INFLUENCE OF INFORMATION AND COMMUNICATION TECHNOLOGY ON PERFORMANCE OF FINANCIAL AUDITS IN GOVERNMENT MINISTRIES IN KENYA

BY

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A RESEARCH PROJECT SUBMITTED TO THE SCHOOL OF BUSINESS IN PARTIAL FULFILMENT OF THE REQUIREMENT OF THE AWARD OF DEGREE OF MASTER OF BUSINESS ADMINISTRATION (MANAGEMENT INFORMATION SYSTEMS) OF KENYATTA UNIVERSITY

SEPTEMBER, 2017
DECLARATION

Declaration by candidate

I the undersigned declare that this research project is my original work and confirm to the best of my knowledge that this has not been presented for any academic award in any other University.

Sign……………………………………Date……………………………………

James Kinene Muigai

D53/CTY/PT/28538/2013

Declaration by Supervisor

I confirm that the work reported in this project was done by the candidate under my supervision

Sign……………………………………Date……………………………………

Prof. Felix Musau
DEDICATION

I dedicate this research project to my wife and parents who laid the moral groundwork in my life and for constantly pushing me to be the best that I can be.
ACKNOWLEDGEMENT

I wish to acknowledge my family, all my course lecturers and my friends for their moral support and patience while undertaking this research project. Most of all I would like to thank Jesus Christ, my Lord and Savior for his Grace and faithfulness that enabled me to complete this proposal. Thank you and God bless you all.
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OPERATIONAL DEFINITION OF TERMS

Auditing: This is a systematic process of objectively obtaining and evaluating evidence regarding assertions about economic actions and events to ascertain the degree of correspondence between those assertions and established criteria and communicating the results to interested users.

Financial Audits: In a financial audit, the assertions about which the auditor seeks objective evidence relate to the reliability and integrity of financial and, occasionally, operating information.

Government Ministries: This refers to a department of government that has a designated specific function to perform and that is headed by a Cabinet Secretary appointed by the President. There are 18 Ministries in the Government.

Information And Communications Technology: This is an umbrella term that includes any communication device or application, encompassing: radio, television, cellular phones, computer and network hardware and software, satellite systems and so on, as well as the various services and applications associated with them, such as videoconferencing and distance learning.

ICT Infrastructure: This refers to physical equipment hardware and software that enables a network to function.

Training: This is the process of bringing a person to an agreed standard of proficiency by practice and instruction.
<table>
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<tr>
<th>Abbreviation</th>
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<tr>
<td>ACL</td>
<td>Audit Command Language</td>
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<td>APB</td>
<td>Auditing Practices Board</td>
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<td>CAATs</td>
<td>Computer Assisted Audit Techniques</td>
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<td>IAS</td>
<td>International Accounting Standards</td>
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<td>ICT</td>
<td>Information Communication Technology</td>
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<tr>
<td>IDEA</td>
<td>Interactive Data Extraction and Analysis</td>
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<td>IFMIS</td>
<td>Integrated Financial Management Information System</td>
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<td>IFMS</td>
<td>Integrated Finance Management Systems</td>
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<tr>
<td>IPPD</td>
<td>Integrated Personnel and Pensions Database</td>
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<td>ISA</td>
<td>International Standards of Auditing</td>
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<td>OAG</td>
<td>Office of the Auditor General</td>
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<td>PAC</td>
<td>Parliamentary Accounts Committee</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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<td>TAM</td>
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<td>TRA</td>
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ABSTRACT

Financial Audits in the public sector have since independence been carried out manually in the Country. The use of this manual approach in the performance of auditing had raised queries as to the quality of audits, detection of fraud and timeliness of reports presented to parliament. Through the adoption of Integrated Financial Management Information Systems in Government Ministries, the financial function and operations have since been automated. With the shift of the Government financial operations from a manual approach to an automated system, a manual audit approach to these automated government operations would therefore not be effective, efficient and economical. Fraud perpetrated through the system would also be hard to discover using the manual approach. It was within this backdrop that the study sought to establish the effect of adoption of ICT on the performance of financial audits in Government Ministries on the basis of ICT training, ICT infrastructure, Organizational Setting, Legislative support and Auditing Standards. The general objective of the study was to determine the influence of ICT on the performance of financial audits in Government Ministries of Kenya. The specific objectives were how ICT infrastructure, IT audits training, legislature support, organizational structure and auditing standards affect the performance of financial audits in Government Ministries of Kenya. The research design used for the study was descriptive. The scope of the study was financial auditors at the 18 Ministries who were from the Office of the Auditor General with a total population of 434. To obtain data, stratified random sampling technique was used to obtain a sample size of 87 respondents. Validity refers to the degree to which results obtained from analysis of data actually represents the phenomenon under study. For testing validity the questionnaire was tested on 3 staff that were not included in the final study. Reliability is a measure of the degree to which research instruments gives consistent results after repeated trials. To confirm reliability, instruments were pretested on a small sample which was used in the final survey. Data was collected through questionnaire and analyzed using descriptive statistics then presented in the form of tables for easy understanding purposes. A regression model was used to establish the relationship between the dependent and independent variables. The study found out that adoption of ICT in the audit process improves the financial audit process by reducing the time and cost it takes to conduct the audit. Regular training on auditing computerized applications by the Government improves the knowledge of auditors to be able to effectively audit the financial applications. The study recommends for the implementation and utilization of ICT in the audit process to reduce operational inefficiency and to improve the audit process.
CHAPTER ONE: INTRODUCTION

