AN INVESTIGATION OF FACTORS INFLUENCING THE EFFECTIVENESS OF INTERNAL AUDIT IN PUBLIC SECTOR; A SURVEY OF MINISTRIES IN KENYA

BY

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OCTOBER 2011
DECLARATION

The research project is my original work and has not been presented to any other university or institution of higher learning for examination.

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Dedication

This work is dedicated to my wife and sons who supported me during the study period and my Supervisors of Kenyatta University who really assisted me during the research study.
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OPERATIONAL DEFINITION OF TERMS

The following terms will be used in the study and will be taken to mean as explained.

**Internal auditing**: an independent, objective assurance and consulting activity designed to add value and improve an organization’s operations.

**Accountability**: The process whereby public sector entities, and individuals within them, are responsible for their decisions and actions, including their stewardship of public fund all aspects of performance, and submit themselves to appropriate external scrutiny.

**Ministry**: Basic function unit of Government which translates government policies into action.

**Risk management**: Comprises the activities and actions taken to ensure that an organisation is conscious of the risks it faces, makes informed decisions in managing these risks, and identifies and harnesses potential opportunities.

**Efficiency**: The most effective use or allocation of resources to yield the maximum benefits.

**Legislation**: A legal framework embedding IA in the public sector which clearly set out the requirement for Internal Audit and the appropriate governance arrangements, such as an Audit Committee and its role and operations.

**Professional**: Means recognition among peers and outsiders of one’s services and qualifications, which have been earned by hard work.

**Risk**: the possibility of an event or activity impacting adversely on an organisation, preventing it from achieving organizational outcomes.

**Strategic plan**: A forward-looking plan that aims to map out the means to achieve longer-term goals and to plan a response to unforeseen problems and opportunities.
<table>
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<tr>
<td>CFAA</td>
<td>Country Financial Accountability Assessment</td>
</tr>
<tr>
<td>CIA</td>
<td>Certified Internal Auditor</td>
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<td>CPE</td>
<td>Continued Professional Education</td>
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<td>IA</td>
<td>Internal Audit</td>
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<td>IIA</td>
<td>Institute of Internal Auditors</td>
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<td>INTOSAI</td>
<td>International Organization of Supreme Audit Institutions</td>
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<tr>
<td>PEFA</td>
<td>Expenditure and Financial Accountability</td>
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<td>PFM</td>
<td>Public Finance Management</td>
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<td>SAI</td>
<td>Supreme Audit Institution</td>
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ABSTRACT

The Public sector needs adequate internal controls to properly administer public service programs. Inadequate, poorly designed, or improperly applied internal controls could lead to the misappropriation of public resources or the failure to ensure that the public service objectives, procedures and compliance requirements have been met. These failures could prevent or deny eligible citizens from receiving needed services. Internal Audit is charged with responsibilities to assist the Government achieve sound public financial management and poverty reduction through effective public spending, financial accountability and transparency. The purpose of this study was to identify the factors affecting effectiveness of internal auditing in Kenya. Four objectives were identified to guide the study: to examine the extent to which internal audit risk, training, political influences affect effectiveness of Internal Audit and to establish the effects of funding on effectiveness of Internal Audit in public sector. The conceptual framework was based on auditors’ training, internal audit risk, political influence and audit funding as predictor variables and effective internal audit as dependent variable. Measures of effective internal audit were: resource utilization, auditors’ retention, auditors’ independence and operational risk. 65 Internal Audit Staff were interviewed through questionnaires. Using Pearson’s Product Moment Correlation and Discriminant Analysis, the study found that internal audit risk, auditors’ training and audit funding have significant positive relationship with effective internal auditing. On the other hand political influence had a negative relationship with effective internal auditing but with small correlation coefficient. The main contribution of this document was therefore two-thronged. First, it ratifies the long held position that political influence negatively affects effective internal auditing. Secondly, it identifies internal audit risk, auditors’ training and audit funding as the factors which are good for effective internal auditing. The richness and depth of this research can be enhanced by use of periodic financial audit reports, interviews and observations. In addition, a pragmatic review of internal audit legislations, policies and procedures for each of the ministries which could have provided more insight into operational risk and strategic internal audit. An important extension of this study is to replicate this research to other audit departments outside Nairobi and more important conduct comparative non-governmental organization studies involving venture capital. This will help in identifying challenges Government is facing in terms of internal auditors’ retention capacity, adequate funding implications and internal auditors’ independence from political influence and manipulation. In additions, given the changes that are taking place globally and enactment of rules and legislations on internal auditing in public sector, it would be necessary to carry out research on the role of internal audit committee members in promoting effective internal audit as part of public reform agenda. As it has been the tradition, the audit committee is the key internal governance mechanism for risk aversion, and it would be of interest to understand the committee dynamics in making decisions to ensure that accountability for usage of public resources is enhanced across all ministries in Kenya.
CHAPTER ONE

INTRODUCTION

1.1 Background of the study

Internal auditing refers to a systematic process of analyzing business processes and activities, aiming to determine faulty, dysfunctional and deficient practices. As it involves the measurement of compliance with the respective policies and procedures, internal auditing is responsible for assisting in the deterrence of fraud through examining and evaluating the adequacy and effectiveness of control, proportionate with the extent of the potential exposure/risk in the various functions of the organization's operations. It would be important for businesses to develop strategies to prevent or detect business fraud especially in a competitive environment of heightened public expectations and new expectations for auditors (Ramazanoglu and Holland, 2002).

The compliance with statutory and professional requirements is vested with auditors. Auditors are not implying that financial statements are free from bias or they have been verified. The role of auditors was to examine the reasonableness of management’s justifications for its representations. Hence, auditors are required to form an opinion on whether the financial statements show a true and fair view. However, although auditors are required to form opinions, this does not necessarily mean that financial statements did show true and fair view. The concern now is whether the true and fair view is the message that auditors are trying to convey (Ramazanoglu and Holland, 2002).

Kenya, internal auditors are required to possess professional qualification and should be familiar with financial regulations set forth by the government. Internal Auditing Department is one of the Departments within the Treasury and provides technical support to the ministry of finance through the Permanent Secretary/Treasury in discharging his/her responsibilities with regards to management of public financial affairs in accordance with the constitution of Republic of Kenya (GoK, 2004).
The Internal Auditor General (IAG) who is the Head of the Department reports to the Permanent Secretary/Treasury while the internal auditors under him are charge of line Ministries/Departments report to Accounting Officers but administratively report to IAG. The office of the Internal Auditor-General was established under section (9) (1) (c) of Government Financial Management Act, 2004; The draft Internal Audit Regulations prepared under section 9(2) of the Government Financial Management Act, 2004, provides both legal and policy mandate of the internal audit functions in civil service. Treasury Circular No. 4 of 6th March, 1997 spelt out the duties and responsibilities of internal auditors in Government Service. However, in line with ongoing Public Financial Management Reforms (PFMR), it became necessary for the Government to review the above Circular with the view of broadening and deepening the scope of internal audit duties and responsibilities and Treasury Circular No.4/08 of 26th May, 2008 was issued out.

The main responsibilities of internal audit are to provide an assurance that the organization is compliant with pertinent laws and regulations and to ensure that effective internal controls exist. Internal audit is responsible for conduction of its work in accordance with the standard for professional practice of internal Audit established by the institute of internal Auditors (IIA) and in compliance with the public officers’ ethics Act 2003. Internal auditing is an independent, objective assurance and consulting activity designed to add value and improve an organization’s operations. It helps an organization accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control, and governance process. Internal auditing is a catalyst for improving an organization’s effectiveness and efficiency by providing insight and recommendations based on analyses and assessments of data and business processes. With commitment to integrity and accountability, internal auditing provides value to governing bodies and senior management as an objective source of independence advice (GoK, 2008).

Internal auditing is an independent, objective assurance and consulting activity designed to add value and improve an organization’s operations. In other words, internal audit
helps organizations to achieve their goals by providing a structured approach to assess and develop the effectiveness of areas within the organization, such as the risk management, control and governance process. All in all, the definition implies that internal auditors are not restricted to the area of assurance services, but also include consulting activities. The concept of assurance services entails that this line of work can add value by providing, estimation of the reliability of the data of certain organizational settings, embrace the traditional audit areas and include more recent assurance forms such as control and risk management issues. The consulting arena aims at making direct improvements in the conditions of an organization (Institute of Internal Auditors, 2003).

As an essential element of a strong public sector governance structure, internal auditing supports the governance roles of oversight, insight, and foresight. Because government’s success is measured primarily by its ability to deliver services successfully and carry out programs in an equitable and appropriate manner, internal audit activities should have the authority and the competency to evaluate financial and program integrity, effectiveness, and efficiency. Moreover, auditors must also protect the core values of the government, as it serves all citizens.

