

**DETERMINANTS OF INTERNAL AUDIT EFFECTIVENESS IN
DECENTRALISED GOVERNMENTS IN KENYA: A CASE OF SELECTED
COUNTIES**

BY

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DECLARATION

I pronounce that this dissertation is my unique work and has not been formerly published or submitted somewhere else for honor of a degree. I also assert that this contains no material written or published by other people apart from where due reference is made and author duly recognized.

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ACRONYMS AND ABBREVIATIONS

CIA:	Chief Internal Auditor
CIPFA:	Chartered Institute of Public Finance and Accountancy
IA:	Internal Auditing
IAF:	Internal Audit Function
IIA:	Institute of Internal Auditors
ISPPA:	International Standards for the Professional Practice of Internal Auditing
SOE:	Special Operations Executives

DEFINITION OF OPERATIONAL TERMS

- Audit:** refers to an official scrutiny of a person's or establishment's accounts, typically by an independent body (Cohen *et. al.*, 2002).
- Competence:** refers to adequacy of knowledge and skills that permit someone to act in a wide diversity of situations (Zain *et al.*, 2004).
- Decentralized:** refers to the dissemination of the administrative powers or functions of over a fewer concentrated region (Rondinelli, 1999).
- Effectiveness:** refers to the grade to which objectives are achieved and the degree to which targeted hitches are solved (Mihret and Yismaw, 2007).
- Independence:** refers to the state or quality of being in autonomous; freedom from the influence, control, or determination of another or others (Zelege, 2007).
- Internal audit:** refers to an autonomous, unbiased assurance and consulting activity intended to add value and improve an organization's processes through effectiveness of risk management, regulator and governance processes (Tapiwa, 2013).

ABSTRACT

This study was aimed at establishing the determinants of internal audit effectiveness in decentralized governments in selected county governments in Kenya. To achieve this, the specific objectives of the study were to determine the effect of management support on the for internal audit effectiveness, assess the effect of organizational independence on the internal audit effectiveness, examine the effect of competent internal auditors staff on the internal audit effectiveness and to evaluate the effect of audit committee on the internal audit effectiveness in the county governments in Kenya. The counties targeted were Machakos, Kitui, Kiambu, Makueni and Nairobi. The study embraced a descriptive survey investigation design where the target population was 94 respondents comprising of 89 internal auditors and heads of finance in the study counties. The study used census due to the manageability of the population. The data was collected using questionnaires which was both structured and semi structured. Drop and pick later method was used to oversee the questionnaires. Data was scrutinized using both descriptive statistics such as means, standard deviations, frequencies and percentages were used and inferential statistics namely correlation and regression analysis. The study established that all the variables that is top management support, organizational independence, staff adequacy and competence and audit committee are serious determinant factors according to the findings of the study, which must not be ignored by the management. However the study established that the variable with the major influence is the staff adequacy and competence followed by the top management support which are in conformity with the previous studies. The study recommended that management to put more emphasis on the support received by the internal auditors and support the internal audit by providing the department with adequate budgetary allocations. The management should ensure that the internal auditors are recruited in their right proportion so as to reduce shortage of internal auditors in these organizations for effectiveness. Management should also enhance the development of the internal auditors by organizing more seminars and workshops where they could enhance their audit skills. The management should give more autonomy to the internal audit by minimizing interferences, availing documentation whenever required and giving them permission for access to any office or documentation in the organization/departments. The management should also enhance the autonomy of the internal audit by ensuring enough budgetary allocation. Finally, management to encouraging the corporation between the audit committee and the internal auditors as they are charged with the responsibility of ensuring the wellbeing of the internal audit.

CHAPTER ONE

INTRODUCTION

1.1 Background to the Study

World over and developing countries in precise, there has been necessity for perfection of public sector finance management. This is owing to the fact that the government institutes the principal single business body and her pattern of spending through its several parastatals (corporations), agencies, independent offices, departments and commissions encourage lot of economic activities (Belloli, 2006). As a consequence of the governments' involvements in monetary activities, initiatives are being taken towards improving the standards of accounting, financial reporting and auditing departments in its institutions with the aim of proving internal control mechanism. According to Yalew (2015), the control environment is the substratum of an effective system of internal control in such areas as achieving premeditated objectives; providing unswerving economic reporting to all stakeholders; operate government proficiently and effectively; complying with all laws and regulations, and maintain and safeguards its assets.

The main purpose of internal auditing is the improvement of managerial efficiency and effectiveness realized through constructive criticism (Goodwin-Stewart & Kent, 2006). Internal auditing consists of independent and objective assurance done in consulting activity designed with the aim of adding value so as to improve an organization's operations. Its other known utility is assisting organization to achieve its goals by its ability to bring in an organized, well-organized approach to assess and improve the effectiveness of risk controlling through control, and governance processes. Internal

auditing (IA) serves as an important bond in the business and financial reporting manners of corporations. Internal auditors does a vital role in monitoring a syndicate's risk profile and identifying areas to improve risk management (IPPFW, 2013). According to Ellis (2000), opinion that internal auditing only judges accounting functions has prejudiced the worth of internal audit, which is contrary to proactive. This has made it not to have a huge effect on the organization's performance. The internal audit's primary objective is to offer assistance to the members of the management in squaring their responsibilities effectively through furnishing them with analyses, appraisals of the organizations' activities, sanctions for action and pertinent comments concerning the activities reviewed (Tapiwa, 2013).The internal auditors should be in apposition to appraisal and evaluate the reliability and competence of the accounting, financial, and operating controls, and promote effective controls at reasonable costs (Van Staden & Steyn, 2009). The other utilities of internal control include ascertaining the extent of compliance with existing policies, laws and regulations, plans procedures all with the goal of enhancing the company's operations (Ongeri et al., 2005). According to Sakalunda (2014), internal auditors utilities also include among others the reviewing the means of safeguarding organizations' assets and when appropriate, verification of the existing assets and appraisal of the economy and effectiveness with which capitals are engaged. As a result, internal audit has received increased attention with regard to its important component of public finance management in many countries. It is thus used as an instrument for enhancing the performance of the government sector.

In most of the county governments, there has been reported immense irregularities in government disbursements, hence the need for internal audit (Mukabi, Barasa and Chepng'eno, 2015). Embezzlement of public funds is the order of the day with lack of adherence to laid down procedures in the utilization of public funds in the county governments. It has been noted that in the county governments, public funds have been utilized without examining its value. Counties including laikipia, Nyeri, Kericho, Homa Bay, Meru, Kirinyaga, Nairobi, Mombasa among others have been cited to have embezzlement of public funds. In Nakuru County for case in point, in the 2013/2014 audit report there were claims of wrongdoings in the utilization of county governments. Among the glaring embezzlement is the irregular payment of Ksh 28,999,926.34 to one company for the renovation of county assembly headquarters. The payments to this contract were done way before the exertion was completed which is contrary to the provisions of the public procurement and disposal act. The Auditor General's report for 2014/2015 indicated that Migori County Government's payroll surpassed its salary budget by Ksh136, 827,504.00. In Homa Bay County the same period, The Auditor General publicized the county management irregularly paid Ksh 5,838,000 to a firm for cleaning services.

This extravagance trend of the public funds demonstrated by the county government calls for a precarious investigation to the effective internal audit function. In this background, Alzeban and Sawan (2013) notes that the in the context of governance and control, internal control utilities have been praised for its importance with regards to its effectiveness in liquidating its responsibilities. Dawuda (2010) note that there are several

reasons necessitating effectiveness of internal audit in government institution. There is need for the government representatives to be held answerable for their use and stewardship of funds and the extent to which the citizens' expectation and objectives have not been meet. The citizens who are the main tax payer may not trust the information provided by the government officials and therefore the need for the independent audit unit which could be achieved through the internal audit function (Bediako-ahoto, 2011). This internal audit function advances the question with respect to the integrity of the financial reporting, governance, compliance to laws and regulations and other measures arises from the following elements integral in the association amongst the government and its citizens (Hammad, Awan, Akhtar, & Imdadullah, 2012). This is owing to the conflict of interests between the government officials and its citizens.

1.1.1 Internal Audit Effectiveness

Internal audit effectiveness refers to the degree inclusive of quality, geared towards triumphing the established objectives (Institute of Internal Audit (2010),. It is the magnitude to which an internal audit office encounters its commitments (Mihret and Yismaw, 2007). Roziani, (2011) noted that there are several dynamics which are integral part of the internal audit success. These according to him include; the guarantee that the management procedures are capable of identifying and monitoring substantial risks available to the organization and further the endorsement of the effective operation of the established internal control systems. Others components of the internal audit effectiveness is the availability of a trustworthy processes for response on risks management and guarantee, and the sanction that the Board receives the right quality of

assurance and reliable information from management (Ongeri *et al.*, 2005). According to Murimi (2013) if internal audit is to be effective, it must supplement value to the internal controls, governance, and threat administration practices of an business. This therefore means that the effectiveness of internal audit is how best it accomplishes its objectives of adding value to an organization. Van Staden and Steyn, (2009) the additional argued that the internal audit effectiveness is associated with the worth of measures, for instance the level of submission with audit standards or planning, execution and communicating of audit findings and audit reviews. As such, internal audit effectiveness would relate to the execution of planned audits, timely distributing of audit reports to all stakeholders and make follow up on audit recommendations to conclude the audits (Affum, 2011).

