

**INTERNAL AUDIT FUNCTION AS A TOOL TO GOOD CORPORATE
GOVERNANCE OF KENYAN NON GOVERNMENTAL ORGANISATION
(A CASE STUDY OF NAIROBI COUNTY)**

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MAY 2016

DECLARATION

I declare that this dissertation is my original work and has not been previously published or submitted elsewhere for award of a degree. I also declare that this contains no material written or published by other people except where due reference is made and author duly acknowledged.

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I do hereby confirm that I have examined the master's dissertation of

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And have certified that all revisions that the dissertation panel and examiners recommended have been adequately addressed.

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Dissertation Supervisor

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ABSTRACT

There has increasingly been pressure from donors, government and other official agencies for non-governmental organizations to show accountability, managerial competence and strong internal control system. The concerns are that they are actually behaving in unaccountable manner as regards their utilization of the fund budgeted by the donors, which is eroding their transparency, as a key requirement for good governance and successful feedback systems. Despite the extensive academic literature on internal audit function the non-governmental organization sector, there limited literature on internal audit as a tool for ensuring good corporate governance, a knowledge gap then needed to be filled, hence the present study. The study used descriptive research and at least 1883 senior audit officers and other key personnel of the non-governmental organizations in Nairobi as target population. The study as sample size of the 15% of the target population. The selection of respondents was done through random sampling. Data was collected from the respondents using a structured questionnaire administered using drop and pick method. It will be analyzed using descriptive statistics and presented in tables and figures. Multiple regressions will be used to estimate a study model. The study concluded that corporate governance status of Kenyan non-governmental organizations, which was very high, was very highly influenced by; competence of internal auditors, follow-up mechanisms, and independence of internal audit function. There was a significant relationship between Competence of internal auditors (p-value = 0.000), follow-up mechanisms (p-value = 0.018), and independence of internal audit function (p-value = 0.050) and the corporate governance. Any increase in; competence of internal auditors, follow-up mechanisms, and independence of internal audit function would lead to an increase in corporate governance and vice versa. The study concludes that 39.50% of change in corporate governance in the Kenyan non-governmental organizations is explained by the; competence of internal auditors, follow-up mechanisms, and independence of internal audit function. The study recommends that the Kenyan non-governmental organizations and the related stakeholder such as non-governmental organization board and the National parliament should review the existing regulatory framework to widely address the issues of corporate governance and relate to accountability and transparency, other policies and regulations should be implemented by the non-governmental organization to ensure that the internal audit function staff make follow up of the internal audit function standards to ensure the independence of the internal audit functions of the Kenyan non-governmental organizations.

Key Words: Competence of Internal Auditors, Corporate Governance, Follow-Up Mechanisms, Independence of Internal Audit Function, Non-Governmental Organizations

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Lastly, I offer my regards and blessings to all of those who supported me in any respect during completion of the project

DEDICATION

I dedicate this dissertation to my family and friends who supported me throughout the process. I will always appreciate all they have done, especially Miss Wandera and Kimuyu Muinde for being there for me throughout the entire dissertation program. Both of you have been my best cheerleaders.

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ACRONYMS AND ABBREVIATIONS

AHIA	Association of Healthcare Internal Auditors
ASX	Australian Stock Exchange
BOD	Board of Directors
CSR	Corporate Social Responsibility
EC	European Community
GoK	Government of Kenya
HCCA	Health Care Compliance Association
IAF	Internal Audit function
ICT	Information Communication Technology
IFAC	International Federation of Accountants
IIA	Institute of Internal Auditors
NCPB	National Cereals and Produce Board
NGO	Non-Governmental Organizations
PSCGT	Private Sector Corporate Governance Trust
SPSS	Statistical Package for Social Science
UN	United Nations

OPERATIONAL TERMS AND DEFINITION

Corporate governance involves a set of relationships between a company's management, its board, its shareholders, and other stakeholders. It also provides the structure through which the objectives of the company are set, and the means of attaining those objectives and monitoring performance are determined. Good corporate governance should provide proper incentives for the board and management to pursue objectives that are in the interests of the company and shareholders and should facilitate effective monitoring (Mukute & Marange, 2006).

Internal audit function plays an active role in implementing effective governance and controls while being asked to assess the effectiveness of management's control practices. The internal audit function plays a unique role in the governance process; indeed it. It helps an organization implement, assess, or conceptualize risk management and control processes (Soudani, 2013).

Audit Staff Proficiency is the task of raising the funds needed, allocation of the funds to the most productive uses, and exercise of control over the way the funds are collected (International Federation of Accountants, 2010).

Auditing is a formal, systematic and disciplined approach designed to evaluate and improve the effectiveness of processes and related controls. Auditing is governed by professional standards, completed by individual's independence of the process being audited, and normally performed by individuals with one of several acknowledged certifications (International Federation of Accountants [IFAC], 2010).

Non-Governmental Organizations (NGO) is an organization that is not part of a government and is not funded by the state. NGO's are therefore typically independent of governments.

CHAPTER ONE

INTRODUCTION

1.1 Background of the Study

Since the last decade, Internal Audit function (IAF) has been undergoing paradigm shift from the traditional focus on accountancy only to penetrating into other organizational functions (Mohamad & Muhamad, 2011). IAF has therefore taken important positions in the areas it is being used. Nowadays, IAF is utilized in all areas of management and operations in well performing firms (Soudani, 2013), which makes it a suitable tool for improving achievement of the firms' objectives and goals. It is responsible for the entire internal audit activity within its area of application in an organization (Soudani, 2013). In its utilization, IAF focuses on ensuring monitoring compliance, supporting internal controls, enhancing performance of management programs (Ruppert, 2006; Zakaria, Selvaraj, & Zakaria, 2006), and risk management assessment (Soh & Martinov-Bennie, 2011).

This penetration of IAF into major organizations' functions has propelled to becoming a tool for supporting the firm's corporate governance in providing reasonable assurance about the achievement of the set objectives of the institution (Mawanda, 2008). Specifically, IAF greatly enhances good governance of an organization by preventing corporate failure (Imhoff, 2003; Mohamad & Muhamad Sori, 2011). In fact, IAF has emerged as an effective tool for reducing risks to an acceptable level (Abdulkadir, 2014). Therefore, high quality IAF is necessary in ensuring good corporate governance within an organization.

Globally, good governance has taken a very central position (Mohamad & Muhamad, 2011) and is therefore very important for deciding the manner that organizations are directed, controlled and held to account (Mukute & Marange, 2006). Good governance focuses on policy, systems and direction and also relates to organizational compliance with relevant legal frameworks. As such, effective IAF would instill internal control as it could identify loopholes

for corruption, malpractices and fraud (Abdulkadir, 2014). This renders IAF an important tool for enhancing good governance within an organization (MIA Professional Standards & Practices [MIA], 2012), including Non-Governmental Organizations (NGOs) (Mukute & Marange, 2006).

Thus, utilization of IAF by NGOs has the potential to enhance good governance of NGOs (Abdulkadir, 2014), hence effective and efficient delivery of services and easier achievement of NGOs' objectives. Since the NGO management takes responsibility of providing a reasonable assurance of reliable financial reporting and upholding good corporate governance (Abdulkadir, 2014), IAF plays a direct role in influencing good governance (Abdulkadir, 2014). Considering that NGOs in Kenya play an important in; social and economic development roles (Chimulwa, 2009), IAF needs to be utilized for the achievement of these goals.

1.1.1 Background of NGOs in Kenya

NGOs in Kenya were started after emergence of independent church-based secular organizations during colonial period to address relief and welfare issues. Some of the NGOs formed those times include the Kavirondo Taxpayers' Welfare Association (KTWA). The development of NGOs in Kenya was based in the spirit of "harambee", which means pulling together for mutual assistance (Wanjohi, 2010). Through this motto, communities pooled their resources towards building; schools, health clinics, water-wells, cattle dips and polytechnics. Later, foreign relief agencies and local voluntary organizations came in to help during serious floods and famine (National Cereals and Produce Board [NCPB], 2004).

This participation by foreign bodies attracted donor policies into influencing NGOs in Kenya, making foreign bodies the highest funders of NGOs in Kenya. For instance, in the year 1980 it was estimated that non-church NGOs in Kenya spent between Ksh. 1.4 Billion to Ksh. 3.0 Billion as the church NGOs spent between Ksh.0.8 Billion to Ksh.1.0 Billion. It was

realized that the NGOs funded by international organization enjoyed twice the level of finance of their local counterparts (Riddell, 1997).

All the way through NGOs in Kenya focused on rural establishments. However, in the early 1990s there was paradigm shift of NGO focus from rural areas to urban areas due to rapid urbanization in Kenya, a scenario comparable to the rural-urban migration phenomenon. This was motivated by steady growth of rapid urbanization in urban areas at the time. For instance, the population in urban areas was 27% in 1975 but rose to 40.2% in the year 2000 and is expected to rise to 53.2% in the year 2015 (United Nations [UN], 2008). Currently, NGOs in Kenya are classified into 48 sectors which include; education, water, human Rights and minority groups (such as women's rights, children and disabled people). The later groups account for 6.85% (Liston, 2008).

Nowadays, the Government of Kenyan (GoK) recognizes NGOs in the country. In fact it has established platforms to work together with NGOs and NGOs stakeholders in Kenya (Wanjohi, 2010), where NGOs are treated as partners to the GoK. As such NGOs are treated as agents of development (Lewa (2004). They are in contact with over 15% of the Kenyan population where they are concentrated within the 40% people living below the poverty line (Wanjohi, 2010). Precisely, NGOs reach about a third of the Kenya's poor population (Riddell, 1997).

NGOs in Kenya rely on donor funding, where, donors provide assistance to the poorest through the NGOs (FERN, 2001). This assistance and its global influence are considerably growing. For instance, The European Community (EC) provides financial assistance to indigenous people to the tune of an annual average of between Ksh 600 million to Ksh 700 million for direct projects and about Ksh 3 - 320 Billion for indirect projects. The donors prefer dealing with the NGOs financially rather than through the Government of Kenya (GoK), based on the assumption by the donors that NGOs give comparatively more value for money. Ideally,

it is easier to control the NGOs budget and ensure the money is not diverted into some private pockets rather than the case when the money is channeled through Government (Walsh & Lenihan, 2006).

