stay clear of the fraud hazards. Keeping individuals away from the ability to rationalize the habit in the first place is a way of preventing fraud. Creation of “zero tolerance” policy by state corporations towards acts of frauds and reminding employees and customers of this policy frequently. State corporations can also ensure that individuals know the consequences of fraud to customers and other employees. The knowledge of the heavy consequences by individuals makes it easy to reduce the unethical behavior. This theory is applicable in this study as it recommends strategies to counter fraudulent activities.

2.2.3 Fraud Diamond Theory

Wolfe and Hermanson developed Fraud diamond theory was in the 2004 CPA journal. The theory was further modified to fraud triangle theory. By introducing a fourth element named capability that must exist before fraud can take place. Wolfe and Hermanson (2004) stated that fraud is not likely to take place when the fraudster does not have the capability to do so even if opportunity arises. It is the personal traits and characteristics that enable an individual to execute fraud and if there is no capability and ability then fraud does not take place. He further stated that opportunity is the doorway to fraud and other incentives; pressure and rationalization leads the perpetrator to the open door.

A study conducted showed 51% of the perpetrators of internal fraud were graduates, 49% of the perpetrators were above the age of 40 years 46% of the frauds involved the management of organizations (Association of Certified Fraud Examiners, 2003). A person committing a fraud possess a lot of self-confidence that he cannot be discovered and also presumes that if caught he will deliver himself from the predicaments easily. The cost-benefit analysis of committing fraud is highly affected by such arrogance or confidence.

2.3 Determinants of Financial Performance

According to Al-Tamimi and Hassan (2010) the financial performance of any firm depends entirely on two types of determinants. The first category of determinants is the macro economic factors that are stochastic variables which are important in determining the output of any given firm. These macroeconomic variables are external in nature and affect every organization that operates within the same environment. Al-Tamimi (2010) further asserts that the main challenge when dealing with the external determinants of financial performance is that they are beyond the control of an organization. The second category of determinants of financial performance of a firm relates to internal factors which normally relate to the internal decisions made by the management of the organization.

There are several examples of macroeconomic determinants of financial performance such as macroeconomic policy stability; Inflation, interest rate, Gross Domestic Product (GDP) and Political instability. For instance, the demand for firm asset is affected by the trend of GDP. The demand for credit tends to fall during the declining GDP growth and this later on affect the profitability of firms negatively. On the other hand, in an economy which is growing determined by a Positive Gross domestic product development, the credit request is high a direct result of the idea of business cycle. The interest for credit is high amid blast contrasted with the request amid subsidence (Athanasoglou et al., 2005).

Among the internal determinants of financial performance of a firm, capital adequacy is perhaps very important. The amount of money that a firm has to support its business and that also acts as a buffer during adverse financial times (Athanasoglou et al. 2005) is a very important determinant of the financial performance of a firm. Availability of substantial capital creates liquidity for the firm and also reduces the possibility of financial distress in the firm. Adequate capital also directly impacts on the profitability of the firm since it enables the firm to venture into highly profitable ventures which are risky (Sangmi & Nazir, 2010).

The other important financial performance determinant of a firm is the asset quality. Firms possess different types of assets such as current assets and fixed assets among other investments. The firm's ability to generate more revenue and enhance its financial performance is determined by the assets held by the said firm (Dang, 2011). Other than the quality of assets, the efficiency with which the management carries out various operations is important. The costs incurred by an organization need to be highly controlled to enable the firm maximize profits. The financial statements are always used as a measure for management efficiency.

2.4 Empirical Literature Review

Akinfala (2005) conducted a study on job involvement/ experience elements and fraudulent behaviors. The population of the study consisted bankers that were convicted and serving. Job involvement point was discovered to possess three elements: identification, motivation, and a feeling of pride that people attain in their jobs. A study was carried out by Nwude (2006) on state frauds. The procedure he applied entailed an interaction with the staff of state on several cadres with structured questionnaires for identification of fraud forms and characteristics in state corporations.

An investigation was conducted by Otusanya (2008) on the role of state CEOs in carrying out corporate executive frauds in the state corporations of Nigeria. The study conceives that recent cases of fraud in Nigeria have revealed the state activities in practices that are fraudulent and corrupt. The paper indicates the function of corporate executives within the institutional anomie theory called American dream theory, where by pursuing monetary success has dominated the society.

An examination of the nature, causes, impacts and remedy of financial fraud was conducted by Akindele (2011) in Nigeria. He discovered that lack of sufficient training, gap in communication and poor leadership skills were the major fraud causes in state corporations. He suggested sufficient internal mechanism of control be instilled and the satisfaction and comfort of workers be considered.

Sadka (2006) carried out a study on the economic repercussions of accounting fraud in product markets. The main argument perpetuated by the researcher was that if a firm was behaving in a fraudulent manner and has manipulated its financials to paint a picture that it's operating efficiently, then it must act in some manner like it could try to increase market share or even lower its prices. And if such a firm is not successful in behaving or operating like what is portrayed by its manipulated financials then it faces a risk of its fraud being detected by the market.

A study was also conducted by Isa (2011) on the effects and losses brought about by the fraudulent and engineered financial information on economic decisions. The basic assumption of this study was that financial losses brought about by fraudulent or engineered financial information are phenomenal. The study examined cases from the United States of America and established that in situations where control mechanisms were weak and accounting standards were more flexible, manipulation of financial reports was inevitable thus leading to fraud. The study findings also revealed that financial fraud costs investors huge sums of losses and there is need to develop mechanisms of eradicating them.