A functioning internal audit been the strongest means for monitoring and promoting good governance system. It is the obligation of the public sector auditor to ensure that the accounts given out have been prepared in harmony with public sector accounting standards, the statutory and regulatory requirements following the due process of proper accounting practices throughout the compilation process. Frauds are likely to be detected in an organizations with proactive, resourceful and independent internal audit function compared with one which have a compromised one (Corama, Ferguson and Moroney, 2008; Omar & Abu Bakar, 2012; Radu, 2012). Internal audit function is central in the organizational process not only in performing conventional assurance activities, but in serving deliberate partner and adding value to its activities with the aim of improving governmental processes and ensuring effectiveness and efficiency. Internal audit effectiveness is the internal auditor's capability to achieve government's objectives which

must be strong and means of achieving them provided (Dittenhoper, 2001). Effective internal audit function could therefore be a major asset for improving public assurance with special reference to financial reporting and corporate governance. Thereby, the need for the internal audit which is operational to generate accountability and effectiveness in the government agencies and departments (Unegbu & Kida, 2011).

1.1.2 Decentralized Governments in Kenya

Decentralization means to the transmission of such services as decision making, administration and revenue from the central regime to quasi-autonomous units of devolved governments (Rondinelli, 1999). Regionalization is not a new concept as in the late 1990s only roughly 20% of the world's nations were not regionalizing (Manor, 1999). Likewise, Kenya embraced decentralization as per the current constitution. The devolution was done to 47 counties the original districts at independence.

According to the constitution, the governance structure is as follow, national government leads by the President, the Cabinet secretaries and two tier National Parliament. The devolved governments called the county governments are leads by County Governors, County executive committee Members and County Assemblies. The county governments are charged with the obligation of implementing the devolved utilities of infrastructure, health, water and agriculture. To empower them conduct their utilities, Article 203(2) of the constitution gives provision for the transfer of 15% of the latest audited national revenue from the National Treasury to the County Governments (Constitution of Kenya, 2010). Further, Article 204 (1 and 2) of the constitution make a provision of

establishment of an Equalization Fund that comprise 0.5% of the national government revenue to “provide such basic services as roads, water, electricity and health facilities to marginalized areas so as to bring the eminence of such services to the level generally enjoyed by the rest of the nation as possible” (Government of Kenya, 2015).

1.2 Statement of the Problem

The role of internal audit is to promotion the Government to accomplish sound public economic and functioning management through financial responsibility and transparency and effective public spending. However, the internal audit has not been able to achieved this objective as demonstrated by the abundant frauds and swindle in the public sector where public funds are lost in the scandals. (Njui, 2012). Examples are the billions of tax payers’ money that have been vanished in both national and county governments (Keraro & Isoe, 2015). Presently, most media companies in Kenya are oversupplied with negative reports about the County Governments one being malpractice of public funds (Mukabi, Barasa and Chepng’eno, 2015). This is notwithstanding the fact that the internal audit offices are institute in every county government in Kenya in spite of having internal auditors in its various sectors. Lent seeking, deficiency of transparency and answerability are all part of decentralized governments in Kenya. All this complications hamper the economic development of decentralized governments in Kenya. There was therefore need to study the factors affecting the effectiveness of the Internal Audit in the decentralized governments in Kenya.

Studies have been done in Kenya with respect to the internal audit. For instance, Kibet (2008) carried out a review on the mandate of internal audit in endorsing good corporate governance in SOEs where it recognized that internal audit function performs a vital role in corporate governance. Kibara (2007) also did a study on the assessment of internal auditors' risk management role in the banking sector in Kenya. Keitany (2000) on his part he studied the internal audit control function and its consequence reliance by the external auditor on its risk assessment. He found that reliance of internal controls was vital for strengthening of internal audit departments. Mugo (1998) piloted a study on the scope of internal auditor independence in quoted companies in Kenya. While these studies are of importance to the researcher, they never concentrated on the determinants of the effectiveness of the internal audit in decentralized governments in Kenya, henceforth a information gap. It was consequently this gap which the researcher sought to fill.

1.3 Objective of the Study

The general objective of the study was to establish the determinants of internal audit effectiveness in devolved governments in selected county governments in Kenya.

1.3.1 Specific Objectives

The following were the specific objectives of the study:

- i. To determine the effect of management support on the for internal audit effectiveness in county governments in Kenya.

- ii. To assess the effect of organizational independence on the internal audit effectiveness in the county governments in Kenya.
- iii. To examine the effect of competence of internal audit staff on the internal audit effectiveness in the county governments in Kenya.
- iv. To evaluate the effect of audit committee on the internal audit effectiveness in the county governments in Kenya.

1.4 Research Questions

The study pursues to response to the following research questions:

- i. What is the effect of management support on the for internal audit effectiveness in county governments in Kenya?
- ii. To what extent has the organizational independence affected the internal audit effectiveness in the county governments in Kenya?
- iii. How has competence of internal audit staff affected the internal audit effectiveness in the county governments in Kenya?
- iv. What is the effect of audit committee on the internal audit effectiveness in the county governments in Kenya?

1.5 Significance of the Study

The study may be of significance to the following:

Management in the public sector: The study may help administration to recognize the role of internal auditing function in organizations and understand the hurdles they faced by auditors in executing their roles and help derive up with strategies aimed at discoveries solution to these challenges.

Government: The government and policy makers in particular will increase understanding of the aspects hampering the effectiveness of internal audit in government in universal and decentralised governments in particular. The government will therefore be in a position to formulate well-versed and relevant policies that will improve internal audit effectiveness in encouraging good governance, internal control and risk organization systems in county governments in Kenya.

Internal auditors: The internal auditors may perhaps appreciate their mandate in counties and the contests they will encounter as they carry out these roles.

Academicians: study contributes expressively to the internal auditing discussions. This study will contribute to the prevailing literature in regards to the determinants of internal audit effectiveness in decentralized governments in Kenya. Further, the study may provide avenue for further research by recognizing future study ranges that will be beneficial to forthcoming researchers to conduct further study in this area.

1.6 Scope of the Study

This study was done in selected county governments of Machakos, Kitui, Kiambu, Makueni and Nairobi. The study targeted the internal auditors and management staff in

the Finance Departments in the county governments. The study concentrated on management support, management perception of the internal audit, independence of the internal audit, adequacy and competence of internal audit staff and the audit committee. The study was carried out during the months of August and September 2017.

CHAPTER TWO

LITERATURE REVIEW

2.1 Introduction

This chapter reviews related literature relevant to the study. The review starts with the theoretical framework followed by the review of the literature according to the study objectives followed by the summary and identification of the gaps. Last, is the conceptual framework?

2.2 Theoretical Framework

The two theories underpinning this are the Agency Theory and Contingency Theory

2.2.1 Agency Theory

Agency theory by Jensen and Meckling (1976) is about determining problems that can occur in agency relationships, for instance amid principals and agents of the principals. Two problems addressed by the theory are: The first problems ascend because the desires and goals of the principal may not match with those of agent thus a conflict, and the fact that the principal is unable to validate the agent's activities; second is the problems that ascend because the principal and agent may be having different appetite concerning risk and each be inclined to take diverse arrangements.

Adams (1994) in his article indicated that Agency theory can offer for better-off and more significant investigation in the internal audit function. Agency theory struggles that internal auditing, in mutual with other conciliation instruments like sound financial

reports and external audit will help to uphold cost-efficient diminishing between shareholders and the managers. Agency theory may not only help to explain the presence of internal audit in organizations but can also help clarify some of the features of the internal audit department, for instance, size, budgetary allocation and the scope of its activities, such as economic versus operational auditing. Agency theory can empirically be engaged to test whether there is disparities between internal auditing practices and the diminishing relationships originating from changes in organizational form.

2.2.2 Contingency Theory

Audit in post cases is used to assess the reliability of a company's information, practices, policies and procedures. The existing government regulations guess any public organizations to undertake independent financial audits. Numerous factors impact on county's final outcomes, this is regardless of the audit subject, and the contingency theory will take into accounts all these factors during the audit execution.

According to the contingency theory of leadership and management, there is no single standard system by which establishments can be governed, controlled and succeeded, but rather depend on various exterior and interior dynamics. The utilities of audits are also affected by numerous factors in the atmosphere. The occurrence of such dynamics warrants management of audit by applying the contingency theory, while acknowledging that the procedures and consequences of audits are reliant on on variable and contingent factors.

Regarded broadly, the audit process is forthright. Auditors are simply obligatory to access documents, systems, policies, data and procedures to accomplish an audit. The organizations are expected to remain submissive with the standards, rules, government regulations and circulars. The auditing process is supposed to begin with an entry meeting where the auditor explain the objective of the auditing, access risk and control cognizance, thereafter auditing work commences. Auditors may perform some essential techniques (tests) including dry test controls. The test are carried out to determine the residual error which are likely to occur despite an audit. The auditing process will have the planning as the initial state, followed by the field work, reporting of the fielding and then follow up on the implementation of the auditor recommendation.

According to Daft (2012), audit teams may use a combination of planned and contingency to get the desired goals. The auditing projects may have diverse areas as assessment of manufacture processes, review of company books, and calculation of acquiescence with industry standards. While selecting an auditors he need to have specialized training and professional academic background who is willing to add more skill thus reducing opportunities for faults. The superiority and output of audits is certain only when the audit teams employ resources in agreement with expertise and experience, and secondly, when they are elastic enough and are able to adjust to procedure fluctuations (Davoren, 1994).

