RISK MANAGEMENT POLICY IMPLEMENTATION AND PERFORMANCE OF QUALITY INFRASTRUCTURE IN SELECTED STATE CORPORATIONS IN KENYA

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International Academic Journal of Arts and Humanities (IAJAH) | ISSN 2520-4688

Received: 28th February 2025

Published: 5th March 2025

Full Length Research

Available Online at: https://iajournals.org/articles/iajah_v2_i1_89_114.pdf

Citation: Nyamwaya, W. M., Minja, D. (2025). Risk management policy implementation and performance of quality infrastructure in selected state corporations in Kenya. *International Academic Journal of Arts and Humanities, 2*(1), 115-138.

ABSTRACT

This research investigated the effect of implementation of the risk management policy on performance of Quality Infrastructure of State Corporations in Kenya. The study sought to meet the following objectives: to evaluate the effect of implementation of Risk Management oversight regime on performance and the effect of implementation of institutional Risk Management framework requirements on performance of Quality Infrastructure State Corporations in Kenya; to determine the effect of implementation of Risk Management Governance on performance of Quality Infrastructure State Corporations in Kenya. The literature review concentrated on studies that are based on facts, the theoretical and conceptual models, and frameworks. The descriptive research design was employed. The group of interest was around 250 employees, including those in senior management, middle management, and operational roles at the main offices of Quality Infrastructure State Corporations located in Nairobi County. A sample size of 75 employees, representing 30% of the total group were selected through simple random sampling. To gather data, a semi-structured questionnaire was utilized. Before collecting the data, the questionnaire was piloted and a test for reliability was assessed. A Cronbach's alpha level of … was attained. Secondly the instrument's validity was tested using the supervisor's expertise. Authorization was sought from the NACOSTI. The significance level (p-value) of 0.002 confirms that the relationship between the independent variables and the dependent variable is statistically significant. Since the p-value is lower than the conventional threshold of 0.05, it is concluded that risk management policy implementation significantly influences the performance of quality infrastructure State Corporations. The study concludes that risk management policy implementation significantly affects the performance of quality infrastructure State Corporations in Kenya. The study concludes that an effective risk management oversight regime is essential for enhancing the performance of quality infrastructure State Corporations in Kenya. The study recommended that national government should allocate adequate resources to support the establishment of risk management systems, including the training of personnel, acquisition of technology, and regular audits to ensure compliance with these policies. Strengthening the capacity of oversight institutions, such as the Auditor General and Public Procurement Oversight Authority, is also critical to ensure these policies are effectively monitored and enforced.

Key words: Risk Management Policy and Performance of Quality Infrastructure.

INTRODUCTION

This research seeks to ascertain the association between implementation of the risk management policy and the performance of organisations in the context of Quality Infrastructure State Corporations in Kenya.

Globally, public institutions have embraced and institutionalized Risk Management to help support continuity of government operations, service delivery and protection of the interests of taxpayers from any transactions or dealings that could cause loss of public funds or property (Loosemore, 2017). Additionally, adoption of Risk Management in the public sector in the global front is driven by expectations of stakeholders who are increasingly demanding for better performance depicted by better public services from public sector organizations (Loosemore, 2017).

A study by Moloi (2016) confirmed that implementation of ISO 31000 (which prescribes Principles and Guidelines of Risk Management) by public sector organizations in Australia, Indonesia, South Africa, Russia, Canada, European Union and South Korea was effective in enhancing their performance.

In Kenya, studies by Hardcastle, Edwards, Akintoye and Li (2016), Otieno et al (2020) and Musyoka (2012) establish a direct positive core relationship between Risk Management and performance improvement.

Risk Management can be originally traced to the Internal Control – Integrated Framework developed in the year 1992 by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). The Framework was made up of three categories of objectives and five components including risk assessment (Perera et al, 2020).

However, it is not until the year 2004 that a framework dedicated to Risk Management was developed. Development of the framework was influenced by the scandals involving large public companies such as Enron Corporation, WorldCom, and Tyco International which almost crippled the economy of the USA. To address the loopholes in the existing laws exposed by the scandals, the Sarbanes-Oxley Act was enacted in 2002. Drawing from the provisions of the Act, in 2004, COSO developed a framework dedicated to enterprise Risk Management known as the Enterprise Risk Management-Integrated Framework. This Framework was until 2017, the defacto standard of Risk Management which has been adopted and implemented internationally. However, over time, the framework proved to be too complicated for many organizations to understand and implement (Sithipolvanichgul, 2016). Thus, in 2017, COSO updated the 2004 framework and issued the Risk Management - Integrating with Strategy and Performance framework 2017. This framework links Risk Management, strategy and performance and shows that implementing Risk Management can spur an organization's performance (Perera et al, 2020).

The International Standards Organization ISO has also weighed in on Risk Management through the Development of two standards i.e. ISO 31000:2009 The International Standards for Risk Management, which has many commonalities with the COSO framework and ISO 31000:2018 which is a guide to Risk Practitioners, which emphasizes the need to insert Risk Management into the organization strategy and operations (Perera et al, 2020).

Despite the rise in the adoption of Risk Management by public sector organizations, there is limited literature in implementation of Risk Management in the sector (Alijoyo & Fisabililillah, 2021).

In Kenya, public sector organizations such as State Corporations operate in an environment full of risks. Thus, the organizations are expected to put in place and implement an efficient, effective and transparent Risk Management systems, if they aim to effectively discharge their core mandates and offer goods and services to the public efficiently and effectively (National Treasury PFM Reforms Secretariat, 2022).

In Kenya, the Government through the National Treasury has over time embraced risk management through the incremental development and roll out of the National Risk Management Policy. The Policy aims to guide public institutions on how to design institutional policies, procedures and programs capable of anticipating, detecting and mitigating risks (Wibowo, 2020).

The Risk Management Policy was fist conceptualized in the National Treasury Circular No. 3/2009 of 23rd February 2009. The circular provided the framework guiding public institutions' management on how to develop and implement the Institutional Risk Management Framework (IRMPF). The IRMPF's aim was to provide the basis for effective management of the uncertainties associated with risks, providing assurance towards attainment of performance contracting objectives, strategic objectives and service delivery targets thereby enhancing the public sector's accountability to stakeholders (National Treasury PFM Reforms Secretariat, 2022).