1.2 Statement of the Problem

Many NGOs in Kenya are occasionally requested by donors, NGO agencies and the GoK to show accountability, managerial competence and strong internal control system. However, these NGOs have been relying on informal management processes to develop and sustain their capital, leading to failure to satisfy the requests by interested parties. This is increasingly causing pressure from these parties (Koitaba, 2013). Further, NGOs are confronted with a competitive nature of acquiring funds, which demands that they should demonstrate competencies to NGO funders and other interested parties (Chenhall, 2010). Despite rising pressure for more openness and transparency, most NGOs in Kenya are reluctant to share information and even fail to recognize the need for accountability (Elkington, 2003). It has been established that NGOs in Kenya are involved in scandals, resulting from incredible governance structure (World Vision Kenya, 2013). As a result, the NGOs end up behaving in unaccountable manner with regards to their utilization of budgeted funds (Koitaba, 2013). More specifically, NGOs are managed by ineffective corporate governance. Transparency, which is generally regarded as a key requirement for good governance and successful feedback systems, is missing in most NGOs in Kenya. Although timely availability of reliable information is essential to the stakeholders, NGOs lack effective regulation and monitoring by beneficiaries, donors and governments because there are no effective IAF systems.

Despite the extensive academic literature on IAF in public and private companies globally, regionally and in Kenya, there is little research on IAF as tool to enhancing good corporate governance in the Kenya NGO sector (Petrovits *et al.* 2009). In fact there are limited studies addressing IAF as a tool to enhancing good corporate governance in Kenya's NGOs.

Suffice to say there limited literature on IAF as a tool for ensuring good corporate governance of NGOs in Kenya, a knowledge gap than needs to be filled. The need to fill this knowledge gap necessitated conducting of this study.

1.3 Objectives of the Study

1.3.1 General Objective

The study objective was to assess IAF as a tool to good corporate governance of Kenyan NGOs with a view to make recommendations for ensuring efficient performance of the NGOs.

1.3.2 Specific objectives

The study was guided by these objectives;

1. To find out the influences on competence of internal auditors on corporate governance of NGOs in Kenya.
2. To find out the extent to which follow-up mechanisms influences corporate governance of NGOs in Kenya.
3. To establish influence of Independence of IAF on the corporate governance of NGOs in Kenya.

1.4 Research questions

The study sought to answer the following questions:

1. How much influence does competence of internal auditors have on corporate governance of NGOs in Kenya?
2. What is the influence of follow-up mechanisms on corporate governance of NGOs in Kenya?
3. How much influence does Independence of IAF have on corporate governance of NGOs in Kenya?

1.5 Significance of the Study

The study is of great significance in the assessment of the effectiveness of the internal control function as a tool to ensuring good corporate governance. The findings and recommendations of the study will help the management of NGOs in Kenya to understand the essence of internal control function in supporting their operations. This study will also be of great importance to the following groups of people:

Policy makers in decision making and enable them put in place internal audit function policies for guiding running of NGO's corporate in the country.

Government in particular to learn a lot about accountability, efficiency and effectiveness of service delivery in the NGOs within its mandate.

NGO forum and it members to learn about the challenges that are experienced in running NGO's in the country.

Help the researcher understand why organizations perform the way they do, despite internal controls put in place. The study is a window opener for more research in the areas of the internal audit function.

1.6 Limitation and Delimitation of the Study

This study was limited in a number of ways. First, it relied on behavior where some respondents might have felt that they are being disturbed and therefore refuse to participate or supply wrong information. The study overcame this limitation by conducting an orientation before the administration of the research tools to the respondents to create a free environment.

Secondly, some of the respondents developed resistance and thereby were opting to avoid giving appropriate responses to the questions. The study therefore told the truth about the research to allay any fears that would have resulted in such resistance.

Thirdly, some of the respondents took longer time to respond to the data collection by taking long time to fill the questionnaire, which delayed the entire study. The study therefore

offered assistance to respondents to fill the questionnaire online and made frequent follow-ups through phone calls and emails. The last limitation was the study time, which was too short. The researcher therefore worked extra time and sought the services of a research assistant where necessary to avoid the time limitations.

1.7 Scope of the Study

The study aimed to assess internal audit as a tool to good corporate governance of the Kenyan NGOs and conducted the research in Nairobi County. The Study was conducted across the geographical lines on different NGOs operating in Nairobi County, Kenya. The study covered different classifications of NGO institutions in the country. Nairobi County was chosen owing to the diversity of NGOs in the county.

1.8 Basic Assumptions of the Study

The study made the following assumptions:

1. That respondents provided adequate necessary assistance in identifying respondents
2. The respondents gave the correct and accurate information
3. The respondents gave freely information
4. The NGOs legal framework would remain unchanged.

CHAPTER TWO

LITERATURE REVIEW

2.1 Introduction

This chapter presents a review of literature pertinent to the study as presented by various researchers, scholars', analysts and authors. This chapter summarizes literature that has been reviewed and will be reviewed for the purpose of the study. The literature covers an overview of the literature of previous studies, findings and recommendation showing the research gap to be filled and theoretical framework. The theoretical literature helped the study to develop a conceptual framework. The chapter concludes with a conceptual framework.

2.2 Theoretical Review

The study found some theories related to internal audit and corporate governance very useful, especially in building the conceptual framework. These studies include; accountability theory, role theory of accountability, and dimensional framework. The said theories were useful as they assisted in the design and development of the study conceptual framework.

2.2.1 Accountability Theory

According to the Accountability Theory, accountability refers to the extent to which the objectives for which the resources were entrusted have been achieved. Accountability is simply a contract between an agent and a principal and arises from a duty upon the agent and the rights of the principal (Gray *et al.*, 1987). Although the principal may be passive, the work of the agent is to account what the principal has achieved. According to this theory, a passive principal is merely waiving his/her rights to information (Stewart, 1984). The agent should therefore account to principals who demand information and are willing to enforce the contract (Tricker, 1983). Much of the research on corporate accountability suggests that regulation is the only way to ensure that companies provide complete and comparable reports. (Gray *et al.*, 1987) suggest a compliance with standards approach, and the proliferation of reporting guidelines.

According to academics, only mandated, standardized reporting (such as the use of IAF) would yield comprehensive information required to assess firms' (such as NGOs) performance. Support for such a regulated approach is provided by evidence that voluntary disclosure levels are much lower than those for mandated disclosure (Guthrie & Parker, 1990). As such, firms have to be more accountable since the matters at hand are too complex and crucial to be left entirely in the hands of corporate governance, which are overburdened. Inform stakeholders, enables them to express their choices about critical issues. When using appropriate mechanisms, such as IAF, accountability should be more focused on accounting for corporate governance actions and effects on organization and society, rather than accounting for their financial performance (Bebbington & Gray, 1993).

According to Ebrahim (2003), accountability by the agents is a dynamic concept and more complex. Therefore organizations must deal with competing requirements of various stakeholders, and most often choose to satisfy the needs of their primary stakeholders first and often at the expense of secondary stakeholders' needs as their principle goal is aligned with the needs of these primary stakeholders. Brown and Moore (2001) postulate that since agencies are not coherently aligned with one another they must, like other organizations, also prioritize their stakeholders. This can have dire consequences for their existence as their goals to provide welfare may not always be aligned with the goals of their donors.

2.2.2 Role Theory of Accountability

Role systems theory of accountability describes how organizations manage to produce reliable behavior on the part of their members (Katz & Kahn, 1998), especially the corporate governance. It outlines the critical place of individual interactions and specifies the overriding purposes that should be anticipated in these relationships. The theory emphasizes the achievements that are associated responsibilities assigned to people (Ferris *et al*, 2000) indicate

that the areas that are highly stressed by people in terms of how the structures in the system stands relevant.

Schlenker *et al* (2004) showed the work of linkages between associated responsibilities yield accountability as Dose and Klimoski (2005) indicate that accountability is based on public perceptions and conclusions. However, accountability implies the anticipation of an accounting, having to report or explain oneself to others in the future. In role theory, the focal worker also anticipates facing IAF any time. In a summary, the theory explicates the essential components and relationships central to accountability.

2.2.3 Dimensional Framework

Based on accountability studies, Ullmann (1995) developed a three-dimensional strategic framework, dimensional framework. The dimensional framework is consistent with the stakeholder theory. This framework explains the correlations among disclosures and accountability as well as economic performance. The first dimension is the stakeholder power, which explains that an institution will be responsive to the intensity of stakeholder demands. Such that when stakeholders control critical resources, the organization is likely to react in a way that satisfies their demands. The second dimension is the strategic posture, which describes the mode of response the organization is likely to take concerning demands. Those employing an active posture try to influence their status by continuously monitoring their position with stakeholders; by initiating Corporate Social Responsibility (CSR) and accountability programs as well as disclosing their commitment. The third dimension is the past and current economic performance. It determines the relative weight of a demand and the attention it receives. This dimension is relevant because it is conceivable that organizations suffering from low accountability may place economic demands ahead of social demands (Chan & Kent, 2003).

2.3 Empirical Review

This study reviewed various global, regional, and local past studies found useful to it. This review of these studies was based on the study objectives.

2.3.1 Internal Audit function

A study by Petrovits *et. al.*, (2009) reveals that IAF NGOs is not new and those NGOs receiving funding from external sources are subjected to rigorous internal control as per the donor requirements. The study found out that those NGOs portraying deficiencies in internal control risk losing the funding from such donors due the unaccountability nature. The study emphasized the need for IAF in enhancing the performance of the corporate governance. The present then will seek to establish IAF as the independent variable and corporate governance as the dependent variable.

IAF aims to evaluating and improving the effectiveness of risk management, control and governance processes, thereby providing objective assurance to the interested party (International Federation of Accountants [IFAC], 2010). Initially, IAF standards were intended to audit financial records. Nowadays, IAF is referred to as an independent tool for appraisal of internal control effectiveness to help the management process in achieving set corporate and organizational objectives and goals (Haron *et al.*, 2010). The IAF is supported by; its competency, follow-up, and Independence of IAF.

2.3.2 Competence of Internal Auditors

Salehi and Husini (2011) study found that the competence of internal auditors was enhanced by application of Information Communication Technology (ICT). That is the use of ICT remarkable enhances IAF, by increasing the quality of internal audit. The study established that ICT improves the quality of IAF's different aspects. The benefits of using ICT in IAF are; taking less time carrying out audit, accuracy, efficiency, reliability and correctness. The study finding were applied this study to regard ICT as an indicator of the independent variable

From the findings by Unegbu & Kida (2011), Competency of IAF's in an NGO is determined by; the highest educational qualifications, professional experience, training of IAF staff (professional development) and proficiency of IAF (Mihret & Yismaw, 2007). It should further be noted that low competency of the IAF staff proficiency limit its capacity to provide effective IAF service to management. However, high competency of the IAF determines the quality of the audit work performed in the firm. As earlier stated competency of IAF is indicated by; academic qualifications, experience, skill, sustained professional development (training) and proficiency. Competency determines the efficiency of the IAF in setting a systematic and disciplined approach to evaluate and improving the effectiveness the corporate governance processes (Unegbu & Kida, 2011)..