Auditing has evolved as systems, transactions, and operations have become more complex. In its earliest origins (evidenced points to audits conducted in Babylonia and Mesopotamia as early as 3,000 B.C.), Auditing verified the existence of assets. Over time, auditing shifted from a detailed focus on confirming or validating individual transactions to evaluating the effectiveness of the systems that control transactions. In the 20th century, public sector auditors also moved well beyond evaluating economic and financial transactions and conditions. Since the introduction of social programs, some government auditors have been called upon to validate the effectiveness of the government services themselves. Or, they may be required to determine whether the organization has established mechanisms to measure and report on its effectiveness. (Colleen G. Waring, 2002.)
1.1.1 Public Sector

The Public sector represents a principal-agent relationship. The official acts as the principal’s agent and must periodically account for their use and stewardship of resources and the extent to which the public’s objectives have been accomplished. The Public sector needs adequate internal controls to properly administer public service programs. Inadequate, poorly designed, or improperly applied internal controls could lead to the misappropriation of public resources or the failure to ensure the public service objectives, procedures and compliance requirements have been met. These failures could prevent or deny eligible citizens from receiving needed services. Weaknesses in internal controls could also lead to the government imposing sanctions in the form of fines, suspension or dismissal of any accounting officer in charge (Ministry of Finance, 2006).

Internal controls weaknesses in administering public programs are reported under two categories by the degree of severity- reportable conditions (less severe) and material weaknesses (more severe). Reportable conditions are significant deficiencies in the design or operation of the internal controls over compliance that could adversely affect a departmental ministry’s ability to administer a major public program in accordance with laws and regulations. Material weaknesses are reportable conditions of such magnitude that one or more of the internal control components does not reduce to an acceptably low level the risk that noncompliance with laws and regulations may occur and not be detected timely (Ministry of Finance, 2005). Ministry of Finance Treasury Circular No. 16/2005 requires independent auditors to identify reportable conditions and material weaknesses in internal controls over major public programs. In virtually all jurisdiction, the public sector plays a major role in society, and effective governance in the public sector can encourage the efficient use of resources, strengthen accountability for the stewardship of those resources, improve management and service delivery, and thereby contribute to improving peoples’ lives. Effective governance is also essential for building confidence in public sector entities-which is in itself necessary if public sector entities are
to be effective in meeting their objectives (International Federation of Accountants (IFAC) Corporate Governance in Public Sector, 2001)

Accountability is the process whereby public sector entities, and individuals within them, are responsible for their decisions and actions, including their stewardship of public fund all aspects of performance, and submit themselves to appropriate external scrutiny. It is achieved by all parties having a clear understanding of those responsibilities, and having clearly defined roles through a robust structure. In effect, accountability is the obligation to answer for responsibility conferred (IFAC, 2001).

1.1.2 Ministries in Kenya

A ministry is a basic function unit of Government which translates government policies into action. It is headed by a minister who is in charge of policy formulation and the permanent secretary who is the accounting officer in charge of all administrative core functions and activities of the ministry. The minister is assisted by the assistant minister and the permanent secretary is assisted by senior deputy secretary. Every ministry has departments such as human resource, finance, procurement, administration, audit and technical department in charge of the core function of a given ministry. The minister, assistant minister- who must be members of parliament and permanent secretary are appointed by the President in his capacity as head of government while all the other employees are civil servants employed by the Public Service Commission. A ministry discharges its mandate as described by the head of civil service and is allocated a budget from treasury in every financial year (Ministry of Finance, 2005).

The audit department is in charge of assuring that all control systems of expenditures and use of other facilities and resources within a ministry are both adequate and effective. The key point, however, is that government audit activities must be configured appropriately to enable ministries and other government entities to fulfill their duty to be accountable to the citizens (Ministry of Finance, 2005).
The principles of good governance—transparency and accountability; fairness and equity; efficiency and effectiveness; respect for the rule of law; and high standards of ethical behavior—represent the basis upon which to build open government (Organisation for Economic Co-operation and Development (OECD) Policy Brief, Public Sector Modernisation, 2005.).

1.2 Statement of the problem


Further, Vision 2030 for financial services is to have a vibrant and globally competitive financial sector driving high-levels of savings and financing Kenya’s investments needs. It is therefore important that Internal Audit functions be an integral part of Public Financial Management Reforms in Ministries/Departments and counties to enable the country achieve the intended goals. (OECD, 2005)

Kenya like many countries is still struggling with very limiting environments for IA with poor internal control, poorly paid and motivated staff, lack of an ethical organisational culture, weak governance, lack of support from senior management and limited human resources. There may also be a lack of appropriate regulations, resources and IA can suffer from low status and lack of independence mainly due to political influence. To transform IA in such a situation, the overriding prerequisite for successful IA is strong, active leadership support to improve governance and the IA contribution to that, over the long term. The agreement and active involvement of the head of internal audit, senior
managers, audit staff, accounting officers and senior operational management must be secured in a climate that fosters independent, but valued, evaluation of the effectiveness of risk management, control, and governance processes. For sustained change, internal co-operation is necessary, but not enough (IFAC, 2001).

The leadership sets the tone by establishing the governance, risk management and control systems and consistently applying sanctions. The function of IA is to assess that the service delivery systems work effectively and efficiently, to suggest improvements and see to it that these are implemented. Management must be more aware of what internal audit can do to assist it, while internal audit needs to integrate into the structures of the organization by being more professionally competent and focused on the organization’s objectives and see IA work in that light. As the IA function becomes more professional, it will be able to assist management in its decision-making and thus ensure a more proactive and forward-looking role. It is vital that the IA function balance their work with developing, assessing and maintaining internal controls with the priorities for effective and efficient service delivery, to ensure that management fully understands and endorses the value added of IA to organizational objectives. If the IA function is successful in doing this, it will move away from the image of “nit-picking” and being merely a burdensome overhead cost (The Institute of Internal Auditors, 2007).

One of the reasons that IA reforms will demand more than short-term efforts, is that modern IA demands a change of culture. Going from being only a “police force”, dedicated to uncover fraud and errors, to preventing future problems is a major turnaround. Success factors must be redefined, such as having recommendations implemented, as opposed to merely reporting number of fraud and errors detected. This change will need time to be implemented fully, and will usually go through transitional stages, where both implemented recommendations and detection are recognized, while at the same time celebrating clean and improved internal audits (PFMR, 2008).

A decisive study on the above issues while putting focus on the underlying factors in successful internal audit especially in public sector has been lacking. Therefore, it was
interesting and of value to investigate ways in which effective internal audit can be
enhanced in government ministries.

1.3 Objectives of the study

1.3.1 General objective

The general objective of the study was to identify the factors influencing effectiveness of
Internal Audit in public sector.

1.3.2 Specific objectives of the study

To achieve the purpose of the current study, the researcher formulated the following
specific objectives:

i. To examine the extent to which internal audit risk affects effectiveness of Internal Audit.

ii. To explore ways in which training affects effectiveness of Internal Audit.

iii. To establish the effects of funding on effectiveness of Internal Audit.

iv. To examine the extent to which political influence affects effectiveness of Internal Audit.

1.4 Research Questions

The study sought information to address the following questions:

i. To what extent does Government internal audit risk affects effectiveness of Internal
   Audit?

ii. What are the ways in which training affects effectiveness of Internal Audit?

iii. How does funding affect effectiveness of Internal Audit?

iv. To what extent does political influence affects effectiveness of Internal Audit?
1.5 **Significance of the study**

Internal audit reports provide top management, departmental heads, segment-level employees and the public with relevant information about operating processes and weaknesses. Such data is important because it helps various readers understand potential risks, losses and any economical advantage that may affect organization operations.

1.5.1 **Ministries**

Information in this study can form an important input to government officers working in internal audit department in their quest to provide assurance of achieving better governance, accountability and delivery of public programmes.

1.5.2 **Members of Public**

The principal of transparency relates to the openness of Government to its citizens. Good governance includes appropriate disclosure of key information to stakeholders so that they have the necessary facts about the Government’s performance and operations. Accordingly, the Government’s decisions, actions, and transaction are conducted in the open.

Because Government organizations act as “public agents” to use resources and authority to accomplish established goals, Governments must account for how they used the resources and what they accomplished. Accordingly, good governance requires regular financial and performance reporting that is validated for accuracy by independent auditor (The Institute of Internal Auditors, 2007).

The study provides certain fundamental information regarding the stewardship role that internal audit play to ensure accountability and transparency of Government actions and information and this will assist member of public in exercising their responsibilities which include contesting oppressive Government decisions.
1.5.3 Private organizations

Internal audit reports provide top management, departmental heads and segment-level employees with relevant information about operating processes and weaknesses. Such data is important because it helps various readers understand potential risks (and losses) that typically may affects a company’s operations. Therefore private companies, accounting professional and those engaged in auditing as a business shall find information in this study useful in their effort to understand accounting functions within public sector in Kenya.

1.6 Scope of the Study

This study was done / limited to Government ministries in Kenya. The ministries had been categorized into sectors: Finance and security sector, Productive sector, Education, Manpower and Special Programmes, Public Administration, Physical Infrastructure & ICT, Health & Macro Working Group.
CHAPTER TWO

LITERATURE REVIEW

2.1 Introduction

This section will look at theoretical review, empirical review and conceptual frame work of the subject area in order to identify gaps to be filled by the current study.

2.2 Theoretical Literature Review

The internal auditing process is important in a corporation’s governance mechanisms because it evaluates corporate activities, controls or procedures and ensures that they are adequate and in compliance with senior management’s recommendations and human resources guidelines. An internal audit also helps a firm adhere with regulatory standards and industry practices (Marquis Codjia, 2010).

An internal auditor evaluates a firm’s processes, “controls” and mechanisms to ensure that they are “adequate” and “functional”. A control is a group of instructions that top management puts into place to avoid losses due to human error, technology breakdowns or fraud. A “functional” control provides corrections to internal problems. A control is “adequate” when it clarifies instructions for job performance and problem reporting. An auditor also ensures that a firm’s activities and controls abide by government mandates or industry regulations (Marquis Codjia, 2010).