The Circular prescribes: the critical elements of the IRMPF to be adopted at institutional level; the purpose of risk management as a tool for future forecasting, decision making, resource allocation, internal controls and fraud and corruption prevention; the role and responsibilities of Chief Executives of State Corporations as owners of the risk management framework; and requirements for an effective risk management framework capable of providing reasonable assurance (National Treasury PFM Reforms Secretariat, 2022).

In the year 2012, the Public Finance Management Act (PFMA) was passed into law. Subsequent thereto, the National Treasury enacted the PFM (National Government) Regulations, which came into operation in 2015. Regulation 165 of the PFM (National Government) Regulations (2015) reinforced the policy guidelines specified in National Treasury Circular No. 3/2009 by obligating public institutions' management to ensure risk management is institutionalized through development of risk management strategies that encompass fraud prevention and to put in place a risk management system that builds robust business operations (National Treasury PFM Reforms Secretariat, 2022).

In January 2015, the State Corporations Advisory Committee (SCA) and the Public Service Commission (PSC) jointly released the Mwongozo Code of Governance for State Corporations which reinforced the National Treasury Circular No. 3/2009 by prescribing risk management obligations for public organization Boards (National Treasury PFM Reforms Secretariat, 2022). The Code obligates Boards to confirm that their organizations have adequate risk management systems and processes.

Cumulatively, the National Treasury Circular No. 3/2009, Regulation 165 of the PFM (National Government) Regulations 2015 and the various clauses under Chapter 2 and Chapter 3 of the Mwongozo Code of Governance for State Corporations constitute the Policy on Risk

Management in the public sector in Kenya. Review of the implementation performance of the cumulative policy requirements by Quality Infrastructure State Corporations will be informative in ascertaining whether the desired policy outcomes have been attained.

Allen et all (2020) state that there is need for the studies on policy implementation to depart from over reliance in qualitative methods and embrace quantitative measures to be able to identify the effect of implementation determinants (barriers and facilitators) in ensuring that the intended benefits of policies are realized. They further contend that implementation measures such as the extent of adoption, how acceptable, appropriate, feasible, and sustainable a policy is, can be measured using quantitative methods.

This study will quantitatively and qualitatively analyze two measures of policy implementation i.e. adoption and compliance/fidelity to the requirements of the Risk Management Policy. These requirements are: Risk Management Oversight Regime; fidelity to Institutional Risk Management Framework Requirements; Risk Management Governance; fidelity to Fraud and corruption Prevention Mechanisms.

Implementation of risk management oversight at two levels i.e. at Board level and at Management level through the Internal Auditor. At Board level, risk management oversight is first through periodical evaluation of effectiveness of institutional risk assessment to ensure that risk management is adequate; assessing the degree to which management has implemented successful risk management techniques, has reviewed organizational risks, and is aware of the most significant organizational risks and finally by the Board assuring itself that management is responding appropriately to the risks within the organisations risks portfolio (National Treasury Circular No.3, 2009).

At the management level, risk management oversight is carried out by the Internal Auditor, who reports to management on a regular basis about the effectiveness of the risk management framework that the organization has put in place. This includes evaluating the process's efficacy, confirming that organizational risks are properly classified, making sure risk mitigation measures are developed and implemented, and making sure that risks are tracked and reevaluated to ascertain the efficacy of the controls put in place to achieve the risks (National Treasury Circular No.3, 2009).

Implementation of the requirements of the Risk Management Policy Framework is through: putting in place a strategy that puts into consideration future events and outcomes which have the potential of influencing achievement of organizational objectives or impacting stakeholder interest negatively and embedding the strategy in the strategic plan; making periodic reports by the internal auditor to the management on the effectiveness of the organizational risk management process and preparation of report on the effectiveness of the risk management to the Board as well as management communication of the organizational risk management philosophy in policy statements to staff; putting in place a reliable institutional risk identification and mitigation process through assigning the responsibility of identifying and measuring the impact of internal and external risks and putting in place internal procedures and controls for the mitigation of identified risks; putting in place effective procurement policies and processes that promote competitiveness, integrity, fairness, transparency and deliver value for money, backed by an effective procurement unit with qualified personnel and monitoring of risks in the procurement process and ensuring they are addressed in accordance to the organization's risk management policy; putting in place an efficient record management system

managing how records are created, maintained, used and disposed; and putting in place an effective social accountability arrangement anchoring public reporting on expenditure, procurement activities and complaints handling; and ensuring community participation in decision making (National Treasury Circular No.3, 2009).

Implementation of Risk Management Governance is through application of governance requirements such as internal controls and transparency and disclosures to Risk Management through: disclosure in the Board's annual transparency and disclosure report the organization's policy on risk management; disclosure of the key organisational risks, and ensuring that stakeholders access timely relevant and accurate risk disclosures; the Board establishing a risk management function within the organization supported by adequate, qualified, competent and motivated personnel who are well versed with risks in their functional areas and appointing a management committee responsible for risk management in the organization, whose performance is reviewed by the Board once a year; channeling adequate resources towards risk mitigation; ensuring that risk assessment is carried out on a continuous basis; setting out the Board's responsibilities in risk management in the Board Charter; having a strong internal control system in place; Adopting a risk management policy encompassing sustainability, ethics and compliance risks and the risk management framework; and reviewing the risk management framework on a quarterly basis (Mwongozo, 2015).

Implementation of Fraud and corruption Prevention Mechanisms is through adoption of the three corruption prevention mechanisms prescribed by the Policy i.e. corruption reporting mechanisms; internal controls systems; and value for money audits through: providing means of corruption reporting such as reporting boxes, anonymous websites and report centers, carrying out corruption risk assessment surveys, undertaking corruption prevention training programs, examining existing financial management systems, policies procedures and practices to ascertain potential corruption loopholes and sealing the loopholes, formulating institutional policies and procedures with inbuilt corruption prevention mechanisms in financial management, records management and procurement; formulating and implementing institutional codes of conduct and ethics; vetting new recruits to ensure they are of high integrity; retaining qualified personnel and ensuring professional employees are registered members of their respective professional bodies and they comply with their professional codes of conduct; and conducting value for money audits in various operating systems such as cash management, transport, revenue and contracts which are capable of abuse thereby promoting unethical conduct.