2.3 Empirical Review

2.3.1 Management Support and Internal Audit Effectiveness

Internal audit effectiveness rely largely on the commitment and support of top management. This can be emphasized through emphasis on the value of budgetary independent, the reporting structure (internal audit governance) this will be seen while the implementation of the recommendations of the internal audit unit by the management. In the case of the devolved semi-autonomies, the top government officials should have commitment to see internal audit is of high standard. They must ensure there is enough support for the internal audit unit and that internal auditors are treated with respect. Mihret & Yismaw, (2007). State that the role and function of internal audit unit and those of internal auditor should be will understood by all individual in an organization.

Internal auditors need liaison with the government's management in their daily duties. They ought to be given sufficient support and positive perception from the administration for effective and efficient results. Management support is also achieved facilitation the functions of internal audit through provision of resources, funding, transportation, training, equipment and budgeting. Management support is said to be far-reaching magnitude on internal effectiveness in establishments. Mihret and Yismaw (2007) in their research of internal audit effectiveness on public sector indicates that the component of management support comprises the response to audit finding and the management commitment to strengthen the unit thus affecting the department efficiency and effectiveness.

Management can support internal audit by treating the department as critical and significant as other department in the organization. Short of management consent, support and encouragement, the internal audit processes are expected fall and worse time and money misused. Ali, Ahmi and Shahdan (2007) in their research on internal audit in the state and local government of Malaysia found that, the effectiveness of the internal audit function is directed related to the management style used. While some internal audit function looks to be operational well, the determinant appear to be the attitude and leadership potentials of the top management which may lead to the audit reports being ignored by everyone (Ali, Gloeck, Ahmi, & Sahdan 2007).

According to Mihret and Yismaw (2007) on their study internal audit recommendations are not afforded ample devotion. They noted that even nevertheless the audit reports are generally well prepared, the reports flop to climax the status of past audit results. The awkwardness of the audit reports reduces reading capability of management. The audit reports distribution is not complete unless copies are provided to all other senior management officers to whom audit report conscience. Their study also settled that management supports to internal audit as a factor of internal audit effectiveness.

The management backing is almost crucial to the operation and internal audit; because all other determinants of internal audit effectiveness derive from the support of top management, given that appointment proficient internal audit staff, developing career channels for internal audit staff, and providing organizational independence for internal audit work are the results of decisions made by top management (Cohen and Sayag,

2010). It's to the benefit of management to ensure the internal audit department is strong (Mihret and Yismaw, 2007; Adams, 1994). Besides, operation of audit recommendations is greatly relevant to internal audit effectiveness which is the component of management support, Mihret & Yismaw, (2007). The management of an organization are the consumer of the internal audit services. As a result, its their obligation to use audit recommendations and its support internal audit effectiveness. Therefore, audit finding and recommendations will of less importance if the management are not commitment to implement them. Belay (2007) find that to curb corruption and wastefulness in the public sector in Ethiopia, it is necessary to have a supported internal audit function in terms of governance structure, budgetary allocation and appropriate resources including well skilled personnel.

2.3.2 Organizational Independency and Internal Audit Effectiveness

Auditor independence is perceived to play a vital role in the audit function. Although it has been traditionally related to external audit, much prominence have been place of the need for the independence of the internal audit by the professional bodies and standard setters. This is despite the fact that internal auditors are habitually, employees of the organization (Mulugeta, 2008). The accessibility of independent internal audit department in an organization has been acknowledged as a crucial element of internal audit effectiveness (CIPFA, 2003).

IIA Practice Advisory; propose that such independence can be extended by means of: non-interference with the operations of internal audit utilities in the organization; declaration of interests; regular contact with the organizational management; unhampered

access to records, employees and departments; independent engagements and removal of the head of internal audit; and not execution non-audit work.

IIA (2009), emphasis on the independency of internal audit function and unbiasedness of internal auditor in accomplishing audit function.. According to IIA (2009), organizational independence is the self-determination from factor that will hinder or threaten the capability of internal audit function to carry out its function without undue influence. The internal auditors may not be independent from management due to daily interaction however the independency has to do independent of mind and objectiveness of the auditors. Independence is essential so long as effective internal audit service to the management.

Rendering to Van Ganges berghe (2005), internal audit is mandated to positively contribute to the management while being careful not to become its servant. It must faithfully report on the status to the board or other equivalent governing body. The independence of the audit must be maintained besides securing their job so that they cannot be dismissed for the sake of producing objective findings. Management who are involved in unethical practices often becomes enthusiastic to intervene in the audit reviews, curtailing the scope of audit, hiding information and even the outcome of the audit. To avoiding interferences by the management, the head of internal audit should hold a sufficiently powerful position preferably the same grade with the head of finance so as not attended to be corrupted by management.

Auditor should be allowed unhampered access to all forms of audit evidence in the organization such as employees, property listing, policies, laws and procedures of internal control systems and other key data necessary for audit work such as minutes authorizing transactions (Zelege, 2007). According to the IIA (2009), internal auditors must be allowed total access to assets register, verify the assets existence, employees and payroll data, records and any other requests for their work. The internal audit charter of the organization will give the auditor right to access all the required document and information.

Deprived of independence, internal audit merely converts to part of the management team, dropping its ability to offer a renewed perspective (Yee *et al.*, 2008). Zhang *et al.* (2007) deliberates independence of internal auditor as a determining factor of internal audit effectiveness. Cohen and Sayag (2010) claim that independence of internal audit touches positively internal audit effectiveness. Alzeban and Gwilliam (2014) maintain that independence of internal audit is positively associated with internal audit effectiveness.

2.3.3 Adequate and Competent Staff and Internal Audit Effectiveness

The internal audit unit can only be effective in planning, execution and shared its observation and recommendation if it has the requisite number of staff who have the required skills and competence. Effectiveness necessitates the internal audit to be well-resourced for the purpose of meeting quantifiable and qualitative demands of the audit. The quantity and the quality of professional audit will control the overall quality report.

Zain, Subramaniam and Goodwin (2004), claim that number of auditor and the prior audit experience of the internal auditor are expected to influence the quality of the internal audit work.

The research findings of Mihret and Yismaw (2007) also establish in their study that internal audit staff rotation was imperative in enhancing the independence of the internal audit and henceforth likely to subsidize to the effectiveness of internal audit. They found that internal auditors who are in close relation with operating personnel were less objective in their work due to familiarity. Zain *et al.*, (2004) additional claim that the knowledgeable of the internal auditors and prior audit experience would lead to higher the internal audit quality. In addition, they are expected to provide more valuable contribution important for enlightening the internal controls of the organization.

Turley and Zaman (2007) and Azzone (2009) found positive impact between communication amid the members of the audit team and the aftermath of the audit. Mihret et al. (2010) on the other hand noted that professional training and continuous training on the emerging issues are critical for internal audit effectiveness. Cohen and Sayag (2010) debate that specialized expertise (professional skills) of internal auditors is of major significance for effective internal auditing.

Alzeban and Gwilliam (2014) say that higher the level of internal audit effectiveness the greater competence of internal audit staff in an organization.

2.3.4 Audit Committee and Internal Audit Effectiveness

Reporting structure has been branded as one of the indispensable determinants of effectiveness of internal audit essential for direct reporting to the audit committee (Krishnamoorthy, 2008; Owolabi & Dada, 2011). Emphasis has been put on the audit committees with regard to the level of independence, qualification and skill, year of experience and professionalism (Alkdai & Hanefah, 2012; Nimer *et al*, 2012; Owolabi & Dada, 2011; Quigley 2012). Owolabi and Dada (2011) argues that an effective audit committee is important in succeeding reliability, effectiveness, dependability and efficiency in corporate governance. Among the major function of audit committee are determining performance of the internal audit function, employment, promotion and dismissal of the chief internal auditor and recommending the selection and firing of external auditors (Davies, 2009).

An audit committee need to be comprised of professionals from various arenas in the organization. It plays the role of stimulating good governance within the organization. The audit committee guarantees that capitals are safe and operated effectively and efficiently with the purpose of achieving the set objective which is to maximize the shareholders wealth. It protects the independence of internal auditors. According to Bishop, Hermanson and Lapidés (2000), a good relationship between the auditor and the audit committee is critical to an organization to achieve sound corporate governance. This imply that audit committee need to reinforce the internal audit function by shielding their independency making sure that audit recommendations are employed by

management. For the audit committee to fulfill its mandate internal auditors plays an important role. (Turley & Zaman, 2004).

The declaration of Turley & Zaman, 2004 is harmonized with Bishop *et al.*, (2001), who posit that internal audit is the main source of audit committee information for the committee to deliberate to enhance governance mandate.

Study by Ramadili and Karbhari (2009) indicates the auditor independency will increase significantly if the audit committee are committed to be independent, having the required skills and profession and willing to increase good governance. Therefore there is need t for the committee to go beyond the normal assignment of checking compliance on governance, internal control structure, assessment of internal audit function the financial report, internal audit issues and the role of the head of accounting (Ramadili & Karbhari2009).

Goodwin and Yeo (2001) argue that audit committee which is effective should embrace the independent of internal audit where the head of internal audit is able to matter that are distressing management and he is well supported by the committee. Goodwin, 2004).the major element of internal audit effectiveness is the reporting structure, the internal audit is required to directly report to the audit committee. (Krishnamoorthy, 2008; Owolabi & Dada, 2011).