Gikiri (2012) did a study to determine the influence of fraud risk management practices in state corporations and their effect on fraud risk exposure. The main objective was to find the combined effect of fraud risk management practices; fraud prevention and fraud detection on fraud risk incidence in state corporations in Kenya.

Githecha (2013) did a study on the effect of fraud risk management strategies on the financial performance of commercial banks in Kenya. The findings revealed that there is a positive relationship and a statistically significant effect of fraud risk management strategies on the financial performance of commercial banks in Kenya.

Ohando (2015) researched on the relationship between fraud risk management practices and financial performance of commercial banks in Kenya. The study findings revealed the existence of a positive relationship between fraud risk management practices and financial performance of commercial banks in Kenya. It also found out that preventive and detective fraud risk management practices had a very strong positive (r=0.932 and 0.868) influence on financial performance of commercial banks as measured by return on assets.

2.5 Conceptual Framework

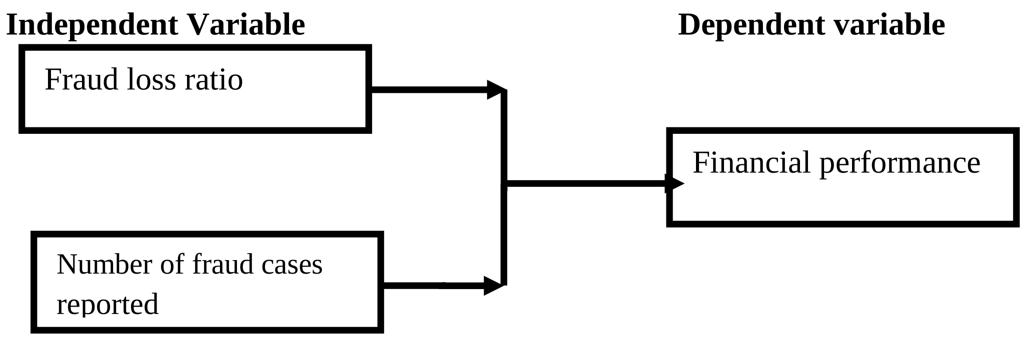


Figure 2.1: Relationship between financial fraud and financial performance

It is presumed that fraud has a significant effect on the financial performance of the state corporations. The independent variables of this study are the number of fraud cases and the amount of money the state corporations lose through fraudulent activities. The dependent variable is the financial performance of the state corporations.

2.6 Summary of the Literature Review

From the studies, it is evident that they have largely dwelt on perpetrators of frauds and their modus operandi. Many studies that examined fraud in banking are mostly qualitative in nature and focus on the details of types and causes of fraud without providing compelling empirical support.

The studies discussed under empirical review covered areas on job involvement factors and fraudulent behaviors amongst serving and convicted bankers, the influence of state CEOs in the perpetration of corporate executive frauds in the nature, causes, effects and remedy for financial fraud in Nigeria, the economic repercussions of accounting fraud in product markets, effects and losses brought about by the fraudulent and engineered financial information on economic decisions. From the mentioned literature there exists a gap in literature with regard to financial fraud and financial performance. Therefore, this study has attempted to fill this gap by empirically investigating the effects of financial fraud and financial performance of state corporations in Kenya.

CHAPTER THREE: RESEARCH METHODOLOGY

3.1 Introduction

Research Methodology refers to a systematic solution to the research task (Kothari, 2004). This segment represents the varied methods required by a researcher in the collection, analysis, presentation, and discussion of the findings in the research. The details on the research tactics, the varied categories of responses and the way in which the data was grouped and collected in research with also the path, in which the varied classes of respondent's data sets was studied, researched and presented in depth.

3.2 Research Design

A research design outlines how the research investigation took place. This research used descriptive research design and utilized primary data. Burns and Grove (2003) define descriptive research as a design that provides a picture of a situation as it naturally happens. It might be used to justify current practice and make judgment and also to develop theories.

3.3 Population of the Study

Every item in consideration within any field of questioning consists of population and universe (Kothari, 2004). It is the total number of individuals or things from where a study aims at the generalization of its findings (Cooper & Schindler, 2008). This research targeted all state corporations in Kenya. There are approximately one hundred and twenty six (126) state corporations in Kenya (infohub.co.ke, 2017).

3.4 Determination of the study Sample

Mugenda and Mugenda, (2003) noted a sample as being a micro group or a smaller group acquired from the populations provided.

3.4.1 Sample Size

The study took the population of the study and used the Mugenda and Mugenda, (2009) sample size formula of 30% of the target population. The study used stratified random sampling to arrive at the sample size of those to be interviewed as samples of the study. For this study, the sample size was (0.3*126 =38). Thirty eight respondent organizations was randomly selected to form part of data collection source. Finance officers, internal auditors, accountants or integrity officers, if any was the respondents.

3.5 Data Collection

This research utilized primary data. The questionnaire was divided into two sections. Section (A) captured information about general characteristics of the organization and the respondents; section (B) captured information on the effect of financial fraud on financial performance of state corporations in Kenya.