Quality Instructure State Corporations are the State Corporations mandated with protecting consumers' right to safe products and quality services. This research has considered two Core QI State Corporations i.e. Kenya Accreditation Service (KENAS) and Kenya Bureau of Standards (KEBS). The Kenya Bureau of Standards is a core QI State Corporation which covers three out of four quality infrastructure functions i.e. standards, metrology and conformity assessment. KEBS is established under the Standards Act and has been in existence since 1974. As the National Standards Body, KEBS is mandated to undertake development, adoption, adaptation, and dissemination of international standards as well as development of technical rules for products and marks. As the National Metrology Institute, KEBS is charged with traceability of measurements to SI. Finally, as a conformity assessment body, KEBS operates product testing laboratories, and it is a certification conformity assessment body for

products under normative Standard ISO/IEC 17021-1:2015 and management systems under normative Standard ISO/IEC 17065:2012. Internationally and regionally, KEBS is strategic as it represents Kenya in ISO/IEC, ARSO, BIPM and AFRIMETS. It also supports the WTO/TBT Agreement on trade facilitation as the National Enquiry Point (Harmes-Liedtke, 2021).

In the recent past, KEBS has been the subject of several corruption scandals touching on its mandate. Its reputation has also been put to question due to criminal behaviour of its management (Gitonga, 2019).

The Kenya Accreditation Service covers the accreditation function in the national quality infrastructure function. Its objective is to offer third party attestation that standards are being complied with, thereby increasing confidence in Kenyan products and services locally and globally. Mutual recognition of equivalence of accredited bodies worldwide facilitates trade, improves economic outcomes and enhances consumer protection, quality, health and safety and environment protection.

KENAS was formally established as an Independent Accreditation Body in 2009 vide Legal Notice No.55 of 2009 under the State Corporations Act, Cap.446 and subsequently re-established in 2019 as the National Accreditation Body under the Kenya Accreditation Services Act No. 17 of 2019. Its core mandate is to accredit and exercise oversight over organizations, both private and public, that carry out conformity assessment activities.

KENAS is an important reference point in international, regional, and national, accreditation activities. It is one of the three sub-Saharan Accreditation bodies that are full members and signatory of AFRAC, ILAC and IAF mutual recognition arrangements. Despite its central role as quality infrastructure institution, KENAS is a little-known State Corporation whose core mandate is also unknown to majority of the consumers in Kenya (Harmes-Liedtke, 2021).

Performance objectives and targets for QI State Corporations in Kenya are set and evaluated annually alongside other State Corporations within the Performance Contracting (PC) framework. Under the framework, performance measurement is through financial and non-financial indicators (Public Service Performance Management Unit, 2022).

The financial indicators measured by the framework include Settlement of financial obligations, budget absorption, return on investment, pre-tax profits, and payment of dividends to the National Treasury. The non-financial indicators measured by the framework include Attainment of Core Mandate objectives, project completion rate, corruption prevention and access to government Procurement (Public Service Performance Management Unit, 2022).

Table 1.1 below analyses the performance of QI State Corporations in the past three financial years.

Table 1.1: Three Year QI State Corporation PC performance (Composite scores)

QI State Corporation	PC Performance FY 2020/21	PC Performance FY 2021/22	PC Performance FY 2022/23
KENAS	3.3037	3.0913	3.3020
KEBS	*3.2428*	*3.1620*	*3.2428*

(Source; Public Service Performance Management and Monitoring unit, 2021, 2022 & 2023)

Table 1.2: Guide on PC Performance Grades

Performance Grade	Achievement Level
Excellent	(130%) Exceeds set target by up to 30%
Very Good	(100%) on target
Good	(70% to 90%) Below target
Fair	(50% to 70%); - Way below target
Poor	(0% to 50%); - Far much below target

(Source; Public Service Performance Management and Monitoring unit, 2023)

As is evident from both table 1.1. and table 1.2, both QI state corporations have in the three years consistently performed below target. According to the National Treasury (2022), high performing organisations maintain an efficient Risk Management system.

The study therefore weighs performance of the QI State Corporations vis a vis their implementation of the Risk Management Policy to ascertain the relationship thereof.

Statement of the Problem

Previous research has indicated a direct and positive correlation between state corporations' overall performance and their ability to manage risks effectively. The relationship between QI State Corporations' performance and the application of the Risk Management Policy's requirements is, nevertheless, understudied in the literature.

Poor performance is attributed by Amulyotyo (2014) and Otieno et al (2020) to insufficient institutional risk management framework implementation. Abuya (2008) attributed sub-par performance to a general lack of knowledge among employees regarding the risk management strategies put in place by their companies. Furthermore, it was discovered by Thomas et al. (2013) and Roumboutsos and Anagnostopoulos (2018) that risk management enhances a firm's performance though fraud prevention.

In compliance with with the Risk Management Policy, QI State Corporations in Kenya started implementing risk management ten years ago. Despite the implementation, QI State Corporations have continuously underperformed as evidenced by the analysis in 1.1.5 above (Public Service Performance Management and Monitoring unit, 2021, 2022 & 2023).

Given their fundamental role in safeguarding consumer rights, their failure to meet the performance targets is dangerous. The same may be the source of the scandals such as the condemned sugar scandal, the edible oil scandal and most recently the fake fertilizer scandal, all of which have occurred within the past three years (Wafula, 2023).

Mention specifically what the previous studies left out regarding RM policy implementation

This research filled the existing literature gap by specifically investigating the relationship between implementation of the Risk Management policy and performance of QI State Corporations in Kenya.

Objectives of the Study

i. To evaluate the effect of implementation of Risk Management oversight regime on performance of QI State Corporations in Kenya.
ii. To assess the effect of implementation of institutional Risk Management framework requirements on performance of Quality Infrastructure State Corporations in Kenya.