The study by Unegbu and Kida (2011) established that IAF can effectively assist the management of institutions when enough IAF personnel with required competencies are available. By showing that the IAF staff must be competent in their work, the study findings helped the current study to regards staff competency as an independent variable as it also considered ICT as an indicator. (Flynn, 2013) study revealed that IAF staff of NGOs should report actual and perceived financial information with integrity. The study established that NGOs have difficulties in acquiring competent staff, which affects the donors' impressions regarding the inclusion of IAF experts. The study established that donors are not impressed by the IAF staff used for enhancing the credibility of NGOs' financial statements. In light of these findings, the present study considers the competence a very significant items in promoting good governance.

A study by Bongani (2013) finds that establishing IAF in organizations ensures the reliability of accounting records, since it can constrain corporate governance or staff's reported and possible random errors. This ensures the authenticity of the content of financial reporting to provide reasonable assurance to stakeholders and it becomes another important system

arrangement to ensure reliable financial reporting. Another study by Boesso, Cerbioni and Kumar (2014) found that BOD is expected to properly invest NGOs' resources in viable projects. The established that even with this privileged position, the role of governance in NGOs is far from certain, an indication that the presence of active IAF would propel the proper utilization of the NGOs' funds.

2.3.3 Follow-Up Mechanisms

Ruppert (2006) established that follow-up is used in the IAF to ensure; identification of problems identified through auditing and improvement opportunities, through continuous utilization of monitoring efforts. Such efforts directed needs to be directed by the management. Follow-up is an effective mechanism to establish corporate governance accountability as it promotes compliance with laws, rules and regulations and internal control. Corporate governance is responsible for documenting the follow-up outcomes as well as any reported compliance issues. The effectiveness of follow-up is driven by compliance program, compliance risks, and IT (Ruppert, 2006).

Compliance with laws, rules and regulations, and IAF should work in tandem to enhance functional compliance programs. This is because the corporate governance compliance unit creates and executes the organization's corporate compliance program relative to its unique role and the management is responsible for ensuring that this compliance occurs. Corporate compliance and IAF have comparable roles relative to addressing compliance risk. Corporate compliance program creates and executes compliance work plan (which can be annual or periodic) that ensures effective addressing of compliance risks by the appropriate compliance personnel and management through the necessary monitoring activities (Ruppert, 2006). Compliance risk drives the need for a corporate compliance program. In which case, firms must ensure that they are taking reasonable measures to comply with applicable laws, rules and regulations, as well as their own policies (Hermanson & Rittenberg, 2003).

2.3.4 Independence of IAF

Abdulkadir (2014) study found that NGOs in Kenya are facing numerous challenges of implementing IAF such as; limitations of financial controls, the scope of functionality of corporate governance controls and the practicability of ethics and compliance controls, in NGOs. Most NGOs consider that formal IAF as practiced in the corporate and therefore opt to mostly rely in informal control structure to fulfill their objectives.

The internal audit independence is the basis of the independence and objectivity of the IAF, in which case the independence and objectivity contributes to the effectiveness of the corporate governance in NGOs. Therefore the NGOs need to allow the IAF to conduct work without interference by those it is required to audit and other interested parties. The independence and objectivity of IAF is necessary for assurance services (Ruppert, 2006). It creates room for the freedom from conditions that may compromise the objectivity of IAF and quality of work during and after the auditing (Institute of Internal Auditors [IIA], 2010). In fact, for IAF to conduct its work without interference it should have sufficient independence from those it is required to audit (IIA, 2001). This is important because it allows IAF access to any document relating to the audit work without fear or favor, thereby leading to production of objective report and reliable professional judgment based on integrity (Saren & De Beelde, 2006).

2.3.5 Corporate Governance

Corporate governance, which is the process and structure used to direct and manage company business affairs, enhances prosperity and accountability so as to realize objective the organization (CMA, 2002). It takes into account the stakeholders' interest and revolves around the companies' accountability the shareholders and other stakeholders and for the corporate success. According to Zabihollah (2003), good corporate governance promotes accountability

as it ensures high corporate performance. Good corporate governance ensures management is accountable to the board and that the board is accountable to the stakeholders.

Abdulkadir (2014) revealed that for the corporate governance to be good and effective it must have the appropriate mechanisms such as; quality accounting policies, independent IAF are in place. When every necessary mechanism is in perfect use, the firm avoids fraud deals, manages and anticipates financial risks, and ensures production of accurate and timely disclosures of financial information to the stakeholders. Ineffective corporate governance leads to failures and scandals, which demands for enhancement of good corporate governance (World Vision Kenya, 2013; PSCGT 2000).

Nowadays, IAF provides the entire management with all the information concerning the organization's financial (Bongani, 2013), operational and compliance activities, efficiency, and economy of management performance and activities to improve effectiveness. It is clear, that IAF develops ever-new approaches to internal auditing, device new auditing products and services, and help fulfill increasingly more complex demands that management nowadays faces. Related to that, it can be expected that IAF will be increasingly oriented towards advising the management on efficient corporate governance.

2.4 Summary of Literature Review and Research Gaps

The theories reviewed contributed immensely to the present study. For instance, accountability theory shows that the corporate governance should account to demand for information and that regulation is the only way to ensure that companies provide complete and comparable reports (Tricker, 1983). Standardized reporting (such as the use of IAF) would yield comprehensive information required to assess firms' (such as NGOs) performance and firms have to be more accountable since the matters at hand are too complex and crucial to be left entirely in the hands of corporate governance. Accountability should be more focused on accounting for corporate

governance actions and effects on organization and society, rather than accounting for their financial performance (Bebbington & Gray, 1993).

The role systems theory of accountability shows that there is work of linkages between associated responsibilities that yield accountability (Schlenker *et al.*, 2004; Dose & Klimoski, 2005) and accountability implies the anticipation of an accounting, having to report or explain oneself to others in the future. In role theory, the focal worker also anticipates facing IAF any time. The Dimensional Framework explains the correlations among disclosures and accountability as well as economic performance (Ullmann, 1995).

This study reviewed the various past studies on IAF and Corporate governance. The studies reviewed failed to comprehensively show that competence of internal auditors, follow-up, and Independence of IAF influence the corporate governance. For instance, Petrovits *et. al.* (2009) study emphasized the need for IAF in enhancing the performance of the corporate governance but failed to identify the above factors as the determinants of corporate governance, although it helped establish IAF as the independent variable and corporate governance as the dependent variable. The study by Salehi and Husini (2011) found out that ICT improves the quality of IAF's different aspects but did not consider other factors. Unegbu and Kida (2011) study established that IAF can effectively assist the corporate governance when enough IAF personnel with required competencies are available. It failed to show the participation of ICT.

Flynn (2013) study revealed that NGOs have difficulties in acquiring competent staff, which affects the donors' impressions regarding the inclusion of IAF experts. A study by (Bongani, 2013) finds that establishing IAF in organizations ensures the reliability of accounting records, since it can constrain corporate governance (Boesso, Cerbioni & Kumar, 2014) found that BOD is expected to properly invest NGOs' resources, an indication that the presence of active IAF would propel the proper utilization of the NGOs' funds. (Abdulkadir,

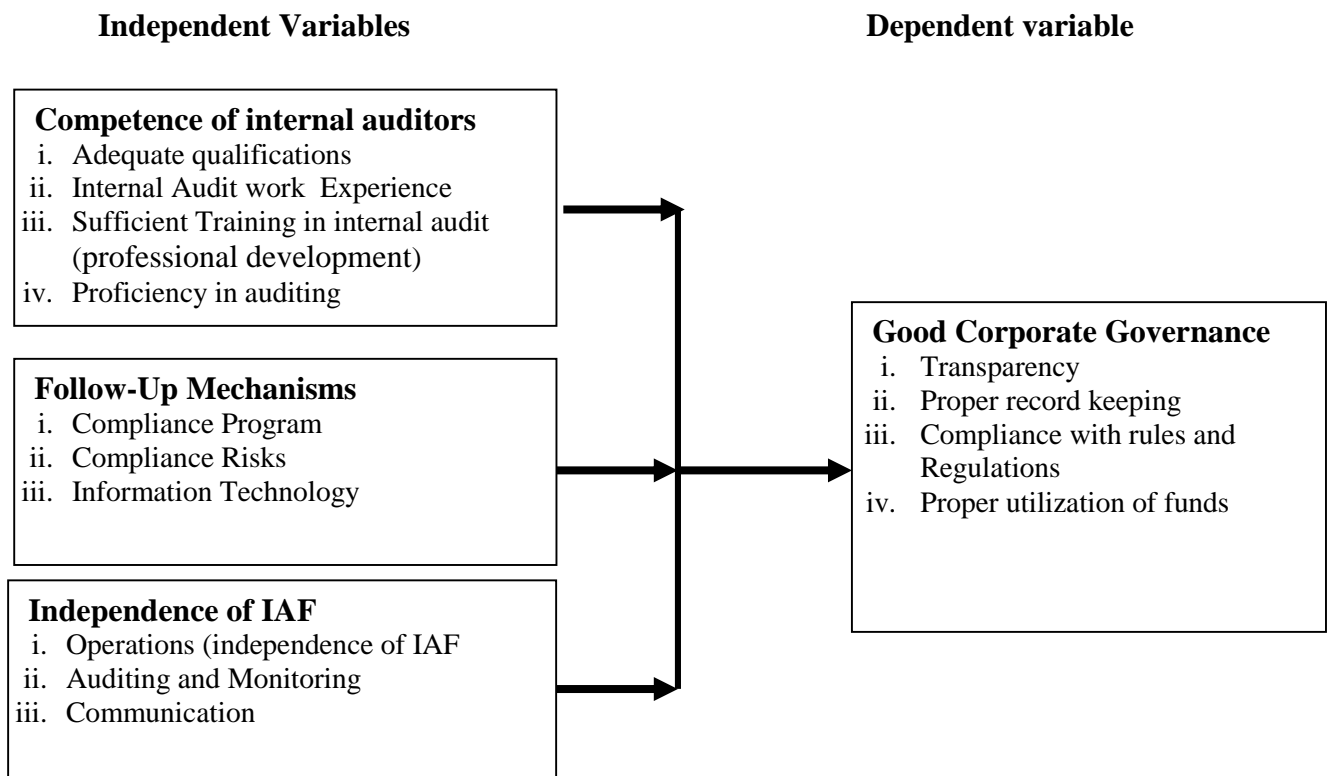
2014) study found out that most NGOs consider that formal IAF as practiced in the corporate and therefore opt to mostly rely informal control structure to fulfill their objectives.

2.5 Conceptual Framework

The study developed a conceptual framework which proposes that good governance of NGOs in Kenya is influenced by internal audit function of the institutions through; competence of internal auditors, follow-up, and Independence of IAF. This was based on the accountability theory (Tricker, 1983), role systems theory of accountability (Schlenker *et al.*, 2004), and the dimensional Framework (Ullmann, 1995). This study therefore regards competence of internal auditors, follow-up, and Independence of IAF as the independent variables while good governance of NGOs in Kenya is the dependent variable as shown in figure 1.