3.6 Data Analysis

Data collected was summarized, coded, classified and tabulated. Data classification reduces data into homogeneous attributes that enables establishment of meaningful relationships between variables. In measuring the relationship among variables, inferential and descriptive analysis was applied.

3.6.1 Analytical Model

Establishing the relationship between study variables was done using simple regression. The model of this study is as follows:

$Y=\alpha+\beta_1X_1+\beta_2X_2+\varepsilon$

Where;

γ = The financial performance of companies as expressed using ROA

X_1=fraud loss ratio, the ratio of amount lost to fraud to the total amount involved.

X_2= Number of fraud cases reported per each state corporation and was measured using the actual number of fraud cases reported

ε =Error term.

α = The constant of regression

3.6.2 Diagnostic Tests

The study performed significance testing using Analysis of variance (ANOVA). ANOVA measures differences between variables. Correlation coefficient (R) measured the strength and direction of linear relationship between variables. Coefficient of determination (R^2) gave the proportion by which financial fraud(x) predicts the state financial performance (y). (R^2) is such that $0 \leq r^2 \leq 1$, and denotes the strength of the linear association between *x* and *y*.

The study used T statistic since the population is at 95% confidence level. A t-test's statistical significance will indicate whether or not the difference between two variables' averages most likely reflects a "real" difference in the population from which the groups were selected.

CHAPTER FOUR: DATA ANALYSIS, RESULTS AND DISCUSSION

4.1 Introduction

This chapter presents the data analysis, interpretation and presentation of the study which was on the relationship between financial frauds and financial performance in State corporations in Kenya.

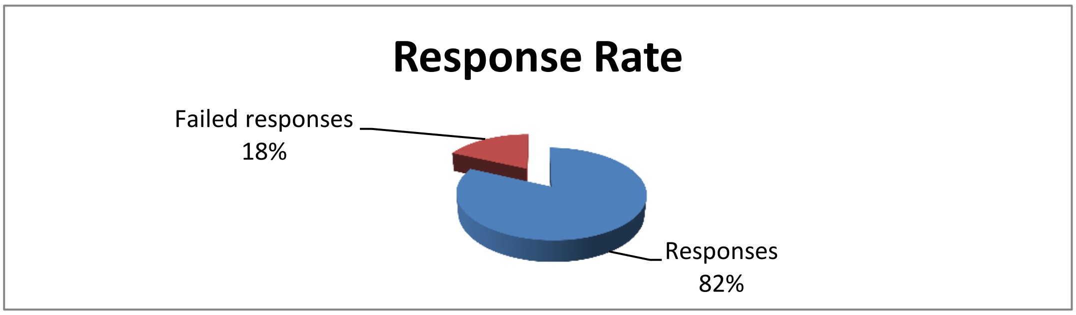
4.2 Demographic information

The demographic data obtained concerning individual organizations being studied was examined in this segment. Doing this enabled the researcher comprehend the respondent organizations setting and their capability to provide useful data. The results are presented according to the demographics and the research questions. The general information sought from the respondent organizations included the nature of the state corporation, length of time the State corporations have been in existence and the length of time the respondent organizations had worked in such institutions.

4.2.1 Response Rate

The study targeted a total of 38 respondent organizations from the sampled 38 state corporations. Out of these, 31 respondent organizations could be reached while the rest did not respond to the administered questionnaires hence the response rate of the study at 82%. (Mugenda & Mugenda, 2009) indicated that a response percentage of more than 70 is to be considered good enough for examination and reporting.

Figure 4.1 .A pie chart representations of the responses



4.2.2 Nature of the State Corporations

The Respondent organizations were required by the study to disclose the designation of the state corporation. The findings are indicated below.

Table 4.1 Nature of the State corporations

	Frequency	Percent	Valid Percent
Regulatory	6	19.4	19.4
Public University	2	6.5	6.5
Service	19	61.3	61.3
Training institutions	4	12.9	12.9
Total	31	100.0	100.0

The findings indicate that 19.4% of the respondent State corporations were Regulatory in nature. The findings indicate that 6.5% of the respondent State corporations were Public University. The findings indicate that 61.3% of the respondent State corporations were in the Service sector. The findings indicate that 12.9% of the respondent State corporations were 12.9. This is an indication of adequate representation of the diverse state corporation and hence the reliability of the study.

4.2.3 Length of Time the Corporation has been in Operation

The Respondent organizations were required by the study to disclose the time the corporation has been in operation. The findings are indicated below.

Table 4.2 Length of time the corporation has been in operation

Statement	Frequency	Percent	Valid Percent
Less than 2 yrs	2	6.5	6.5
2-5 yrs	7	22.6	22.6
5-10 yrs	7	22.6	22.6
10-20 yrs	9	29.0	29.0
More than 20 yrs	6	19.4	19.4
Total	31	100.0	100.0

The study established that 6.5 % of the respondent organizations had been in operation for a period of Less than 2 yrs. 22.6 % organizations had been in operation for a period of between 2-5 yrs. 22.6 % had been in operation for a period of between 5-10 yrs. 29% had been in operation for a period of between 10-20 yrs. 19.4 percent of the respondent organizations had been in operation for a period of More than 20 yrs.

4.2.4 Work Experience in state Corporations

The respondents were required by the study to disclose their length of time they had worked in state corporations. The findings are indicated below.

