

**DETERMINANTS OF EFFECTIVENESS OF INTERNAL AUDIT FUNCTION IN  
GOVERNMENT MINISTRIES IN KENYA**

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**DECLARATION**

I declare that this is my original work and has not been presented for a degree in any other university or institution.

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This research project has been submitted for examination with my approval as Student's University Supervisor

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## **DEDICATION**

This project is dedicated to my wife, Lydia and my two sons, Elvis and Leewell for making this project a success.

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## **ACRONYMS AND ABBREVIATIONS**

<b>CFIA</b>	Competence Framework for Internal Audit
<b>EACC</b>	Ethics and Anticorruption Commission
<b>IAF</b>	Internal Audit Function
<b>IIA</b>	Institute of Internal Auditors
<b>IT</b>	Information Technology
<b>MOF</b>	Ministry of Finance
<b>OECD</b>	Organisation for Economic Co-operation and Development
<b>PFM</b>	Public Financial Management
<b>SOE</b>	State Owned Enterprise
<b>SPSS</b>	Statistical package for Social Sciences
<b>WBCSD</b>	World Business Council of Sustainable Development

## ABSTRACT

Effective internal audit function (IAF) is a foundation of upright administration in the public-sector. IAF supplies objective as well as impartial analyses of whether public sources are managed reasonably and successfully. However, IAF have not constantly worked because of different factors. The major purpose of the research study was to check out the parts of the efficiency of internal audit function in the federal government ministries in Kenya. Particularly, the research tried to find to uncover the effect of internal auditor efficiency, administration assistance as well as also audit team flexibility on the efficiency of internal audit function in the federal government ministries in Kenya. The research study was based upon the business idea, stakeholder concept as well as institutional concept. This research study made use of a detailed study research study layout. The target population for this study was the 188 internal auditors who accomplished internal audit in the 22 ministries of the government of Kenya. The research counted on crucial info which was gathered utilizing a collection of questions survey. Information analysis was carried out with both detailed as well as likewise regression evaluation. Results were presented in tables. The research findings suggest that proficiency of internal audit group had a significant good impact on efficiency of internal audit in government ministries in Kenya ( $\beta = 0.538$ ;  $p < 0.05$ ). Much more, research study results show that top administration aid had a substantial unfavourable effect on efficiency of internal audit in federal government ministries in Kenya ( $\beta = -0.516$ ;  $p < 0.05$ ). Research study results additionally reveal that independence of internal auditors had a favourable substantial effect on effectiveness of internal audit in government ministries in Kenya ( $\beta = 0.207$ ;  $p < 0.05$ ). Regarding training, the study recommendation is to the government to provide additional training to its internal auditors in computer assisted techniques to enable audit through e-citizen. Further, government should enhance continuous capacity building of internal auditors to ensure that they are equipped to deal current and upcoming issues. Regarding independence, the ministry and treasury should ensure adequate budget allocation to internal audit units. Moreover, internal audit office should engage in proper planning to ensure that available resources are utilized properly. Lastly, senior management should facilitate and support internal auditors in order for the auditors to undertake their duties effectively. Management should cooperate with internal audit department for better results. Senior management should also desist from interfering with internal auditors in the course of their duties.

## **CHAPTER ONE: INTRODUCTION**

### **1.1 Background to the Study**

Internal audit is a profession that is recognized internationally by its shared dedication to improving, run the risk of administration, governance and control processes (Pitt, 2014). Though the nature of internal audit could vary amongst territories, nations and also organizations, essential to its function is a need to back organizations to boost operational, and at some point organizational, results. Internal audit can be centralized, decentralized or farmed out. There is no sole precise technique to internal audit. Internal audit should appear as well as feel various for every and every organization. The most efficient internal audit duties will replicate the worths in addition to priorities of each organization. Leading management in addition to audit boards throughout facilities will definitely each have their very own desires of the internal audit feature. The work for chief audit authorities is to comprehend and additionally, where possible, duplicate these presumptions in their procedures.

The government is progressively getting concerned with the requirement to guarantee value for money on its spending programmes implemented by the accounting officers. For a long time, the public sector had negatively affected Kenya's economic progress and advancement discouraging private investment and causing increased cost of doing business in the country which is a hindrance to addressing prevalent poverty and enhancing the quality of life of citizens (Karanja, 2014). To mitigate these concerns, the government of Kenya has instituted reforms through the Public Financial Management (PFM) systems since 2006. The key aim of the PFM systems is to make public financial

management more accountable, transparent and responsive to policy priorities. Internal audit function in government agencies is preserved in the PFM Act 2012 (Republic of Kenya, 2012). Its significance is highlighted by the fact that in corporate governance, it is one of the key pillars.

### **1.1.1 Internal Audit Effectiveness**

Internal Audit Function (IAF) effectiveness can be conceptualized as ‘a theoretical field extending from very high to very low’ (Francis 2004). DeAngelo’s (1981) influential economic investigation describes audit effectiveness as the ‘market-assessed mixed possibility that a specific auditor will similarly uncover a violation in the client’s bookkeeping method as well as report the violation’. This description concentrates on the excellence characteristics of the audit result; the audit process characteristics are not covered in the definition (Feng et al., 2015). Researchers have afterwards documented that these two methodological features of independence and competence do not characterise the entire range of audit effectiveness features; the effectiveness of the responsiveness, service quality, regulatory framework, and other organizational aspects are also important features (Duff, 2004).

Several authors have examined IAF characteristics (Abbott, Parker & Peters, 2012; Lin, Pizzini, Vargus & Bardhan, 2011). Most of these authors have linked IAF features to the effectiveness of its purpose. For instance, Feng, Li, McVay and Skaife (2015) evaluated the contributions of IAF to quality of financial reporting and revealed that IAF’s efficacy is definitely associated to the sources obtainable to the IAF, consisting of the level of

knowledge and also its size. The condition and also position of the function and also the support it receives from elderly monitoring have likewise been located to be favorably pertaining to their effectiveness as well as efficiency (Drogalas, Karagiorgos & Arampatzis, 2015). In checking out the efficiency of outsourced versus in-house functions, Karim and van Zijl (2013) established that the presence of a complete or partial internal IAF intensifies the probability of identifying as well as self-reporting scams.

Choi, Choi, Hogan and Lee (2013) posit that the top two measures applied in evaluating IAF effectiveness are the accomplishment of audits in comparison to an IAF strategy, and also the length of time for providing IAF reports. The research study's results furthermore specify that in order to validate the worth and also value of the IAF, worth tracing (rate economic cost savings and/or earnings improvements) must be utilized as a gizmo to measure the IAF's assistance of important commercial initiatives. However, Choi et al. (2013) disclosed that 51 percent of individuals do refrain from doing any sort of worth mapping of the IAF, in addition to just 13 percent assess the worth of the feature based upon real cost savings.

### **1.1.2 Determinants of Internal Audit Effectiveness**

In appraising the IAF, it is imperative to be conscious of the significant role the audit board and senior administration has in establishing the top quality of the IAF. This is since they figure out resource apportionment and also oversight responsibilities connecting to the IAF (Abbott, Parker & Peters, 2010). Therefore, there exists a

significant need and also potential for added examination into the evaluation techniques of the effectiveness of IAF. Further, Feng et al. (2015) noted that as organisations are committing growing initiatives in creating internal audit tools, the evaluation of their actual payments can provide pertinent understandings on this concern. Other determinants of internal audit effectiveness include competence and independence of audit team.

According to Stewart and Subramaniam (2010) auditing tasks need educated personnel with the appropriate specialist qualification, experience and education conduct a wide variety of audits required. Additionally, proficiency of inner auditors is an important quality of achieving high quality in the auditing process. Effectiveness of auditors needs them to have abilities, knowledge and also various other vital competencies so as to do their responsibilities effectively (IIA, 2016). On top of that, skills framework for internal auditing (CSIA) highlights on the abilities that an individual requires to be an effective internal auditor.

Cohen and Sayan (2015) observed that efficient interaction capabilities such as social, paying attention, written and oral abilities are an important aspect of an internal auditor's growth possibility. Similarly, Leung and Cooper (2014) posit that growth of these abilities is not planned to increase the auditors' potential, nevertheless, to increase the performance of the audit treatment. The effectiveness of internal auditors is determined by academic credentials, terms of experience, conformity with audit requirements as well as their efforts to continue expert advancement (Nagy & Cenker, 2012).

In an organization, the management have close associations with internal auditors in their daily operations. While doing their activities internal auditors require management support, commitment and expectation (Soh & Martinov-Bennie, 2011). Similarly, management itself wants internal auditors to add value to decision making processes by providing basis of improvement of risk management systems and internal regulation, sufficient monitoring and information.

Senior management in an organization supports the internal audit team with finances and other logistics to enable the IAF achieve its objectives. Management support has greater impact on internal auditing effectiveness when internal audit tasks are carried out in an energetic management process and helpful atmosphere. In this respect, auditors anticipate top managers to be the initial line to sustain internal audit process. On top of that, the general approval as well as recognition of internal audit in an organization is highly dependent on the backing they obtain from the entire administration (Sarens & Beeled, 2016).