According to Mu'azu and Siti (2014) the audit committee composition is current concern as one of the instruments of corporate governance. The committee should Constitute people high level of independence, qualification and competence, experience, skilled and

knowledge as indicated by (Alkdai & Hanefah, 2012; Nimer et al, 2012; Wolabi & Dada, 2011; Quigley 2012, Owolabi and Dada (2011) revealed that effective audit committee will definitely enhance reliance on the auditor report, financial report dependability ensure there is effective and efficient on resource utilization and ensure good corporate governance.

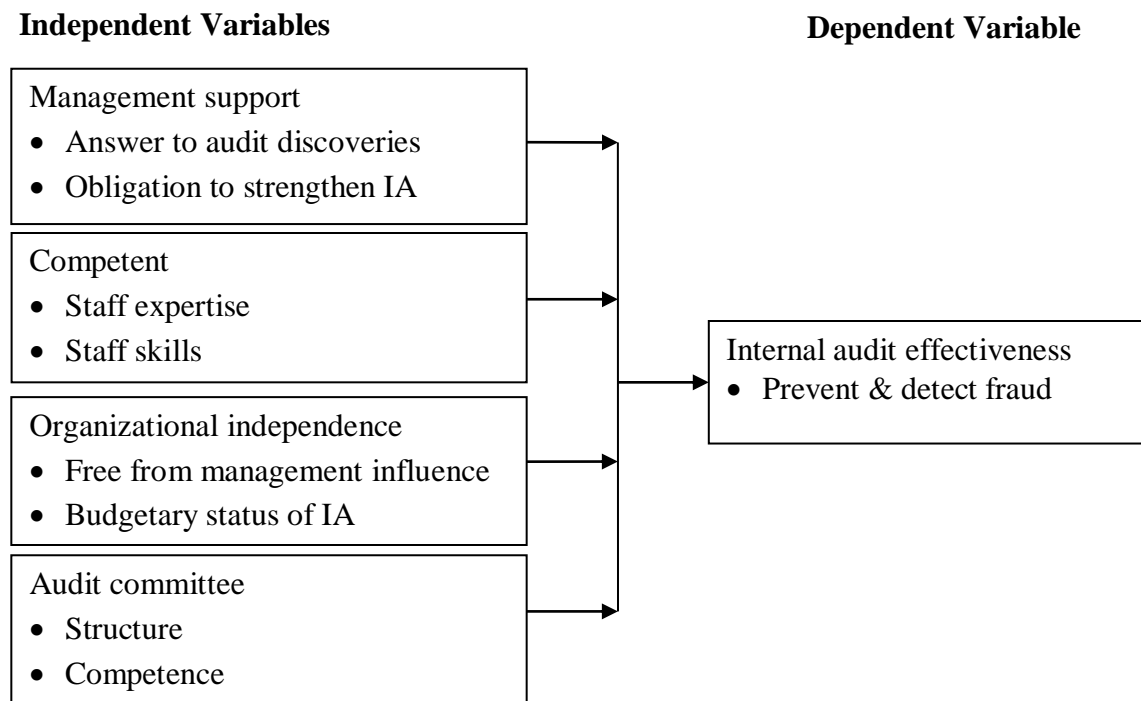
2.4 Summary and Research Gap

The reviewed literature has shown that the four variables namely management support, adequate and competent staff, organizational independence and audit committee have influenced the internal audit effectiveness. Mihret and Yismaw (2007) found that management support concluded response to audit findings and providing a supportive environment prejudiced internal audit effectiveness. In another study, Ali et al (2007) found in their study that internal audit effectiveness was straight linked to the association between the internal auditors and management. On the organizational independence, the review show that Cohen and Sayag (2010) found that internal audit independence affect the effectiveness of the internal audit. The review showed that Zain, Subramaniam and Goodwin (2004) argued that the the quality of internal audit reports are affected by internal auditor experience, size of the internal audit function and the competence. The review further showed that according to Arena and Azzone (2009) the involvement of audit committee increase the internal audit effectiveness While the review is a pointer to the effect of the variables on the effectiveness of the internal audit, most of these studies were done in the developed countries whose setup and governance structure may be different from those in the developing countries like Kenya. However, even the once

done in Africa, the setup may be different as decentralized government system in Kenya is still in its implementation stage and therefore may have unique challenges as compared to other countries, hence a gap.

2.5 Conceptual Framework

Figure 2. 1: Conceptual Framework



2.6 Operationalization of the Variables

The study has five variables of interest. The independent variables are the management support, competence of auditors, organizational independence and audit committee. The dependent variable is the internal audit effectiveness (See table 2.1 below)

Table 2. 1: Operationalization of the Variables

Variables	Measures
Management support	<ul style="list-style-type: none">• Answer to audit findings by implementation• Obligation to strengthening and supporting IA
Competence	<ul style="list-style-type: none">• Staff expertise• Staff internal audit skills
Organizational independence	<ul style="list-style-type: none">• Freedom from management influence• Budgetary independence of IA
Audit committee	<ul style="list-style-type: none">• Composition of the committee• Competence of the committee
Internal audit effectiveness	<ul style="list-style-type: none">• Ability to detect and prevent fraud

CHAPTER THREE

RESEARCH METHODOLOGY

3.1 Introduction

In this episode the researcher presents the research design, the population used, the data collection method and the data analysis techniques.

3.2 Research Design

The study used a descriptive survey investigation design. Descriptive research design regulates and reports the real situation (Mugenda & Mugenda, 2003). This method was suitable for this reading because it encompasses fact discovery and surveys from the determinants of internal audit effectiveness in decentralized governments in Kenya. The design explored and estimated in details the correlation between the variables. Descriptive survey can be used to explore a population by gathering tester to analyze and discover incidences, this makes it suitable for this research.

3.3 Population of Study

The populations of interest for this study was the internal auditors in the five counties of Machakos, Kitui, Kiambu, Makueni and Nairobi. According to the human resource of the study counties, there were 89 internal auditors with majority being in Nairobi. The study also targeted the heads of finance in the study counties. This resulted into a population of 94.

3.4 Sampling Procedure and Sample Size

A sample is a subcategory of the population being deliberate that included the progression of decide on a few units from a bigger group (the sampling population) to become the basis for estimating or predicting a fact, situation or outcome regarding the bigger group (Kumar, 1996 Richardson, 2005). Owing to the manageability of the target population, the study did a census study where all the 94 elements in the population were studied which are 89 internal auditors and heads of finance in the study counties.

3.5 Data Collection Instruments

A self-completion Questionnaires was used to collect data. Which have benefit an exclusively standardized determining instrument because the requests are always identical to all respondents (Sapsford, 2007). They can be used to reach a large population within a short time as compared to other tools. The questionnaire had both structured and semi structured questions. The structured questions had multiple choice questions and Likert scale questions. The structured questions were favored because they minimized response variation, take less period to code and transcribe and they lead to increased response proportion. The semi-structured questions captured the respondents opinions they expressed themselves with regard to the questions asked. There were two (2) sets of questionnaires, for the internal auditors and the other set for the heads of finance in the county governments.

3.6 Data Collection Procedure

The questionnaires stayed self-administered to the respondents upon University approval. The researcher reserved appointment with the respondents where he enlightened the purpose of the study and expounded very candidly to the respondents why it is significant to fill in the questionnaires truthfully. In some area it was not likely to fill and return the questionnaire instantly, the questionnaires were drop and pick later within interval of two weeks. The respondents would therefore filled the questionnaires at their own interval.

3.7 Data Analysis and Presentation

On accomplishment of the data assortment, all finalized research instruments were accumulated, coded, précised, and key into the computer for scrutiny. Statistical Package for Social Science (SPSS) was used. Descriptive statistics entailing of average, standard deviations, frequencies and percentages were used. Frequency distributions was used to analyze the respondent demographic information to show their distribution with respect to age, sex, the level of learning, experience and how long they have been in the county government. The results are presented in tables, charts and figures.

Normality Test

Normality needs to be looked into for various parametric tests. This is because the validity depends on it (Hair & Sekaran (2010). The tests are secondary to graphical consideration of normality and the prime tests for it are the Kolmogorov-Smirnov (K-S) test and the Shapiro Wilk test. The marks in the tester to a normally distributed set of

scores with the same average and standard deviation presents itself as a sample distribution that is normal. If the p-value (represented by the significance value) is less than 0.5 then the data is distributed normally (Hair and Sekaran, 2010). Small sample sizes usually pass the normality tests because the normality tests have slight influence to discard the null hypothesis. However in larger sample sizes, substantial results would be resultant even in the case if a minor deviation from routine, although this deviation would not influence the outcome of a parametric test (Hair and Sekaran, 2010).

The Shapiro test is normally used for a data sample of less than 100, while the Kolmogorov-Smirnov is usually used for a data sample of more than 100 (Hair and Sekaran, 2010). If the data proves that the distribution is not normal, a Z-Score can be run. A Z-Score is when the statistic skewness is divided by the standard error skewness. If the result is between -3.29 and +3.29, then the value is in range and the violation is not bad, making the data normal

Inferential Statistics.

The study employed inferential analysis to test the correlation between the dependent and the independent variables. The study used both correlation and regression analysis to test the relationships. Pearson's Moment Correlation was used to regulate the direction of the associations and consequence for each independent variable and then the dependent variable in the study. The study then used multiple regressions to assess the connection between the extents of independent variables and dependent variable with a view to predict the casual relationship and importance between the study variables.