An internal audit process may focus on mechanisms around financial reporting processes, operating controls, information systems procedures or regulatory requirements. For example, an audit specialist may test financial mechanisms to ensure that accounting records are correct and comply with generally accepted accounting principles (GAAP, 2005).
Internal audit function is an appraisal activity established or provided as a service to the entity. Its functions include, amongst other things, examining, evaluating and monitoring the adequacy and effectiveness of internal controls (INTOSAI, 2003).

2.3 Empirical Literature Review

2.3.1 Public Sector Governance

Public sector governance encompasses the policies and procedures used to direct an organization’s activities to provide reasonable assurance that objectives are met and that operations are carried out in an ethical and accountable manner. In the public sector, governance relates to the means by which goals are established and accomplished. It also includes activities that ensure a government’s credibility, establish equitable provision of services, and assure appropriate behavior of government officials-reducing the risk of public corruption. Moreover, good public governance requires fair and impartially enforced legal frameworks. The absence of good governance structures and lack of adherence to basic governance principles increases the risks of public corruption, which is defined as the misuse of entrusted power for private gain (King report, 1994).

The principles of good governance—transparency and accountability; fairness and equity; efficiency and effectiveness; respect for the rule of law; and high standards of ethical behavior—represent the basis upon which to build open government (OECD, 2005).

Accountability is the process whereby public sector entities, and the individuals within them, are responsible for their decisions and actions, including their stewardship of public funds and all aspects of performance, and submit themselves to appropriate external scrutiny. It is achieved by all parties having a clear understanding of those responsibilities, and having clearly defined roles through a robust structure. In effect, accountability is the obligation to answer for responsibility conferred (IFAC, 2001).
The principle of transparency relates to the openness of government to its citizens. Good governance includes appropriate disclosure of key information to stakeholders so that they have the necessary facts about the government’s performance and operations.

2.3.2 Performance of Internal Audit

To perform their role effectively, internal auditors require organizational independence from management, to enable unrestricted evaluation of management activities and personnel. Internal auditing activity is primarily directed at improving internal control. Under the COSO Framework, internal control is broadly defined as a process, effected by an entity’s board of directors, management, and other personnel, designed to provide reasonable assurance regarding the achievement of objectives in the following internal control categories; Effectiveness and efficiency of operations, Reliability of financial reporting, Compliance with laws and regulations.

The measurement of the internal audit function can involve a balanced scorecard approach. Internal audit functions are primarily evaluated based on the quality of counsel/advice and information provided to the Audit Committee and top management. This is primarily qualitative and therefore difficult to measure. However, customer surveys sent to key managers after each audit project or reports can be used to measure performance.

2.3.3 Legislation of Internal Audit

Legislation (or statutory law) is law which has been promulgated (or enacted) by a legislature or other governing body, or the process of making it. Legislation provides guidelines and limits for the conduct of employees and employers, as well as penalties for failure to follow them. It is most important that both employer and employee rights be addressed equally, or you’ll be left with one steamrolling the other (IFAC, 2001).

Legislation can have many purposes eg. To regulate, to authorize, to proscribe, to provide(funds), to sanction to grant, to declare or to restrict. Due to lack of legislation of
Internal Audit the Department have been unable to work effectively as narrated in its evolution below.

The internal Audit system was in operation in Government prior to independence but was discontinued because of the Economic Commission Report of 1962. The Internal Audit function was re-introduced in 1984 when it became apparent that its absence had contributed greatly to laxity in the management of public resources, compliance with the relevant laws, regulations, procedures and lack of effective internal controls systems.

In 1995, the Internal Audit Department was re-organized and renamed Audit Inspectorate. The auditors were detached from the management and clustered in units from where they used to conduct audit inspections. However, the new approach was found to be expensive and ineffective. There was need to strengthen financial management to improve the economy, efficiency, effectiveness and accountability in the use of public resources. Due to this need, in 1997, the Internal Audit Function was restructured and decentralized to become an integral part of management.

Today Section 13.2 of the Government of Kenya (GOK) Finance Regulations states that The Internal Audit Department has been established in accordance with the powers and functions bestowed upon the Treasury by the law with regard to the responsibility for management, supervision, control and direction of all matters related to the financial affairs of the Government. Thus, Internal Audit will assist in financial regulations, instructions and accounting procedures. Part I Section 9.1 (c) and 9.2 of the Government Financial Management Act, 2004, establishes the office of the Internal Auditor General and provides for the establishment of the duties and functions of the Internal Auditor General to be prescribed by the Regulations.

Hence, the Internal Audit Department is responsible for conducting an appraisal of all the Government’s activities, financial and otherwise, and otherwise, and giving assurance to the Treasury on the adequacy and effectiveness of all control arrangements. The Internal Audit Department also assists Accounting Officers and AIE Holders in the Line
Ministries, Departments and Districts by evaluating and reporting to them on effectiveness of the controls and ensuring that the laid down financial regulations and procedures are adhered to. However, it remains the duty of Accounting Officers and AIE Holders, not Internal Audit, to operate an adequate system of internal control.

2.3.4 Training of Internal Audit

Staff and staff development are of the utmost importance. Human resources need to be reviewed. Strengths and weaknesses, along with training needs must be identified. A team spirit, with staff understanding the aims of modern IA and embracing the ethics, should be built. As more demands for professionalization and taking responsibility are placed on staff, the rewards and compensation structure must be revised. As most public sectors, be they in developed or developing countries, have rather less possibilities to compete with private sector salaries, this questions merits careful consideration. It is also important to build teams, that can work well and professionally together. If you can achieve true team building for reform, the team will be an important driver of change, working for improvement on an incremental basis, which is key to lasting, well-anchored change. The team leader needs to carefully consider how he/she wants to accomplish this. Team building ingredients include: regular training for all IA staff, annual conference for the IA staff, regular publications sent to audit staff and key client managers, recognition of good audit work, public praise for outstanding audit work, ensuring that promotion is based on achievement, and working towards a flatter team-based structure. The team must also include a good mix of different IA specialities to cater to the established auditing plan, such as forensic, IT, banking, etc. (INTOSAI, 2003).

Forging a new relationship with IA clients is of prime importance. As mentioned earlier, it is vital that management’s support is clear and unequivocal. It is useful if this can be formalised, for instance in a “Statement of Support” made by top management, alongside with the legal requirements. With changes in government, this statement should be renewed, both to assure IA staff of continued support and to raise awareness in the incoming management team of the importance of IA. Appropriate training programs for
operational staff and manager, as well as other who come into contact with IA and who have an influence on IA, should be considered in order to raise awareness of what modern IA can contribute to the organisation’s future (INTOSAI, 2003).

The IA function should work closely together with operational managers to improve the organization’s evaluation of risks and determining its risk appetite, to improve its systems, regulations, procedures and the ethical environment. In order for IA to have more impact and be recognized for this, a risk-based plan should be made for each audit assignment with clear outputs delineated. The audit should deliver key recommendations for improvement of the system, targeted both at the short and long term. IA should try to assist managers in implementing these recommendations. In the long run, IA will be seen as an asset to the organisation, thus its image will be improved, and it will be able to move from not only detecting undesirable behaviour, but to preventing it happening.

Developing and retaining quality professionals is a key concern in the profession of internal audit. Key methods for developing and retaining internal audit staff personnel include: Providing challenging, varied assignments, Ensuring quality supervision, Ensuring staff participates in audit engagements from start to finish, to learn all phases of audit process, Participating on departmental improvement tasks forces, such as preparation for quality assurance review, Participating in the recruiting and interviewing process for new hires, Rotating through various audit teams (in larger departments) or audits of various businesses, Providing both outside training (e.g., seminars) and in-house training (e.g., company systems) for two weeks per year. Participation in annual risk assessment activities, whether asking key questions or just taking notes (INTOSAI, 2003).

One of the interesting reengineering stories in internal audit is that of Minneapolis-based Cargil Inc., an international marketer, processor and distributors of agricultural, financial and industrial products that has more than 82,000 employees in 59 countries. One of the first steps in Cargill’s reengineering effort was to acquire software that allowed the company to greatly reduce its staff size and travel cost for risk-based audit. The internal
audit department emphasized the value of experience and began to hire auditors with well-rounded business background.

2.3.5 Funding of Internal Audit

The IA function needs to develop well-motivated funding requirements. These should give access to national and donor funds. Furthermore, in order to establish a professional body, that would be an affiliate of the IIA, each country should develop plans that show the ultimate self-sustainability of this professional body, as the countries estimated that a permanent presence was required. The effort to reform a fiscal system should include internal control and audit due to the crucial role they play in enhancing accountability and effectiveness. Internal audit provides both governments and related parties with a powerful tool for understanding the extent to which the public institution in question has delivered on budget and effective services. Internal audit activity has become an essential internal assurance mechanism in public financial controls and tool for monitoring and evaluating managerial activities prior to external evaluation by external auditors. Internal auditors in the public sector work with management to improve service delivery, secure their commitment to improve internal controls and to ensure compliance with applicable laws (Baltaci & Yilmaz, 2006).

Public procurement constitutes a huge portion of government expenditure and is an area that is often vulnerable to conflicts of interest and corruption of public officials. Internal audit activities will further enhance transparency, fairness, reduce corruption and ensure value for money in public procurement. Control systems play an important role in enhancing the accountability and transparency of a public procurement system and hence in detecting and preventing corruption. Such systems should include adequate independent internal control and audit with a clear coordination of all control mechanisms (Szymanski, 2007).