REVIEW OF RELATED LITERATURE

Theoretical Framework

This section covers three theoretical foundations to this study i.e. the agency theory and the contextual interaction theory.

Agency Theory

The theory was proposed by Barry Mutnick and Stephen Ross in 1973. It is concerned with the study of the challenges arising out of delegation of tasks from principals to agents considering the conflicting interests between the principals and the said agents. The theory also examines the conditions under which incentives and monitoring measures can be applied to minimize the effects of the competing interests (Linder & Foss, 2013).

In this study, the management of QI Corporations is the agent. The National Government through the National Treasury which is the body mandated to oversee Risk Management in State Corporations together with the Boards charged with Governing QI State Corporations are the principal.

The instructions from the principal to the agent in the context of this study is the risk management policy. The Board adopts Risk management as a mechanism aimed at addressing issues around agency inside the firm such as information asymmetry. (Girawa et al, 2020).

This study adopted Agency theory on the grounds that Risk Management does not occur in a vacuum. In principle, Risk Management is executed within the construct of agent and principal relationship. The management of state-owned enterprises (agent) is required to act in the best interest of its Principal (the Government and by operation, the public. Thus, legally, state officers or public officers must act, make decisions, and/or institute Risk Management systems that improve service delivery to the pubic or safeguard taxpayers' funds.

Contextual Interaction Theory

Hans Bressers created the Contextual Interaction Theory (CIT) in 2009. The dynamic interactions between players in the process of implementing policies are explained by the theory. The theory holds that actors' authority, motive, and capacity for thought all have a significant impact on how policies are implemented. Actors' motivation is demonstrated by their willingness to participate in policy implementation; their cognition is demonstrated by their comprehension of the goals of the policy and how to participate in its implementation; and their power is demonstrated by the availability of necessary human resources, which allows actors to have influence over the policy's implementation. Therefore, choosing how to implement policies becomes a balancing act involving incentive, intellect, and power (Owens, 2008).

As a result, the theory contends that inputs alone do not produce the mechanisms and outcomes of policy implementation. Actors' power, motivation, and intelligence are highly dependent on one other (Owens, 2008).

This theory used in this study because it makes clear how different actors interact during the execution of risk management policies and how they affect the outcomes of such policies.

Empirical Review

Risk Management Oversight

According to a study by Kisaka and Musomi (2015), internal auditing and board of directors' oversight have a major impact on financial performance. The survey examined the impact of risk management responsibilities on the performance of investment firms in Kenya, with a focus on the role of the risk manager. The research further uncovered that the impact is most felt when Risk Management is cascaded to all staff, but the impact is negative when only one function head such as the Director of Finance is involved.

Furthermore, Ping and Muthuveloo (2015) found that board oversight of institutional risk management had a noteworthy effect on the association between risk management implementation and firm execution in their study examining the effect of enterprise risk management on the execution of Malaysian firms. The findings were supported by data collected from 103 respondents selected from Public Listed Companies (PLCs) in Bursa, Malaysia, collected through a questionnaire survey and analysed using Partial Least Squares and Structural Equation Modelling Tool.

Conversely, research on United Kingdom Publicly Listed Companies by Fraser & Henry (2007), found that while it was believed that internal auditors play a role in oversighting Risk Management, there were concerns about the internal auditor's expertise in effectively oversighting Risk Management. On Board oversight through the audit Committees the study found that despite the audit committee's involvement in risk Management, it was doubtful whether there would be sufficient time and expertise at the Board level to undertake operational level risk reviews. The study thus recommended that audit committees should only maintain the watching brief/oversight role over the Risk Management process.

Another study by Odoyo et al. (2014) found that many employees of State Corporations were not aware of the role that Internal Audit plays in risk management, highlighting a gap in understanding regarding the function of Internal Audit in implementing risk management strategies within these organizations. According to the report, State Corporation management should support and pledge to support the internal audit function in order to monitor the adequacy and efficacy of organizational risk management. Data gathered from 99 participants from 9 State Corporations corroborated the findings.

Institutional Risk Management Policy Framework Requirements

This study considered the Risk Management policy framework in the context of Risk Management strategy, risk reporting, risk identification and mitigation process, procurement Risk Management, records management, and social accountability. There was little to no empirical literature evaluating the effect of two requirements i.e. Risk Management strategy and social accountability on organizational performance.

An empirical review study by Egiyi and Eze (2022) investigating Risk Management's influence on Organizational Efficiency found that risk review and analysis and monitoring positively influences organizational efficiency. Conversely, risk identification did not significantly

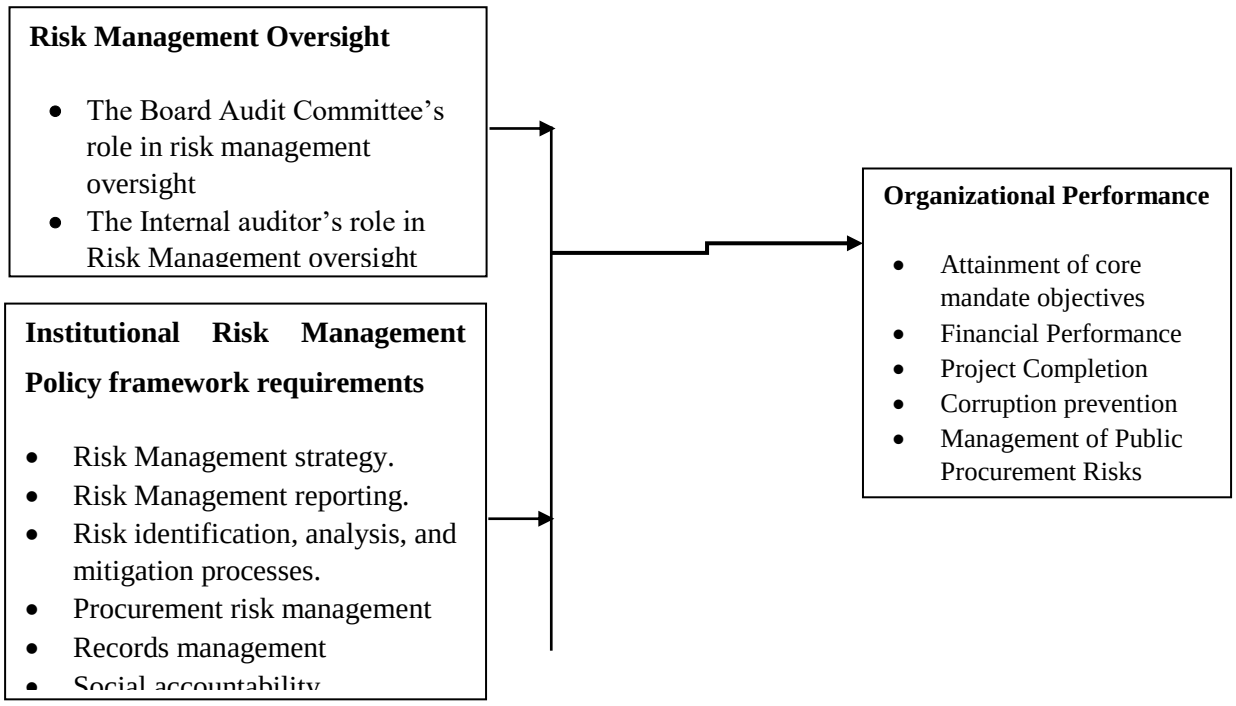
influence organizational efficiency. The foregoing findings were supported by data collected from 510 respondents working in banking organizations in Nigeria and analyzed using correlation and regression analysis.