The concept of self-direction goes through unpredictability as well as obscurity as it has no evaluation or a solitary significance throughout people (Lin et al., 2011). However, for the purpose of this research study, freedom is described as the principle of lacking management interference when internal audit team is doing their bookkeeping tasks as well as using their reports (Belay, 2017). Freedom is essential to the auditor's record integrity because, if they are not independent in look as well as truths, their report will

certainly not be legitimate and creditors along with financiers will certainly not trust them.

Independence is present when internal auditors have the ability to show integrity, neutrality, impartiality and without problem of rate of interest. Self-reliance in look means exactly how auditors must be watched by the public as well as others (Zain et alia, 2016). Ultimately, auditors' needs to be free or to have no economic or other relationship with those they are meant to examine for the objective of executing their mandate without meddling. Self-direction in addition to objectivity boosts precision and also integrity of auditors' job as well as offers stakeholders confidence that they can trust their records as well as results (Cohen as well as Sayag, 2010). Internal auditors' status and setting in an organization is crucial in preserving their independence. It assists them function fairly and also do their job separately as well as thus raising effectiveness of internal audit.

### **1.1.3 Internal Audit in Government**

Most government auditors have independence from management influence, and they have the freedom to select the activity, function, or program to be subjected to audit without interference and input from management (Drogalas et al., 2015). Government auditors might not require management's endorsement to audit, might have summoning authority to oblige compliance as per the audit engagement, and might provide reports to the public on their discoveries. This enormous level of independence permits the government auditor to take an impartial understanding of the processes and account independently to parliament as well as the public. In doing so, the professional



government auditor is directed by professional audit ethics and standards (Feng et al., 2015). Government internal auditors characteristically report to the management of the organization. Their prime role is to assist management by assisting it ensure that good internal control systems are in place and to advance processes. To be effective, internal auditors need to have the backing from the top leadership of the government and ought to account to a appropriately top level to guarantee they have the support of the individuals they audit (Abbott et al., 2010).

Diamond (2014) observed that internal audit in the OECD countries takes the form of a centralized model where the Ministry of Finance (MOF) positions its own internal audit team in the line ministries. In this atmosphere, the IA function is concentrated on the general system of company, controls, regulations, procedures as well as laws established to make certain that public resources are managed efficiently. The francophone African countries also follow this centralized format of internal audit. In Anglophone countries excluding Kenya, the IAF is decentralized. The line ministries are the ones who employ the internal audit team and they report to the accounting officers of the line ministries. In Kenya, internal audit team are the employees of the National Treasury but are seconded to ministries. Their salaries and emoluments are catered for by the National Treasury (Internal Audit Department, 2010).

#### **1.1.4 Government Ministries in Kenya**

A government ministry is an organization that is charged with the responsibility for government administration. It is headed by a cabinet secretary who has the authority over

one or more departments. The ministries are under the cabinet and hence coordinate government functions and activities (Republic of Kenya, 2012). Cabinet secretaries are have the sole mandate of formulating the policy and government conduct; they are individually responsible for the administration of their department. Their functions are to advise the president on the central matters of public policy and specific issues about their respective ministries. The cabinet secretaries discuss policy issues that affect the management of the government. The cabinet secretaries are in charge of the ministries; they give direction and control for which they are individually responsible to the National Assembly. The cabinet secretary being the head of the ministry is accountable to parliament for his department irregularities, and his designation is independent of the entire cabinet (Republic of Kenya, 2012).

In Kenya, ministries need to be effective in the operation of their roles in ensuring that they maintain sound financial statements that are accurate and reliable. To successfully implement their functions, audit committees should constitute the tenancy of directors, ensure financial expertise for the audit committee, evaluate the effectiveness of audit committees and constitute non-executive independent directors in the boards (Waweru, Kamau, and Uliana, 2008). The Kenya government conducts regular audits in all the state ministries through audit committees to ensure that public resources are efficiently utilized. This is achieved through effective monitoring and supervision of the internal control systems.

## **1.2 Research Problem**

Effective IAF is a foundation of upright administration in the public-sector. IAF offers objective and also unbiased evaluations of whether public resources are managed wisely as well as effectively. The duty of the public-sector auditor maintains the governance responsibilities of understanding, foresight and also oversight. Insight supports decision-makers by offering an autonomous assessment of public-sector outcomes, programs, procedures and plans. Insight identifies inclinations as well as progressing difficulties. Oversight reviews whether public-sector companies are undertaking what they are fabricated to carry out as well as help in detecting and also discouraging public fraudulence. Auditors apply instruments such as advisory services, financial audits, investigations, and performance audits to accomplish each of their responsibilities. In Kenya, the Public Financial Management Act (2012) further provides that every national government agency must certify that it has suitable measures in place for directing internal audit in line with the rules of the Accounting Standards Board.

Modern audit applies a risk-based technique. It involves top-level danger profiling of the audit profile gradually, founded on the International Specifications for the Expert Approach of Internal Audit (Diamond, 2014). It makes it possible for tactical use of limited audit sources, decreases direct exposure to take the chance of by focusing factor to consider on areas of weak point, enables organisational improvement and also straightens audit initiatives with monitoring goals. It intends to strengthen the accountability of government ministries by committing resources to counter significant risks, authenticating crucial systems of internal control, and guaranteeing transparency. In

Kenya, some authors indicate that the internal auditors focus exclusively on pre-audit activities and testing compliance (Njui, 2012). In addition, procedural capacity limitations continue to limit the Internal Audit Department's capacity to carry out its responsibilities. However, the approach has achieved some significant results (Internal Audit Department, 2010).

There have been contradicting opinions on the diverse roles of IAF in influencing corporate control. Some authors posit a positive effect (Herdman, 2002; Richards, 2002) while others indicate that IAF has very minimal effect on corporate governance if any (Davidson et al., 2005). In Kenya, Njui (2012) investigated the role of IAF in encouraging good corporate leadership in the Kenyan public sector. According to Njui, government ministries should consider internal audit as an instrument for enhancing effective internal control and thus enabling the sector to attain their objectives effectively. It should also mitigate risks by instituting internal audit in its operations. Kibet (2008) performed a study on the function of internal audit in enhancing ethical leadership in SOEs while Kibara (2007) explored the role of IAF in the financial market in Kenya. Keitany (2000) evaluated the internal audit control feature as well as its value for risk assessment by the exterior auditors. There is a scarcity of studies on components of effectiveness of internal audit feature in the government ministries in Kenya..

This study attempted to answer the question; what are the determinants of effectiveness of internal audit function in government ministries in Kenya?

### **1.3 Objectives of the Study**

#### **1.3.1 Main Objective**

The main objective of the study was to explore the determinants of the effectiveness of internal audit function in the government ministries in Kenya.

#### **1.3.2 Specific Objectives**

The study sought to achieve the following specific objectives;

- i) To explore the effect of internal auditor competence on the effectiveness of internal audit function in the government ministries in Kenya
- ii) To establish the effect of management support on effectiveness of internal audit function in the government ministries in Kenya
- iii) To assess the effect of audit team independence on the effectiveness of internal audit function in the government ministries in Kenya

### **1.4 Value of the Study**

This study provides findings that would be of value to the county government, Ethics and Anticorruption Commission (EACC) and other governance entities, Auditor General, donors and other lenders to the government, general public and to academicians and researchers. First, the study will be of value to the county governments who have internal auditors who face similar challenges and work environments as in the ministries. They can hence use the findings to enhance the effectiveness of their internal audits.

Similarly, the study will be of value to EACC and other governance entities. The use of risk-based audit and the use of Information Technology (IT) by the IA means that fraud cases reduced as they will be discovered early enough. The findings will be of value to the Auditor General. Enhanced internal controls means that the external auditors will have ample time to cover other areas in audit of government entities. Moreover, donors and other lenders to the government will find the findings valuable. Enhanced internal audit means that resources from these organizations will be used more prudently and there will be value for money as the control mechanisms are enhanced. General public will also find the results from this study important. This is because the findings will inform improvement in use of resources and credibility will be raised.

Lastly, the results will be of value to academicians and researchers. The study will be of value to academicians as it will be an addition to the empirical work on internal audit performance in the public field. This will provide even more info and also understanding right into internal audit in the general public sector and thus generate conversation, enhancements and also plan reforms. In addition, the research will be of worth to scientists as it will record restrictions which would certainly notify researchers in future research studies. The research study will certainly also give tips for further researcher which scientists can capitalize on in advancing research on internal audit effectiveness in public administration.

## **CHAPTER TWO: LITERATURE REVIEW**

### **2.1 Introduction**

Literature review is presented in this chapter providing scholarly work that associates with the performance of internal audit in enhancing effectiveness in public sector administration. It is organized in different areas where the very first section discusses the theoretical literature. Better, the chapter presents the empirical review that covers the previous research studies that have actually been carried out both locally as well as globally on effectiveness of internal audit in public administration. Lastly, the section ends with a conclusion that summarizes the contents of the chapter.