However, internal auditing as a control measure does not only minimize the opportunities for corruption through the verification of procurement processes but also
ensures effective physical monitoring of capital items procured and actual utilization to avoid fraud and abuse.

2.3.6 Political Influence on performance of Internal Audit

To perform their role effectively, internal auditors require organizational independence from management, politicians or any other outside force, to enable unrestricted evaluation of management activities and personnel. Political, social and economic development has been declining at an alarming rate. Many countries registered negative economic growth rates during the 1980s and 1990s, while the overall growth rate remained constant at around 2 per cent in the past decade. Despite efforts made at the national, sub regional, regional and international levels, the situation has indeed worsened. It has been agreed that programmes and strategies for Africa’s economic recovery and development have not been implemented in full because public sector institutions have been addicted by problems of corruption, nepotism, inefficiency, poor coordination, poor management and institutional capacity, non-existent salary policies and political interference. These weaknesses have stifled the process of socio-economic development across the continent.

It is therefore understood that the endurance and viability of the democratic exercise in Africa in the long term will be determined by the effectiveness, fairness and public accountability of its political and public sector institutions. Good political governance entails an effective separation of powers between the legislature, the judiciary and the executive. The legislatures are mandated to have adequate con-situational powers and the political legitimacy to regulate their own affairs and play an active part in law making, and in checking and monitoring the activities of the executive. However, in reality, the African legislature is one of the weakest links in the governance process. Its institutional, technical, and administrative capacities are inadequate to support members of parliament to perform their functions efficiently. In addition, members themselves do not have the necessary education, skills, information and knowledge to perform their functions effec-
tively. Physical infrastructure, information and communication technology, as well as other facilities, are also lacking or are inadequate.

An independent judiciary is an important institution in terms of ensuring accountability, transparency and legitimacy. If appropriately constituted and enabled to perform its constitutionally mandated functions, the judiciary is the only independent institution in the entire governance system that can ensure justice to the poor, illiterate and disadvantaged. However, this institution lacks financial resources, material and supportive administrative infrastructure, electronic equipment and sufficiently stocked legal libraries. In addition, the political appointment of judges and magistrates, low salary and poor working conditions, have had a negative impact on performance.

With the support of the civil service, or public administration, the executive is mandated to formulate policies, programmes and strategies, and monitor their implementation. Historically, the executive in Africa has been the most powerful institution of governance. However, in many cases, the executive is unable to respond effectively and efficiently to the demands of the people. It has the constitutional authority and political power to perform its functions, but it does not have the institutional capacities to fulfill those functions efficiently and effectively.

In the case of the civil service, the mandate of civil servants is to manage the institutions of governance, and also advise ministers on a wide range of issues such as health, education, transport, economic growth and poverty reduction. They also assist in the design and delivery of public services, and in the drafting of rules and regulations. However, most of the public servants lack the ability to formulate, implement and monitor policies, programmes and strategies focused on economic growth and sustainable development. In addition, they do not have adequate physical infrastructure, office equipment and other facilities to perform their duties in a professional manner. Many civil services lack motivation and are most of the time demoralized due to low salaries, poor working conditions, and appointment based on criteria other than merit.
2.3.7 Internal Audit Risk Management

The demand for proper risk management strategies in the public sector emanates from the complexity and dynamism of the operating environment, ever-increasing needs of society coupled with general unpredictability pattern and dwindling of resources for national development. Risk management should constitute an essential part of the strategic management process of any entity involved in the implementation national development strategies.

According to the Australian Department of Finance and Deregulation, risk management is an important responsibility for any public sector entity for effective and efficient use of resources. It defines risk management as follows: Risk is the possibility of an event or activity impacting adversely on an organisation, preventing it from achieving organisational outcomes. Risk management comprises the activities and actions taken to ensure that an organisation is conscious of the risks it faces, makes informed decisions in managing these risks, and identifies and harnesses potential opportunities. Managing risk well requires careful consideration of the key concepts of minimising loss, maximizing opportunity and preparing for uncertainty (Commonwealth of Australia, 2008).

The internal auditor’s role in risk management involves assessing and monitoring the risks that the organization faces, recommending the controls required to mitigate those risks, and evaluating the trade-offs necessary for the organization to accomplish its strategic and operational objectives. Internal auditing provides independent and objective assurance to an organisation’s management that its risks are being mitigated to an acceptable level and reports where they are not (Griffiths, 2006).

Fraud and corruption are key risks that need to be managed in the public sector. Management has the responsibility to put in place systems and processes that will prevent and detect fraud within an organisation. However, it is internal audit that gathers sufficient objective information for management to carry out its stewardship function and
to be well informed on the risks of fraud and effectiveness of fraud control procedures and to enable them to understand the complexities of fraudulent activities.

Internal audit adds value through improving the control and monitoring environment within organizations to detect fraud (Coram and others, 2007). The very presence of internal audit review in an institution serves as a deterrent measure on the assumption that any fraud perpetuated may be uncovered. Good governance principles require that audit committees or similar oversight bodies, work closely with internal auditors in fraud risk evaluation and investigations especially when recent trends suggest perpetration by senior management in collusion with other employees.

Internal auditors can play a vital role assisting the agencies responsible for investigation of alleged cases of corruption in public sector organisations by way of interpretation of various rules, explanation of various practices, and the sharing some of the confidential information that they may possess as they usually have more diversified and detailed knowledge of the operations in different parts of the organization than the investigating agency staff that are deployed only for a particular case (Khan, 2006).

The challenge of public sector internal audit, however, is to avoid becoming compliance-based due to the presence of a strict legal framework that sets out the public financial controls and internal auditing processes. Moving towards risk-based internal audit will require a foresight function of monitoring and advising on the improvement of program efficiency and effectiveness and mitigating risks that hinder the achievement of organisational objectives.

2.3.8 Gaps to be filled by the study

External relationships which encourage public participation must also be fostered, to keep up awareness of the changes, reforms and improvements in IA so that stakeholders, policy- and decisions makers take into account the contributions IA can offer and to bolster growing confidence in IA. When seeking to effectively implement IA, it must
first be included in the government’s reform agenda. IA must assess how it fits into key reforms, and situate itself as part of the change. An identification of key reformers makes it possible to lobby them for IA reform, while raising awareness of the important contribution of IA (INTOSAI, 2003).

The increased and closer co-operation between IA and management has rendered the question of independence all the more important. Measures must be taken to ensures that the IA manager can stand firm, if so required by the IA findings, and report to the board. The most important steps are to see to it that the IA manager is not appointed by management and thus not fired by it either, and that the IA budget is decided in collaboration between management and the audit committee or the executive board, whichever the case may be. The IA manager must also have the possibility to deploy the budget as he/she sees fit (INTOSAI, 2003).

However, the very best auditors and auditing teams will not perform well unless the environment supports them and enables them to do their work. The Swedish SAI reported in 2002 that several state internal auditors, who in many cases had been recruited from the private sector, had left their state positions because they did not see enough change as a result of their work. In an enabling reform environment, accounting officers and their senior officials are held responsible for sound systems of internal control. Key aspects of the system of internal financial control are documented in comprehensive financial regulations, which are reviewed on a regular basis. Independent audit committees advise accounting officers on all aspects of internal control and audit. There is a clear framework of checks and balances including openness, accountability and integrity at the highest levels. Furthermore, there is senior management support for internal audit and a climate where managers and internal and external audit co-operate for mutual benefit.

Communication with management must be clear to achieve the measurement of effectiveness of risk management, control and governance processes. Usually the IA resources are limited, which means that there needs to be a selection of audits that can be done. Some prioritization might be more easily done: to choose the ministries with the
largest budgets, most staff and highest rate of fraud and errors. Some may be more
difficult to pick. In order to overcome this obstacle, each ministry needs to be assessed,
for example, on size of budget, past levels of error and fraud, sensitivity and management
concerns. Each of these categories can be adjudged a score which will indicate the risk
level of the system: high (yearly), medium (every 2 years) and low (every 3 years) risk.
The management must understand these assessments and look at what it means for the
achievement of more effective risk management, control, service deliver and governance
processes. The executive board and/or audit committee should be kept fully informed and
sanction these decisions.

Furthermore, there are different levels of reform that can be undertaken. It is worthwhile
to evaluate what reform measures could be taken immediately, which need the co-
operation with others; such as operational managers, senior management, Accounting
Officers, Auditor-General, etc., which require additional staff or other resources and
which require legal or regularity reform. Some suggestions for early action to start reform
are training for all internal audit staff, reducing the emphasis on pre-audit, increase the
importance of IA recommendations and management actions, working long-term with
managers rather than sweeping in to audit them and their staff, involve management and
staff in IA planning, work with managers to develop action plans and produce IA
publications for all internal auditors and clients. A practical IA manual could be one way
to influence internal auditors and clients, to engage internal auditors in the reform of IA,
be an opportunity to review working practices, a practical guide for better IA practices
and it could also be an effective training aid. The caveat is that such a manual needs to be
updated regularly in order to remain relevant (INTOSAI, 2003).