Chaponde (2020) explored how the management of procurement risks is linked to the success of procurement efforts within several government-owned entities in Dar es Salaam, Tanzania. What she discovered was that stakeholder engagement in procurement risk management, risk monitoring procedures, and methods for identifying procurement risks all had a significant impact on performance. Out of the 316 respondents who made up the target group, 120 respondents provided the data that supported the conclusions. The quantitative data was analyzed using factor analysis, correlation, multiple regression, and other analytical approaches; the qualitative data was analyzed using content analysis.

Ahimbisibwe (2016) investigated how risk management influenced performance in record management and found that performance in record management was strongly influenced by effective risk management. The findings were supported by data collected from Public Procuring and Disposal Entities regulated by the Public Procurement and Disposal of Assets Authority using cross sectional study.

Conceptual Framework

A conceptual framework, according to Saunders et al. (2009), is an interconnected model that illustrates the relationship between study variables. The relationship between risk management governance, oversight, institutional risk management policy framework requirements, and fraud and corruption prevention mechanisms as independent variables and the performance of QI State Corporations in Kenya as the dependent variable which is influenced by actors' power, motivation, and cognitive abilities is depicted in Figure 2.1 below.



RESEARCH METHODOLOGY

To ascertain the effect of QI State Corporations' performance on the implementation of their risk management policy, this study employed a descriptive research design. As per Greener's (2008) assertion, researchers employ a descriptive approach when their objective is to scrutinize and depict a specific behavior in its natural habitat. Furthermore, a descriptive study approach aids in the determination and reporting of the state of affairs (Mugenda & Mugenda, 2003). The study was conducted within Nairobi City County where the Headquarters of Kenya Accreditation Service and Kenya Bureau of standards are located.

e target demographic for this study was 250 employees who work in the Nairobi headquarters of the two QI State Corporations. Using basic random sampling, 30% of the total population was sampled for this study. Mugenda & Mugenda (2013) state that a sample size of 20 to 30 percent is suitable for a sample that is neither too big nor too small. Data was gathered from both primary and secondary sources. The data gathering for primary sources involved using a semi-structured questionnaire. The research employed both qualitative and quantitative data analysis techniques. Qualitative data was assessed utilizing content evaluation to identify patterns in collected data while SPSS was used to organize code and analyze and generate the quantitative report. The researcher examined the link between the independent and dependent variables in this research.

RESULTS AND FINDINGS

The researcher distributed 75 questionnaires to the selected participants. Of these, 70 were completed and returned, resulting in a response rate of 93.3%, which was considered adequate for this study as it aligns with the recommendation by Cohen, Manion & Morrison (2017) that a response rate of 50% is sufficient for analysis, 60% is good, and 70% or higher is excellent. Results on gender distribution of respondents indicated that 61.4% were male while 38.6% were female indicating a higher representation of male respondents in the study. This gender disparity may reflect the typical gender dynamics within quality infrastructure state corporations in Kenya. Data on education levels attained indicated that the majority (60%) of the respondents hold an undergraduate degree, followed by 22.9% with a diploma and 17.1% with a postgraduate degree. These findings were significant in relation to the effect of risk management policy implementation on the performance of quality infrastructure state corporations in Kenya because the educational qualifications of the workforce play a pivotal role in determining the capacity for implementing and managing complex risk policies.

Risk Management Oversight Regime and Performance of Quality State Corporations

The first objective of the study was to evaluate the effect of implementation of risk management oversight regime on performance of quality infrastructure state corporations in Kenya. Respondents were asked to rate their level of agreement with each statement about the risk management oversight regime and how it affects the performance of quality infrastructure state corporations on a scale of 1 to 5, with 1 (strongly disagree), 2 (disagree), 3 (neutral), 4 (agree), and 5 (strongly agree). The results were presented in Table 1.

Table 1: Descriptive statistics on Risk Management Oversight Regime

Statements	Mean	Std. Dev

The board audit committee oversights the adequacy of institutional risk assessment.	3.73	0.676
The risks are monitored and reassessed to determine the effectiveness of the controls put in place to manage the risks.	3.64	0.671
Risk management committee reviews risk mitigation ensuring measures are developed and implemented.	3.58	0.662
The committee reviews the portfolio of organizational risks and is aware of the most significant organizational risks.	3.67	0.669
Risk management through evaluation of the extent to which management has established effective risk management strategies.	3.52	0.654
The committee confirms that management is responding appropriately to the risks.	3.70	0.674
The board audit committee oversight ensures proper categorization of organizational risks.	3.49	0.645
Average scores	**3.62**	**0.664**

Source: Field Data (2024)

The findings presented in Table 1 show that the mean scores for the statements range between 3.49 and 3.73, indicating relatively high levels of agreement among respondents that these oversight mechanisms are in place. The first statement, "The board audit committee oversights the adequacy of institutional risk assessment," has a mean of 3.73 and a standard deviation of 0.676. This indicates that respondents generally agree that the board audit committee plays a significant role in ensuring that the institutional risk assessments are adequate. This oversight function is essential because effective risk assessment is the foundation for identifying and managing risks that can impact an organization's performance. According to COSO (2017), a well-functioning board audit committee ensures that potential risks are adequately assessed and addressed, improving the overall governance and performance of an institution. In the context of quality infrastructure state corporations, this role helps in aligning risk management practices with the organization's operational and strategic goals, leading to improved performance.