### **2.2 Review of Theories**

Credible research should have a sound theoretical basis (Mugenda & Mugenda, 2003). The authors note that a theory is a system of explaining the relationship among variables and assist in organizing isolated research concepts into an operational framework. This study applied the agency theory, stakeholder theory and institutional theory to provide a theoretical basis.

#### **2.2.1 Agency Theory**

A necessary body of research has in fact focused in this field within the context of depictive concept collaboration. Firm concept identifies the business link where one celebration, the principle allots some tasks to one more celebration referred as the representative. Consequently, Adams (2004) insists that the collaboration may have a range of bad marks associated with self-involvement as well as furthermore opportunism

of the representative where he might fall short to execute in the best enthusiasm of the concept. There are different measurements in relation to this where the agent misuses the power for monetary or various other benefits, or he may not take appropriate threats in conformity to the principles rate of interest. The reason for this can be the truth that depictive understanding of risks is not suitable while the principle might have a varying viewpoint in the direction of risk (Adams, 2004). An additional issue that takes place in the link is the info crookedness where both events have accessibility to various degrees of information.

In the general public sector as well as on the issue of business control, the agency idea sights business management especially internal audit as being an important monitoring tool to reduce the issue that could take place from concept business relationship. The expense of tracking as well as disciplining those individuals who try to prevent abuse as well as abuse of power have actually been referred to as agency cost. In regard to public market companies, a lot of firm idea is readied to divide the possession and likewise regulate as defined in the task of (Nagy & Cenker, 2002). In this context, the principals are stakeholders along with the representatives are public servants. For internal audit to be reputable leading surveillance assistance as well as self-reliance of the internal auditors are critical. Steven and Mitnick (2006) suggest that a person calls for both streams to see institutional frameworks in addition to ideas to fully recognize firms. From company viewpoint, the advantage of strong administration develops from the demand to straighten the interest rate of checking with numerous other crucial stakeholders in an establishment for the goal of minimizing strong price as well as additionally boosting the



performance of audit department. In this study as a result, firm concept will be made use of to describe the link in between IAF freedom and also leading administration support and also how they can influence effectiveness of IAF.

### **2.2.2 Stakeholder Theory**

Stakeholder theory does not only focus on stakeholders but takes into account a larger group of constituents. Freeman (1984) defines stakeholder as any type of team of people who are affected or can affect the activities of the company in accomplishing the well-known purposes. Likewise, World Service Council of Sustainable Development (WBCSD) (1999) identifies stakeholders as representative of government and non-state organizations, academia, human rights groups, community and legislators, employees and labour organizations. The impact of focusing on stakeholders is that the improvement of stakeholders' value is significant in situations where a wider group such as government, employees, customers, local community, suppliers and providers of credit are taken into account. Additionally, the superseding concern on shareholders' value becomes less self-proof. Nonetheless, many firms struggle to maximize shareholders value and at the same time consider the interest of the entire group. One reason for favouring stakeholders over others is because they are recipient of the residue free cash flow (Freeman, 2001). In relation to this, they seem to vest interest while endeavouring to guarantee that public resources are used efficiently to provide value for society.

Organizations objectives can be achieved by balancing the conflict of interest of various stakeholders. Any stakeholder is considered important if the investment at one point is

subject to take the chance of from the task of the organization (Freeman, 2001). The moral consideration of stakeholder concept is that all stakeholders deserve to be dealt with relatively by the monitoring who must regulate the company for the advantage of stakeholders regardless of their capability to lead the institution to better performance (Kibara, 2007). This theory will be used in this study to explain importance of audit team competence to ensure that it monitors the public sector to serve the interest of the diverse stakeholders of the government.

### **2.2.3 Institutional Theory**

Institutional theory specifies just exactly how business techniques along with frameworks are formed with alteration triggered by normative pressures of both internal as well as outside sources such as policies as well as policies (Mihret et al., 2010). Numerous previous study studies in internal audit usage institutional concepts to discuss their findings connecting to the factors of internal audit effectiveness. Ultimately, Mihhret et al. (2010) state that institutional concept is an essential version for looking into the effectiveness of internal audit in organizations. According to institutional concept, an establishment is created to please social presumption considering that its treatment is always recognizable to the public. Because of this, facility business internal procedures that are difficult to determine might focus on the concern of outside authenticity with showing capacity.

The institutional concept's notion is the acknowledgment of the real accomplishment of the firm and likewise what its structure suggests completing. In addition, several firms

keep up internal structures which are not generally noticeable to those external to the organization while the frameworks created for outsiders fail to add to favourable end results dramatically. Smith (2005) asserts that close scrutiny by external auditors can be stayed clear of if the organizations embrace the best frameworks. Loose technical mix allows the institutions to show accomplishment to outsiders while at the same time enabling flexibility in the functional treatments. Public companies must prepare to account for high cost of taking on numerous advancements in the internal audit division to make certain that the personnels are well learnt order to boost the performance of internal audit. This concept will certainly be aligned to capability of internal audit team.

### **2.3 Empirical Review**

In Finland, Rönkkö, Paananen and Vakkuri (2018) explored the components of internal audit performance. The research study used logistic regression design which was based on information from 107 companies noted on NASDAQ OMX Helsinki. The searchings for from the research shows that freedom of internal auditors as well as the audit board was considerable in affecting effectiveness of the internal audit feature.

Tackie, Marfo-Yiadom and Achina (2016) checked out the factors determining internal audit efficiency in decentralized local districts of Ghana. Ghana's local government system is structured into municipal, cosmopolitan, and also location settings up (MMDAs). The research study concentrated on the Ashanti area of Ghana which had the highest range of MMDAs. The inspiration for the research study was stemmed from the increased passion in the internal audits of local government units. Making use of a

detailed study, the info gathered, through utilizing survey, exposed that bulk of the internal audit personnel of MMDAs in the Ashanti Area of Ghana had the requisite specialist efficiency. In contrast to the presumption that audit high quality in the general public sector is usually endangered, the research study revealed that there exists high quality of audit task because of compliance with the international requirements on auditing and regional audit regulations. The research study further established that expert effectiveness, business self-reliance, as well as profession development had statistically substantial positive connection with internal audit performance, while leading management assistance was discovered to have no result on internal audit efficiency.

Dellai and also Omri (2016) questioned the elements affecting the internal audit performance in Tunisian organizations. Info was built up from reactions to a survey took care of to primary audit executives of 148 Tunisian firms. Numerous regression evaluation evaluated the organization in between the performance of the internal audit function along with 6 substantial components. Take place from the research study divulged that the performance of internal bookkeeping is affected by the liberty of internal auditors, the non-partisanship of internal auditors, the tracking support for internal audit and also taking advantage of internal audit feature as a management training ground. The research study provided beneficial information to professionals as well as academics that were interested to recognize the components of internal auditing performance in emerging nations.

In a study in Ethiopia, Ebissa (2015) interrogated the components of Internal Auditors Efficiency in the public fields. To check out factors of internal auditors' performance in public industries, primary data was accumulated from managers and also internal auditors by administrating Likert-Scale kind survey in 30 public markets. The Ordinary Least Square (OLS) linear regression model was utilized to evaluation the gathered information. The results of the study exposed that organizational independence of internal auditors was the most dominant determinant of internal auditors' effectiveness with positive significant effect. The presence of internal audit charter in public sectors also had positive effect on internal auditors' effectiveness.

An empirical study by Al- Twaijry et al. (2004) based on interviews as well as survey feedbacks from both internal and exterior auditors in Saudi Arabia revealed that outside auditors have the perception that the dimension of the auditors' team is a determinant of its quality. Consequently, large size of the staff members provides greater advantages for internal operation of the audit departments. Bigger functional sized offices enhance more opportunities and flexibility for staff rotation that can influence internal audit efficiency through promotion of healthy relationship and more objective audit examination.

A study by Karanja (2014) indicated that high qualification of audit staff enhances quality of audit activities. The study established that a member of an internal audit team with high qualification and experience can handle any problem in the division more effectively. Consistent to resource-based concept and company concept and their advocates, highly qualified person assists to enhance the efficiency of a company since

they have enough knowledge on how to handle daily operations and achieve high quality results (Zekele, 2007). Various other studies (such as Kotb et al., 2014) have shown positive association between firm performance and professional qualification of employees. Kotb et al. (2014) established that qualified members of an audit team can improve the efficiency of internal audit in establishments. Even more, age difference among audit team is additionally a crucial variable that determines the efficiency of the internal auditors. Young people are always energetic and are full of ideas that can be helpful in improving the work performance. On the other hand, aged people are associated with potential health care problems, high health care costs and decreased work productivity which can affect internal audit efficiency.

There exists association between the audit team work experience and internal audit effectiveness (Kotb et al., 2014). An experienced individual can make the right choices, choose quickly as well as additionally deal with any type of scenario. Eventually, this variable is determined by the number of years one invested in a particular occupation. Expert people assist an organization to expand faster because they currently recognize exactly how points operate as well as can attend to any kind of concern without more examination or being supervised. Besides, high professional internal auditors have clear understanding of both outside and internal environment and likewise can as a result enhance the effectiveness of the firm. Though there are no looks into that focus on organization between audit personnel experience in addition to performance, Al- Matari et al. (2012) suggests re-examination of the connection between firm's efficiency and also internal auditors' experience.