FIGURE 1

Conceptual Framework



Source: Researcher (2015)

2.5.1 Internal Audit Independence

Internal Audit is responsible for all internal audit activity within an organization. Given the application of formal audit methodology and reporting requirements, Internal Audit does not complete monitoring activities though its work can sometimes identify the need for and provide the basis for monitoring mechanisms being established. Internal audit must be independent of all areas subject to audit to ensure objectivity. Professional standards prohibit internal audit responsibility for operations.

2.5.2 Follow-Up Mechanisms

Follow-up relates to ensuring that improvement opportunities and problems identified through auditing and monitoring efforts have been addressed by the organization, typically through the efforts directed by management. Follow-up is an effective mechanism to establish

management accountability for compliance and internal control. While compliance and internal audit are responsible for following up to ensure remedial actions have been taken. Internal audit is required to ensure follow-up of recommendations made in internal audit reports to determine if management has responded accordingly. Formal tracking and reporting to the board is also required. Internal audit provides advice and consultation relative to the compliance program. Internal Audit is responsible for auditing compliance program implementation and evaluating program effectiveness. Internal audit addresses compliance risk as part of risk-based audits or in conjunction with corporate compliance coordination and the compliance work plan. Information Technology (IT) audits new systems implementation and existing systems controls.

2.5.3 Competence of internal auditors

Timely risk and performance monitoring has a positive impact on an organization and the sustainability of corporate governance. With better integration among monitoring functions, methodologies, and systems, company leaders receive more relevant reports, thereby enabling them to take corrective action promptly. Effective integration contributes to better-trained individuals and enhances reporting capabilities and operational efficiencies. IAF should participate in ongoing dialogues with the corporate governance, and other senior management officers, maintain steady communication with audit committee members and oversight executives, include information about corporate governance in audit reports; and assist in establishing a corporate governance communications calendar and solicits input about needs across the organization.

2.6 Operationalization of Variables

TABLE 1
Operational Framework

Type	Variable	Objective	Indicators
Dependent Variable	Good Corporate Governance	Asses the level of Good Corporate Governance in NGOs	Transparency Proper record keeping Compliance with rules and Regul. Proper utilization of funds
Independent Variables	Competence of internal auditors	To find out the influences on competence of internal auditors on corporate governance of NGOs in Kenya.	
			Adequate qualifications (academic Professional)
			Internal Audit work Experience a
			Adequate training in internal audi (continued professional developm
			Proficiency in auditing
	Follow-Up Mechanism	To find out the extent to which follow-up mechanisms influences corporate governance of NGOs in Kenya.	
			Compliance Program
			Compliance Risks
			Information Technology
	Independence of IAF	To establish influence of Independence of IAF on the corporate governance of NGOs in Kenya.	
		Operations (independence of the i audit functions)	
		Auditing and Monitoring	
		Communication	

Source: Researcher (2015)

2.6 Hypotheses of the study

Hypothesis 1

H₀: Competence of internal auditors does not significantly influence corporate governance of NGOs in Kenya.

H₁: Competence of internal auditors significantly influences corporate governance of NGOs in Kenya.

Hypothesis 2

H₀: Follow-up mechanisms do not significantly influence corporate governance of NGOs in Kenya.

H₁: Follow-up mechanisms significantly influence corporate governance of NGOs in Kenya.

Hypothesis 3

H₀: Independence of IAF does not significantly influence corporate governance of NGOs in Kenya.

H₁: Independence of IAF significantly influences corporate governance of NGOs in Kenya.

CHAPTER THREE

RESEARCH METHODOLOGY

3.1 Introduction

This chapter comprises of the research design, the target population, sampling, data collection and collection instruments, and the data analysis technique that will be used to establish the role of the internal audit function in promoting good corporate governance and accountability in NGOs in Kenya.

3.2 Research Design

This study used descriptive survey aimed at establishing the role of audit committee in promoting corporate governance and accountability in NGOs in Kenya. A descriptive study was concerned with finding out what, where and how of a phenomenon.

3.3 Target population

There are 1,883 NGOs registered within Nairobi County (NGO Kenya Bureau Database, 2015). According to Wachamba (2014), these NGOs are registered and operational within Nairobi County in different sectors. However only 282 NGOs have completed project between 2007 and 2014 and are in the process of monitoring and evaluating the project. So, the target population for this study was therefore the 282 registered NGOs in Nairobi County as shown in Table 2. The respondents were the senior audit officers and other key personnel of these NGOs.

TABLE 2

Target Population

Category	Population Size
Health	68
AIDS	17
Education	29
Water	58
Welfare	42
Population	27
Informal	11
Climate	30
Total	282

Source: NGO Board (2015)

3.4 Sample determination

Since the target population was accessible and manageable study used census, where the entire target population participated in the study as respondents.

3.5 Data Collection and Procedures

In order to identify the role the internal audit function in promoting good corporate governance and accountability in the NGOs in Kenya, a structured questionnaire was administered the among the respondents. The questionnaire, which had close ended questions, was designed to identify the role the internal audit function in promoting corporate governance of NGOs in Kenya. The close ended questions provided more structure responses to facilitates tangible recommendations.

Secondary data sources were employed through the use of previous documents or materials to supplement the data received from the.

As a requirement, the study first obtained a letter from University approving collection of data and conducting the study. The study used the letter as an introduction to inform the respondents of the need for data collection. Once all the documentation was available, the researcher then conducted a pilot testing on the research tool to test on the reliability and validity. The respondents in pre-test did not participate in data collection. After the research instrument was successfully tested and reviewed, the researcher entered into active data collection. To make the data collection exercise more effective, the study employed the services of research assistants.

During data collection, the researcher first sought to have a forum with the each NGO audit officer to arrange on how data collection would be done, which helped to effectively collect the data. Arrangements were then made on when and how to collect the data collection. When collecting data, the research assistant administered the online questionnaires and often assisted the respondents to effectively fill and send the questionnaires online (Kombo & Tromp, 2006). The respondents entered the data into the appropriate tools.

3.6 Pilot Testing

A pre-testing was conducted before data collection to test the research instrument before administering it. These tests were used to ensure the reliability and validity of the research tool. Such tests helped identify possible problems, clarify on the instrument and appropriateness of the language during the main study (Kvale, 2007). By so doing, the study assessed the relevance of

the research objectives as it tests the understandability of the research tools. It also enabled the researcher to have an idea of how long it would take to complete the data collection using this tool.

3.6.1 Validity

Validity, which is the accuracy and meaningfulness of inferences, was measured using construct validity. The study used content validity test to test for validity of instruments. Content validity measures the degree to which data collected using a particular instrument represents a specific domain of indicators or content of particular concept. The assessment of content validity of a measure was carried by using two experts, one from the NGO sector and the other from the financial management sector.

3.6.2 Reliability

The data was tested for reliability to establish issues such as data sources, methods of collection, time of collection, presence of any biasness and the level of accuracy (Kvale, 2007). The test for reliability established the extent to which the results would be consistent over time. The study collected data from ten (10) respondents, who did not participate in the study data collection. These respondents were allowed at least three days to respond. The reliability test was done using the internal consistency test, based on Cronbach alpha. Internal consistency of data is determined by correlating the scores obtained from one time with scores obtained from other times in the research instrument. The result of correlation is the Cronbach coefficient Alpha which is value between -1 and 1. The coefficient is high when its absolute value greater than or equal 0.7 otherwise it is low. A high coefficient implies high correlation between these items which means there is high consistency among the items and such items should be retained in the tools. This study correlated items in the instruments to determine how best they relate. Where the coefficient is very low, then the item was reviewed by either removing it from the tool or correcting.

3.7 Data Analysis

The collected data was first checked for errors of omission and commission. The collected data was thoroughly examined and checked for and tabulated. Then it was classified and coded accordingly. Descriptive analysis was carried out first for each variable to describe that variable and how it relates to good corporate governance. Descriptive analysis, which is the distributional properties of a variable, was carried out for each objective describing all the variables used to achieve the objective. Descriptive statistics was applied to help establish patterns, trends and relationships, and made it easier for the researcher to understand and interpret implications of the study, producing the most useful statistics. The data was presented using figures and tables. The interpretations were done using narrative (Aneshensel, 2004).

Secondly the study obtained a mean for each of the indicators of study variable and then another mean for the study variables (obtained the indicators for that variable). The means obtained was used to carry out correlation between each Independent Variable (IV) and the Dependent Variable (DV). The correlation coefficient established whether there is relationship between the IV and DV. If no relationship is established, the IV was to be discarded in the further analysis. Lastly regression was done to estimate the study model (regression establishes the nature of the relationship). The model predicts the IV in terms of all the DVs. The regression was based on 95% level of confidence. The model is;

$$CG = \beta_0 + \beta_1 CI + \beta_2 RM + \beta_3 RR + \varepsilon \dots\dots\dots (3.1)$$

Where:

β_0 = is a constant, which is the value of dependent variable when all the independent variables are 0

$\beta_1 - \beta_3$ = Regression coefficients of IVs or change induced by CI, FM, and RR

- ε = Error of prediction
- CG = Corporate Governance
- CI = Competence of internal auditors
- FM = Follow-Up Mechanisms, and
- RR = Internal Audit Independence

Statistical Package for Social Science (SPSS) version 20.0 assisted in the data analysis.

3.7 Ethical Issues

Before data collection commenced, the researcher obtained authority to collect the data from the appropriate authorities. The study ensured confidentiality and security of data gathered from the respondents. In this regard, all the data collected was kept in safe custody. The respondents were not required to write or fill their names on the questionnaire to avoid exposing who gave what information. The respondents were not coerced to give responses and were free to withdraw their consent at any time. Additionally, only general responses were reported and not the individual views expressed.

3.8 Chapter Summary

This chapter about the research methodology has shown that the study used descriptive design. The study used stratified sampling to obtain the sample population. Data was collected from primary sources using a semi structured questionnaire administered to the respondents online. The study first conducted a pilot testing before the administration of the research tool to establish the reliability and validity of the instrument. The data was analyzed using qualitative methods. Quantitative data was analyzed with the assistance of Statistical Package for Social Sciences (SPSS) ver. 20.0. The study ensured confidentiality and security of the collected data.