The multiple regression model is demonstrated as:

$$Y = \beta_0 + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + \beta_4 X_4 + e$$

Where;

Y = Internal audit effectiveness

β_0 = Constant

$\beta_1, \beta_2, \beta_3$ & β_4 = Coefficients

X_1 = Management support

X_2 = Competent staff

X_3 = Organizational independence

X_4 = Audit committee

e = error term.

CHAPTER FOUR

DATA ANALYSIS, PRESENTATION AND DISCUSSION.

4.1 Introduction

In this chapter the researcher presents the results of the analyzed data which will be interpreted and discussion done. The researcher gave 94 questionnaires comprising of 89 internal auditors and 5 county finance heads. Out of these 67 concluded and returned the questionnaires giving a response rate of 71.3% which is above the 50% recommended by Mugenda and Mugenda (2008).

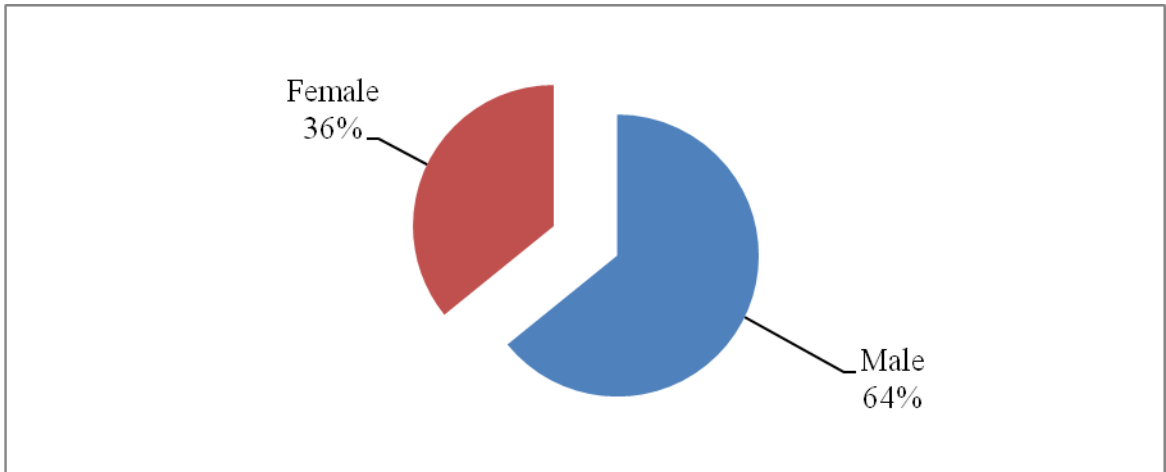
4.2 Respondents Demographic Data.

In this section the study presents the respondents demographic data which comprises respondents' gender, age, level of education, professional qualification, experience as an auditor, and how long they have served in county government. The results are presented in the following sections.

4.2.1 Distribution of Respondents by sex.

The study sought after to determine the gender of the respondents. The verdicts are obtainable in Figure 4.1.

Figure 4. 1: Distribution by Gender.

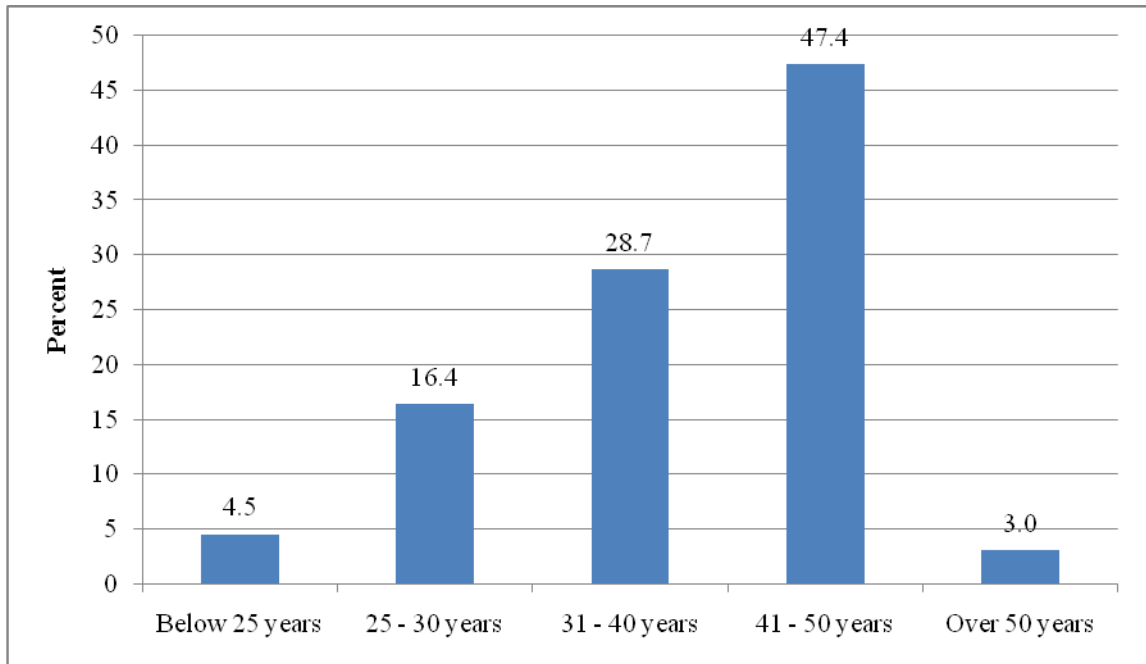


The results show that majority of the respondents (64%) were male while only 36% were female. This implies that the internal audit profession is male dominated.

4.2.2 Dissemination of Respondents by Age

The respondents were requested to state the age bracket they belonged. The findings were analyzed and presented in Figure 4.2.

Figure 4. 2: Distribution by age

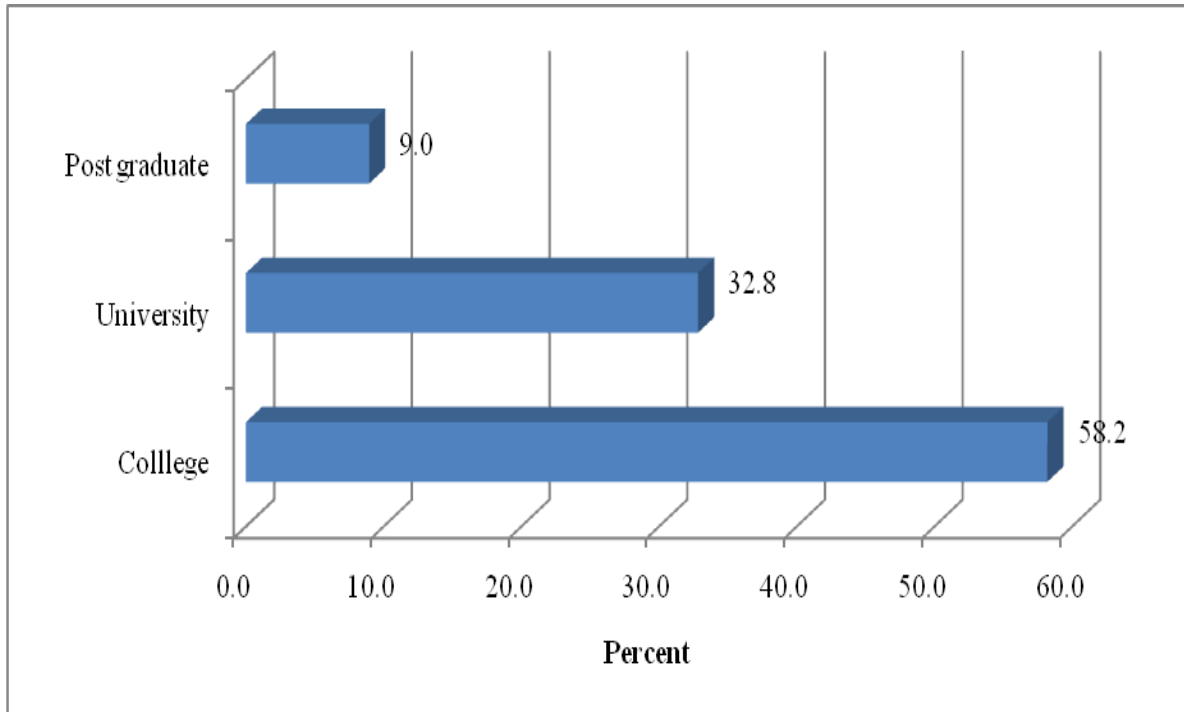


The study findings demonstration that greatest of the respondents (47.4%) fall in the age bracket of 41 to 50 years. Further its show that 28.7% of the respondents were in the bracket of 31 and 40 years while 16.4% were between 25and 30 years. The findings resulted that most of the internal auditors were over 30 years of age.

4.2.3 Distribution by Level of Learning

The respondents were asked to state their level of schooling. The findings distribution are as in Figure 4.3.

Figure 4. 3: Distribution by level of Schooling



The results show that most of the respondents (58.2%) have college education while 32.8% have university degrees. The study further show that only 9% (6 in number) of the respondents have post graduate education. The results mean that the respondents are fairly educated, hence the information acknowledged in fairly informed.