## **2.4 Independence of Internal Auditors**

Lin et al. (2011) in a study on independence of auditors established that self-reliance is vital to the auditor's report stability considered that, if they are not independent in look and also truths, their report will not be reputable in addition to loan providers along with sponsors will certainly not trust them. The warranty services they offer get their reliability as well as worth from the essential assumptions of independence in look as well as mind. In addition, internal audit includes whole management procedure as they increase the integrity of information, concern practical perspective, preserve neutrality and consequently requires to be independent (IIA, 2000).

A research by Hutchinson and Zain (2009) looked for to establish the impact of internal audit self-reliance and likewise efficiency of internal audit, company performance as well as development prospects. This included 60 Malaysian firms operating in the monetary and services industry. The research determined that internal audit performance is related to strong performance and development possibilities. Nonetheless, the findings suggested that internal audit efficiency was adversely connected with internal audit self-reliance and even audit committee effectiveness. The conclusions made from this study were that calls for increased independence may be misplaced as it was observed that not all independence was good.

The study by Al-Matari, Al-Swidi and also Fadzil (2014) looked for to develop the impact of internal audit freedom on internal audit top quality. Internal audit quality in this research was activities making use of both qualitative along with measurable steps of

efficiency as well as also efficiency. The research study subjected that internal audit premium is considered as the core of organisation bookkeeping as it is the field that tracks all organisations connected with the market. The internal audit efficiency adds in establishing the company's procedures given that the financial records provide the internal audit division's excellent quality. Self-direction of internal audit group was located to significantly and also positively affect effectiveness of internal audit. This indicates that as internal audit team becomes a lot more independent from the impacts of monitoring, the performance of the outcome of internal audit boost.

Great monitoring of workers is basic to the reliable and also efficient operation. Audit tasks requires knowledgeable team with the proper education and learning, experience as well as specialist credentials to perform a huge array of audits required (Stewart & Subramaniam, 2010). Furthermore, proficiency of internal audits is an essential attribute of achieving high quality in the audit treatment. Performance of auditors needs them to have skills, proficiency as well as additionally various other vital knowledge so regarding perform their responsibility (IIA, 2001). Furthermore, capability framework for internal audit (CSIA) highlights on the abilities that a person requires being a reliable internal auditor.

Past investigations on interaction abilities confirm that efficient communication abilities such as social, paying attention, dental as well as also composed abilities are an essential element of an internal auditor's growth possibility (Cohen & Sayan, 2010). Leung and Cooper (2009) observe that the improvement of these abilities is not planned to enhance



the auditors' possibility, however, to improve the high quality of the audit fruit and vegetables. Nagy and Cenker (2002) posit that the capability of internal auditors is gauged in relation to experience, academic degree, conformity with audit standards and also their initiatives to proceed expert advancement. In accordance to the above dimension of internal audit quality, sufficiently large number of skilled professionals in the public sector enables internal auditors to do their duties efficiently.

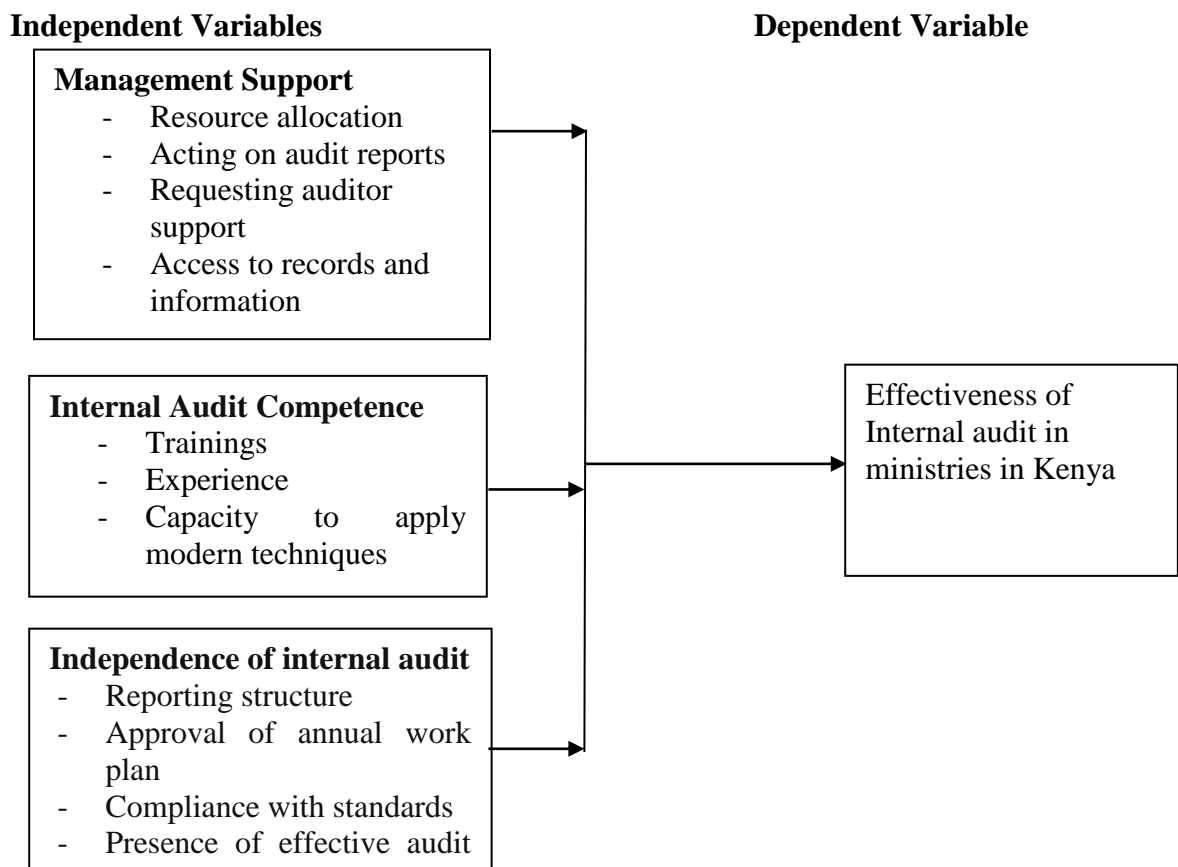
Perception by organizational employees regarding the competence of audit staff is also important in determining audit efficiency (Fernando, Abdel-Meguid & Elder, 2010). Perception refers to the process of receiving awareness and it is intuitive identification of experience when one is aware of the elements of the atmosphere (Arena & Azzone, 2009). To carry out efficiently, internal auditors as well as their clients ought to have comparable knowledge of the worth of the internal audit tasks. Moreover, failure to understand this outcome to the management assumption that internal audit is just a challenge to achieve the production goals. Because of this, it can cause underutilization of their services and ignoring their recommendations which influences the effectiveness and efficiency of the internal audit team. When employees perceive that top management appreciate the activities of internal audit, they too cooperate and support the process (Cohen & Sayan, 2010).

Internal auditors are more encouraged and motivated to perform their work when management acknowledges the value of audit. Salens and Beelde (2006) study to examine the expectations and perceptions of internal auditors and top management found that when the team of auditors is supported by the administration, there is lack of

regarded neutrality and the communication of the audit personnel is weak. However, the administration assumptions affect internal audit as well as their perception is essential to the admiration, acceptance and also promoting the worth contributed to the internal audit within the organization.

## 2.5 Conceptual Framework

The independent variables in the study were independence of the audit team, competence of the audit team and support from top management. The dependent variable was effectiveness of internal audit in ministries in Kenya. The relationship expected among the study variables is provided in Figure 2.1.



**Figure 2.1: Conceptual Framework**

## **2.6 Summary of Literature Review**

Despite boosting interest to the contribution of internal auditors within the corporate administration there is limited research that have actually been performed to take a look at the determiners of the internal audit efficiency in the public field (Alzebana, & Gwilliam, 2014). The functions of internal audit in an organization are useful in spotting and reporting fraudulence. Nevertheless, the opportunity of recognizing these advantages depends on the feature of the auditees and also the internal auditors. Cohen and also Sayan (2010) located that senior management support is continually and strongly related to audit top quality, assessments and value-added contributions. Additionally, they insisted that better auditor self-reliance boosts positive internal audit analysis. The size of internal audit team, experience, skills and academic degrees are essential indicators of internal audit effectiveness (Drogalas et al., 2015). The existing study focuses on checking out the factors determining performance of internal audit in the general public industry in Kenya.

## **CHAPTER THREE: RESEARCH METHODOLOGY**

### **3.1 Introduction**

This chapter provides the approach that was utilized in performing this research. The chapter consists of the study design that was utilized, the population targeted for the research, the sampling technique that was used and the sample size thought about for the study. The chapter likewise presents the techniques that were used in information collection, process for data collection, tools used in information collection and also the procedures that were used in data evaluation as well as presentation.