As seen from the above, communications about expectations and comparable results are
vital to building a new, modern, credible IA. Without it, suspicion and mistrust will
develop, collaboration will not happen, vital audit information will not be used, IA will
not be informed of the environment which it is supposed to support and IA will be left
without credibility. Having good communications in internal relations with staff and audit
clients is good, but communication should extend further. One prime relationship that IA
should take care to foster is the relation with the Auditor-General, as his/her office in some sense is the auditor of the work IA does. This means that IA is an important link in the accountability system. As it is stated in the Swedish constitution "The Government governs the Realm. It is accountable to the Riksdag [parliament]", and IA forms one of the bases for this reporting to the people, as represented by parliament. Some examples of strengthening the relationship with the Auditor-General are agreeing to allow each other access to files, send copies of final reports to each other, have regular meetings at management and operational levels, together work to avoid duplication of work, attend the same training events, mutually recognize findings and recommendations and have an active exchange of staff. It is therefore critically important to understand the underlying issues that influence or affects effectiveness of Internal Audit towards achieving its objectives.
2.3.8 Conceptual Framework

Figure 1. Conceptual Research Design

- Educational level of Internal Auditors
- Intervening Variable
- Internal Auditing Effectiveness
  - Resources (budget for staff, equipment, infrastructure, services, etc.)
  - Organization (leadership, degree of independence, responsibility for work, guidance by independent audit committee)
  - Relations (with Accounting Officers, Auditor-General, etc.)
  - Services (balance of types of work needed)
  - Procedure (sets of regulations establishing standards, etc.)

Independent Variables

- Internal Audit Risk
- Internal Auditors' Training
- Internal Audit Funding
- Political Influence in IA

Dependent Variable
The independent variables identified in the above conceptual framework were internal audit risk, internal auditors’ training, internal audit funding and political influence in internal auditing. These factors acted as the determinants of internal auditing effectiveness. The data obtained from these predictors were used to establish the relationship between each of the factors and the dependent variable which in this case was the internal auditing effectiveness. Auditors’ level of education was the only intervening variable included in the study.
CHAPTER THREE

RESEARCH METHODOLOGY

3.1 Introduction

This chapter describes research design, target population, sample design, data collection procedures and data analysis.

3.2 Research Design

Descriptive research design was incorporated since the study aimed at providing further insights into the research problem. The study describes what exists in terms practices, trends, attitudes and beliefs among employees regarding the factors affecting effectiveness of Internal Audit.

3.3 Target Population

The population of evaluation composed of auditors of various Ministries categorized in sectors such as finance & security, productivity, education/man power, public administration, physical infrastructure & ICT among others. There were a total of 124 auditors in all these sectors as enumerated in Table 3.1.
### Table 3.3: Target Population

<table>
<thead>
<tr>
<th>Respondents Category</th>
<th>Population of auditors</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Finance and security sector.</td>
<td>8</td>
<td>6.5</td>
</tr>
<tr>
<td>Productive sector</td>
<td>32</td>
<td>25.8</td>
</tr>
<tr>
<td>Education, Manpower and Special Programmes</td>
<td>24</td>
<td>19.3</td>
</tr>
<tr>
<td>Public Administration, Governance</td>
<td>27</td>
<td>21.8</td>
</tr>
<tr>
<td>Physical Infrastructure &amp; ICT</td>
<td>27</td>
<td>21.8</td>
</tr>
<tr>
<td>Health &amp; Macro Working Group</td>
<td>6</td>
<td>4.8</td>
</tr>
<tr>
<td><strong>TOTAL</strong></td>
<td><strong>124</strong></td>
<td><strong>100</strong></td>
</tr>
</tbody>
</table>

Source: (HR, Department, 2011)

### 3.4 Sample Design

From the above population of 124 auditors, a sample of 50% was obtained by use of stratified random sampling as indicated in Table 3.4. This became necessary due to high cost of distributing questionnaires to all the auditors who were working in different parts of the country, leave alone time constrain on the side of the researcher. Stratified random sampling is a technique used when population of interest is not homogeneous. In this case, the sectors were different.
Table 3.4: Sample Design

<table>
<thead>
<tr>
<th>Respondents Category</th>
<th>Stratum Size</th>
<th>Sample Size</th>
</tr>
</thead>
<tbody>
<tr>
<td>(N_i=....)</td>
<td>(n_i=...)</td>
<td></td>
</tr>
<tr>
<td>Finance and security sector.</td>
<td>8</td>
<td>4</td>
</tr>
<tr>
<td>Productive sector</td>
<td>32</td>
<td>16</td>
</tr>
<tr>
<td>Education, Manpower and Special Programmes</td>
<td>24</td>
<td>12</td>
</tr>
<tr>
<td>Public Administration, Governance</td>
<td>28</td>
<td>14</td>
</tr>
<tr>
<td>Physical Infrastructure &amp; ICT</td>
<td>26</td>
<td>13</td>
</tr>
<tr>
<td>Health &amp; Macro Working Group</td>
<td>6</td>
<td>3</td>
</tr>
<tr>
<td>TOTAL</td>
<td>124</td>
<td>62</td>
</tr>
</tbody>
</table>

Source: (Researcher, 2011)

The study sample size was determined by the formulae below.

\[ n_i = \frac{(n_i N_i)}{N} \]

Where; \( i = 1, 2, \ldots, 6 \).

\( n_i \) = computed proportional sample size from sector \( i \)

\( n = \) desired sample size from the entire population (50% of population-62)

\( N_i \) = the estimated population of stratum (sector) \( i \)

\( N \) = the estimate of the population size.
3.5 Data Collection Procedures

To assess factors affecting effectiveness of internal auditing, the primary data collection method was used in the form of consumer survey that was designed and distributed to 65 internal auditors in different sectors of the ministries. Questionnaires were used during the study as a means for data collection.

Closed ended questions were used where the response types had been predetermined and organized into a likert scale. Likert scales later became handy during data organization in preparation for analysis. The study used a 4-point likert scale instrument in obtaining the opinions of respondents on the main variables the study was investigating.

Respondents were asked to rank the effectiveness of Internal Audit with regard to aspects of internal audit risk, internal auditors’ training, internal audit funding and political influence in accordance with a four-point scale ranging from “strongly agree” (4) to “strongly disagree” (1). The four aspects used in rating effectiveness of internal auditing are: resource utilization, audit staff independence, audit staff retention and operational risk. Of the 65 questionnaires distributed, only 62 were of usable response.

3.6 Data Analysis

Data were analyzed using two main statistical Approaches: Descriptive and Inferential statistics. Descriptive statistics used included percentage, mean and standard deviation. Inferential statistics incorporated were correlation analysis, discriminant analysis and logistic regression. Correlation analysis was incorporated to describe the strength and direction of linear relationship between the independent variables and the dependent variable (Pallant, 2001). Discriminant analysis classifies those independent variables in the questionnaire with higher loadings to each of the group functions and explains the strength of agreement with the effectiveness of internal auditing in the public sector. Logistic regression was include to determine relationships between dependent and independent variables. The collected data were analyzed using the Statistical Package for Social Sciences (SPSS) version 17 computer program.
CHAPTER FOUR

DATA ANALYSIS AND INTERPRETATION

4.1 Introduction
This chapter focuses on data analysis and findings of the study.

4.2 Response Rate
Out of the 65 questionnaires distributed to the respondent, only 62 were completely filled and returned. This indicated a response rate of 95%. The high rate was attributed to prior allocation of questionnaires using stratified random sampling to each of the sectors. This ensured that copies of questionnaire were issued according to number of staff targeted in each sector.

4.3 Attributes of Respondents

4.3.1 Respondents’ Internal Audit Training Frequency
The researcher sought to establish how often the respondents are being trained on various internal auditing skills. Of the respondents 12.9% are trained on monthly basis, 24.2% on quarterly basis and 62.9% on semi annually basis. This compared to global standard, the training interval is too wide.

Table 4.3.1: Internal Auditors Training Frequency

<table>
<thead>
<tr>
<th>Training Interval</th>
<th>Frequency</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Monthly</td>
<td>8</td>
<td>12.9</td>
</tr>
<tr>
<td>Quarterly</td>
<td>15</td>
<td>24.2</td>
</tr>
<tr>
<td>Semi Annually</td>
<td>39</td>
<td>62.9</td>
</tr>
<tr>
<td>Annually</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Total</td>
<td>62</td>
<td>100</td>
</tr>
</tbody>
</table>

Source: Researcher, 2011

4.3.2 Respondents from Politically Influenced Audit Departments
The researcher established that of the respondents 31% were experiencing political influence from their ministries while 69% were not.
Table 4.3.2: Respondents from Politically Influenced Audit Departments

<table>
<thead>
<tr>
<th>Political Influence</th>
<th>Frequency</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Influenced</td>
<td>18</td>
<td>31</td>
</tr>
<tr>
<td>Not Influenced</td>
<td>40</td>
<td>69</td>
</tr>
<tr>
<td>Total</td>
<td>58</td>
<td>100</td>
</tr>
</tbody>
</table>

Source: Researcher, 2011

4.3.3 Internal Audit Satisfaction

The researcher sought to establish how respondents would rate their existing internal audit standards. Of the respondents 8.1% were very satisfied with their internal auditing standards, 87.1% were satisfied and 4.8% were not satisfied at all.