1.1 Background of the study

Information Communication Technology has been defined as the technologies that enable recording, processing, retrieving and the transmission of data. ICT has also been used to refer to the technologies that support and facilitate the communication and co-operation of people and their organizations. ICT has also been denoted as a strategic tool that allows users to improve their efficiency and effectiveness (Ssewanyana, 2009).

Research has further asserted that ICT has been instrumental in reducing operational inefficiency and improving the decision making process in many aspects of governance. Cordella (2006) emphasizes that the penetration of technology in the present age is associated with the increase in the availability of information. ICT has been able to enable organizations to reduce operational costs, increase organizational capabilities and to improve coordination within the organization. Organizations will therefore stand to benefit from ICT in areas such as reduced transaction costs and an overall increase in output (Krishnaveni, 2010).

Throughout the whole world, there has been a paradigm shift where governments and other state organizations have realized the importance of ICT as important tool for effective governance. Traditionally, a large number of governments have been using the paper-and-file approaches in managing their activities and this has been disadvantageous in as far as maintaining accountability is concerned. With the evolving landscape where a majority of government’s transactions with its citizens, businesses and private partners take place at the local level, it is important that a lot of effort be put towards putting in place mechanisms which allow maximum collaboration and participatory governing. The paradigm shift in the way governance has been brought about is also due to the rapid growth in Information and Communications Technologies which have the potential to transform and change the delivery of public services by public institutions (Heeks, 2010).
With the recent integration and complexity of technologies that have increased over time, the dependence of business processes on technology has also increased. Governments and Government agencies across the world have adopted ICT in their operations to enhance efficiency and effectiveness in service delivery. Furthermore, there has been a move by Governments worldwide and in Kenya to adopt the use of Financial and Accounting Management Information Systems. This is an indicator that most or all of the government data including financial and accounting data is being stored electronically. As more of the information that needs to be audited has become computerized and paperless, the audit approach should focus on the adoption of ICT in the audit process (Mehrtens, 2007).

The Kenyan Government has been able to digitize service delivery with the implementation and successful roll out of the E-Citizen platform where citizens are able to obtain Government Services online. This was made possible with the improved network infrastructure resulting in the increased internet access by the citizens which has enabled them to access the Government services easily anywhere in the country (Ondego, 2015).

The use of ICT in the Kenyan Government has been increasing with the government automating its core financial management and payroll sectors with initiatives such as Integrated Financial Management Information System (IFMIS), and the Integrated Personnel and Pensions Database (IPPD). IFMIS was designed to improve the accounting systems for financial data recording, tracking and information management. This was in response to an increase in the demand for greater transparency and accountability in the management of public finances. The IFMIS system ensures higher degree of data quality, improved workforce performance for business results and links planning, policy objectives with budget allocations. IFMIS has been able to automate the procurement process, facilitate the auto-reconciliation of revenue and payment with automatic file generation, facilitate the automated revenue collections for improved cash forecasting and provides accurate and up to date information on the Government’s financial position at any point in time (Office of the Deputy Prime Minister and Ministry of Finance, 2011).

Auditing is the pillar of good public sector governance. By providing an unbiased, objective assessment of whether public resources are managed responsibly and effectively to achieve the intended results, auditors help public sector organizations to achieve accountability and
integrity, improve operations, and instill confidence among the citizens and stakeholders. The public auditor’s role supports the governance responsibilities of oversight, insight, and foresight. Auditors use tools such as financial audits, performance audits, investigations, and advisory services to fulfill their objectives (Apostolou & Crumbley, 2008).

Financial auditors express an opinion on the presentation of the financial statements in accordance with established accounting principles and standards. Financial audits thereby focuses on accounting correctly for assets and expenditures as reported by the public sector entity. In addition to offering an opinion on the financial statements, financial audits examine the reliability of specific financial information, compliance with relevant procedures and rules and the safeguarding of assets (Apostolou & Crumbley, 2008).

Auditing can be categorized into three, auditing around the computer, through the computer and with the computer. Generally, auditing around the computer involves the use of traditional manual procedures in which the existence of automated equipment is ignored. As such, the computer is viewed as a black box. Therefore, auditors rely upon physical inputs and outputs from automated devices and do not concern themselves with how the processing actually takes place within the systems. On the other hand, auditing through the computer involves actual use of computer systems in testing both controls and transactions. Finally, auditing with the computer encompasses the direct evaluation of computer software, hardware, and its processes. Consequently, auditing through the computer or with the computer is able to provide a much higher level of assurance when compared with auditing around the computer (Cerullo & Cerullo, 2005).