### **3.2 Research Design**

Descriptive study design was the approach used in the research study. Thomas (2011) assumes that a detailed research layout is an analysis of a group of people, an event, institutions or entities that are studied comprehensively by many or a single method. Moreover, Creswell (2009) posits that the survey approach offers a systematic setting where an in-depth analysis of a certain phenomenon can be conducted. Descriptive study layout was selected for this research study as the research study sought to collect information on internal audit group features and assistance of internal audit by elderly administration and associate that to efficiency of internal audit in the Kenyan ministries. This made descriptive research design the best suited to achieve the study objectives.

### **3.3 Target Population**

The target population for this research was the 188 internal auditors who conducted internal audit in the 22 ministries of the government of Kenya (Treasury, 2016).

Mugenda and Mugenda (2003) describes target population as the entire collection of devices, entities or people that the detective wishes to research as well as draw conclusions around. This definition represents that target population consists of the complete collection of topics that the scientist focusses on. The target population of the internal audit staff was picked considering that they were the staff members that were anticipated to have information on the intricacies of what determines effectiveness of internal audit in the Kenyan ministries.

### **3.4 Sample**

This study was a census of the 22 ministries and all the 188 internal auditors participate in the study. This ensured that every internal audit staff in 22 government of Kenya ministries had equal probability of being picked in the study.

### **3.5 Data Collection**

The research relied upon primary information which was gathered utilizing a set of questions survey to the internal audit staff in the 22 government of Kenya ministries. After stratified tasting of the internal personnel that joined the research study, administration of the survey was conducted. The tasted participants were administered with the sets of questions at their offices. The drop-and-pick-later technique was used to dispense the surveys.

Follow-up was performed making use of individual physical visits, email or telephone calls as it was considered essential to guarantee that the participants who were issued with questionnaires filled them. This follow-up was expected to ensure a high response

rate. After the participants had filled the questionnaire the researcher collected and filed them. Follow-up was until a practical response rate was achieved.

### **3.6 Data Validity and Reliability**

This study applied a questionnaire as the information collection tool. Gillham (2008) defines a questionnaire as a written form with concerns that research study participants or participants are forecasted to reply to. Survey technique was picked for this study due to the lesser initiative required to collect the information, its economic climate as well as the ability to get consistent actions from the participants for convenience of evaluation. The set of questions was developed after an evaluation of literary works on internal audit effectiveness in the Kenyan ministries.

The questionnaire had closed questions. The drafting of the questionnaire ensured that briefness and clarity was observed. Oppenheim (2000) posited that high response rate in a survey is determined by the design of the questions where the style needs to demand less effort from the participants and also questions need to be couple of. Before the final set of questions to be utilized in the research was developed, the draft questionnaire was reviewed for validity and also integrity to accredit that it was ideal for data collection.

Robson (2002) defines validity as a measure on whether the measuring instrument is determining what it is created and also anticipated to measure. There are 2 kinds of legitimacy that the survey was evaluated on: content credibility and face legitimacy. Content validity in this research study denotes the degree that the questionnaire gauged the aspects that explain efficiency of internal audit in the Kenyan ministries. This was

assessed through expert reviews. The experts established whether all the constructs that appertains to support from management, characteristics of internal audit staff and effectiveness of internal audit are considered. Further, a pre-test was conducted where 19 respondents (10% of the sample) from the ministries was selected at random and administered with the draft questionnaire. The respondents in the pre-test were requested to rate the questionnaire on how comprehensive it is, the clarity of the questions and its readability.

Robson (2002) additionally indicates that face validity appertains to the degree to which the questionnaire is well designed and relevant in covering the issue under study. In this study this appertains to the degree with which the questionnaire covered effectiveness of internal audit and the factors thereof. Face validity additionally shows whether the questionnaire is appropriate and relevant for data collection. In this study, responses from the pre-test and the supervisor comments were used to ensure face validity.

Coolican (2004) defines reliability as the capacity of an assessment to generate similar answers or outcomes after repeated administration. The survey in this research study will be created to determine the effectiveness of internal audit and for this reason, the feedbacks are expected to be regular. The reliability of the questionnaire was validated making use of Cronbach Alpha. Cronbach alpha evaluates the internal uniformity of the many responses for each participant and also the greater the alpha, the greater the internal consistency of the respondent's responses as well as hence the greater the integrity. Kurpius as well as Stafford (2006) assume that a Cronbach alpha of 0.7 is suggested as

the cut point underneath which the action is ruled out trusted. The responses from the pre-test were utilized to test dependability. Changes were done on the final survey as considered appropriate after consideration and analysing the pilot test results and the Cronbach alpha.

### **3.7 Data Analysis and Presentation**

The process of data analysis commenced after the questionnaires were collected from the field. Babbie (2011) considers data analysis as the procedure that encompasses scrutinising, cleaning, coding into a software and transforming the raw data into useful information. In this study, the procedure comprised scrutinizing the collected questionnaires to certify that they were comprehensively and appropriately filled. Analysis only included the questionnaires that were comprehensively and appropriately filled. Scrutiny of the questionnaires was followed by sorting the questionnaires and coding them into software which supported analysis. The study applied Statistical Package for Social Sciences (SPSS) Version 23 in data analysis.

Data analysis was conducted via both detailed and inferential data analysis techniques. Descriptive data analysis techniques that were applied comprised frequency distributions, mean scores and percentage. These were used to provide an explanation and description of the numerous answers to the questionnaire items. Inferential statistics that were employed comprised of multiple linear regression statistics. Multiple linear regression analysis was used to establish the effect of the three selected variables on efficiency of internal audit. The multiple linear regression model was of the form;



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

Where,

Y = Effectiveness of Internal Audit function in government ministries in Kenya

$\beta_0$  = Constant

$\beta_i$  = Coefficients of the independent variables

$X_1$  = Competence of audit team

$X_2$  = Management Support

$X_3$  = Independence of audit team

$\varepsilon$  = Error term

The measurement of variables will be as indicated in Table 3.1.

**Table 3.1: Measurement of Variables**

Variable	Measurement
Competence	<ul style="list-style-type: none"> <li>• Experience</li> <li>• Professional and education qualifications</li> <li>• Effective communication</li> <li>• Attendance of educational and professional seminars</li> <li>• IT skills</li> </ul>
Independence	<ul style="list-style-type: none"> <li>• Reporting structure</li> <li>• Objective and unbiased opinions</li> <li>• Without disturbance in establishing the extent of internal audit, executing job, as well as connecting results</li> </ul>
Management support	<ul style="list-style-type: none"> <li>• Provision of enough human, financial and infrastructural resources</li> <li>• Action on audit reports</li> <li>• Access to all staff and records</li> </ul>

Presentation of results after analysis through descriptive and inferential statistics was done in tables. This enabled a graphic presentation of the data which gives more meaning to the results.

## **CHAPTER FOUR: DATA ANALYSIS, FINDINGS AND DISCUSSION**

### **4.1 Introduction**

The chapter provides the evaluation of information, the outcomes arising from the evaluation and also the discussion of the study results. The information analysis exists according to the stated aims of the research study which were to check out the impact of internal auditor capability, support from top management in addition to audit team self-reliance on the effectiveness of IAF in the government ministries in Kenya. To accomplish the purposes of the research study, a cross-sectional study of the components of internal audit efficiency in the 22 ministries was conducted.

The information collection tool was an organized survey covering the facets of internal audit efficiency according to the objectives of the research study. The information analysis started with a short intimation of the reaction price complied with by evaluation of the group features and also basic details of the participants. Further, the analysis of the study purposes after that followed as well as finally, a straight regression evaluation was conducted. The results are presented in type of tables and also figures with an accompanying analysis.

### **4.2 Response Rate**

The organized set of questions was carried out by drop-and-pick-later as well as e-mail methods. Individually collection of inquiries was performed by physical administration to the participants' operational terminals in Nairobi on appointment basis whilst the internal

auditors whose workplaces lay outside Nairobi were mainly gotten to with e-mail study as well as additionally uploading of paper sets of inquiries by use of messenger solutions. To enhance comments rate, constant tips to the respondents was done by use of text messages, e-mail and likewise phone call. A letter of intro was likewise utilized to convince the individuals to participate.

**Table 4.1: Rate of Response**

<b>Questionnaires</b>	<b>Frequency</b>	<b>Percent</b>
Returned	115	61
Not returned	73	39
<b>Total Issued</b>	<b>188</b>	<b>100</b>

The researcher had administered 188 questionnaires whereby 115 were returned. All the returned questionnaires were found to be comprehensively filled and were found fit for analysis. Creswell (2013) suggested that a response rate above 50% for a paper-based survey is adequate for analysis and providing findings for making inferences.