Table 4.3.3: Internal Audit Satisfaction Level

<table>
<thead>
<tr>
<th>Satisfaction Level</th>
<th>Frequency</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Very Satisfied</td>
<td>5</td>
<td>8.1</td>
</tr>
<tr>
<td>Satisfied</td>
<td>54</td>
<td>87.1</td>
</tr>
<tr>
<td>Not Satisfied</td>
<td>3</td>
<td>4.8</td>
</tr>
<tr>
<td>Total</td>
<td>62</td>
<td>100</td>
</tr>
</tbody>
</table>

Source: Researcher, 2011

4.4 Descriptive Statistics Of The Variables

4.4.1 Internal Auditors’ Training

Table 4.4.1 shows the level of contribution of Internal Auditors’ Training on effectiveness of internal auditing. The effect of Training was captured using four constructs, dependents upon whether resource utilization, auditors’ independence, auditors’ retention and reduced operational risk have improved or worsen. Analysis of the section indicates that resource utilization is the most improved in public sector with 43.5% of the respondents indicating their strong agreement. This variable is categorical, which takes values from 1 to 4 indicating strongly disagree to strongly agree with the corresponding statement. For Internal Audit Effectiveness indicators, the mean are more
than 3 which implies that majority of respondents agree that Training has significantly contributed to the effectiveness of internal auditing mainly through these parameters.

Table 4.4.1: Perception of Internal Auditors’ Training on Effectiveness of Internal Auditing (in percentages)

<table>
<thead>
<tr>
<th></th>
<th>Strongly Agree</th>
<th>Agree</th>
<th>Disagree</th>
<th>Strongly Disagree</th>
</tr>
</thead>
<tbody>
<tr>
<td>Resource utilization</td>
<td>43.5</td>
<td>51.6</td>
<td>4.8</td>
<td>-</td>
</tr>
<tr>
<td>Auditors’ Independence</td>
<td>41.9</td>
<td>40.3</td>
<td>16.1</td>
<td>1.6</td>
</tr>
<tr>
<td>Auditors’ Retention</td>
<td>38.7</td>
<td>37.1</td>
<td>17.7</td>
<td>6.5</td>
</tr>
<tr>
<td>Reduced operational risk</td>
<td>24.2</td>
<td>61.3</td>
<td>14.5</td>
<td>-</td>
</tr>
</tbody>
</table>

Source: Researcher, 2011

4.4.2 Internal Auditor Risk Management

Table 4.4.2 shows the level of contribution of Internal Audit Risk Management on effectiveness of internal auditing. The effect of Risk Management was captured using four constructs, dependents upon whether resource utilization, auditors’ independence, auditors’ retention and reduced operational risk have improved or worsen. Analysis of the section indicates that reduced operational risk is the most improved in public sector with 29.3% of the respondents indicating their strong agreement. This variable is categorical, which takes values from 1 to 4 indicating strongly disagree to strongly agree with the corresponding statement. For Internal Audit Effectiveness indicators, the mean of resource utilization, auditors’ retention and operational risk are more than 3 which implies that majority of respondents agree that risk management has significantly
contributed to the effectiveness of internal auditing mainly through these three parameters.

Table 4.4.2: Perception of Internal Audit Risk Management on Effectiveness of Internal Auditing (in percentages)

<table>
<thead>
<tr>
<th></th>
<th>Strongly Agree</th>
<th>Agree</th>
<th>Disagree</th>
<th>Strongly Disagree</th>
</tr>
</thead>
<tbody>
<tr>
<td>Resource utilization</td>
<td>29.0</td>
<td>54.8</td>
<td>16.1</td>
<td>-</td>
</tr>
<tr>
<td>Auditors’ Independence</td>
<td>29.0</td>
<td>33.9</td>
<td>35.5</td>
<td>1.6</td>
</tr>
<tr>
<td>Auditors’ Retention</td>
<td>27.0</td>
<td>35.9</td>
<td>34.5</td>
<td>2.6</td>
</tr>
<tr>
<td>Reduced operational risk</td>
<td>29.3</td>
<td>55.2</td>
<td>13.8</td>
<td>1.7</td>
</tr>
</tbody>
</table>

Source: Researcher, 2011

4.4.3 Internal Audit Political Influence

Table 4.4.3 shows the level of contribution of Political Influence on effectiveness of internal auditing. The effect of Political Influence was captured using four constructs, dependents upon whether resource utilization, auditors’ independence, auditors’ retention and reduced operational risk have improved or worsen. Analysis of the section indicates that auditors’ independence is the most improved in public sector with 32.3% of the respondents indicating their strong agreement. This variable is categorical, which takes values from 1 to 4 indicating strongly disagree to strongly agree with the corresponding statement. For Internal Audit Effectiveness indicators, the mean of resource utilization and auditors’ independence are more than 3 which implies that majority of respondents agree that political influence has significantly contributed to the effectiveness of internal auditing mainly through these two parameters.
Table 4.4.3: Perception of Political Influence on Effectiveness of Internal Auditing (in percentages)

<table>
<thead>
<tr>
<th></th>
<th>Strongly Agree</th>
<th>Agree</th>
<th>Disagree</th>
<th>Strongly Disagree</th>
</tr>
</thead>
<tbody>
<tr>
<td>Resource utilization</td>
<td>29.0</td>
<td>53.2</td>
<td>11.3</td>
<td>6.5</td>
</tr>
<tr>
<td>Auditors' Independence</td>
<td>32.3</td>
<td>58.1</td>
<td>6.5</td>
<td>3.2</td>
</tr>
<tr>
<td>Auditors' Retention</td>
<td>19.4</td>
<td>58.1</td>
<td>11.3</td>
<td>11.3</td>
</tr>
<tr>
<td>Reduced operational risk</td>
<td>29.0</td>
<td>46.8</td>
<td>17.7</td>
<td>6.5</td>
</tr>
</tbody>
</table>

Source: Researcher, 2011

4.4.4 Internal Audit Funding

Table 4.4.4 shows the level of contribution of Internal Audit Funding on effectiveness of internal auditing. The effect of Internal Audit Funding was captured using four constructs, dependents upon whether resource utilization, auditors' independence, auditors' retention and reduced operational risk have improved or worsen. Analysis of the section indicates that resource utilization is the most improved in public sector with 33.9% of the respondents indicating their strong agreement. This variable is categorical, which takes values from 1 to 4 indicating strongly disagree to strongly agree with the corresponding statement. For Internal Audit Effectiveness indicators, the mean of resource utilization is 3.05 which implies that majority of respondents agree that political influence has significantly contributed to the effectiveness of internal auditing mainly through resource utilization.
Table 4.4.4: Perception of Internal Audit Funding on Effectiveness of Internal Auditing (in percentages)

<table>
<thead>
<tr>
<th></th>
<th>Strongly Agree</th>
<th>Agree</th>
<th>Disagree</th>
<th>Strongly Disagree</th>
</tr>
</thead>
<tbody>
<tr>
<td>Resource utilization</td>
<td>33.9</td>
<td>37.1</td>
<td>29.0</td>
<td>-</td>
</tr>
<tr>
<td>Auditors’ Independence</td>
<td>19.4</td>
<td>45.2</td>
<td>27.4</td>
<td>8.1</td>
</tr>
<tr>
<td>Auditors’ Retention</td>
<td>11.3</td>
<td>40.3</td>
<td>33.9</td>
<td>14.5</td>
</tr>
<tr>
<td>Reduced operational risk</td>
<td>14.5</td>
<td>40.3</td>
<td>24.2</td>
<td>21.0</td>
</tr>
</tbody>
</table>

Source: Researcher, 2011

Table 4.4.5 shows the level of effectiveness of internal auditing in public sector. The effectiveness of internal auditing was captured using four constructs, dependent upon whether resource utilization, auditors’ independence, auditors’ retention and reduced operational risk have improved or worsen. Analysis of the section indicates that auditors’ independence, resource utilization and risk management are the most improved in public sector with 62.9%, 51.6% and 51.6% of the respondents indicating their strong agreement respectively. This variable is categorical, which takes values from 1 to 4 indicating strongly disagree to strongly agree with the corresponding statement. For Internal Audit Effectiveness indicators, the mean are more than 3 which implies that majority of respondents agree that effectiveness of internal auditing has significantly improved mainly through these four parameters.
4.4.5 Internal Audit Effectiveness

Table 4.4.5: Perception of Effectiveness of Internal Auditing in Public Sector (in percentages)

<table>
<thead>
<tr>
<th></th>
<th>Strongly Agree</th>
<th>Agree</th>
<th>Disagree</th>
<th>Strongly Disagree</th>
</tr>
</thead>
<tbody>
<tr>
<td>Resource utilization</td>
<td>51.6</td>
<td>40.3</td>
<td>8.1</td>
<td>-</td>
</tr>
<tr>
<td>Auditors’ Independence</td>
<td>62.9</td>
<td>33.9</td>
<td>3.2</td>
<td>-</td>
</tr>
<tr>
<td>Auditors’ Retention</td>
<td>38.7</td>
<td>51.6</td>
<td>-</td>
<td>9.7</td>
</tr>
<tr>
<td>Reduced operational risk</td>
<td>51.6</td>
<td>35.5</td>
<td>12.9</td>
<td>-</td>
</tr>
</tbody>
</table>

Source: Researcher, 2011

Table 4.4.6 shows how values of the variables are distributed in the data set and also helps us to see where the centre of the distribution lies, by looking at the measures of the central tendency and dispersion: the mean and standard deviation. Looking at Internal Audit Funding; the standard deviation of 0.818 comparing to the mean of 3.05, we can conclude that the data points are quite distant from the mean and more spread. Therefore, the mean is not such an accurate representation of the data overall.