CHAPTER FOUR

RESULTS AND DISCUSSIONS

4.1 Introduction

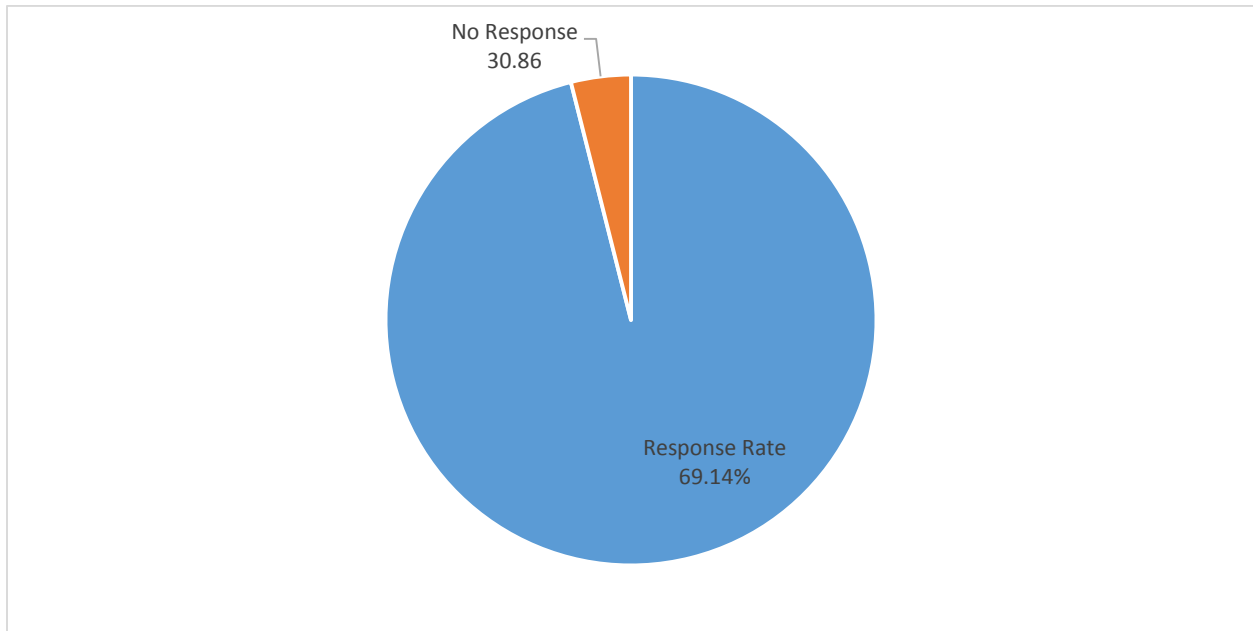
This chapter presents an analysis and discussions of the results obtained from the analysis of the study results. These results were represented using tables for ease of understanding and were interpreted in form of narrative was based on the research objectives. These results are from data analyzed using quantitative analysis analyzed by use of the Statistical Package for Social Science (SPSS) version 20.0. The study contains results on respondents' demographics, response rate, descriptive and inferential statistic.

4.2 Response Rate

The questionnaire (used as the data collection tool) was administered to 282 respondents and 195 responded. This translated to a response rate of 69.14% of the sample population. This was a very good based on the assertion by Mugenda and Mugenda, (2003) that; a 50% response rate is adequate, 59% good and above, and above 69% is very good.

FIGURE 2

Analysis by Response Rate



Source: Research Data (2015)

According to (Mugenda and Mugenda, 2003), a 50% response rate is adequate, 60% good and above 69% rated very high. Based on this assertion the response rate for this study it can be said that response rate very good at 69.14%, which was high above 69%. Although the results were interpreted to indicate a very good response rate, a failure of 30.84% to respond might have been explained by some of the respondents being out of office or were out of reach with the Internet Computers by the time the study was being conducted.

All those who responded answered all the questions in the online questionnaire quite did well without leaving any questions unanswered. The answers were given by the right source and were accurate. The study highly appreciated this response and was very thankful to the subjects. In addition, the subjects responded positively to the interviews conducted to verify the

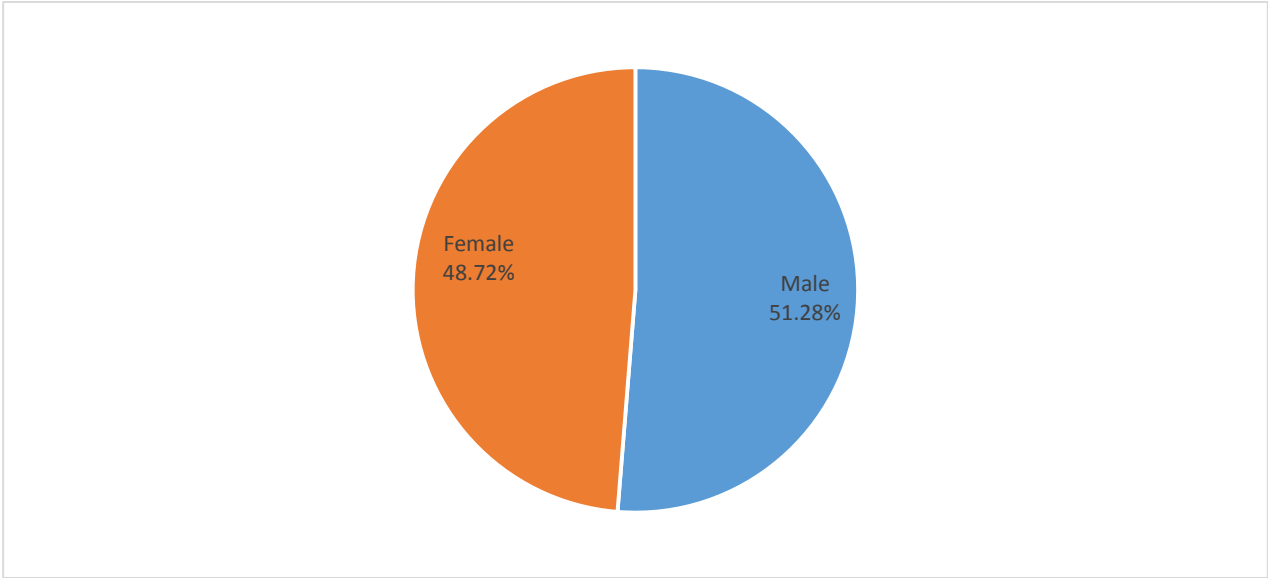
questionnaire. Although the pilot testing took one week, the entire data collection exercise took two weeks.

4.3 Respondents' Demographics

4.3.1 Sex

The respondents were requested to state their sex and the results obtained records in figure 3.

FIGURE 3
Analysis by Respondents' Age



Source: Research Data (2015)

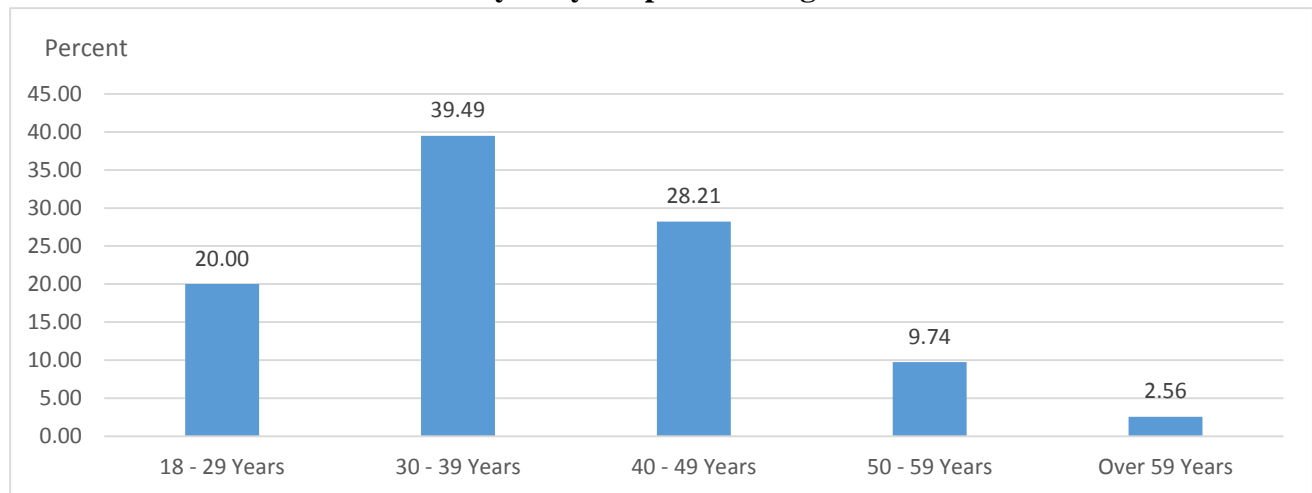
From the results, 51.28% were male as 48.72% were female. The gap between the two was very small. The male, who were the majority made up 51.28% as the female took up the remaining 48.72%. If the male lost 2.28% to the female, the male would have been the same as the female. This was showed that gender disparity was low.

4.3.2 Respondents Age

Further, the respondents were requested to indicate their age bracket and the results in recorded Table figure 4.

FIGURE 4

Analysis by Respondents Age



Source: Research Data (2015)

The results showed that most of the respondents, who formed 39.49, were between 30 and 39 years. They were followed by those who indicated that they were between 40 and 49 years, who formed 29.21%. Those who showed that they were between 19 and 29 years formed 2.00% as 9.74%% showed that they were between 50 and 59 years and 2.56% showed that were over 50 years.

4.3.3 Position Held in the NGO

The respondents were requested to indicate their positions held in the NGOs and the results recorded in table 3.

TABLE 3**Analysis by Position Held in the NGO**

Category	Frequency	Percent
Not Specified	1	0.51
Accountant 1	2	1.03
Accountant 11	2	1.03
Accounts Assistant	1	0.51
Accounts Clerk	4	2.05
Accounts Executive	3	1.54
Accounts Records Officer	4	2.05
Audit Assistant	3	1.54
Audit Officer	32	16.41
Chief Officer	17	8.72
Chief Party	8	4.10
Compliance Manager	2	1.03
Compliance Officer	7	3.59
Finance and Administration Assistant	2	1.03
Finance Director	2	1.03
Finance Executive	6	3.08
Finance Intern	3	1.54
Finance Manager	6	3.08
Finance Officer	4	2.05
Finance Coordinator	1	0.51
Internal Auditor	1	0.51
Manager	1	0.51
Office Administrator	1	0.51
Operations Assistant	1	0.51
Program Assistant	5	2.56
Program Consultant	4	2.05
Program accountant	1	0.51
Project Coordinator	8	4.10
Project Director	5	2.56
Project Planning Assistant	3	1.54
Risk Compliance Offer	2	1.03
Risk Assessment Officer	3	1.54
Senior Accountant	1	0.51
Senior Auditor	43	22.05
Senior Project Coordinator	2	1.03
Senior Project Partner	4	2.05
Total	195	100.00

Source: Research Data (2015)

From the results, most of the respondents were auditors, who formed 22.05% of the total response and they were followed by the audit officer who formed 16.41%.