### **4.3 Characteristics of the Respondents**

The study investigated different aspects of the respondents including gender, age, highest level of education, professional qualifications, membership of professional bodies, work experience in internal audit and work experience in audit in the public sector. Table 4.2 presents findings on demographics. The study findings in Table 4.2 reveal that on gender, 65 percent of the respondents were male, while regarding age, 46 percent were between the ages of 30 and 39 years. Regarding level of education, 36 percent of the respondents

had bachelors' degrees as their highest possible education and learning degree. On work experience, 35 percent suggested that they had in between 10 and 14 years of job experience in internal audit. Furthermore, 40 percent suggested that they had in between 10 and also 14 years of work experience in audit in the public sector.

**Table 4.2: Respondents' Characteristics**

<b>Characteristic</b>		<b>Frequency</b>	<b>Percentage</b>
Gender	Male	75	65
	Female	40	35
	<b>Total</b>	<b>115</b>	<b>100</b>
Age in years	30 – 39	53	46
	40 – 49	32	28
	50 and above	30	26
	<b>Total</b>	<b>115</b>	<b>100</b>
Education Level	Certificate	5	4
	Diploma/Higher diploma	25	22
	Bachelor's degree	42	36
	Master's degree	26	23
	PhD	17	15
	<b>Total</b>	<b>115</b>	<b>100</b>
Years of experience in internal audit	Below 5 years	14	12
	5 – 9 years	31	27
	10 – 14 years	40	35
	15 and above	30	26
	<b>Total</b>	<b>115</b>	<b>100</b>
Work experience in audit in the public sector	Below 5 years	8	7
	5 – 9 years	37	32
	10 – 14 years	46	40
	15 and above	24	21
	<b>Total</b>	<b>115</b>	<b>100</b>

The results also indicated that all the respondents had attained professional qualifications and were members of professional associations. The professional qualifications included, Certified Information Systems Auditor (CISA) Certified Public Accountant (CPA),

Certified Fraud Examiner (CFE) and Certified Internal Auditor (CIA). The professional associations that the respondents were members included ICPAK, IIA, ACFE, ISCA, and KIM.

#### 4.4 Effectiveness of Internal Audit

The response variable in the research study was performance of internal audit. Performance of internal audit in the ministries was gauged using timeliness of reports, proficiency as well as due expert care, objectivity, stipulation of risk-based guarantee and also promo of organizational enhancement. Respondents were supplied with the effectiveness metrics and were required to indicate the level of efficiency of internal audit in the ministries making use of a rating from 1 to 5 (1-- Poor, 2-- Fair, 3-- Excellent, 4-- Great and 5-- Exceptional). Detailed stats consisting of ways and common variances were produced, as well as they are provided in Table 4.3.

**Table 4.3: Effectiveness of Internal Audit**

<b>Metric</b>	<b>Mean</b>	<b>Std deviation</b>
Timeliness of reports	3.34	.796
Due professional care and proficiency	3.61	.881
Impartial reports free from unwarranted control	3.79	.746
Provision of risk-based guarantee	3.45	.811
Future focused, proactive and insightful	3.56	1.049
Promotion of administrative development	3.34	.905
<b>Grand mean</b>	<b>3.52</b>	

Findings presented in Table 4.3 show that study respondents opined that internal audit reports were objective and free from undue influence (Mean = 3.79; std deviation = 0.746). Findings also showed that internal audit was very good on proficiency and due professional care (Mean = 3.61; std deviation = 0.881) and also very good on providing

insights and being proactive and future focused (Mean = 3.56; std deviation = 1.049). However, findings indicate that on provision of risk-based assurance, internal audit was rated as good (Mean = 3.45; std deviation = 0.811). The rating was also good relating to timeliness of reports (Mean = 3.34; std deviation = 0.796) and promotion of organizational improvement (Mean = 3.34; std deviation = 0.905). The grand mean was 3.52 indicating that generally, effectiveness of internal audit was very good in the ministries in Kenya.

#### **4.5 Competence of the Audit Team**

The study analyzed the competence of the internal audit group in the ministries in Kenya. Participants were requested to show the level that the internal audit group is qualified in the noted qualities. The rating utilized was on a five-point likert range (1 = strongly differ, 2 = Disagree, 3 = Neutral, 4 = Agree and 5 = highly agree). Means and also common inconsistencies were used to analyze the responses. Results are presented in Table 4.4.

The results presented in Table 4.4 reveals that most of the respondents agreed that internal auditors are proactive (Mean = 4.00; std deviation = 0.689) and also agreed that internal audit team members have attained a variety of professional and education qualifications (Mean = 3.95; std deviation = 0.826). Respondents also agreed that there is effective communication between auditees and internal auditors (Mean = 3.92; std deviation = 0.890), that team members have different competencies which complement each other well due to the diversity in knowledge (Mean = 3.91; std deviation = 1.022)

and also agreed that audit team is sufficient and strong enough to accomplish the annual workplan (Mean = 3.83; std deviation = 1.022).

**Table 4.4: Competence of the Audit Team**

<b>Attribute</b>	<b>Mean</b>	<b>Std deviation</b>
Audit team members have variety of experiences from diverse fields and sectors which they use for better internal audit in this ministry	3.50	1.135
Team members have different competencies which complement each other well due to the diversity in knowledge	3.91	1.022
Team members have attained a variety of professional and education qualifications	3.95	.826
Internal auditors' professional knowledge is high which enables them to perform all the audit activities effectively	3.83	1.008
Internal auditors are considered as professionals in this ministry and regularly attend seminars by professional bodies	3.72	.884
Internal auditors are pre-emptive	4.00	.689
There is valuable interaction between auditees and internal auditors	3.92	.890
Internal auditors go to professional and educational seminars for regular education	3.45	.947
Audit team is sufficient and strong enough to accomplish the annual workplan	3.83	.954
Grand mean	3.79	

Findings in Table 4.4 also reveal that respondents agreed to the statement that internal auditors are respected as professionals in the ministries and regularly attend seminars by professional bodies (Mean = 3.72; std deviation = 0.884) and also agreed that audit team members have variety of experiences from diverse fields and sectors which they use for better internal audit in this ministries (Mean = 3.50; std deviation = 1.135). However, respondents were neutral to the statement that internal auditors go to professional and educational seminars for continuous on the job education (Mean = 3.45; std deviation =

0.947). the grand mean 3.79 indicating that respondents were of the view that the internal audit teams in the ministries were competent.

#### 4.6 Independence of Internal Audit Team

The study sought to assess the independence of the internal audit team. Participants were asked for to suggest their level of arrangement to the given declarations pertaining to freedom of internal audit group in the ministries. The ranking utilized was 1- Highly disagree, 2-- Disagree, 3-- Neutral, 4-- Agree as well as 5 - Highly agree. Evaluation was through means and also basic discrepancies. The results are presented in Table 4.5.

**Table 4.5: Independence of Internal Audit Team**

<b>Statement</b>	<b>Mean</b>	<b>Std. Deviation</b>
Internal audit are answerable to the topmost level within their organization's principal secretary, CEO and Internal auditor general	4.33	.876
Internal auditors enjoy unlimited access to all staff and records in their organizations	3.83	1.147
The opinions and comments conveyed in internal audit reports are unbiased and objective	3.92	.796
The internal audit activity is exempt from meddling in deciding communication of results, performing of work and scope of internal audit	3.45	1.186
<b>Grand mean</b>	<b>3.88</b>	

The study results from Table 4.5 show that respondents agreed that internal audit records to the highest level within their company's principal assistant, Chief Executive Officer as well as internal auditor general (Mean = 4.33; std deviation = 0.876). They also reveal that respondents concurred that the remarks and viewpoints revealed in internal audit



records are unbiased as well as unbiased (Mean = 3.92; sexually transmitted disease inconsistency = 0.796) and likewise agreed that internal auditors have unlimited accessibility to all personnel and also records in their organizations (Mean = 3.83; sexually transmitted disease variance = 1.147). However, participants were neutral to the statement that the internal audit task is without disturbance in figuring out the scope of internal audit, performing job, and also interacting results (Mean = 3.45; std deviation = 1.186). This implies that there might be some of interference in internal audit in the ministries.

The grand mean was 3.88 which indicated that respondents generally agreed that the internal audit teams in the ministries had independence. However, there might some of interference in the work of internal auditors in figuring out the scope of internal audit, executing job, and interacting outcomes.

#### **4.7 Senior Management Support**

Lastly, the study sought to examine the extent of senior management assistance in internal audit in Kenyan ministries. Respondents were requested to suggest the degree of arrangement to the given declarations relating to assistance of internal audit by elderly management in the ministries utilizing a five-point score scale where 1- Highly disagree, 2-- Disagree, 3-- Neutral, 4-- Agree as well as 5 - Highly agree. The reactions were analysed making use of mean ratings as well as basic inconsistencies. The mean shows the ranking of the actions in place whilst the common discrepancy signified the variations in point of views of the respondents regarding their contract to the declaration. A standard discrepancy higher than 1 suggested a significant distinction in responses

obtained on level to which the measure was implemented. The findings are presented in Table 4.6.