4.4.6 Measures of Central Tendencies and Dispersion for Internal Audit Variables

Table 4.4.6: Measures of Variables Central Tendencies and Dispersion

<table>
<thead>
<tr>
<th>Variables</th>
<th>Mean</th>
<th>Standard Deviation</th>
</tr>
</thead>
<tbody>
<tr>
<td>Internal Audit Training</td>
<td>3.74</td>
<td>0.441</td>
</tr>
<tr>
<td>Internal Audit Risk</td>
<td>3.31</td>
<td>0.667</td>
</tr>
<tr>
<td>Political Influence</td>
<td>3.21</td>
<td>0.750</td>
</tr>
<tr>
<td>Internal Audit Funding</td>
<td>3.05</td>
<td>0.818</td>
</tr>
</tbody>
</table>
4.5 Inferential Analysis

Inferential statistics was used as a procedure by which the researcher generalizes to the target population from the data analyzed in the sample.

4.5.1 Discriminant Analysis

Table 4.5.1.1 contains functions for the dependent variable groups. Function 1 separates survey respondents who strongly agree that internal auditing has been effective (positive value of 0.259) from survey respondents who agree (negative value of -0.873) or disagree (negative value of -2.216) that internal auditing has been effective in public sector. Function 2 separates survey respondents who agree that internal auditing has been effective (positive value of 0.166) from survey respondents who disagree (negative value of -0.909) that internal auditing has been effective in public sector.

Table 4.5.1.1: Relationship of Functions to Groups

<table>
<thead>
<tr>
<th>Internal Audit Effectiveness</th>
<th>Function</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>1</td>
</tr>
<tr>
<td>Disagree</td>
<td>-2.216</td>
</tr>
<tr>
<td>Agree</td>
<td>-0.873</td>
</tr>
<tr>
<td>Strongly Agree</td>
<td>0.259</td>
</tr>
</tbody>
</table>

Unstandardized canonical discriminant functions evaluated at group means

Table 4.5.1.2 shows structure matrix for the predictor variables. Based on this matrix, the predictor variables strongly associated with discriminant function 1 which distinguished between survey respondents who strongly agree that internal auditing has been effective and survey respondents who agree or disagree that internal auditing has been effective are
internal audit training ($r=0.705$) and internal audit funding ($r=0.564$). The predictor variables strongly associated with discriminant function 2 which distinguished between survey respondents who agree that internal auditing has been effective and survey respondents who disagree that internal audit has been effective are internal audit risk management ($r=-0.794$) and political influence ($r=0.692$).

**Table 4.5.1.2: Predictor Loadings on Functions**

<table>
<thead>
<tr>
<th>Structure Matrix</th>
<th>Function</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>1</td>
</tr>
<tr>
<td>Internal Audit Training</td>
<td>.705*</td>
</tr>
<tr>
<td>Internal audit funding</td>
<td>.564*</td>
</tr>
<tr>
<td>Internal Audit Risk Management</td>
<td>.539</td>
</tr>
<tr>
<td>Political Influence</td>
<td>.457</td>
</tr>
</tbody>
</table>

Pooled within-groups correlations between discriminating variables and standardized canonical discriminant functions

Variables ordered by absolute size of correlation within function.

* Largest absolute correlation between each variable and any discriminant function

### 4.5.2 Correlation Analysis

The results of the correlation are presented in Table 4.5.2. The tests reveal that internal audit training ($r = 0.292, p< 0.021$), internal audit risk management ($r = 0.262, p<0.040$), political influence ($r = 0.363, p<0.004$) and internal audit funding ($r = 0.250, p<0.050$) are all significantly correlated with internal audit effectiveness.
### Table 4.5.2: Correlation Matrix

<table>
<thead>
<tr>
<th></th>
<th>Internal Audit Training</th>
<th>Internal Audit Risk Management</th>
<th>Political Influence</th>
<th>Internal Audit Funding</th>
<th>Internal Audit Effectiveness</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Internal Audit</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Training</td>
<td>Pearson Correlation</td>
<td>1</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Sig.(2-tailed)</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>N</td>
<td>62</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Internal Audit</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Risk Management</td>
<td>Pearson Correlation</td>
<td>0.355**</td>
<td>1</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Sig.(2-tailed)</td>
<td>0.005</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>N</td>
<td>62</td>
<td>62</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Political</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Influence</td>
<td>Pearson Correlation</td>
<td>0.283*</td>
<td>0.106</td>
<td>1</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Sig.(2-tailed)</td>
<td>0.026</td>
<td>0.412</td>
<td>62</td>
<td></td>
</tr>
<tr>
<td></td>
<td>N</td>
<td>62</td>
<td>62</td>
<td>62</td>
<td></td>
</tr>
<tr>
<td><strong>Internal Audit</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Funding</td>
<td>Pearson Correlation</td>
<td>0.235</td>
<td>0.265*</td>
<td>-0.098</td>
<td>1</td>
</tr>
<tr>
<td></td>
<td>Sig.(2-tailed)</td>
<td>0.066</td>
<td>0.037</td>
<td>0.450</td>
<td></td>
</tr>
<tr>
<td></td>
<td>N</td>
<td>62</td>
<td>62</td>
<td>62</td>
<td>62</td>
</tr>
<tr>
<td><strong>Internal Audit</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Effectiveness</td>
<td>Pearson Correlation</td>
<td>0.292*</td>
<td>0.262*</td>
<td>0.363**</td>
<td>0.250*</td>
</tr>
<tr>
<td></td>
<td>Sig.(2-tailed)</td>
<td>0.021</td>
<td>0.040</td>
<td>0.004</td>
<td>0.050</td>
</tr>
<tr>
<td></td>
<td>N</td>
<td>62</td>
<td>62</td>
<td>62</td>
<td>62</td>
</tr>
</tbody>
</table>

*Correlation is significant at 0.05 level (2-tailed).

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

#### 4.5.3 Logistic Regression

Table 4.5.3 represents ordinal logistic regression analysis of the independent variables and dependent variable (Internal Audit Effectiveness). As indicated above we see the
coefficients, their standard errors, the Wald test and associated p-values (Sig). Only internal audit risk management is statistically significant at 0.05 level of significance. So for internal audit risk management, we would say that for a one unit increase in risk management, we expect 1.279 increase in the ordered log odds of being in a higher level of effectiveness of internal audit in public sector, given that all of the other variables in the model are held constant.

Table 4.5.3: Logistic Regression Parameter Estimates

<table>
<thead>
<tr>
<th>Parameter Estimates</th>
<th>Estimate</th>
<th>Std. Error</th>
<th>Wald</th>
<th>df</th>
<th>Sig.</th>
</tr>
</thead>
<tbody>
<tr>
<td>[intauditeffective = 3]</td>
<td>10.847</td>
<td>3.626</td>
<td>8.950</td>
<td>1</td>
<td>.003</td>
</tr>
<tr>
<td>Location intaudittraining</td>
<td>1.353</td>
<td>.745</td>
<td>3.295</td>
<td>1</td>
<td>.069</td>
</tr>
<tr>
<td>intauditriskmgmt</td>
<td>1.279</td>
<td>.616</td>
<td>4.312</td>
<td>1</td>
<td>.038</td>
</tr>
<tr>
<td>politcalenviron</td>
<td>.754</td>
<td>.520</td>
<td>2.109</td>
<td>1</td>
<td>.146</td>
</tr>
<tr>
<td>intauditfundng</td>
<td>.303</td>
<td>.477</td>
<td>.404</td>
<td>1</td>
<td>.525</td>
</tr>
</tbody>
</table>

Link function: Logit.
CHAPTER FIVE

SUMMARY OF FINDINGS, CONCLUSION AND RECOMMENDATIONS

5.1 Introduction

The findings of the study presented in chapter 4 are summarized in this chapter and a discussion provided in line with the objectives of the study.

5.2 Summary of Findings

The primary purpose of this study was to explore factors affecting effectiveness of internal auditing in public sector. In particular, the study examines the perceived factors associated with effective internal audit to Government ministries in Kenya.

On Internal Audit Training most respondents (51.6%) agree that resource utilization has greatly improved in the public sector due to internal auditors’ training. On Internal Audit Risk Management most respondents (55.2%) agree that operational risk has greatly reduced due to enhanced risk management. On Political Influence only a few respondents (32.3%) strongly agree that internal auditors’ independence has improved in the recent past due to political influence. On Internal Audit Funding only a few respondents (11.3%) strongly agree that internal auditors’ retention capacity has improved in the recent past due to internal audit funding in public sector.

5.3 Conclusion

On Internal Audit Training the survey found that it significantly affects effectiveness of internal audit through enhanced resource utilization. On Internal Audit Risk Management the study revealed that it mainly contribute to effective internal audit through reduced operational risk in public sector administration. On Political influence, the study found that it has had a negative impact on effectiveness of internal audit mainly interfering with internal auditors’ independence. On internal auditors’ funding, the study confirmed the theoretical convention that public sector is incapable of retaining auditors due to
insufficient funding from the exchequer. However, from a regulatory vantage point, it is imperative to note that legislations formulated to guide internal auditing processes and procedures should be reviewed continuously in order to keep up with the global internal audit standards.

5.4 Recommendations

The richness and depth of this research can be enhanced by use of periodic financial audit reports, interviews and observations. In addition, a pragmatic review of internal audit legislations, policies and procedures for each of the ministries which could have provided more insight into operational risk and strategic internal audit.