4.4 Descriptive Statistics

The study sought to assess the study objective using data collected on a 5-point Likert Scale and the results accompanied the corresponding objectives. The study used the scale; strongly Disagree = 0; Disagree= 1; Neutral = 2; Agree =3; Strongly Agree = 4 to measure the Dependent Variable (DV) and the scale; Not at All = 0; Low = 1; Moderate = 2; High = 3; Very High = 4 to measure the independent variables (IVs). The study further obtained a mean for each indicator for each variable (both DV and IVs) and another mean the respective variable.

The ordinal data was moderate to obtain the mean statistics; 0 – 0.8 for Strongly Disagree; above 0.8 – 1.6 for Disagree; above 1.6 – 2.4 for Neutral; above 2.4 – 3.2 for Agree; and above 3.2 – 4.0 for Strongly Agree for DV, and 0 – 0.8 for not at all; above 0.8 – 1.6 for Low; above 1.6 – 2.4 for Moderate; above 2.4 – 3.2 for High; and above 3.2 – 4.0 for Very High. For IVs. The interpretation was first based on the Likert scale and then checked against the mean for clarity.

4.4.1 Corporate Governance Status

The study sought to establish the status of corporate governance in the Kenyan NGOs. Data collected on a 5-point Likert Scale (1: Strongly Disagree; 2: Disagree; 3: Neutral; 4: agree; 5: Strongly Agree). The study obtained the mean for each corporate governance indicators and for the corporate governance. The mean was interpretation as below;

; 0 – 0.8 for Strongly Disagree; above 0.8 – 1.6 for Disagree; above 1.6 – 2.4 for Neutral; above 2.4 – 3.2 for Agree; and above 3.2 – 4.0 for Strongly Agree. The results obtained were recorded in Table 4.

TABLE 4
Analysis by status of corporate governance

Indicator	Strongly Disagree %	Disagree %	Neutral %	Agree %	Strongly Agree %	Mean	Std Dev
There is transparency of the corporate governance in our NGO, which is enhanced by effective internal audit function	0.51	0.00	8.72	40.00	50.77	3.41	0.69
In our NGO there is proper record keeping which is a results of proper and productive internal audit function of the corporate governance	0.00	1.54	5.64	50.26	42.56	3.34	0.66
The Internal audit function of our NGO ensure Compliance with rules and Regulations by the corporate governance	0.00	1.03	7.69	29.23	62.05	3.52	0.68
The corporate governance of our NGO ensures proper utilization of funds, resulting from the internal audit function	0.00	0.51	6.15	31.28	62.05	3.55	0.64
Corporate Governance	0.13	0.77	7.05	37.69	54.36	3.46	0.67

Source: Research Data (2015)

The results showed that most of the respondents, who formed 50.77% (who were the majority), indicated that that they strongly agreed with the statement that “There is transparency of the corporate governance in our NGO, which is enhanced by effective internal audit function”. The mean obtained from that statement that was 3.42, an indication that there is transparency of the corporate governance in our NGOs, which is enhanced by effective internal audit function.

These findings comply with (Koitaba, 2013) study which found out that transparency, which is generally regarded as a key requirement for good governance and successful feedback systems, is missing in most NGOs in Kenya. Further, Despite rising pressure for more openness and transparency, most NGOs in Kenya are reluctant to share information and even fail to recognize the need for accountability (Elkington, 2003) and are involved in scandals, resulting from incredible governance structure (World Vision Kenya, 2013). As a result, the NGOs end up behaving in unaccountable manner with regards to their utilization of budgeted fund (Koitaba, 2013).

The results further showed that a majority 50.26% indicated that they agreed with the statement “In our NGO there is proper record keeping which is as a result of proper and productive internal audit function of the corporate governance”. The mean obtained in these results was 3.34, which indicated the responded agreed with the assertion that the in NGO there was proper record keeping which was as a result of proper and productive internal audit function of the corporate governance. Other results on status of compliance with rules and regulations showed a majority on response of 62.05% indicated that the internal audit function of NGOs ensured compliance with rules and regulations by the corporate governance. This was supported by the mean of 3.52 (an indication of agreeing with statement “The Internal audit function of our NGOs ensure Compliance with rules and Regulations by the corporate governance “).

The results also showed a majority on 62.05% indicated that they strongly agreed that the corporate governance of the NGOs ensured proper utilization of funds, resulting from the internal audit function, which was supported by a mean of 3.55. Overall, the results showed that Corporate Governance status was very high with an overall mean of 3.46 (which meant strongly agree).

The study findings confirm the study by (Abdulkadir, 2014), which revealed that utilization of IAF by NGOs has the potential to enhance good governance of NGOs, hence effective and efficient delivery of services and easier achievement of NGOs’ objectives. Since the NGO management takes responsibility of providing a reasonable assurance of reliable financial reporting and upholding good corporate governance (Abdulkadir, 2014), IAF plays a direct role in influencing good governance (Abdulkadir, 2014). Considering that NGOs in Kenyan play an important role in; social and economic developments (Chimulwa, 2009), IAF needs to be utilized for achievement of these goals.

According to study by Mohamad and Sori (2011), IAF greatly enhances good governance of an organization by preventing corporate failure (Imhoff, 2003), a confirmation by the present study. In fact, IAF has emerged as an effective tool for reducing risks to an acceptable level (Abdulkadir, 2014). Therefore, high quality IAF is necessary to ensuring good corporate governance within an organization. In fact, good governance has taken a very central position (Mohamad & Muhamad, 2011) and is therefore very important for deciding the manner that organizations are directed, controlled and held to account (Mukute & Marange, 2006). As such, effective IAF would instill internal control as it could identify loopholes for corruption, malpractices and fraud (Abdulkadir, 2014). This renders IAF an important tool for enhancing good governance within an organization (MIA Professional Standards & Practices [MIA], 2012), including Non-Governmental Organizations (NGOs) (Mukute & Marange, 2006).

A study by (Bongani, 2013) finds that establishing IAF in organizations ensures the reliability of accounting records, since it can constrain corporate governance or staff's reported and possible random errors. This ensures the authenticity of the content of financial reporting to provide reasonable assurance to stakeholders and it becomes another important system arrangement to ensure reliable financial reporting. Another study by (Boesso *et al.*, 2014) found out that BOD is expected to properly invest NGOs' resources in viable projects. They established that even with this privileged position, the role of governance in NGOs is far from certain, an indication that the presence of active IAF would propel the proper utilization of the NGOs' funds. These study findings were in agreement to the present study findings.

4.4.2 Staff Competence

Competence of internal auditors was the main variable in assessing the first objective. Objective one was to find out the influences on competence of internal auditors on corporate

governance of NGOs in Kenya. Data collected on a 5-point Likert Scale (Not at All = 0; Low = 1; Moderate = 2; High = 3; Very High = 4). The study obtained the mean for each indicator and another one for Competence of internal auditors. The mean was interpretation as below; not at all was represented less than or equal to 0.8, Low by above 0.8 – 1.6, Moderate by above 1.6 – 2.4, High by above 2.4 – 3.2 and Very High by above 3.2 and not exceeding 4.0. The results obtained were recorded in Table 5.

TABLE 5
Analysis by Competence of internal auditors

Indicator	Not at %	All Low %	Moderate %	High %	Very High %	Mean	Std Dev
Academic qualifications of the internal auditors editing the corporate governance	0.00	2.05	4.62	26.67	66.67	3.58	0.68
Professional qualifications of the internal auditors editing the corporate governance	0.51	1.54	9.74	48.21	40.00	3.26	0.74
Internal audit work experience of internal auditors in the IAF	0.00	1.54	5.64	29.23	63.59	3.55	0.67
Training in internal audit provided to the internal auditor	0.00	0.51	4.62	28.21	66.67	3.61	0.60
Proficiency of internal auditor in auditing	0.00	0.51	5.64	24.62	69.23	3.63	0.62
Overall Competence of internal auditors	0.10	1.23	6.05	31.39	61.23	3.51	0.66

Source: Research Data (2015)

The results showed that most of the respondents, who formed 66.67%, indicated that academic qualifications of the internal auditors editing the corporate governance very highly influenced corporate governance as the mean of 3.58 indicated that the academic qualifications of the internal auditors editing the corporate governance very highly influenced corporate governance. The results showed most of the respondent, who formed 40.00%, indicated that the Professional qualifications of the internal auditors editing the corporate governance very highly influenced corporate governance as supported by Mean of 3.26. The results in table 5 show that a majority of 63.59% of the respondents indicated that the internal audit work experience of internal

auditors in the IAF very highly influenced corporate governance. The mean was 3.55, which was indication that internal audit work experience very highly influenced corporate governance. It was shown that a majority of 69.23% showed that Proficiency of internal auditor in auditing very highly influenced corporate governance. Overall, Staff Capacity very highly influenced corporate governance in the Kenyan NGOs (Mean = 43.51).

The study found that those NGOs portraying deficiencies internal control risk losing the funding from such donors due the unaccountability nature. The study emphasized the need for IAF in enhancing the performance of the corporate governance. The present then will seek to establish IAF as the independent variable and corporate governance as the dependent variable. (Salehi and Husini, 2011) study found application of Information Communication Technology (ICT) remarkable enhances IAF, by increasing the quality of internal audit. The study established that ICT improves the quality of IAF's different aspects. The benefits of using ICT in IAF are; taking less time carrying out audit, accuracy, efficiency, reliability and correctness.

A study by (Unegbu and Kida, 2011) showed that that IAF can effectively assist the corporate governance when enough IAF personnel with required competencies are available. Further, (Flynn, 2013) study revealed that IAF staff of NGOs should report actual and perceived financial information with integrity. The study established that NGOs have difficulties in acquiring competent staff, which affects the donors' impressions regarding the inclusion of IAF experts. The study established that donors are not impressed by the IAF staff used for enhancing the credibility of NGOs' financial statements. In light of these findings, the present study established that the competence is a very significant item in promoting good governance.

4.4.3 Follow-up mechanisms Up Mechanisms

Follow-up mechanisms was the main variable in assessing objective 2; to find out the extent to which follow-up mechanisms influences corporate governance of NGOs in Kenya. The study data collected on a 5-point Likert Scale (Not at All = 0; Low = 1; Moderate = 2; High = 3; Very High = 4). The study obtained the mean for each follow-up mechanisms indicator and for the follow-up mechanisms. The mean was interpretation as below; not at all was represented less than or equal to 0.8, Low by above 0.8 – 1.6, Moderate by above 1.6 – 2.4, High by above 2.4 – 3.2 and Very High by above 3.2 and not exceeding 4.0. The results obtained were recorded in Table 6.