**Table 4.6: Senior Management Support**

<b>Statement</b>	<b>Mean</b>	<b>Std. Deviation</b>
Senior management in this ministry supports the employees in internal audit	3.09	.720
Internal audit department is sufficiently large to effectively accomplish its tasks	3.33	.925
Top management understands internal audit's needs	3.75	.846
Senior management in this ministry enables internal audit to meet a sustaining role in the surveillance and improvement of threat administration and internal control	3.18	.884
Senior management in this ministry supports internal audit from personalized attacks from ministry employees	3.35	1.140
The internal audit team is provided with enough human, financial and infrastructural resources to carry out its tasks	2.49	1.012
Internal auditors receive requisite support from the Internal auditor general	3.33	.925
Management address the internal audit queries in time	2.55	1.002
The management consults internal auditors in other activities outside their work plan	3.08	1.109
<b>Grand mean</b>	<b>3.13</b>	

The results presented in Table 4.6 reveal that respondents agreed that senior management is aware of internal audit's needs (Mean = 3.45; std deviation = 1.186). However, respondents were neutral to all the other statements as their means fell between 2.5 and 3.5. These findings imply that there were observable weaknesses regarding senior management support to internal audit. This suggested lack of full support from senior

management relating to support to personnel, having adequate human and material resources, lack of involvement in monitoring and improvement of risk management and internal control, lack of support from personalized attacks from ministry employees and lack of support form internal auditor general.

#### 4.8 Regression Analysis

The research performed a regression analysis to determine the result of skills of audit team, freedom of audit team and management support on the efficiency of internal audit feature in government ministries in Kenya. The average ratings for each variable were computed and the resulting averages were used as input for the regression.

**Table 4.7: Model Summary**

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.751	.564	.551	.606

a. Predictors: (Constant), Competence, Senior management support, Independence.

The findings in Table 4.7 indicate the correlation coefficient is 0.751 and the coefficient of determination is 0.564. The findings indicate that the three independent variables (competence, senior management support and independence) used in the study explain 56.4 percent of the variation in effectiveness of internal audit in government ministries in Kenya. This implies that 43.6 percent of the variation in internal audit in government ministries in Kenya is described by other elements that were excluded from the model.

The regression analysis also provided the analysis of variance. This is important as it indicates whether the model is significant and whether it provides any predictive value.

The study results are provided are presented in Table 4.8.

**Table 4.8: Analysis of Variance**

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	49.841	3	16.614	45.194	.000
	Residual	38.599	105	.368		
	Total	88.440	108			

a. Dependent Variable: Effectiveness of internal audit

b. Predictors: (Constant), Competence, Senior management support, Independence.

Findings presented in Table 4.8 reveal that the regression model was significant ( $F = 45.194$ ;  $p < 0.05$ ). These findings suggest that the regression model can be useful in predicting effectiveness of internal audit by considering capability of internal audit team, support from top management to internal audit and also self-reliance of internal auditors.

The research also evaluated the relevance of the independent variables (capability of internal audit group, top administration assistance to internal audit as well as self-reliance of internal auditors) in the version. The results are presented in Table 4.9.

**Table 4.9: Significance of Coefficients**

Model		Unstandardized		Standardized		t	Sig.
		Coefficients		Coefficients			
		B	Std. Error	Beta			
1	(Constant)	1.934	.364			5.310	.000
	Competence	.538	.070	.561		7.737	.000
	Senior management support	-.516	.066	-.517		-7.760	.000
	Independence	.207	.072	.203		2.885	.005

a. Dependent Variable: Effectiveness of internal audit

Findings provided in Table 4.9 show that competence of internal audit team had a significant positive effect on effectiveness of internal audit in government ministries in Kenya ( $\beta = 0.538$ ;  $p < 0.05$ ). These findings imply that competence of internal audit team

played a significant role in positively influencing effectiveness of internal audit in government ministries in Kenya.

Study findings in Table 4.9 reveal that senior management support had a significant negative effect on effectiveness of internal audit in government ministries in Kenya ( $\beta = -0.516$ ;  $p < 0.05$ ). These findings imply that management support played a negative role in effectiveness of internal audit in government ministries in Kenya. This implies that senior management did not provide the requisite support to internal auditors and hence adversely affecting effectiveness of internal audit in government ministries in Kenya.

Study results in Table 49 show that independence of internal auditors had a positive significant effect on effectiveness of internal audit in government ministries in Kenya ( $\beta = 0.207$ ;  $p < 0.05$ ). These findings indicate that the independence enjoyed by internal auditors in government ministries in Kenya enabled them to positively influence effectiveness of effectiveness of internal audit in government ministries in Kenya.

The resultant model was of the form;

$$Y = 1.934 + 0.538X_1 - 0.516X_2 + 0.207X_3$$

Where,

Y= Effectiveness of Internal Audit function in government ministries in Kenya

X<sub>1</sub> = Competence of audit team

X<sub>2</sub> = Management Support

X<sub>3</sub> = Independence of audit team

## **CHAPTER FIVE: SUMMARY, CONCLUSION AND RECOMMENDATIONS**

### **5.1 Introduction**

This chapter supplies the summary of the research results which is presented in line with the purposes of the study, the last thoughts drew in from the information analysis along with the suggestions that emerge from the study final thoughts. The vital findings are also covered in this chapter. The recommendations detail the implications of the research study to managerial practice, theory and policy. Finally, the chapter highlights the constraints of the study in addition to tips for additional research study.

### **5.2 Summary of Findings**

The main goal of this research was to discover the factors of the performance of internal audit function in the government ministries in Kenya. The research study's specific goals were to discover the effect of internal auditor capability on the effectiveness of internal audit function in the federal government ministries in Kenya, develop the impact of management assistance on efficiency of internal audit feature in the federal government ministries in Kenya and evaluate the effect of audit group freedom on the efficiency of internal audit function in the government ministries in Kenya. A recap of the findings exists based upon the purposes of the research.

The study results indicate that competence of internal audit team had a significant positive effect on effectiveness of internal audit in government ministries in Kenya ( $\beta = 0.538$ ;  $p < 0.05$ ). The results further revealed that that internal auditors are proactive (Mean = 4.00; std deviation = 0.689) and internal audit team members have attained a

variety of professional and education qualifications (Mean = 3.95; std deviation = 0.826). Results also showed that there is effective communication between auditees and internal auditors (Mean = 3.92; std deviation = 0.890), that team members have different competencies which complement each other well due to the diversity in knowledge (Mean = 3.91; std deviation = 1.022) and that audit team is sufficient and strong enough to accomplish the annual workplan (Mean = 3.83; std deviation = 1.022). Moreover, findings showed that internal auditors are considered as professionals in the ministries and regularly attend seminars by professional bodies (Mean = 3.72; std deviation = 0.884) and that audit team members have variety of experiences from diverse fields and sectors which they use for better internal audit in the ministries (Mean = 3.50; std deviation = 1.135). However, there were weakness regarding attendance of educational and professional seminars for continuous training (Mean = 3.45; std deviation = 0.947).

Study findings reveal that senior management support had a significant negative effect on effectiveness of internal audit in government ministries in Kenya ( $\beta = -0.516$ ;  $p < 0.05$ ). The results revealed that senior management in the government ministries in Kenya is aware of internal audit's needs (Mean = 3.45; std deviation = 1.186). However, results implied that there were observable weaknesses regarding senior management support to internal audit. This suggested lack of full support from senior management relating to support to personnel, having adequate human and material resources, lack of involvement in improvement and monitoring of internal control and risk management, lack of support from personalized attacks from ministry employees and lack of support form internal auditor general.

Research study results reveal that self-reliance of internal auditors had a favorable significant effect on performance of internal audit in government ministries in Kenya ( $\beta = 0.207$ ;  $p < 0.05$ ). The research results program that internal audit records to the highest level within their organization's principal assistant, CEO and also internal auditor general (Mean = 4.33; sexually transmitted disease discrepancy = 0.876). Findings also revealed that the remarks and opinions shared in internal audit reports are objective and also impartial (Mean = 3.92; std deviation = 0.796) which internal auditors have unlimited accessibility to all staff and also documents in their companies (Mean = 3.83; sexually transmitted disease inconsistency = 1.147). Nevertheless, results revealed weak points in the internal audit where the internal audit activity was not completely devoid of disturbance in figuring out the extent of internal audit, performing work, and also communicating results (Mean = 3.45; std deviation = 1.186).

### **5.3 Conclusion**

The following conclusions were made after considering the study findings. Regarding the effect of internal auditor competence on the effectiveness of internal audit function in the government ministries in Kenya, the study concludes that internal auditors in the government ministries are competent. Their competence is positively associated with effectiveness of internal audit in the ministries. The competence was indicated by having professional qualifications, attainment of high academic qualification and membership of professional association in the field of accounting and auditing.



Regarding effect of management support on effectiveness of internal audit function in the government ministries in Kenya, the study concludes that senior management in government ministries did not accord internal auditors the required support. This made management support to be a hindrance towards attaining effectiveness of internal audit in the government ministries. Inadequate senior management support was observed in having inadequate human, material and financial resources, inadequate involvement in monitoring and improvement of risk management and internal control and lack of support when the internal auditors faced personalized attacks from ministry employees.