Table 4.3 Work Experience in state Corporations

Statement		Frequency	Percent	Valid Percent
	Less than 2 yrs	0	0.0	0.0
	2-5 yrs	1	3.2	3.2
	5-10 yrs	11	35.5	35.5
	10-20 yrs	13	41.9	41.9
	More than 20 yrs	6	19.4	19.4
Valid	Total	31	100	100

According to the research findings, the study established 3.2 percent of the respondent had been working in state corporations for a period of between 2-5 yrs. 35.5 percent of the respondents had been working in state corporations for a period of between 5-10 yrs. 41.9 percent of the respondents had been working in state corporations for a period of between 10-20 yrs. 19.4 percent of the respondents had been working in state corporations for a period of More than 20 yrs. The respondent organizations are of relevance to the study based on the adequate length of time they had been working in state corporations.

4.3 Effect of Financial fraud on financial performance

4.3.1 Types of fraud in State Corporations

The study sought to find out types of fraud in corporations using Likert Scale where 5= highly frequent, 4=frequent, 3=less frequent, 2=rarely frequent, 1= not frequent

Table 4.4: Types of fraud in State Corporations

Statement	N	Mean	Std. Deviation
Theft and Embezzlement	31	2.6129	1.45321
Fraudulent money transfer	30	2.2333	1.25075
Unauthorized withdrawals	30	1.8333	1.14721

The findings indicate that theft and embezzlement is less frequents as indicated by the mean of 2.6 and a standard deviation of 1.45. The findings indicate that fraudulent money transfer is rarely frequent as indicated by the mean of 2.2 and a standard deviation of 1.25.the findings indicate that an unauthorized withdrawal is rarely frequent as indicated by the mean of 1.8 and a standard deviation of 1.14.

4.3.2 Causes of Fraud in State Corporations

The study sought to find out causes of fraud in State Corporation using a likert scale **of** 1 to 5 where 5 =highly agree, 4=agree, 3=indifferent, 2=disagree a,

1= high disagree

Table 4.5 Causes of Fraud in State Corporations

Statement	**N**	**Mean**	**Std. Deviation**
Greed	30	3.9000	1.18467
Poor internal controls	30	3.3333	1.18419
Lack of appropriate punishment to fraudsters	30	3.1333	1.13664
Poor record keeping	30	3.1333	1.04166
Poor salaries	30	2.9667	1.40156
Inadequate training	31	2.7097	1.29598
inadequate staffing	30	2.4000	1.16264

The respondents agreed that Greed was a cause of fraud in state corporations as indicated by the mean of 3.9000 and a standard deviation of 1.18467. The respondents were indifferent on weather Poor internal controls was a cause of fraud in state corporations as indicated by the mean of 3.3333 and a standard deviation of 1.18419 .The respondents were indifferent on weather Lack of appropriate punishment to fraudsters was a cause of fraud in state corporations as indicated by the mean of 3.1333 and a standard deviation of 1.13664.

The respondents were indifferent on weather poor record keeping was a cause of fraud in state corporations as indicated by the mean of 3.1333 and a standard deviation of 1.04166. The respondents were indifferent on weather Poor salaries was a cause of fraud in state corporations as indicated by the mean of 2.9667 and a standard deviation of 1.40156. The respondents were indifferent on weather Inadequate training was a cause of fraud in state corporations as indicated by the mean of 2.7097 and a standard deviation of 1.29598. The respondents disagreed that inadequate staffing was a cause of fraud in state corporations as indicated by the mean of 2.4000 and a standard deviation of 1.16264

4.3.3 Extent of occurrence of fraud in state Corporation in the last 5 years

The study sought to find out extent of occurrence of fraud in state corporation in the last 5 years using a likert scale of 1 to 5 where 1= very frequent, 2= frequent, 3=less frequent, 4=hardly frequent, 5= not frequent

Table 4.6 Extent of occurrence of fraud in State Corporation in the last 5 years

	N	Mean	Std. Deviation
2016	31	4.0645	.89202
2015	31	3.9032	1.01176
2014	31	3.7742	1.30919
2013	31	3.7419	1.36547
2012	29	3.6552	1.36998
Valid N (listwise)	29		

The findings indicate that in the years 2016 fraud was hardly frequent as indicated by the mean of 4.0645 and a standard deviation of 0.89202 .The findings indicate that in the years 2015 fraud was hardly frequent as indicated by the mean of 3.9032 and a standard deviation of 1.01176. The findings indicate that in the years 2014 fraud was hardly frequent as indicated by the mean of 3.7742 and a standard deviation of 1.30919. The findings indicate that in the years 2013 fraud was hardly frequent as indicated by the mean of 3.7419 and a standard deviation of 1.36547. The findings indicate that in the years 2012 fraud was hardly frequent as indicated by the mean of 3.6552 and a standard deviation of 1.36998

4.3.4 Effect of Financial Fraud on Financial Performance

The study sought to find out Effect of Financial fraud on financial performance Using a Likert scale of 1 to 5 where 5=very great extent; 4=Great extent; 3=Moderate extent; 2=Low extent and 1=Very low extent).