TABLE 6
Follow-Up Mechanisms

Indicator	Not at All %	Low %	Moderate %	High %	Very High %	Mean	Std Dev
Compliance Program initiated by the internal audit function	0.00	1.54	5.13	18.46	74.87	3.67	0.65
Compliance Risks posed by internal audit function	0.00	1.03	4.10	44.10	50.77	3.45	0.63
Application of Information Communication Technology in internal audit function	0.51	2.05	3.59	21.54	72.31	3.63	0.70
Follow-Up Mechanisms	0.17	1.54	4.27	28.03	65.98	3.58	0.66

Source: Research Data (2015)

From the results, majority of the respondents, who formed 74.87% showed that compliance program initiated by the internal audit function very highly influenced corporate governance. The results show that the mean was 3.67, which simply meant that compliance program initiated by the internal audit function very highly influenced corporate governance. Most of the respondents, who formed 50.77%, showed that indicated that compliance risks posed by internal audit function very highly influenced corporate governance as supported by a mean of 3.45. Other results showed that a majority of 72.31% showed that Application of Information Communication Technology in internal audit function very highly influenced corporate governance. The mean was 3.63 which meant that the respondents indicated that Application of Information Communication Technology

in internal audit function very highly influenced corporate governance. These findings agree to this in the study by (Salehi and Husini, 2011), which found that application of ICT remarkably enhances IAF, by increasing the quality of internal audit. The study established that ICT improves the quality of IAF's different aspects. The benefits of using ICT in IAF are; taking less time carrying out audit, accuracy, efficiency, reliability and correctness. Overall, follow-up mechanisms very highly influenced corporate governance.

These findings agree to those by in the study by (Soudani, 2013), which revealed that IAF is responsible for the entire internal audit activity within its area of application in an organization. As such, IAF focuses on ensuring monitoring compliance, supporting internal controls, enhancing performance of management programs (Ruppert, 2006; Zakaria, Selvaraj, and Zakaria, 2006), and risk management assessment (Soh & Martinov - Bennie, 2011). However, (Abdulkadir, 2014) study found that NGOs in Kenya are facing numerous challenges of implementing IAF such as; limitations of financial controls, the scope of functionality of corporate governance controls and the practicability of ethics and compliance controls, in NGOs. Most NGOs consider that formal IAF as practiced in the corporate and therefore opt to mostly rely informal control structure to fulfill their objectives. The findings in the study by (Abdulkadir, 2014) were disapproved by the current study findings.

4.4.4 Independence of IAF

Independence of IAF was the main variable in assessing objective three; to establish influence of internal audit independence of IAF on the corporate governance of NGOs in Kenya. Data collected on a 5-point Likert Scale (Not at All = 0; Low = 1; Moderate = 2; High = 3; Very High = 4). The study obtained the mean for each Independence of IAF indicator and for the Independence of IAF. The mean was interpreted as below; not at all was represented less than

or equal to 0.8, Low by above 0.8 – 1.6, Moderate by above 1.6 – 2.4, High by above 2.4 – 3.2 and Very High by above 3.2 and not exceeding 4.0.. The results obtained were recorded in Table 7.

TABLE 7
Analysis by Independence of IAF

Indicator	Not at All %	Low %	Moderate %	High %	Very High %	Mean	Std Dev
The operations of internal audit function (i.e. independence of the internal audit functions)	0.00	2.05	5.13	21.03	71.79	3.63	0.68
Auditing and Monitoring carried out by internal audit function	0.00	0.51	6.67	31.79	61.03	3.53	0.64
Communication between the internal audit function and Corporate governance	0.00	3.21	4.23	21.69	70.90	3.60	0.72
Independence of IAF	0.00	1.92	5.34	24.84	67.91	3.59	0.68

Source: Research Data (2015)

The results in Table 4.9 about Independence of IAF show that a majority of 71.79% of the respondents indicated that the operations of internal audit function (i.e. independence of the internal audit functions very highly influenced corporate governance in the Kenyan NGOs. The mean for these results were 3.63, which indicated that the operations of independence of the internal audit functions very highly influenced corporate governance.

A majority of 61.03% of the respondent indicated that Auditing and Monitoring carried out by internal audit function highly influenced corporate governance in the Kenyan NGOs. The mean was 3.53 which indicated that Auditing and Monitoring carried out by internal audit function very highly influenced corporate governance in the Kenyan NGOs. A majority of 70.90% of the respondent indicated that Communication between the internal audit function and Corporate governance very highly influenced corporate governance in the Kenyan NGOs (mean= 3.60). Overall, Independence of IAF was shown to very highly influence corporate governance in the Kenyan NGOs, as indicated by the mean of table 7.

The study by (Ruppert, 2006) found that the NGOs need to allow the IAF to conduct work without interference by those it is required to audit and other interested parties as was found in the present study. The independence and objectivity of IAF is necessary for assurance services (Ruppert, 2006). It creates room for the freedom from conditions that may compromise the objectivity of IAF and quality of work during and after the auditing (IIA, 1999). In fact, for IAF to conduct its work without interference it should have sufficient independence from those it is required to audit (IIA, 2001). This is important because it allows IAF access to any document relating to the audit work without fear or favor, thereby leading to production of objectives report and reliable professional judgment based on integrity (Saren and De Beelde, 2006). Further, the Dimensional Framework explains the correlations among disclosures and accountability as well as economic performance (Ullmann, 1995). These findings agree to the findings in the present study.

4.5 Regression Analysis

The study used regression Statics to estimate the study and establish the relationship between the independent variables (IVs) and dependent variables (DV), in an effort to establish whether the IVs were predictors of the DV.

First the study correlated the IVs against the DV, to establish whether the existed any relationship between the IVs and the DV, and the results obtained in Table 8.

TABLE 8
Correlation of IVs against the DV

		Correlations			
		Corporate Governance	Staff Capacity	Follow-Up Mechanisms	Independence of IAF
Corporate Governance	Pearson Correlation	1	.626**	.517**	.493**
	Sig. (2-tailed)		.000	.000	.000
	N	195	195	195	195
Staff Capacity	Pearson Correlation	.626**	1	.697**	.687**
	Sig. (2-tailed)	.000		.000	.000
	N	195	195	195	195
Follow-Up Mechanisms	Pearson Correlation	.517**	.697**	1	.816**
	Sig. (2-tailed)	.000	.000		.000
	N	195	195	195	195
Independence of IAF	Pearson Correlation	.493**	.687**	.816**	1
	Sig. (2-tailed)	.000	.000	.000	
	N	195	195	195	195

** . Correlation is significant at the 0.01 level (2-tailed).

Source: Research Data (2015)

From the results in table 8, all the IVs; staff capacity, follow-up mechanisms, and independence of IAF had their p-values less than 0.05. That is staff capacity p-value = 0.00, follow-up mechanisms p-value = 0.00, and independence of IAF p-value = 0.00. Staff capacity had the strongest relationship ($r = .626$), followed by follow-up mechanisms ($r = .517$), and lastly independence of IAF ($r = .493$). This means that all the IVs had significant relationship with the DV and they could be used to establish the relationship with DV. This was reason for all the IVs to be used in further analysis, hence regressing these against the DV.

The study then went ahead in estimating the regression model and establishing whether the independent variables were predictors on the dependent variable using backward method. Various interpretations were also made based on Table 9. Multiple regression was carried out on the independent variables (competence of internal auditors, follow-up mechanisms, and independence

of IAF) against the dependent variable (Corporate Governance) to estimate the model. The analysis used the model was;

$$CG = \beta_0 + \beta_1 CI + \beta_2 RM + \beta_3 RR + \varepsilon \dots\dots\dots (4.1)$$

Where:

β_0 = is a constant, which is the value of dependent variable when all the independent variables are 0

$\beta_1 - \beta_3$ = Regression coefficients of IVs or change induced by CI, FM, and RR

ε = Error of prediction

CG = Corporate Governance

CI = Competence of internal auditors

FM = Follow-Up Mechanisms, and

RR = Internal Audit Independence

TABLE 9
Model of Goodness of Fit

Indicator	Coefficient
R	0.636
R Square	0.405
Adjusted R Square	0.395
Std. Error of the Estimate	0.353
Sig. F Change	0.000

Source: Research data (2015)

The results in Table 9 indicated that the coefficient of determination was .395. This implied that 39.50 % of change in Corporate Governance is cause by: competence of internal auditors, follow-up mechanisms, and independence of IAF.

TABLE 10
ANOVA Overall Model Significance

	Sum of Squares	df	Mean Square	F	Sig.
Regression	16.164	3	5.388	43.247	.000
Residual	23.796	191	.125		
Total	39.960	194			

Source: Research data (2015)

The study generated some hypothesis to test the study model. The hypothesis was

$H_0: \beta_1 = \beta_2 = \beta_3 = \beta_4 = 0$ (the coefficient of competence of internal auditors, follow-up mechanisms, and independence of IAF are all zero)

H_a : At least one $\beta_i \neq 0$

H_0 is accepted if p-value $>.05$ (at 5% level of significance)

H_0 is reject if p-value $\leq .05$ (at 5% level of significance) and H_a : is accepted

From Table 9, it can observed that p-value = .000. Since p-value $<.001 < .05$ ($F= 43.247$, $P\text{-value}=.000$), then we reject then null hypothesis and accepted the alternative hypothesis. So, at the 5% significance level (i.e $\alpha=0.05$, level of significance), there exists enough evidence to conclude that at least one of the predictors; competence of internal auditors, follow-up mechanisms, and independence of IAF, is useful in predicting the corporate governance. Therefore the model is useful in explaining corporate governance.

TABLE 11
Results of Regression of Study Variables

	Unstandardized Coefficients		Standardized Coefficients	T	Sig.
	B	Std. Error	Beta		
(Constant)	1.427	0.18		7.79	0.000
Staff Capacity	0.436	0.07	0.508	6.262	0.000
Follow-Up Mechanisms	0.113	0.08	0.137	1.339	0.018
Independence OF IAF	0.024	0.08	0.032	0.316	0.050

Source: Research data (2015)

The estimated equation is $CG = 1.427 + 0.436CI + 0.113RM + 0.024RR$ as shown in Table 11. The table showed that shows that all the variables; competence of internal auditors, follow-up mechanisms, and independence of IAF had positive coefficients, which showed that they were directly proportional to corporate governance. This means that an increase in any of; competence of internal auditors, follow-up mechanisms, and independence of IAF led to an increase corporate governance and vice versa. The results in table 4.11 indicated that 54.20% of change in corporate governance is explained by competence of internal auditors, follow-up mechanisms, and independence of IAF.

Competence of internal auditors (p-value=.000), follow-up mechanisms (p-value=.018), and independence of IAF (p-value=.050) had each of their p value for each predictor variable less than or equals to 0.05. All the three independent variables (competence of internal auditors, follow-up mechanisms, and independence of IAF) could significantly predict the dependent variable (corporate governance). Since; competence of internal auditors, follow-up mechanisms, and independence of IAF had positive coefficients; this showed that they were directly proportional to corporate governance. Any increase in any of these; competence of internal auditors, follow-up mechanisms, and independence of IAF would lead an increase to corporate governance. However, any decrease in any in; competence of internal auditors, follow-up mechanisms, and/or independence of IAF would lead to decrease to corporate governance.