Lastly, the study concludes that internal auditors in government ministries in Kenya enjoyed independence which played a significant positive effect on the effectiveness of internal audit in government ministries in Kenya. The internal auditors enjoyed independence in reporting to highest levels in the ministries, having objective and unbiased reports and having unrestricted access to all staff and records in their ministries

#### **5.4 Recommendations for Managerial Policy, Practice and Theory**

This part supplies the research's suggestions for concept, supervisory technique and also plan and likewise ramifications for concept. Throughout undertaking this research study, there are results which are regarded to have ramifications for idea, supervisory method along with strategy. This is based upon the voids identified in the analytical analysis of the components of performance of internal audit in government ministries in Kenya.

Regarding training, the study recommends to the government to provide additional training to its internal auditors in computer assisted techniques to enable audit through e-

citizen. Further, government should enhance continuous capacity building of internal auditors to ensure that they are equipped to deal current and upcoming issues. Further, senior management in ministries should act on audit findings and give feedback to internal auditors. Other recommendation to enhance capacity of internal auditors include operationalization of audit committees, organization of courses and seminars to credit and accounts fields, staff to be trained and frequent seminars, the use of audit tools and team work.

To professional associations, it is recommended that they should arrange more seminars in the field of internal audit, ensure that their members embark on training to improve on professional and educational qualifications, enhance capacity building and design effective leadership programs for heads of internal audit to manage teams appropriately.

Regarding independence, the ministry and treasury should ensure adequate budget allocation to internal audit units. Moreover, internal audit office should engage in proper planning to ensure that available resources are utilized properly. Senior management should also remove barriers for access to staff and records as per regulations that will ensure less delays in providing audit reports. Senior management should motivate or enhance measures to motivate the audit staff.

Lastly, senior management should facilitate and support internal auditors in order for the auditors to undertake their duties effectively. Management should cooperate with internal audit department for better results. Senior management should also desist from interfering with internal auditors in the course of their duties. Further, senior management should make timely responses to internal audit report and act to execute recommendations given.

Additionally, senior management should support and cooperate with, internal auditors to learn more about internal controls.

### **5.5 Suggestions for Further Research**

The study on determinants of effectiveness of internal audit does not provide all the answers on what determines effectiveness of internal audit in government. The study hence suggests a study to be conducted in counties to establish what factors are key in determining internal audit in these devolved units. Additionally, a future study should include other factors such as internal controls, integrity of internal auditors and governance in the ministries.

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## APPENDICES

### Appendix I: Questionnaire to Internal Audit Employees in government of Kenya

#### Ministries.

The items in this questionnaire are aimed at seeking information from the internal audit staff regarding effectiveness of internal audit in Kenyan ministries. You have been selected to participate in the study.

Provide answers to the items as objectively as possible. The answers will only be used for academic purposes.

#### **SECTION A: GENERAL INFORMATION**

##### 1. Gender

Male [ ]

Female [ ]

##### 2. Please indicate your age in years

Below 30 [ ]

30 – 39 [ ]

40 – 49 [ ]

50 and over [ ]

##### 3. Indicate your highest education level

Primary [ ]

Secondary School [ ]

Certificate [ ]

Diploma/Higher Diploma [ ]

Bachelor's degree [ ]

Masters Degree [ ]

PhD [ ]

##### 4. Indicate your professional qualifications

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5. Do you belong to any professional body?

Yes [ ]

No [ ]

If yes, specify

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6. Details of training attended in the last 5 years

<b>Year</b>	<b>Area of training</b>	<b>Duration</b>	<b>Sponsor</b>	<b>Mode of training (fulltime, part-time, distance learning)</b>
2012				
2013				
2014				
2015				
2016				

7. Details of seminars attended in the last 5 years

<b>Year</b>	<b>Title</b>	<b>Institute</b>	<b>Sponsor</b>
2012			
2013			
2014			
2015			
2016			

5. What is your experience in internal audit.

Below 5 years [ ]

5 – 9 years [ ]

10 – 14 years [ ]

15 and above [ ]

5. What is your experience in audit in the public sector

- Below 5 years [ ]
- 5 – 9 years [ ]
- 10 – 14 years [ ]
- 15 and above [ ]

**SECTION B: EFFECTIVENESS OF INTERNAL AUDIT**

1. Indicate the effectiveness of internal audit in this ministry in the below listed metrics.

Apply the rating below and respond appropriately. Use the following rating (5 – Excellent, 4 – Very good, 3 – Good, 2 – Fair and 1 – Poor)

<b>Statement</b>	<b>1</b>	<b>2</b>	<b>3</b>	<b>4</b>	<b>5</b>
Timeliness of reports					
Due professional care and proficiency					
Impartial reports free from unwarranted control					
Provision of risk-based guarantee					
Future focused, proactive and insightful					
Promotion of administrative development					

2. What recommendations do you have to improve audit effectiveness in this ministry?

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**SECTION C: COMPETENCE OF THE AUDIT TEAM**

1. Please indicate the extent that the internal audit team is competent in the following listed attributes. Use the following rating (5 = strongly agree, 4 = agree, 3 = Neutral, 2 = Disagree and 1 = strongly disagree).

<b>Attribute</b>	<b>1</b>	<b>2</b>	<b>3</b>	<b>4</b>	<b>5</b>
Audit team members have variety of experiences from diverse fields and sectors which they use for better internal audit in this ministry					
Team members have different competencies which complement each other well due to the diversity in					

knowledge					
Team members have attained a variety of professional and education qualifications					
The professional knowledge of internal auditors is high which enables them to perform all the audit activities effectively					
Internal auditors are considered as professionals in this ministry and regularly attend seminars by professional bodies					
Internal auditors are pre-emptive					
There is valuable interaction between auditees and internal auditors					
Internal auditors go to professional and educational seminars for regular education					
Audit team is sufficient and strong enough to accomplish the annual workplan					

2. What recommendations do you have to improve internal audit team competence in this ministry?

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**SECTION D: INDEPENDENCE OF INTERNAL AUDIT TEAM**

1. Please show the level of agreement to the complying with declarations on independence of internal audit group in this ministry. Utilize the adhering to scores and also tick or go across where appropriate.

- 1- Strongly disagree                      2—Disagree                      3 - Neutral  
4—Agree                                      5 - Highly agree

<b>Statement</b>	<b>1</b>	<b>2</b>	<b>3</b>	<b>4</b>	<b>5</b>
Internal audit are answerable to the topmost level within their organization’s principal secretary, CEO and Internal auditor general					
Internal auditors enjoy unlimited access to all staff and records in their organizations					

The opinions and comments conveyed in internal audit reports are unbiased and objective					
The internal audit activity is exempt from meddling in deciding communication of results, performing of work and scope of internal audit					

2. What recommendations do you have to improve internal audit independence in this ministry?

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**SECTION E: SENIOR MANAGEMENT SUPPORT**

1. Suggest the level of arrangement to the complying with declarations relating to assistance of internal audit by senior management in this ministry. Utilize the following rankings and also tick or go across where suitable

- 1- Highly disagree      2—Disagree      3 - Neutral  
4—Agree      5 - Strongly concur

<b>Statement</b>	<b>1</b>	<b>2</b>	<b>3</b>	<b>4</b>	<b>5</b>
Senior management in this ministry supports the employees in internal audit					
Internal audit department is sufficiently large to effectively accomplish its tasks					
Top management understands internal audit's needs					
Senior management in this ministry enables internal audit to meet a sustaining role in the surveillance and improvement of threat administration and internal control					
Senior management in this ministry supports internal audit from personalized attacks from ministry employees					

The internal audit team is provided with enough human, financial and infrastructural resources to carry out its tasks					
Internal auditors receive requisite support from the Internal auditor general					
Management address the internal audit queries in time					
The management consults internal auditors in other activities outside their work plan					

2. What recommendations do you have for senior ministry officials in regard to their support for internal audit in the ministries?

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**‘Thank you’**

## Appendix II: Study population

No.	Ministries	Number of the Auditors
1	Ministry of Interior	14
2	Ministry of Devolution	9
3	Ministry of Education	13
4	Ministry of Transport and Infrastructure Development	11
5	The National Treasury and Planning	13
6	Ministry of Foreign Affairs	6
7	Ministry of Agriculture, Livestock, Fisheries and Irrigation	9
8	Ministry of Defence	5
9	Ministry of Energy	6
10	Ministry of Environment and Forestry	9
11	Ministry of Lands and Physical Planning	12
12	Ministry of Health	7
13	Ministry of Public Service, Youth and Gender Affairs	12
14	Ministry of Information, Communication and Technology	8
15	Ministry of East African Community and Regional Development	8
16	The State Law Office and Department of Justice	7
17	Ministry of Water and Sanitation	8
18	Ministry of Sports, Culture and Heritage	5
19	Ministry of Labour and Social Protection	5
20	Ministry of Industry, Trade and Cooperatives	7
21	Ministry of Tourism and Wildlife	7
22	Ministry of Petroleum and Mining	7
	<b>Total</b>	<b>188</b>