The statement, "The risks are monitored and reassessed to determine the effectiveness of the controls put in place to manage the risks," has a mean of 3.64 and a standard deviation of 0.671. This shows that respondents believe that risk monitoring and reassessment are regularly conducted. Continuous risk monitoring is critical because it ensures that the risk management controls in place remain effective over time (Frigo & Anderson, 2019). For quality

infrastructure state corporations, this implies that the organizations are proactive in ensuring that the controls remain responsive to changing risks, which enhances their resilience and ability to maintain consistent performance.

The statement, "Risk management committee reviews risk mitigation ensuring measures are developed and implemented," has a mean of 3.58 and a standard deviation of 0.662. Respondents agree that the risk management committee is actively involved in reviewing and ensuring that risk mitigation strategies are put in place. Effective risk mitigation reduces the likelihood of adverse outcomes, contributing to better organizational performance (Beasley, Clune, & Hermanson, 2023). In state corporations that manage infrastructure projects, the ability to mitigate risks efficiently is crucial for minimizing disruptions and ensuring project continuity, thus positively influencing overall performance.

The statement "The committee reviews the portfolio of organizational risks and is aware of the most significant organizational risks" has a mean of 3.67 and a standard deviation of 0.669. This highlights the committee's role in identifying the most critical risks facing the organization. Awareness of significant risks is vital for prioritizing resource allocation and ensuring that attention is given to high-impact risks (Lam, 2024). In the context of quality infrastructure state corporations, this ensures that the most pressing risks, such as financial, operational, or strategic risks, are addressed promptly, contributing to better risk management outcomes and improved organizational performance.

The statement, "Risk management through evaluation of the extent to which management has established effective risk management strategies," has a mean of 3.52 and a standard deviation of 0.654. This indicates that respondents agree that risk management practices are evaluated to ensure effectiveness. Regular evaluation of risk management strategies ensures that any gaps in risk controls are identified and addressed. Braun (2021) notes that continuous improvement in risk management strategies is essential for maintaining organizational performance, particularly in state corporations where infrastructure projects often carry long-term financial and operational risks.

The statement, "The committee confirms that management is responding appropriately to the risks," with a mean of 3.70 and a standard deviation of 0.674, shows strong agreement that the board audit committee ensures management's appropriate response to risks. Timely and effective responses to risks are essential for minimizing potential damage and ensuring continuity in operations. This role of the committee ensures that risk management is not merely a theoretical exercise but one that leads to concrete actions, which in turn enhances the performance of state corporations in the quality infrastructure sector (COSO, 2017).

The statement, "The board audit committee oversight ensures proper categorization of organizational risks," has a mean of 3.49 and a standard deviation of 0.645. Proper categorization of risks ensures that risks are classified in a way that facilitates targeted management strategies. This process enables organizations to allocate resources and apply risk mitigation techniques more effectively, which is crucial for maintaining high performance levels (Gull, Abid, Hussainey, Ahsan & Haque, 2023). In quality infrastructure state corporations, categorizing risks allows for a structured approach to managing risks that vary from operational to strategic levels.

Risk Management Framework Requirements and Performance of Quality State Corporations

The objective two was to assess the effect of implementation of institutional risk management framework requirements on the performance of quality infrastructure state corporations in Kenya. Respondents were asked to rate their level of agreement with each statement about the risk management framework requirements and how it affects the performance of quality state corporations on a scale of 1 to 5, with 1 (strongly disagree), 2 (disagree), 3 (neutral), 4 (agree), and 5 (strongly agree). The means and standard deviations were developed. The results were presented in Table 2.

Table 2: Descriptive Statistics for Risk Management Framework Requirements

Statements	n	Mean	Std. Dev
The internal auditor makes periodic reports to the management on the effectiveness of the organizational risk management process.	70	3.78	0.748
The internal auditor prepares a written assessment of the effectiveness of the risk management to the board.	70	3.74	0.736
The organization has communicated the organizational risk management philosophy in a policy statement to staff.	70	3.69	0.721
The organization has put in place effective procurement policies and processes that promote competitiveness, integrity, fairness, transparency and deliver value for money.	70	3.63	0.714
The organization has put in place an efficient record management system that manages creation, maintenance, use and disposal of records.	70	3.81	0.765
The organization has an effective procurement unit with qualified personnel.	70	3.76	0.752
Average scores		**3.74**	**0.739**

Source: Field Data (2024)

Table 2 provides the descriptive statistics related to the risk management framework in quality infrastructure state corporations in Kenya. The mean scores across various statements range from 3.63 to 3.81, indicating strong agreement on the effectiveness of key risk management practices. The statement "The internal auditor makes periodic reports to the management on the effectiveness of the organizational risk management process" has a mean of 3.78 and a standard deviation of 0.748. This suggests that respondents generally agree that internal auditors provide periodic reports to management. Internal audit plays a key role in ensuring that the risk management processes are functioning as intended, and periodic reporting ensures that any gaps are identified and addressed. According to the Institute of Internal Auditors (IIA, 2019), these reports provide critical feedback that enables organizations to continually improve

their risk management strategies, thus enhancing overall performance. In the context of quality infrastructure state corporations, this ensures timely identification and mitigation of risks, which positively impacts their operations.