TABLE 12
Model Summary

R	R Square	Adjusted R Square	Std. Error of the Estimate	Change Statistics				
				R Square Change	F Change	df1	df2	Sig. F Change
.636 ^a	0.405	0.395	0.35297	0.405	43.247	3	191	0.000

a. Predictors: (Constant), competence of internal auditors, follow-up mechanisms, and independence of IAF

Source: Research data (2015)

The results in table 12 indicated that 39.50% of change in corporate governance is explained by competence of internal auditors, follow-up mechanisms, and independence of IAF.

In a summary, all the four independent variables (competence of internal auditors, follow-up mechanisms, and independence of IAF) could significantly predict the dependent variable (corporate governance).

CHAPTER FIVE

SUMMARY, CONCLUSIONS AND RECOMMENDATIONS

5.1 Introduction

This chapter provides the summary of findings from the results obtained, conclusions from the study findings as well as the recommendations based on the findings. The results were summarized based on the study objective to; find out the extent to which follow-up mechanisms influences corporate governance of NGOs in Kenya, and establish influence of independence of IAF on the corporate governance of NGOs in Kenya. It further highlights the research gaps the researcher felt should be filled by further research.

5.2. Summary of Findings

5.2.1 Summary on Corporate Governance

As regards, objective 1, the study found that corporate governance status of Kenyan NGOs was very high. It found that there was high levels transparency of the corporate governance in the Kenyan NGOs, which is enhanced by effective internal audit function. The study found that the Kenyan NGOs kept proper record which is as a result of proper and productive internal audit function of the corporate governance. Also status of compliance with rules and regulations was high as the Internal audit function of NGO ensured compliance with rules and regulations by the corporate governance and the corporate governance of the NGOs ensured proper utilization of funds, resulting from the internal audit function

5.2.2 Summary of Competence of IAF Staff

The study found that academic qualifications of the internal auditors editing the corporate governance very highly influenced corporate governance and Professional qualifications of the internal auditors editing the corporate governance very highly influenced corporate governance

too. Also, it was found that internal audit work experience of internal auditors in the IAF very highly influenced corporate governance. Proficiency of internal auditor in auditing was found to very highly influence corporate governance. Overall, competence of IAF staff (Staff Capacity) was found to very highly influence corporate governance in the Kenyan NGOs.

5.2.3 Summary on Follow-Up Mechanisms

From the results, the study found that that compliance program initiated by the internal audit function very highly influenced corporate governance and compliance risks posed by internal audit function highly influenced corporate governance too. The study also found that application of information communication technology in internal audit function very highly influenced corporate governance. Overall, follow - up mechanisms was found to very highly influence corporate governance.

5.2.4 Summary on Independence of IAF

The study found that the operations of internal audit function (i.e. independence of the internal audit functions very highly influenced corporate governance in the Kenyan NGOs. It was also found that auditing and monitoring carried out by internal audit function highly influenced corporate governance in the Kenyan NGOs and Communication between the internal audit function and the corporate governance very highly influenced corporate governance in the Kenyan NGOs. Overall, Independence of IAF was found to very highly influence corporate governance in the Kenyan NGOs.

5.3 Conclusions

The objectives of the study were; to find out the influences on competence of internal auditors on corporate governance of NGOs in Kenya. To find out the extent to which follow-up mechanisms

influences corporate governance of NGOs in Kenya, and establish influence of independence of IAF on the corporate governance of NGOs in Kenya.

Based on the study findings, this study revealed that corporate governance status of Kenyan NGOs was very high and is influenced by; competence of internal auditors, follow-up mechanisms, and independence of IAF.

The study concludes that competence of IAF staff (Staff Capacity) very highly influences corporate governance in the Kenyan NGOs.

The study established that follow - up mechanisms was found very highly influences corporate governance in the Kenyan NGOs.

The study revealed that independence of IAF very highly influences corporate governance in the Kenyan NGOs.

There was a there was a significant relationship between Competence of internal auditors (p-value = .000), follow-up mechanisms (p-value = .018), and independence of IAF (p-value = .050) and the corporate governance, since the p value for each predictor variable was less than 0.05. All the four independent variables (competence of internal auditors, follow-up mechanisms, and independence of IAF) could significantly predict the corporate governance. Each of the variables; competence of internal auditors, follow-up mechanisms, and independence of IAF were directly proportional to corporate governance. So, any increase in any of these; competence of internal auditors, follow-up mechanisms, and independence of IAF would lead an increase to corporate governance. However, any decrease in any in; competence of internal auditors, follow-up mechanisms, and independence of IAF would lead to decrease to corporate governance.

The study concludes that 39.50% of change in corporate governance in the Kenyan NGOs is explained by the; competence of internal auditors, follow-up mechanisms, and independence of IAF.

5.4 Recommendations

First, the study recommends that the Kenyan NGOs and the related stakeholder such as NGO board and National parliament should review the existing regulatory framework to widely address the issues of corporate governance and relate to accountability and transparency. This would ensure that the Kenyan NGOs recruit the internal auditors with necessary academic qualifications and professional qualifications. The NGOs should also ensure internal audit staff gains adequate experience of internal in the IAF as well as proficiency of internal auditor in auditing.

Secondly, the study recommends that other policies and regulations should be implemented by the NGO to ensure that the IAF staff make follow up of the IAF. The regulatory framework should be improved to ensure that the supervisory authorities regular check and verification of the audited information. The new procedures should empower the regulatory bodies to report back to the donors about the performance the NGOs audit. This means that the NGO board and other bodies supervising NGOs should have information about the donors and communicate regularly. The regulations should compel the NGOs to declare their funders.

Lastly, the study recommends that the regulatory framework should be reviewed to ensure that independence of the internal audit functions of the Kenyan NGOs is enhanced. The IAF functions should have legal freedom to conduct auditing and monitoring without inferences. Further the law should set the policies on communication between the internal audit function and corporate governance.

5.5 Limitations of the Study

It was found that 39.50% of variation in corporate governance in the Kenyan NGOs is explained by the competence of internal auditors, follow-up mechanisms, and independence of IAF. The study did not establish what cause the remaining 60.50%. Another limitation was the scope of the study. The study was done in Nairobi but however, NGOs are spread throughout the other 46 counties in the Republic of Kenya. So Nairobi was not a reasonable sample size.

5.6 Suggestion for further study

Since only 54.20% of change in corporate governance in the Kenyan insurance industry is explained by competence of internal auditors, follow-up mechanisms, and independence of IAF. So, further research should be done to establish factors that influence the remaining 60.50%.

Further the study was limited to Nairobi, a very small fraction of the counties in the republic. So, further studies should be done to cover the remaining counties in Kenya.

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APPENDICES

APPENDIX I: LETTER TO RESPONDENTS

Nicholas Mulei

Adm No. 13/03528

KCA University

Main Campus,

NAIROBI.

Dear Respondent,

RE: ACCEPTANCE LETTER

I am a student at KCA University undertaking a Masters of Science Degree in Finance. I have chosen your ministry to participate in this research on assessing internal audit as a tool to good corporate governance of Kenyan NGOs. Your responses will be used for the research purpose only and your identity treated with a lot of confidentiality.

Kindly respond sincerely to the issues in the questionnaire. Please read and answer the questions by ticking the correct answer (choice) to the questions given.

Thanking you in advance of your response.

Yours truly,

Mulei Nicholas

Adm No. 13/03528

APPENDIX II: QUESTIONNAIRE

INTERNAL AUDIT AS A TOOL TO GOOD CORPORATE GOVERNANCE OF KENYAN NONGOVERNMENTAL ORGANISATION

Instructions

Please answer the following questions as accurately as possible.

Tick the correct answer in the boxes provided against the questions where necessary.

Write brief answers where explanation is required.

You need not write your name on the questionnaire.

Information will be treated with confidentiality.

SECTION A: DEMOGRAPHIC CHARACTERISTICS

1. Sex Male Female

2. Age (in years) Please tick as appropriate

18 – 29 30-39 40-49 50-59 Over 59

3. Position held in the NGO?

Chief officer

Senior Auditor

Audit Officer

SECTION B: Corporate Governance

4. This section is about Corporate Governance. Please indicate your level of agreement or disagreement with the following statements in regards to effectiveness of Corporate Governance. Please tick (√) the space corresponding to the correct answer in each question below.

Scale: Strongly Disagree = 0: Disagree= 1: Neutral = 2: Agree =3: Strongly Agree = 4

Corporate Governance Statement	0	1	2	3	4
There is transparency of the corporate governance in our NGO, which is enhanced by effective internal audit function					
In our NGO there is proper record keeping which is a results of proper and productive internal audit function of the corporate governance					
The Internal audit function of our NGO ensure Compliance with rules and Regulations by the corporate governance					
The corporate governance of our NGO ensures proper utilization of funds, resulting from the internal audit function					

SECTION C: STAFF CAPACITY

5. Please indicate in your own opinion on the extent to which each the following Competence of internal auditors would influence Corporate Governance in your NGO. For each indicator indicate the level of influence by ticking (√) on the space corresponding to the correct answer in each question below.

Scale: Not at All = 0; Low = 1; Moderate = 2; High = 3; Very High = 4

	Competence of internal auditors Indicator	0	1	2	3	4
(a)	Academic qualifications of the internal auditors editing the corporate governance					
(b)	Professional qualifications of the internal auditors editing the corporate governance					
(c)	Internal audit work experience of internal auditors in the IAF					
(d)	Training in internal audit provided to the internal auditor					
(e)	Proficiency of internal auditor in auditing					

SECTION D: FOLLOW-UP MECHANISMS

6. Please indicate in your own opinion the extent to which each the following indicators of Follow-Up Mechanisms would influence Corporate Governance in your NGO. For each indicator indicate the level of influence by ticking (√) on the space corresponding to the correct answer in each question below.

Scale: Not at All = 0; Low = 1; Moderate = 2; High = 3; Very High = 4

	Follow-Up Mechanisms Indicator	0	1	2	3	4
(a)	Compliance Program initiated by the internal audit function					
(b)	Compliance Risks posed by internal audit function					
(c)	Application of Information Communication Technology in internal audit function					

SECTION E: INDEPENDENCE OF IAF

7. Please indicate in your own opinion the extent to which each the following indicators of Independence of IAF would influence Corporate Governance in your NGO. For each indicator indicate the level of influence by ticking (√) on the space corresponding to the correct answer in each question below.

Scale: Not at All = 0; Low = 1; Moderate = 2; High = 3; Very High = 4

	Independence of IAF	0	1	2	3	4
	The operations of internal audit function (i.e. independence of the internal audit functions)					
	Auditing and Monitoring carried out by internal audit function					
	Communication between the internal audit function and Corporate governance					

Thank you for your co-operation.