Statement	N	Mean	Std. Deviation
Financial fraud leads to shortage of fund for projects	31	3.8846	.71144
Financial fraud leads to reduction in liquidity position	31	3.7692	.86291
Financial fraud leads to Financial results being fairly consistent across periods leading poor share prices	31	3.8615	.90469
Financial fraud leads to higher cost for debt financing	31	3.9615	.90469
Financial fraud leads to reduction in the corporation's revenues and increase expenses	31	3.9615	.99923
Financial fraud leads to threat of imminent bankruptcy,	31	3.7727	1.10978

The respondents agreed to a great extent that financial fraud leads to shortage of fund for projects as indicated by the mean of 3.8846 and a standard deviation of 0.71144. To a great extent, the respondents agreed that financial fraud leads to reduction in liquidity position as indicated by the mean of 3.7692 and a standard deviation of .86291. To a great extent, the respondents agreed, that financial fraud leads to financial results being fairly consistent across periods leading to poor share prices as indicated by the mean of 3.8615 and a standard deviation of .90469.

To a great extent, the respondents agreed that financial fraud leads to higher cost for debt financing as indicated by the mean of 3.9615 and a standard deviation of.90469. To a great extent, the respondents agreed that that financial fraud leads to reduction in the corporation's revenues and increase expenses as indicated by the mean of 3.9615 and a standard deviation of .99923. To a great extent, the respondents agreed that that financial fraud leads to threat of imminent bankruptcy, as indicated by the mean of 3.7727 and a standard deviation of1.10978

4.4 Regression Analysis

A regression model was applied to determine the relationship between the study variables. The dependent variable is the financial fraud while the independent variable is financial performance. The research used statistical package for social sciences (SPSS V 21.0) to code, enter and compute the measurements of the multiple regressions.

Table 4.7: Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.404[a]	.163	.115	12.98152

R-Square is a commonly used statistic to evaluate model fit. R-square is 1 minus the ratio of residual variability. The adjusted R^2, also called the coefficient of determinations, is the percent of the variance in the dependent explained uniquely or jointly by the independent variables. 11.5% of the financial performance could be attributed to the combined effect of the predictor variables.

Table 4.8 Summary of One-Way ANOVA

Model		Sum of Squares	Df	Mean Square	F	Sig.
1	Regression	1150.641	2	575.320	3.414	.044[b]
	Residual	5898.195	35	168.520		
	Total	7048.836	37			

The study used One-way ANOVA to establish the significance of the regression model from which a probability value of 0.044 was established. This indicates that the regression relationship was highly significant in predicting how financial fraud affects financial performance in state corporations in Kenya. The F calculated at 5% level of significance was 3.414. Since F is greater than the F critical, this shows that the overall model was significant.

Table 4.9 Regression Coefficients results

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	18.755	3.824		4.904	.000
	fraud loss ratio	-6.358	2.647	.372	2.402	.022
	Number of fraud cases	-.287	.248	-.179	-1.158	.255

The regression equation above established that holding all other factors constant (no financial fraud) financial performance would be at 18.755. A unit increase in fraud loss ratio would lead to a decrease in financial performance by 6.358.A unit increase in Number of fraud cases, would leads to a decrease in financial performance by 0.287.

4.5 Summary and Interpretation of Findings

The general information sought from the respondent organizations included the nature of the state corporation, length of time the State corporations have been in existence and the length of time the respondent organizations had worked in such institutions. The study targeted a total of 38 respondent organizations from the sampled 38 state corporations. Out of these, 31 respondent organizations could be reached while the rest did not respond to the administered questionnaires hence the response rate of the study at 82%. (Mugenda and Mugenda, 2009) indicated that a response percentage of more than 70 is to be considered good enough for examination and reporting.

The respondent State corporations included regulatory institutions, Public University, Service sector players and training and educational state corporations. This is an indication of adequate representation of the diverse state corporations and hence the reliability of the study. The study established that the respondent organizations are of relevance to the study based on the adequate length of time the state corporations have been in existence. The study established that the respondent are of relevance to the study based on the adequate length of time they had been working in state corporations.

In soughting out types of fraud in corporations, the findings indicate theft and embezzlement, fraudulent money transfer and unauthorized withdrawal were some of the main types of fraud in corporations. The study sought to find out causes of fraud in State Corporation. The findings indicate greed, poor internal controls, lack of appropriate punishment to fraudsters, poor record keeping, Poor salaries, Inadequate training as the main causes of fraud in State Corporations. The study sought to find out the extent of occurrence of fraud in state corporations in the last 5 years. Indications of fraud were confirmed in all the years between the year 2012-2016

The findings indicate that financial fraud leads to shortage of fund for projects, that financial fraud leads to reduction in liquidity position, that financial fraud leads to financial results being fairly consistent across periods leading to poor share prices, that financial fraud leads to higher cost for debt financing, that financial fraud leads to reduction in the corporation's revenues and increase expenses and that financial fraud leads to threat of imminent bankruptcy and poor service provision.

From the above regression model, the study found out that financial fraud reduces the financial performance of state corporations in Kenya. The independent variables that were studied explain a substantial 11.5 % of the financial performance of state corporations as represented by adjusted R2 (0.115). This therefore means that the independent variables contribute 11.5% of the changes in financial performance while other factors and random variations not studied in this research contribute 88.5%.

The findings are in consistent Mwangi (2008) findings who studied the relationship between financial fraud and financial performance of independent oil companies in Kenya and Wairegi (2009) who studied the influence of financial fraud on business competitiveness in commercial banks in Kenya . Their findings indicate that financial fraud reduces business financial performance and business competitive competitiveness respectively.