One interesting and disturbing finding is the negative relationship that political influence has on effectiveness of internal audit in a Government system where all departments are attached to respective ministry headed with a minister who is a political appointee. This therefore calls for urgent measures to institute a regulatory frame work and policies which can protect the auditor general’s office from negative political influence which can adversely affects their independence in carrying out internal audit assignments.

The increased and closer co-operation between IA and management has rendered the question of independence all the more important. Measures must be taken to ensure that the IA manager can stand firm, if so required by the IA findings, and report to the board. The most important steps are to see to it that the IA manager is not appointed by management and thus not fired by it either, and that the IA budget is decided in collaboration between management and the audit committee or the executive board, whichever the case may be. The IA manager must also have the possibility to deploy the budget as he/she sees fit.
5.5 Limitations of the study

The study had certain limitations that need to be taken into account when considering the study and its contributions.

There was no sufficient time to visit all the function units within the ministries and therefore the study narrowed down to only units in the headquarters.

The audit activity must have sufficient funding relative to the size of its audit responsibilities. This important element was lacking and affected the capacity to carry out the exercise. The study relied only on questionnaires which were given to internal auditors stationed in Ministries headquarters.

The use of questionnaire to gather relevant information on the perceived factors affecting effectiveness of internal auditing should be noted.

5.6 Suggestion For Further Research

An important extension of this study is to replicate this research to other audit departments outside Nairobi and more important conduct comparative non-governmental organization studies involving venture capital. This will help in identifying challenges Government is facing in terms of internal auditors’ retention capacity, adequate funding implications and internal auditors’ independence from political influence and manipulation. In additions, given the changes that are taking place globally and enactment of rules and legislations on internal auditing in public sector, it would be necessary to carry out research on the role of internal audit committee members in promoting effective internal audit as part of public reform agenda. As it has been the tradition, the audit committee is the key internal governance mechanism for risk aversion, and it would be of interest to understand the committee dynamics in making decisions to ensure that accountability for usage of public resources is enhanced across all ministries in Kenya.
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Appendix 1: The Questionnaire

I) INTERNAL AUDITORS’ TRAINING

a) Have members of your staff been trained on various internal audit skills applicable to public sector governance?

Yes [ ] No [ ] Don’t Know [ ]

If yes, how often are these trainings carried out?

Monthly [ ] Quarterly [ ] Semi Annually [ ] Annually [ ]

b) Do you think the training programme has been effective in making internal audit skills readily understood by your staff members?

Yes [ ] No [ ] Don’t Know [ ]

If No, Explain.
c) Please indicate your degree of agreement with the following statements on internal audit effectiveness in relation to internal auditors’ training. Kindly, use the following criteria: Strongly Disagree 1, Slightly Disagree 2, Slightly Agree 3, Strongly Agree 4

<table>
<thead>
<tr>
<th>Statement</th>
<th>Agreement</th>
</tr>
</thead>
<tbody>
<tr>
<td>Internal audit has greatly improved due to enhanced internal auditors’ training in government ministries.</td>
<td></td>
</tr>
<tr>
<td>The resource utilization in public sector is more effective due to enhanced internal auditors’ training.</td>
<td></td>
</tr>
<tr>
<td>Auditors degree of independence from the organization has greatly improved due to enhanced internal auditors’ training.</td>
<td></td>
</tr>
<tr>
<td>Internal auditors’ retention in public sector has greatly improved due to their enhanced training.</td>
<td></td>
</tr>
<tr>
<td>Operational risk has greatly reduced in public sector due to enhanced internal auditors’ training.</td>
<td></td>
</tr>
</tbody>
</table>

II) INTERNAL AUDIT RISK MANAGEMENT

c) Please indicate your degree of agreement with the following statements on internal audit effectiveness in relation to internal audit risk management. Kindly, use the following criteria: Strongly Disagree 1, Slightly Disagree 2, Slightly Agree 3, Strongly Agree 4

<table>
<thead>
<tr>
<th>Statement</th>
<th>Agreement</th>
</tr>
</thead>
<tbody>
<tr>
<td>Internal audit has greatly improved due to enhanced internal audit risk management in government ministries.</td>
<td></td>
</tr>
<tr>
<td>The resource utilization in public sector is more effective due to enhanced internal audit risk management.</td>
<td></td>
</tr>
<tr>
<td>Auditors degree of independence from the organization has greatly improved due to enhanced internal audit risk management.</td>
<td></td>
</tr>
<tr>
<td>Internal auditors’ retention in public sector has greatly improved due to enhanced internal audit risk management.</td>
<td></td>
</tr>
<tr>
<td>Operational risk has greatly reduced in public sector due to enhanced internal audit risk management.</td>
<td></td>
</tr>
</tbody>
</table>
III) POLITICAL INFLUENCE

a) Is there political influence in the management of your organization?
Yes [ ]
No [ ]

b) If Yes, what kind of influence does it have on internal audit performance?
Positive [ ]
Negative [ ]
Both [ ]

Explain your answer in b above.

______________________________

______________________________

c) How is your internal audit committee appointed?
Politically [ ]
Competitive Recruitment [ ]


d) Have members of your committee been attending meetings regularly?
Yes [ ]
No [ ]
Don’t Know [ ]

If yes, how often are these meetings held?
Weekly [ ]
Monthly [ ]
Semi Annually [ ]
Annually [ ]

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e) Please indicate your degree of agreement with the following statements on internal audit effectiveness in relation to political influence. Kindly, use the following criteria: Strongly Disagree 1, Slightly Disagree 2, Slightly Agree 3, Strongly Agree 4

<table>
<thead>
<tr>
<th>Statement</th>
<th>Rating</th>
</tr>
</thead>
<tbody>
<tr>
<td>Internal audit has greatly improved due to stable political environment.</td>
<td></td>
</tr>
<tr>
<td>Internal audit resource utilization in public sector is more effective due to positive political influence.</td>
<td></td>
</tr>
<tr>
<td>Auditors degree of independence from the organization has greatly improved due to conducive political environment.</td>
<td></td>
</tr>
<tr>
<td>Internal auditors’ retention in public sector has greatly improved due to favourable political environment.</td>
<td></td>
</tr>
<tr>
<td>Internal audit has greatly reduced operational risk in public sector due to political stability.</td>
<td></td>
</tr>
</tbody>
</table>

IV) INTERNAL AUDIT FUNDING

a) Is there a challenge associated with the internal audit funding in government ministries?

Yes  [ ]  No  [ ]

b) If Yes, what kind of a challenge does it have on the effectiveness of internal audit?

Positive  [ ]  Negative  [ ]  Both  [ ]

Explain your answer in b above.
c) Please indicate your degree of agreement with the following statements on effectiveness of internal audit in relation to internal audit funding. Kindly, use the following criteria: Strongly Disagree 1, Slightly Disagree 2, Slightly Agree 3, Strongly Agree 4

<table>
<thead>
<tr>
<th>Statement</th>
<th>Rating</th>
</tr>
</thead>
<tbody>
<tr>
<td>Internal audit has greatly improved due to improved internal audit funding in government ministries.</td>
<td></td>
</tr>
<tr>
<td>The resource utilization in public sector is more effective due to improved internal audit funding.</td>
<td></td>
</tr>
<tr>
<td>Auditors degree of independence from the organization has greatly improved due to enhanced internal audit funding.</td>
<td></td>
</tr>
<tr>
<td>Internal auditors’ retention in public sector has greatly improved due to enhanced internal audit funding.</td>
<td></td>
</tr>
<tr>
<td>Operational risk has greatly reduced in public sector due to enhanced internal audit funding.</td>
<td></td>
</tr>
</tbody>
</table>

V) INTERNAL AUDIT EFFECTIVENESS

a) Has team carried out any internal audit evaluation survey in the recent past?

<table>
<thead>
<tr>
<th>Yes</th>
<th>No</th>
</tr>
</thead>
</table>

b) How would you grade the level of internal audit of your organization? Use the following criteria:

<table>
<thead>
<tr>
<th>Very satisfied</th>
<th>Satisfied</th>
<th>Not Satisfied</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td></td>
</tr>
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</table>

c) How do you ensure team work among audit staff?
d) What are your recommendations for the successful implementation of internal audit in government ministries?


e) How do the goals set by your audit team respond to the organization goals identified under vision 2030?

i) In your opinion, do the activities set out in the audit committee objectives support these goals?

Yes [ ]  No [ ]  Don't Know [ ]

If No, Kindly explain.
f) Please indicate your degree of agreement with the following statements on effectiveness of internal audit. Kindly, use the following criteria: Strongly Disagree 1, Slightly Disagree 2, Slightly Agree 3, Strongly Agree 4

<table>
<thead>
<tr>
<th>Statement</th>
<th>Agreement</th>
</tr>
</thead>
<tbody>
<tr>
<td>Performance of internal audit has greatly improved in the recent past due to effective internal audit.</td>
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<tr>
<td>The resource utilization in public sector is more effective due to improved internal audit.</td>
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<tr>
<td>Internal auditors’ independence has greatly improved in the recent past.</td>
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<tr>
<td>Government capacity to retain internal auditors in public sector has greatly improved in the recent past.</td>
<td></td>
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<tr>
<td>Public confidence in risk management by internal auditors has greatly improved in the recent past.</td>
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