The second statement, "The internal auditor prepares a written assessment of the effectiveness of the risk management to the board," has a mean of 3.74 and a standard deviation of 0.736. This shows strong agreement among respondents that internal auditors submit formal assessments of the organization's risk management processes to the board. These assessments are crucial for providing the board with an independent view of the effectiveness of the risk management framework. González, Santomil and Herrera (2020) note that such assessments enhance accountability and transparency, improving the alignment of risk management policies with the strategic objectives of the organization, thus boosting performance.

The statement "The organization has communicated the organizational risk management philosophy in a policy statement to staff" has a mean of 3.69 and a standard deviation of 0.721. This indicates that respondents agree that organizations clearly communicate their risk management philosophy. Effective communication of risk management policies is essential for fostering a risk-aware culture within the organization (Oduoza, 2020). For quality infrastructure state corporations, this communication ensures that employees at all levels understand the importance of risk management and their roles in mitigating risks, contributing to improved organizational performance.

The fourth statement, "The organization has put in place effective procurement policies and processes that promote competitiveness, integrity, fairness, transparency, and deliver value for money," has a mean of 3.63 and a standard deviation of 0.714. Respondents agree that procurement policies in place are effective and promote key values such as competitiveness and transparency. Sound procurement policies are vital for minimizing risks related to supplier selection, contract management, and procurement fraud (Malik, Zaman & Buckby, 2020). In quality infrastructure state corporations, the implementation of effective procurement policies ensures that resources are used efficiently, projects are completed on time, and overall performance is optimized.

The statement "The organization has put in place an efficient record management system that manages creation, maintenance, use, and disposal of records" has the highest mean of 3.81 and a standard deviation of 0.765. Respondents strongly agree that the organization has an efficient record management system. An efficient record management system is critical for ensuring that documentation related to risk management, procurement, and other processes is properly maintained and accessible when needed. According to Elamer, Ntim and Abdou (2020), proper records management contributes to organizational accountability and reduces risks associated with missing or incorrect documentation. In quality infrastructure state corporations, efficient record management enhances transparency and supports risk mitigation efforts, leading to better performance.

The statement, "The organization has an effective procurement unit with qualified personnel," has a mean of 3.76 and a standard deviation of 0.752. Respondents agree that the procurement units in these organizations are staffed with qualified personnel. Having skilled professionals in procurement ensures that procurement processes are carried out in a manner that minimizes risks such as supply chain disruptions and financial mismanagement (Landoll, 2021). In quality infrastructure state corporations, a competent procurement team ensures that projects are

completed on time, within budget, and according to the required quality standards, thus enhancing overall performance.

Performance of Quality Infrastructure State Corporations

The study to evaluate the performance of quality infrastructure state corporations in Kenya. The respondents were asked to indicate their agreement level with each statement related to performance of quality infrastructure state corporations on a scale of 1 to 5 where 1 (strongly disagree), 2 (disagree), 3 (neutral), 4 (agree), 5 (strongly agree). The means and standard deviations were developed. The results were presented in Table 3.

Table 3: Descriptive Statistics on Performance of Quality Infrastructure State Corporations

Statements	n	Mean	Std. Dev
Attainment of core mandate objectives	70	3.61	0.637
High profit attained (more returned in term of finance)	70	3.55	0.632
Project completion on time	70	3.53	0.629
Corruption is prevented	70	3.49	0.618
Management of public procurement risks	70	3.46	0.607
Average scores		**3.53**	**0.625**

Source: Field Data (2024)

The results presented in Table 3 established that majority of the respondents agreed that there is attainment of core mandate objectives as indicated by a mean score of 3.61 and a standard deviation of 0.637. This high mean suggests that respondents agree that risk management policy implementation positively impacts the fulfilment of core organizational mandates. Quality infrastructure state corporations are typically tasked with overseeing standards in critical sectors such as health, transport, and construction. Through mitigating operational risks, risk management frameworks enable these corporations to focus on delivering essential services and meeting their strategic objectives (Aswal, 2020). This finding emphasizes the critical role of risk management in enhancing organizational effectiveness.

The statement "High profit attained (more returned in terms of finance)" has a mean of 3.55 and a standard deviation of 0.632. This suggests moderate agreement that risk management policies contribute to financial profitability. Effective risk management minimizes financial losses caused by issues such as project delays, procurement inefficiencies, or non-compliance with regulations (Muthoni & Kinyua, 2020). In quality infrastructure state corporations, profitability may not always be the primary goal, but the reduction of risks often leads to financial benefits, either through cost savings or better resource utilization, resulting in improved financial performance.

The statement "Project completion on time" has a mean of 3.53 and a standard deviation of 0.629. This indicates that effective risk management contributes to timely project completion. By identifying and addressing potential risks in advance, state corporations can better manage project timelines and avoid delays caused by unforeseen issues (Kerzner, 2017). This is particularly important in infrastructure-related projects, where delays can significantly impact both costs and the attainment of broader development goals. The implementation of robust risk

management policies helps ensure that projects stay on track, contributing to organizational performance.

The statement "Corruption is prevented" has a mean of 3.49 and a standard deviation of 0.618. Although this score is slightly lower than the others, it still indicates agreement that risk management policies play a role in preventing corruption. Corruption is a significant risk in public sector organizations, including quality infrastructure state corporations, and it can severely undermine organizational performance (Transparency International, 2021). Effective risk management policies, particularly those focusing on internal controls and procurement processes, are essential for mitigating the risks of corruption and ensuring accountability within the organization. This is aligned with the broader goal of enhancing public trust and ensuring value for money in public projects.

The final statement, "Management of public procurement risks," has a mean of 3.46 and a standard deviation of 0.607. This finding suggests moderate agreement that risk management policies effectively address procurement-related risks. Procurement is a critical area of risk for state corporations, particularly in infrastructure projects, where issues such as supplier performance, cost overruns, and delays can significantly affect project outcomes (Beldinne & Gachengo, 2022). Through implementing comprehensive risk management policies, these corporations can mitigate procurement risks, ensuring transparency, competitiveness, and fairness in procurement processes. Effective procurement risk management is essential for the successful completion of projects and the efficient use of public resources.