The study findings indicate that financial fraud reduces organizational financial performance to a great extent. This implies that there existed a strong negative correlation between financial fraud and organizational performance. The findings concur with Pearce II and Zahra (1991) in a study involving 139 of 500 Fortune firms and where there was found to be a negative relationship between financial fraud and earnings per firm's shares, firm customer base, asset quality, quality of service, production and market share.

CHAPTER FIVE: SUMMARY, CONCLUSION AND RECOMMENDATIONS

5.1 Summary of Findings

The objective of this study was to determine the effect of financial fraud on the financial performance of state corporations in Kenya. The study adopted a survey study research that used a descriptive research design. Data was collected using questionnaires administered to employees of the sampled companies and analyzed using inferential and descriptive statistics. The demographic data obtained concerning individual organizations enabled the researcher comprehend the respondent organizations setting and their capability to provide useful data.

A regression model was applied to determine the relationship between the study variables. The findings indicate 11.5% of the financial performance could be attributed to the combined effect of the predictor variables. The study established the regression relationship was highly significant in predicting how financial fraud affects financial performance in state corporations in Kenya. The study found out that financial fraud reduces the financial performance of state corporations in Kenya.

This therefore means that the independent variables contribute 11.5% of the changes in financial performance while other factors and random variations not studied in this research contribute 88.5%. From the findings, it was shown that most of the firms had been operational for more than 6 years hence the length of operation is significant towards drawing conclusive findings from the study. The study findings indicate that financial fraud reduces organizational financial performance to a great extent and results to poor services.

5.2 Conclusion

From the study findings the study concluded that on types of fraud in corporations, theft and embezzlement, fraudulent money transfer and unauthorized withdrawal were some of the main types of fraud witnessed. On causes of fraud in State Corporation, the study came to a conclusion that greed, poor internal controls, lack of appropriate punishment to fraudsters, poor record keeping, Poor salaries, Inadequate training were the main causes. From the findings on the extent of occurrence of fraud in state corporations in the last 5 years, it was concluded that there was evidence of fraud in every single year.

Based on the findings in relation to specific objective, the study concluded that financial fraud negatively influences organization business performance. From the above conclusion, it is certain that state corporations in Kenya are facing a huge problem with corruption. Businesses that engage in corruption or fail to put enough measures against corruption face consequences including legal liability, risk of spoilt reputation, increase in the cost of conducting business, limited capital access and provision of poor services. Finally given that fraud had negative effect on financial performance, the study came to conclusion that fraud leads several shortcomings in corporations including shortage of funds for projects, reduction in liquidity position, poor share prices, higher cost for debt financing among many others.

5.3 Recommendations to Policy and Practice

Fraud has been defined as unethical conduct exhibited by individuals entrusted with authority for purposes of individual or personal benefit. Fraud is a drain that is corrosive on the public trust and on the authenticity of institutions, both private and public. The effects are distressing to the national economy, because it affects the trust people have on businesses and the confidence from international investors as well as local investors is compromised. The study recommends effective governance and ethical practices within public institutions as a remedy to financial fraud.

Fraud should be dealt with at an individual level as well as with corporates. Dealing with fraud entails both internal and external effort in the corporations. The effort has to begin from the inside and then transform the exterior as well. One crucial way of tackling the fraud menace is through internal measures such as setting up effective monitoring systems. Efficient governance in the corporate sector is an instrument that increases effectiveness, enhances capital access and makes sure there is sustainability and is also an efficient anti-fraud mechanism. On a daily transaction degree, it makes it hard for giving and taking of bribes. At the level of making decisions, corporate governance inserts transparency and accountability to make it clear on how and why some decisions are made.

State corporation managers must be accountable for the actions and decisions and adhere to justice, avoid biasness or conflicting business interests and should conduct their duties with probity, integrity and honesty. This should cascade to lower level employees.

Corporate governance ensures that there are internal controls in place that promote accountability and disclosure. Good mechanism of corporate governance is a substantial tool of risk mitigation that can be of great anti-fraud benefits if combined with personal and corporate codes of ethics and the tone of leadership from the top. The building of an organization that is ethical is more about personal leadership and commitment to the organization other than about sheer compliance with a formal process or system. The best way of protecting an organization's ethical culture is to enthusiastically promote, practice, train, update and make it real and visible to the stakeholders, both internal and external. That is to say that ethical culture development comes about due to the continued commitment of the corporate to combine the ethical standards of the company with the strategies of the business and its operations.

Corporate governance sets up systems that governs the correlation between owners, investors, creditors, and managers and also serve as an incentive for reform towards the worldwide best practices of legal and regulatory structures. It introduces standards and means of transparency, accountability and compliance with rules and regulations as a tool of anti-corruption which reveals bribery and illegal conducts in the long run that makes it unsustainable for corporate corruption.

Business ethics is also at the basis of preventing corruption and ensuring proper corporate governance. Personal ethical behavior, particularly managers and decision makers, underlies most of what the corporations do and don't do in setting up good mechanisms of governance and fighting corruption. In this context, ethics is seen as a set of rules and values by which a state corporation defines the nature of its missions and operations, guiding its board members' behavior, management and all staff levels of employees.