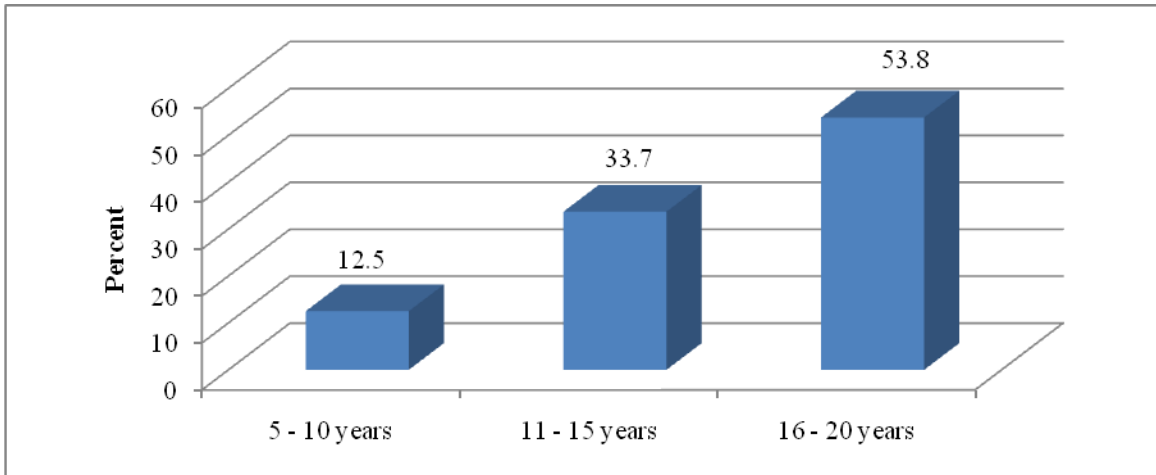
4.2.4 Professional Qualification

The respondents were also probed to state their professional qualification. The findings revealed that all the respondents had done CPA with most of them attaining CPA(K) certification.

4.2.5 Duration Served as an Auditor

The respondents were asked to state how long they had served as an auditor. The results are in Figure 4.4.

Figure 4. 4: Duration Served as Auditor

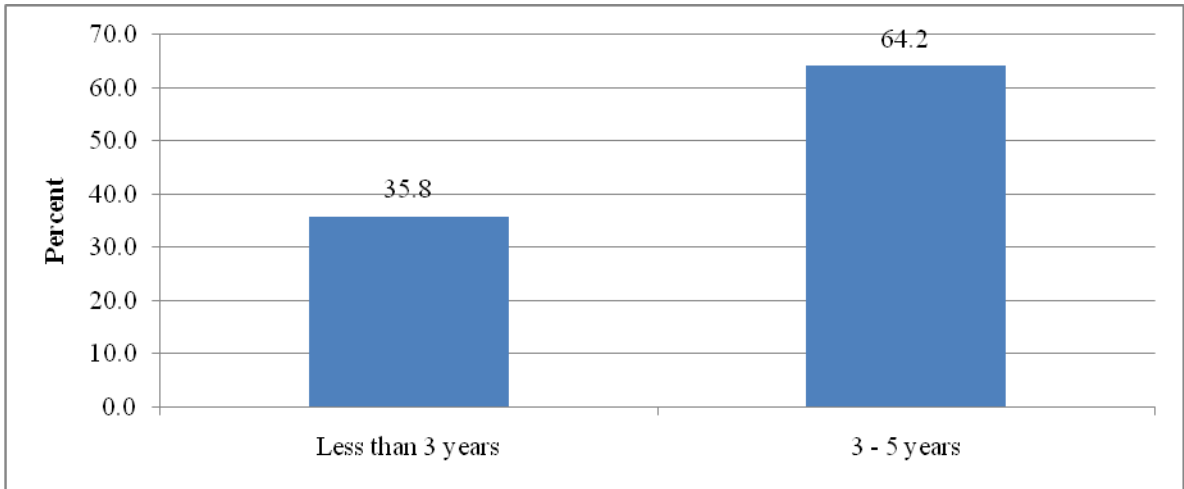


The study concludes that 53.8% of the respondents have been internal auditors for between 16 and 20 years. The results also demonstrate that 33.7% of the respondents have been internal auditors for a period of 11 to 15 years. The findings display that the bulk of the respondents have many years of experience as auditors.

4.2.6 Duration Served in the County Government

The study pursued to establish the period staff had been working in the county governments. The findings after analysis were tabulated as in the Figure 4.5.

Figure 4. 5: Duration Served in the County Government



As to how long they have been at the county governments, the results confirmation that majority of the staff (64.2%) have worked at the county governments for between 3 and five years. The findings further display that 35.8% of the respondents have worked at the county governments for less than 3 years. This may be attributed to the fact that the devolved governments were started just less than five years ago.

4.3 Effect of Management Support on Internal Audit Effectiveness

In this section the study sought to determine the effect of management support on the internal audit effectiveness in the county governments in Kenya. The respondents were therefore requested to note to the extent to which they agreed with the testimonials regarding management support in their respective stations. A scale of strongly disagree, disagree, neither agree nor disagree, agree and strongly agree. The score 0.0 to 1.0 meant strongly disagree, mark 1.1 to 2.0 means disagree, tally 2.1 to 3.0 means neither agree nor disagree, score 3.1 to 4.0 means agree while mark 4.1 to 5.0 mean strongly agree. The findings analysis were tabulated in Table 4.1.

Table 4. 1: Management Support and Internal Audit Effectiveness

	N	Mean	Std. Dev
Internal audit team have direct support and assistance from top management	67	3.51	.823
Internal audit team members have direct support and assistance from Immediate supervisors	67	3.55	.840
Internal audit team members get expected assistance from auditee during their audit engagement	67	2.97	.852
I receive full collaboration, admission to records, data and information for my office/sector	67	2.64	.792
The internal audit team members get respected and assisted by the auditee during their audit engagement	67	2.98	.862
Management does not offer sufficient funding and encouragement for training and developing the Internal audit staff	67	2.45	.803
Can get essential resources (facilities) that help to accomplish auditing activities as desirable	67	3.64	.792
The management supports by providing training to increase skills and bring up-to-date with the field	67	3.45	.803
Management supports IA staffs by providing funds for certification to various courses	67	3.22	.755
The management adopts the findings of internal auditors	67	3.60	.799

The study discoveries show that the respondents approved the statement that the internal audit team have direct support and assistance from the top management (mean score 3.51). The results further demonstration that the respondents agreed that the internal audit team members had direct support and assistance from their immediate supervisors (mean score 3.5). However, respondents neither agreed nor disagreed with the statements that the internal audit team members got expected assistance from the auditee during their audit engagement (mean score 2.97) and that they received full corporation, access to records and information from the officer/sector (mean score 2.64). Respondents also did not agree nor disagree with the statement that the internal audit team members were respected and assisted by the auditee during their audit engagement (mean score 2.98).

They were neutral on the statement that the management did not provide ample support and encouragements for training and development of internal audit staff (mean score 2.45). The respondents were in agreement with the statement that they can get required resources to enabling them perform auditing activities as desired (mean score 3.64). Also, they agreed that the management supported by enhancing skills through training (mean score, 3.45). The respondents agreed that the management supported the internal audit staff by fund provision for the certification to have relevant skill (mean score 3.22). Finally, they agreed that the management adopted the findings of the internal auditors (mean score, 3.60). The findings of the study mean that generally the internal audit members received support from the management when it comes to the provision of facilities and resources including budgetary allocation for carrying out their duties. The internal audit also got support when it comes to their development in terms of training to enhance their skills. However, the internal audit got non-cooperation with regard to the access to the necessary documentation during their work. The finding of that the management the internal auditors by providing training support the views by Mihret and Yismaw (2007) that the top management can make the internal auditors effective by identifying areas for improving performance quality of the auditors. The findings that the internal audit team members have direct support and assistance from Immediate supervisors further agree with Mihret and Yismaw (2007) who noted that backing for the internal auditors in all the organization guarantee that the auditors are treated with dignity. However, this argument is contradicted by another findings of the study that the internal audit team members get appreciated and assisted by the auditee during their audit engagement. The findings that the organization embraces the findings of internal auditors

contradicts Mihret and Yismaw (2007) findings that internal audit recommendations were not accorded enough attention due to the reasons that gave as not distinctly highlight the status of past audit results.

4.4 Effect of Organizational Independence on Internal Audit Effectiveness

In this segment the study wanted to find the effect of organizational independence on the internal audit effectiveness in the county governments in Kenya. The respondents were required to state the degree to which they agreed with the announcements regarding the organizational independence on a scale of strongly disagree, disagree, neither agree nor disagree, agree and strongly agree. The findings analysis are tabulated in Table 4.2.