Model Summary

The findings of coefficient of correlation R and coefficient of adjusted determination R^2 is as shown in Table 4

Table 4: Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	0.729	0.531	0.518	0.074

a. Predictors: (Constant), Risk management oversight regime, risk management framework requirement

b. Dependent Variable: Performance quality infrastructure state corporations

Source: Field Data (2024)

Table 4 presents a model summary that provides essential insights into the relationship between risk management policy implementation and the performance of quality infrastructure state corporations in Kenya. The R-value of 0.729 indicates a strong positive correlation between the independent variables (risk management policy implementation) and the dependent variable (organizational performance). This suggests that the adoption and enforcement of robust risk management policies have a significant influence on the performance of quality infrastructure state corporations (Power, 2016). A strong correlation signifies that as these risk

management strategies are enhanced, there is a corresponding improvement in organizational performance (Bohnert, Gatzert, Hoyt & Lechner, 2019). The R Square value of 0.531 shows that 53.1% of the variance in the performance of quality infrastructure state corporations can be explained by the variables in the model (risk management oversight framework). The remaining 46.9% could be influenced by other factors not included in the model, indicating that while risk management is crucial, other elements may also contribute to the performance outcomes (O'Connor, Kotze & van Heerden, 2017).

ANOVA

An ANOVA was conducted at 95% level of significant, the findings of $F_{Calculated}$ and $F_{Critical}$ are as shown in Table 5.

Table 5 ANOVA Results

Model	SS	df	MS	F	Significance
Regression	34.28	2	18.64	13.7	0.002[a]
Residual	42.65	68	1.275		
Total	76.93	70			

a. Predictors: (Constant), Risk management oversight regime, risk management framework requirement

b. Dependent Variable: Performance quality infrastructure state corporations

Source: Field Data (2024)

The ANOVA results presented in Table 5 provide further insights into the significance of the relationship between the independent variables (risk management oversight regime and risk management framework requirements) and the performance of quality infrastructure state corporations in Kenya. The significance level (p-value) of 0.002 confirms that the relationship between the independent variables and the dependent variable is statistically significant. Since the p-**value** is lower than the conventional threshold of 0.05, it is concluded that risk management policy implementation significantly influences the performance of quality infrastructure state corporations (Kaplan & Mikes, 2022).

Regression Coefficients

To establish the individual influence of independent variables on dependent variables, the researcher conducted regression analysis. The findings are as shown in Table 6.

Table 6 Regression Coefficients

Multiple Regression Analysis					
Variables	**Unstandardized Coefficients**		**Standardized Coefficients**	**t**	**Sig.**
	β	**Std. Error**	**Beta**		
(Constant)	0.456	0.216		1.124	.004
Risk management oversight regime	0.312	0.0132	0.118	1.153	.003
Risk management framework requirement	0.248	0.0121	0.127	1.172	.006

Source: Field Data (2024)

The researcher conducted a multiple regression analysis in order to determine the relationship between risk management policy implementation and performance of quality infrastructure state corporations in Kenya. As per the SPSS generated table, the equation ($\mathbf{Y = \beta_0 + \beta_1 X_1 + \beta_2 X_2 + \varepsilon}$) becomes:

$\mathbf{Y=0.456+0.312X_1+0.248X_2+\varepsilon}$

Where Y = Performance quality infrastructure state corporations

X_1 = Risk management oversight regime

X_2 = Risk management framework requirement

The constant ($\beta = 0.456$, $p = 0.004$) represents the baseline level of performance in the absence of any risk management interventions. The significance value ($p = 0.004$) indicates that even without the effect of the four risk management variables, the performance of the state corporations would still be above zero. However, the low coefficient suggests that much of the performance improvements can be attributed to the risk management strategies rather than inherent organizational factors.

The risk management oversight regime shows a positive and significant effect on performance ($\beta = 0.312$, $p = 0.003$). The standardized coefficient (Beta = 0.118) suggests that for every unit increase in the effectiveness of oversight, there is a corresponding improvement in the performance of the corporations. This finding emphasizes the importance of having a dedicated audit or risk oversight committee that reviews the adequacy of risk management strategies and ensures compliance. Previous studies also highlight the critical role that oversight plays in identifying potential risks and mitigating them before they affect organizational outcomes (Kaplan & Mikes, 2022).

The coefficient for the risk management framework requirement ($\beta = 0.248$, $p = 0.006$) is also positive and statistically significant. This shows that having a comprehensive and clearly communicated risk management framework, including internal audits and policy statements, contributes significantly to the corporation's performance. The Beta value (0.127) indicates a strong correlation between an organization's structured approach to risk and its ability to meet objectives efficiently. This finding supports prior research that links risk frameworks to improved decision-making and operational efficiency (COSO, 2017).

CONCLUSIONS AND RECOMMENDATIONS

Conclusion

The study concludes that risk management policy implementation significantly affects the performance of quality infrastructure state corporations in Kenya. The study concludes that an effective risk management oversight regime is essential for enhancing the performance of quality infrastructure state corporations in Kenya. Organizations with a strong oversight framework, where the board and audit committees are actively involved in monitoring risks, are better equipped to manage uncertainties and improve decision-making processes.

A well-structured risk management framework significantly contributes to the successful implementation of risk management policies and the overall performance of state corporations. The state corporations with strong risk management frameworks are more efficient in aligning their risk strategies with their core operations, which results in better financial outcomes, timely project completions, and enhanced operational stability.

Recommendation

The following recommendations were made based on study findings:

i. The state corporations should allocate adequate resources to support the establishment of risk management functions, including the training of personnel, acquisition of technology, and regular audits to ensure compliance with the risk management policy. These efforts should be supported by the Government by strengthening the capacity of oversight institutions, such as the Auditor General and Public Procurement Oversight Authority, to ensure implementation of the risk policy is effectively monitored.

ii. The state Corporations should foster a culture of transparency and accountability by enforcing stringent anti-corruption measures and make use of the existing investigation and reporting mechanisms to enhance their performance.

iii. The National Treasury and the Public service Commission should work together to bring the risk management policy into one document and enhance the same by incorporating provisions for periodic audits and reviews of the risk management strategies employed by state corporations to ensure they remain relevant in the face of evolving risks.

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