Combating corruption begins at the top with clear commitment from leadership to an integrity culture and essentials of good corporate governance and so as to be efficient, the corporate governance principles and business ethics require translating into every day operations and internalizing by employees at each level. Displaying of core values and enlightening the employees on the consequences of non-compliance is also essential.

5.4 Limitations of the Study

There was a serious reluctance on the part of the respondent to give out data on institution fraud. The respondent would admit that there are fraud cases but are active in court and therefore would not want to comment on them. It would have been interesting to research on financial fraud by several other industries and their impact on performance.

Securing face to face interviews proved to be challenge. This is because the senior managers had busy schedules. In addition, there was limited stipulated time for carrying this research. To counter this, appointments had to be sought and scheduled, sometimes outside the official working hours.

The data on financial fraud was recorded by the respondents and the tendency to avoid full disclosure was evident resulting in chances that the figures may not be complete

The study's limitations included limited time set aside for the research and the limited scope of study. Respondents' reluctance in providing information for fear that the information may be used negatively against them for instance to intimidate them or provide an unwanted image concerning the firms. The researcher handled the problem by carrying an introduction letter from the university and assured them that the information they would offer would be treated confidentially and it was to be used purely for academic purposes.

5.5 Suggestions for further Research

Similar study need to be carried out as part of further studies. However it needs to be for a longer time period. This study only took into consideration five years from 2012-2016. There is therefore need for other researchers to focus on the same study but for a long period of time for instance 10-15 years. The study can also involve other organizations.

The study suggests further survey on study of financial fraud management practices and financial performance in other industries that do business with state corporations. This research should be replicated in other industries in order to establish whether there is consistency among them on financial fraud management and business performance. The study will supplement the findings of this study by providing information on the strength and weaknesses experienced in this study.

Further studies can also be carried out on this topic but involve entire audited financial statements and use of secondary data.

This research should be replicated in other industries in order to establish whether there is variation in response. Further research should be done on the factors that affect strategy change in financial management and its impact on organizational financial performance with a focus on other sectors so as to have an all-encompassing research that provides a bigger picture of actual situations.

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APPENDICES

APPENDIX I : Letter of Introduction

Dear Sir/Madam,

RE: MASTER OF BUSINESS ADMINISTRATION (MBA) FINANCE RESEARCH PROJECT

I am a postgraduate student at the University of Nairobi pursuing a degree in Master of Business Administration where I am specializing in finance. Currently I am carrying out a research project which is a requirement for the fulfillment of Part II for the Award of MBA degree.

The research is to establish the Effect of financial fraud on financial performance of state corporations in Kenya. In this regard I kindly request you to assist in completing the research questionnaire. I commit and guarantee that the information collected/obtained from you will be used for academic purposes and the same will be treated with utmost confidentiality.

Yours faithfully,

J.M. Kaunyu

Reg. D61/79664/2015

APPENDIX II: Questionnaire

This Questionnaire is to collect data for academic purposes. The study seeks to investigate **the effect of Financial Fraud on Financial performance of State Corporations in Kenya.** All information was treated confidentially.

SECTION A: BACKGROUND INFORMATION

Kindly answer the following questions by ticking (√) against your preferred choice (s).

1. Please indicate the category of your Corporation.

(a) Manufacturing [ ]

(b) Regulatory [ ]

(c) Public University [ ]

(d) Training and Research [ ]

(e) Service [ ]

(f) Regional development authorities [ ]

(g) Tertiary Education [ ]

(h) Education and Training [ ]

2. How long has the Corporation been in operation?

(a) Less than 2 yrs [ ]

(b) 2-5 yrs [ ]

(c) 5-10 yrs [ ]

(d) 10-20 yrs [ ]

(e) More than 20 yrs [ ]

3. How long have you been working in the Corporation

(a) Less than 2 yrs [ ]

(b) 2-5 yrs [ ]

(c) 5-10 yrs [ ]

(d) 10-20 yrs [ ]

(e) More than 20 yrs [ ]

SECTION B: FRAUD

3. What are your views on the following statements regarding the types of fraud in Corporations?

(Use a scale of 1 to 5 where = highly frequent, 4=frequent, 3=less frequent, 2=rarely frequent, 1= not frequent

Statement		**1**	**2**	**3**	**4**	**5**
(a)	Unauthorized withdrawals					
(b)	Fraudulent Money transfer					
(c)	Theft and Embezzlement					
(d)	Any other? Please specify					

4. What are your views on the following causes of fraud in your corporation?

Use a scale of 1 to 5 where 5 =highly agree, 4=agree, 3=indifferent, 2=disagree a, 1= high disagree

Statement		1	2	3	4	5
(a)	Greed					
(b)	Poor record keeping					
(c)	Poor internal controls					
(d)	Inadequate staffing					
(e)	Inadequate training					
(f)	Lack of appropriate punishment to fraudsters					
(g)	Poor salaries					
(h)	Any other ? Please specify					

5. How easily can you rate occurrence of fraud in your Corporation for the Last 5 years?

Use a scale of 1-5 1= very frequent, 2= frequent, 3=less frequent, 4=hardly frequent, 5= not frequent

(Circle the number closest to your view)