Table 4. 2: Organizational Independence and Internal Audit Effectiveness

	N	Mean	Std. Dev
The IA operates totally independently, and conducts their work without interference.	67	3.54	.990
IA decides seriously on scope, time and level of auditing procedures founded on auditing standards and the organization's audit policy.	67	3.40	.938
Internal audit provides reports to the audit committee.	67	3.60	.889
Independence is the essence of effective auditing among other factors in particular	67	3.55	.858
Internal auditors have free access to all documents, data, information and employees in the organization.	67	3.58	.956
Internal audit are involved in the county's' development processes.	67	3.49	.859
All IA members are free and not vetoed to include any audit observation in their audit assignments and report audit committee	67	3.60	.871
IA are free to right to use any necessary papers, information and data on process under investigation and hence always acknowledged	67	2.94	.919

The study conclusions show that the respondents are in agreement that the internal audit operates totally independent and conducts their work without interference (mean score, 3.54). The results also show that respondents approved that internal audit decides seriously on the scope, time and level of auditing techniques based on auditing standards and the organization's audit policy (mean score, 3.40). Respondents settled with the announcement that the internal audit provided reports to the boards of directors (or audit committees) (mean score 3.60). Respondents agreed that independence is the essence of effective auditing among other factors (mean score, 3.55). The findings show that respondents agreed that internal auditors have unhampered admission to all departments and employees in the county (mean score 3.58). According to the findings, respondents settled that internal audit take part in the development of county's processes (mean score 3.49). They also agreed that all the internal audit members feel free to include any audit findings in their audit work and report directly to responsible body (mean score 3.60). Finally, respondents neither agreed nor disagreed with the statement that internal auditors can freely access any essential papers, evidence and data about process that is under investigation and hence always acknowledged (mean score 2.94). The results show that there were minimal disagreements in the reactions as all the standard deviations were less than 1. The findings mean that the respondents agreed on the various aspects of the independence of the internal audit except for the access to documentation and data during investigation. The findings that the internal auditors operated totally independent without interference are in agreement with Zeleke (2007) who argued that organizational independence permits the audit unit to carry out work without meddling by the entity under audit. The findings that internal audit contributed towards the development of the

organization is in support of Van Gangesberghe (2005) who noted that internal audit must contribute significantly to management, while still reporting on the status to the audit committee. The findings that internal auditors have free access to all departments and employees in the county agree with Zeleke (2007) that audit should be conducted with complete and unlimited access to all forms of audit proof like staffs, possessions, policies and techniques of internal control systems, key material necessary for audit work.

4.5 Effect of Adequacy and Competent Staff on Internal Audit Effectiveness

In this segment the study wanted to determine the consequence of adequate and competent internal audit staff on internal audit effectiveness. The respondents were consequently probed to state the extent to which they approved with the statements regarding the adequate and competent on a scale of toughly disagree and strongly agree. The findings analysis are tabulated in Table 4.3.

Table 4. 3: Adequacy and Competent Staff and Internal Audit Effectiveness

	N	Mean	Std. Dev
There is no mere staff assignment in IA Process rather skilled internal auditors having certification in auditing are recruited for post	67	3.55	.875
Internal auditors have a strong professional awareness on overall happenings of department	67	3.61	.870
Audit techniques and proof collections are accomplished on time, since sufficient and trained internal auditors are presented	67	2.97	.816
Effort of internal audit is executed with modern technology that uses computer aided techniques and specific audit software for fraud detection	67	2.84	.881
Organization audit department or division has progressed in terms of appropriately qualified or professional staff	67	3.67	.911
Internal auditors are proactive (creating or controlling a situation rather than just responding).	67	3.61	.937
Internal audit had developed a good cooperation between auditors and auditees.	67	3.76	1.001
Internal auditors undertake continuous professional development trainings or attend educational seminars.	67	3.55	.840
Internal auditors have adequate educational background	67	3.64	.949
Existing internal audit staff and their skill is outstanding and equals to the range of internal audit actions and achieved corporate goal set for IA	67	2.75	.766

The study conclusions show that the respondents were in agreement with the statement that there were no mere staff assignment in internal audit process rather skilled internal auditors having certification in auditing are recruited for posts (mean score, 3.55). Respondents further agreed that internal auditors have a deep specialized knowledge on overall undertakings of department (mean score, 3.61). The respondents did not however agree nor disagree with the statements that audit procedures and evidence collection were completed on time since there were enough and skilled internal auditors (mean score 2.91) and the work of internal audit was performed with modern technology that used computerized data tools and specific internal audit software as is currently mandatory for fraud detection (mean score, 2.84). The respondents agreed that the organization audit

department or division had progressed in terms of appropriately qualified or professional staff (mean score 3.67). Respondents were in agreement that internal auditors are proactive (creating or controlling a situation rather than just responding) (mean score, 3.61). They also agreed that the internal audit had developed a good cooperation between auditors and auditees (mean score, 3.76). There was agreement that internal auditors undertake continuous professional development training or attend educational seminars (mean score 3.55). Respondents agreed that internal auditors have adequate educational background (mean score, 3.64). However, respondents were undecided whether the statement that existing internal audit staff number and their expertise is outstanding and fits the scope of internal audit operations and achieved corporate goal set for internal audit. The results demonstrate that there were minimal changes in the responses as the standard deviation is less than 1 except the statement that the internal audit had developed a good cooperation between auditors and auditee whose standard deviation is 1.001. The results mean that respondents generally agreed that the auditors were competent. However, there were not enough auditors according to the findings of the study. The study finding that existing internal audit staff and their talent is outstanding and equals the scope of internal audit tasks and achieved corporate goal set for internal audit agree with Zain et al., (2004), state that where the internal audit department is large it will cover a wider scope of work compared with a small sized department. When the internal audit staffs are insufficient, it limits the range of work and more essentially, because audit work is time bound, the internal auditors may not be able to accomplish the assignment in time. The finding that the internal auditors have a deep professional knowledge on overall activities of departments agree with Zain *et al.*, (2004).

4.6 Effect of Audit Committee and Internal Audit Effectiveness

In this subdivision the study pursued to determine the effect of audit committee on the internal audit effectiveness in county governments in Kenya. The respondents were queried to state their degree of agreement with the declarations on audit committee and internal audit effectiveness on a scale of strongly disagree and strongly agree. The findings analyzed and results tabulates in Table 4.4.

Table 4. 4: Effect of Audit Committee and Internal Audit Effectiveness

	N	Mean	Std. Dev
Internal auditors report directly to audit committee	67	3.58	.873
The audit committee is composed of persons well knowledgeable and experienced	67	3.51	.842
Audit committee meets the goals for which they were established	67	3.46	.927
Audit committee measures the performance, appoints and dismisses internal auditors	67	3.57	.874
Audit committee protects the independence of the internal audit	67	3.67	.726
There is cooperation between internal auditors and audit committee	67	3.40	.854
Audit committee ensures that the audit recommendations are implemented by management	67	3.58	.907
Audit committee is involved in the internal audit activities	67	3.58	.873

The findings of the study show that respondents agreed that the internal auditors reported directly to the audit committee (mean score 3.58). The findings additional show that respondents approved that the audit committee was composed of persons who were knowledgeable and well experienced (mean score 3.51). Respondents stayed in agreement that the audit committee met the goals for which it was established (mean score 3.46). According to the results, respondents agreed that the audit committee

measured the performance, appointed and dismissed internal auditors (mean score 3.57). The findings show that respondents agreed that the audit committee protected the independence of internal audit (mean score 3.67). Respondents agreed that there was collaboration between the internal auditors and the audit committee (mean score 3.40). The audit committee according to respondents ensured that the audit recommendations were implemented by the management (mean score 3.58). And finally, respondents were in agreement with statement that the audit committee was involved in the internal audit activities (mean score 3.58). The results show that the responses had minimal variance as the values of the standard deviation are less than 1. The findings that the audit committee was composed of knowledgeable and experienced persons is in support of studies by Alkdai and Hanefah, (2012) and Nimer *et al*, (2012) among others who noted that members of the audit committee should comprise of member who have good qualification, some degree of independency, experience and skills. Further the findings shows that the audit committee was able to accomplish their goals. Agree with David (2009) who noted that the effective audit committee was one which was able to achieve the established objectives. The findings on the mandate of the audit committee of measuring the performance, employing and discharge of internal auditors harmonize with the findings of Davies (2009) that the committee has the tasks of measuring the performance of the internal audit utilities , the employment and discharge of the heads of internal audit, endorsing the selection and dismissal of external auditors, support and promotion of the audit utilities within various organizations among them independence and objectivity. The findings that there was collaboration amongst the internal auditors and the audit committee is in support of Bishop, Hermanson and Lapides (2000) and

Goodwin and Yeo (2001) agreements that collaboration between internal auditors and audit committee was an vital element of sound corporate governance in the organization as such association is an important for strengthening of each other's function, hence their effectiveness. They went ahead and said that such relationships will make sure that the audit committee protects the independence of the internal audit while at the same time ensuring that the audit recommendations are implemented by the management.

4.7 Internal Audit Effectiveness

In this subdivision the study pursued to determine the effectiveness of internal auditors in the county governments in Kenya. The findings were analyzed and tabulated in Table 4.5.

Table 4. 5: Internal Audit Effectiveness

	N	Mean	Std. Dev
Internal audit ensure that it significantly adds importance to the county	67	3.63	.868
Internal audit improve department's performance	67	3.73	.963
Internal audit improves organizational performance	67	3.76	.906
Performance of internal audit has greatly improved in recent past due to effective internal audit.	67	3.45	.858
The resource utilization in public sector is more effective due to improved internal audit.	67	3.52	.859

The study findings show that respondents agreed that the internal audit ensured that it added value to the counties (mean score 3.63). The respondents further agreed that the internal audit improved the departments' performances (mean score 3.73). Results also show that respondents agreed that the internal audit improved the organizations' performances (mean score 3.76) same to the statement that the performance of the internal audit had greatly improved in recent past due to effective internal audit (mean

score 3.45). And lastly, that the resource utilization in the public sector was more effective due to improved internal audit (mean score, 3.52). The standard deviation for the entirely responses was less than 1 implicating that there were no variances in the responses. The findings of the study mean that there was effectiveness of the auditors in all the areas tested.