	Year	1	2	3	4	5
(a)	2016					
(b)	2015					
(c)	2014					
(d)	2013					
(e)	2012					

SECTION C: EFFECT OF FRAUD ON FINANCIAL PERFORMANCE

6. To what extent do the following factors of fraud affect financial performance of your Corporation?

Use a scale of 1-5 where 5= very great extent; 4=Great extent; 3=Moderate extent; 2=Low extent and 1=Very low extent

Statement		1	2	3	4	5
(a)	Management Actions or Inactions					
(b)	Technological management					
(c)	Tedious Legal Processes of prosecuting Fraudsters					
(d)	Personality Characters of individuals					

7. Please indicate the values of each of the following sections

Statement		**2016/17**	**2015/16**	**2014/15**	**2013/14**	**2012/13**
(a)	Net income					
(b)	Average total assets					
(c)	Return on Assets					
(d)	Amount lost to fraud					
(f)	Total amount involved					
(g)	Fraud loss ratio					
(h)	Actual number of fraud cases reported					

8. To what extent do you agree with the following views about financial performance of your Corporation?

(Use a scale of 1-5 where 5=very great extent; 4=Great extent; 3=Moderate extent; 2=Low extent and 1=Very low extent)

Statement		1	2	3	4	5
(a)	Corporation's accounting records are properly recorded					
(b)	The corporation has an effective internal audit staff					
(c)	There has been significant changes in the nature of the corporation's revenues or expenses					
(d)	The financial results are fairly consistent across periods					
(e)	There is adequate disclosures in the financials and footnotes					
(f)	There is a threat of imminent bankruptcy, foreclosure, or hostile takeover					

APPENDIX III: List of State Corporations in Kenya

The Treasury	**Ministry of Industry, Investment and Trade**
Kenya Accountants and Secretaries National Examination Board Privatization Commission Kenya Investment Authority Insurance Regulatory Authority State Corporations Appeal Tribunal Kenya National Assurance Co.(2001) Capital Market Authority Deposit Protection Fund Board National Bank of Kenya Kenya Post Office Savings Bank Consolidated Bank of Kenya Retirements Benefit Authority Kenya Reinsurance Corporation Kenya Revenue Authority Kenya Trade Network Agency Competition Authority of Kenya	Anti- Counterfeiting Agency East African Portland Cement Company Export Processing Zones Authority Kenya Accreditation Service Kenya Bureau of Standards Kenya Industrial Estate Kenya Industrial Property Institute Kenya Industrial Research and Development Institute Kenya Investment Authority Kenya Wine Agencies Micro and Small Enterprise Authority New Kenya Co-operative Creameries Numerical Machining Complex Sacco Societies Regulatory Authority
Ministry of Sports, Culture and the Arts Sports Kenya National Sports Academy National Sports Fund Kenya Cultural Centre National Museums of Kenya Kenya Film Commission Kenya Film Classification Board Kenya National Library Services	**Ministry of Toursim** Kenya Toursim Board Kenya Tourist Development Corporation Kenya International Convention Center Bomas of Kenya Kenya Safari Lodges and Hotels

	Tourism Fund Tourism Regulatory Authority Kenya Utalii College Brand Kenya Board
Ministry of Transport &Infrastructure Kenya Civil Aviation Authority Kenya Airports Authority Kenya Ports Authority Kenya Ferry Services Kenya National Shipping Line Kenya Railways Corporation Kenya Maritime Authority National Transport and Safety Authority Kenya National Highways Authority Kenya Urban Roads Authority Kenya Rural Roads Authority Kenya Roads Board Engineers Board of Kenya	**Ministry Of Education, Science &Technology** National Commission for Science, Technology and Innovation Higher Education Loand Board Commission for University Education Kenya Institute of Curriculum Development Kenya Institute of Special Education Teachers Service Commission Kenya National Examination Council Jomo Kenyatta Foundation
Ministry of Information Kenya Broadcasting Corporation Postal Corporation Of Kenya Konza Technolopolis Development Authority Kenya Film Commission The Kenya ICT Authority The Kenya Yearbook Editorial Board Media Council of Kenya Kenya Film Classification Board Kenya Institute of Mass Communication Communication Appeal Tribunal	**Ministry of Energy and Petroleum** Energy Regulatory Commission Rural Electrification Authority Kenya Pipeline Company Geothermal Development Company Kenya Petroleum Refineries Kenya Power Kenya Electricity Generating Company Kenya Electricity Transmission Company

	National Oil Kenya Nuclear Electricity Board Renewable energy Portal
Ministry of Labour, Social Security and Services National Industrial Training Authority National Social Security Fund National Council for Persons with Disabilities Social Protection Secretariat Productivity Center of Kenya National Council for Children Services	**Ministry of Environment, Natural Resources and Regional Development Authorities** National Environment Management Authority Kenya Water Towers Agency Kenya Wildlife Service Kenya Forest Service Kenya Forest Research Institute
Ministry of Lands, Housing and Urban Development National Housing Corporation National Construction Authority Kenya Building Research Centre Settlement Fund Trustees	**Ministry of Health** Kenya Medical Research Institute Kenya Medical Supplies Agency National Hospital Insurance Fund
Ministry of Defense Kenya Ordnance Factories Corporation	**Ministry of Interior and Coordination of National Government** The National Authority for the Campaign Against Alcohol and Drug Abuse

Source: http://www.infohub.co.ke/2017/02/list-of-kenyan-parastatals-state.html