4.8 Correlation Analysis

The study performed a correlation analysis using the Pearson’s Moment Correlation to regulate the direction of the association and significance of each independent variable and then dependent variable in the study. The findings were analyzed and tabulated in Table 4.6.

Table 4. 6: Correlation

	Management support	Organizational independence	Audit committee	Adequate & competent	Audit effectiveness
Management support	1				
Organizational independence	.894**	1			
Audit committee	.826**	.884**	1		
Adequate & competent	.845**	.913**	.884**	1	
Audit effectiveness	.886**	.903**	.897**	.895**	1
**. Correlation is significant at the 0.01 level (2-tailed).					

The study findings show that all the variables had strong positive relationship. The study findings show that the top management commitment and organizational independence had a strong positive relationship of a coefficient of 0.894. The test was statistically significant and the p-value was less than 0.05. The findings show that the association between audit committee and adequate and competent staff was strong and positive with the coefficient of 0.884, the test was also statistically significant. The relationship between the dependent and independent variables was strong and positive as all the coefficients were greater than 0.50, and the tests were statistically significant as the p-values were less than 0.05.

4.8 Regression Analysis

The study performed a regression analysis to institute the relationship between the dimensions of independent variables and the dependent variable. The findings are presented in the succeeding subdivisions.

4.8.1 Coefficient of Determination

The regression analysis has the coefficient of determination as its first output (R Square). The result in Table 4.7 illustrate that the value of the R Square is 0.887 implying that 88.7% of the variation in the internal auditor effectiveness is enlightened by top management support, county independence, adequate and proficient staff and audit committee. The rest is illuminated by other variables not portion of the study.

Table 4. 7: Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.942 ^a	.887	.879	.250

a. Predictors: (Constant), adequate & competent, organizational independence, audit committee, management support.

4.8.2 Analysis of Variance

The ANOVA yield illustration that the value of the F-Statistics as 121.408 and a significance of 0.000. This suggests that the test is statistically significant as the p-value is less than 0.05.

Table 4. 8: ANOVA

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	30.279	4	7.750	121.408	.000 ^b
	Residual	3.866	62	.062		
	Total	34.144	66			

a. Dependent Variable: audit effectiveness

b. Predictors: (Constant), adequate & competent, county independence, audit committee, management support

4.8.3 Beta Coefficients

Beta coefficients is the last output and its show that magnitude of the association between the variables. The findings are tabulated in the Table 4.9.

Table 4. 9: Beta Coefficients

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	.466	.158		2.952	.004
	Management support	.326	.105	.300	3.093	.003
	Organizational independence	.137	.123	.146	1.110	.271
	Audit committee	.290	.090	.325	3.224	.002
	Adequate& competent	.190	.099	.221	1.913	.060

a. Dependent Variable: audit effectiveness

The model of the study was:

$$Y = \beta_0 + \beta_1X_1+ \beta_2X_2 + \beta_3X_3+\beta_4X_4+ e$$

Replacing with the values of beta we get:

$$Y = 0.466 + 0.326X_1 + 0.137X_2 + 0.290X_3 + 0.190X_4$$

The study conclusions indicate that a unit change in top management backing through response to audit discoveries and commitment to strengthen internal audit will yield into a 0.326 change in internal audit effectiveness. Further the outcomes mean that a unit change in the organizational independence in form of freedom from management influence and budgetary status of internal audit will end into a 0.137 change in internal audit effectiveness. The outcomes mean that a unit adjustment in audit committee’s structure and competence will yield into a 0.290 change in organizational effectiveness. In conclusion the findings mean that a unit change in staff adequacy and competence in terms of expertise and skills will result into a 0.190 change in internal audit effectiveness. The study demonstrations that entirely the statistically significant as all the p-values are less than 0.05 except for organizational structure whose p-value > 0.05.

CHAPTER FIVE

SUMMARY CONCLUSION AND RECOMMENDATIONS

5.1 Introduction

In this subdivision the researcher presents the summary of the study results from where conclusions will be made. This will be followed by recommendations and suggestions for further research.

5.2 Summary of the Findings

5.2.1 Management Support and Internal Audit Effectiveness

The study established that according to the respondents, the internal audit team had direct support and assistance from the top management (mean score 3.51). The study further established that the internal audit team members had direct support and assistance from their immediate supervisors (mean score 3.5). However, respondents were indifferent as to whether or not the internal audit team members got expected assistance from the auditee during their audit engagement (mean score 2.97) and whether or not they received full corporation, access to records and information from the officer/sector (mean score 2.64). The study found that internal auditors got essential funds (facilities) to help them perform auditing activities as desired (mean score 3.64). At the same time the study established that the management supported internal auditors by providing training for skills development and update with the current field (mean score, 3.45). The management supported the internal audit staff by funding provisions for the certification to have

relevant training (mean score 3.22). Finally, the management adopted the findings of the internal auditors (mean score, 3.60).

5.2.2 Organizational Independence and Internal Audit Effectiveness

The study established that the internal audit operates totally independent and conducts their work without interference (mean score, 3.54). According to the findings, the internal audit decides seriously on the scope, time and extent of auditing procedures based on auditing standards and the organization's audit policy (mean score, 3.40). The internal audit provided reports to the boards of directors (or audit committees) (mean score 3.60). The findings revealed that the internal auditors have unhindered access to all sections and staff in the county (mean score 3.58) while at the same time the internal audit participated in the development of company processes (mean score 3.49). The study establish that internal audit members were free to report audit findings in their audit work and report directly to audit committee (mean score 3.60).

5.2.3 Competence of Internal Audit Staff and Internal Audit Effectiveness

The study established that it is a mandatory requirement that for one to be recruited as internal auditors one had to be skilled with certification in auditing (mean score, 3.55). The internal auditors devise strong professional understanding on generally activities of department (mean score, 3.61). The organization audit department or division had progressed in terms of appropriately qualified or professional staff (mean score 3.67). The study established that the internal auditors were proactive (creating of controlling a situation rather than just responding) (mean score, 3.61). The internal audit had

developed a good cooperation between auditors and auditees (mean score, 3.76). The study established that internal auditors undertake continuous professional development training or attend educational seminars (mean score 3.55). Finally, the study established that the internal auditors have adequate educational background (mean score, 3.64).

5.2.4 Audit Committee and Internal Audit Effectiveness

The study recognized that the internal auditors reported directly to the audit committee (mean score 3.58). The audit committee was composed of persons who were knowledgeable and well experienced (mean score 3.51). The study found that the audit committee met the goals for which it was established (mean score 3.46). The audit committee measured the performance, appointed and dismissed internal auditors (mean score 3.57). The findings revealed that the audit committee protected the independence of internal audit (mean score 3.67). There was cooperation between the internal auditors and the audit committee (mean score 3.40). The audit committee ensured that the audit recommendations were implemented by the management (mean score 3.58). And finally, the audit committee was involved in the internal audit activities (mean score 3.58).

5.2.5 Internal Audit Effectiveness

The study findings revealed that the internal audit ensured that it added value to the county (mean score 3.63). The study established that the internal audit improved the departments' performances (mean score 3.73). The internal audit improved the organizations' performances (mean score 3.76). The performance of the internal audit had greatly improved in recent past due to effective internal audit (mean score 3.45). The

resource utilization in the public sector was more effective due to improved internal audit (mean score, 3.52). A correlation analysis revealed a strong positive association among all the variables as all had values more than 0.5. The test was statistically significant and the p-value was less than 0.05. A regression analysis revealed a positive relationship between the independent and dependent variables. The tests were statistically significant except for organizational independence which had a p-value > 0.05 .

5.3 Conclusion

The study established that all the variables in the study, which is top management support, organizational independence, staff adequacy and competence and audit committee are serious determinant factors according to the findings of the study, which must not be ignored by the management. However the study established that the variable with the major influence is the staff adequacy and competence followed by the top management support which are in conformity with the previous studies.

5.4 Recommendations

The study makes the following recommendations based on the finding results:

The management should put more emphasis on the support received by the internal auditors especially in the areas of the adoption of the audit reports as this is the only way to gauge the effectiveness of the internal auditors and even to enhance fraud detection. The management can also support the internal audit by providing the department with adequate budgetary allocations.

Secondly, the study recommends that the management should ensure that the internal auditors are recruited in their right proportion so as to reduce shortage of internal auditors in these organizations for effectiveness. The management should also enhance the development of the internal auditors by organizing more seminars and workshops where they could enhance their audit skills.

The management should give more autonomy to the internal audit by minimizing interferences, availing documentation whenever required and giving them permission for access to any office or documentation in the organization/departments. The management should also enhance the autonomy of the internal audit by ensuring enough budgetary allocation.

The management should continue encouraging the corporation between the audit committee and the internal auditors as they are charged with the responsibility of ensuring the wellbeing of the internal audit.

5.5 Suggestions for Further Research

This study was done in five county governments of Machakos, Kitui, Kiambu, Makueni and Nairobi only. Similar studies should be simulated in other county governments in Kenya with the view of establishing the factors affecting the effectiveness of internal auditors in these regions.

5.6 Limitations of the Study

The study was done in five counties of Machakos, Kitui, Kiambu, Makueni and Nairobi which represents only 10.6% of the counties in Kenya; hence the generalization of the

findings may not be representative enough. Secondly, the circumstances in every county may be unique to itself; hence generalization of the findings may be misleading. There are more factors which affect the effectiveness of internal auditors, however this study was limited to only four variables namely; top management commitment, organizational independence, audit committee and adequate and competence.

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