The Government of Kenya has in place 18 Ministries and the role of auditing the accounts of these Ministries is the mandate of the Office of the Auditor General. This mandate is drawn from the Constitution of Kenya which states that within six months after the end of each financial year, the Auditor-General shall audit and report in respect of that financial year on the accounts of the national and county government, (Constitution of Kenya, 2010). The Office of the Auditor General has an office in each Ministry with auditors to conduct the audits of these Ministry’s accounts.
Opiyo (2007) stated that the auditors of the Office of the Auditor General still use the manual approach in conducting financial audits of the Ministries and this limits their detection of fraudulent activities in the Government systems. Adoption of ICT in the financial audit process would lead to an improvement in the performance of these audits.

1.2 Statement of the Problem
The Kenyan Government implemented the IFMIS System in 2014 to automate its financial operations. Prior to these financial operations were manual and had led to poor record management, lack of a proper audit trail and inefficiencies in operations. Financial audits in Government Ministries have since independence been carried out in a manual way where the auditors rely on reports and information generated from the information systems in place. The audit approach used by the financial auditors has remained the same during when the Government had in place manual systems and after automating its financial operations (Atieno, 2014).

The financial auditors in ministries examine and review manual files of payment vouchers to ascertain whether all expenditure incurred is duly incurred and properly accounted for yet this accounting function has been automated by the information systems. The use of this manual approach in the performance of auditing has raised queries as to the quality of audits, detection of fraud and timeliness of reports presented to parliament by the Office of the Auditor General (Opiyo, 2007).

Failure to train, equip and build staff capacity on emerging technological changes has raised queries as to the quality of reports presented to Parliament by the Office of the Auditor General. An interim report in 2006 indicated that the Office of the Auditor General was only able to cover between 50 and 75 percent of the Central Government overall audit requirements annually (Opiyo, 2007).

With the adoption of Integrated Financial Management Information Systems in Government Ministries, the financial management function has since been automated. The auditors cannot continue with their manual approach of auditing around the computer and they will need to adopt ICT so as to be effective in their audits and be able to detect fraudulent activities in a timelier manner. Future audits that will rely upon the leveraging of technologies and
processes will have the capability to expand analysis of a firm’s operating activities and thus provide improved audit quality (Kuhn & Sutton, 2006).

The Government through the Office of the Auditor General needs to adopt ICT in its financial audits to do smart and cost effective audits so as to perform its mandate effectively within the constitutional time frames and for the increased number of institutions. This study therefore was aimed at establishing the effect of the adoption of ICT on the performance of financial audits in Government ministries.

1.3 Research Objectives

This study was guided by both general and specific objectives.

1.3.1 General Objective

The general objective was to determine the effect of adoption of ICT on the performance of financial audits in Government Ministries of Kenya.

1.3.2 Specific research objectives

The study sought to achieve the following specific objectives:

i. To establish how ICT infrastructure affects performance of financial audits in Government Ministries of Kenya.

ii. To determine how IT audits training affects performance of financial audits in Government Ministries of Kenya.

iii. To examine the effect of legislature support affects performance of financial audits in Government Ministries of Kenya.


v. To assess the effect of auditing standards and regulations as a moderating variable on the performance of financial audits in Government Ministries of Kenya.

1.4 Research Questions

The study sought to answer the following research questions:
i. How does availability of ICT infrastructure affect performance of financial audits in Government Ministries of Kenya?

ii. What effect does IT audit training have on the performance of financial audits in Government Ministries of Kenya?

iii. What is the effect of the legislature support on performance of financial audits in Government Ministries of Kenya?

iv. How does the organizational structure affect performance of financial audits in Government Ministries of Kenya?

v. What is the effect of auditing standards and regulations on the performance of financial audits in Government Ministries of Kenya?

1.5 **Significance of the Study**

The study sought to determine the effect of the adoption of ICT on the performance of financial audits in Government Ministries of Kenya. The study was of significant use to the Office of the Auditor General to establish how to improve the effectiveness and efficiency of its audits so as to ensure that public funds are properly used and accounted.

Audit Firms benefited from this study on how they could use ICT to improve their auditing practices. The academia also got a source of reference from the findings of the research.

1.6 **Scope of the Study**

This study sought to determine the effect of adoption of ICT on the performance of financial audits in Government Ministries of Kenya. The study was carried out at the 18 Government Ministries and involved the issuance of questionnaires to the auditors performing financial audits in that Ministry.

1.7 **Limitations of the study**

Civil servants and public servants in Kenya are governed by laws such as The Official Secrets Act, which denied certain key officers from revealing confidential information. To overcome this, the researcher promised confidentiality of any information collected.
CHAPTER TWO: LITERATURE REVIEW

2.1 Introduction
The purpose of the literature review was to enable the researcher benefit from previous studies done in the related fields on the effect of ICT infrastructure, organizational setting, training, Legislative support and Auditing Standards on auditing. In particular this chapter dealt with both theoretical and empirical-literature. It also contained the conceptual framework.

2.2 Theoretical Review
This section highlights the theories that guided this study. This theories were; Theory of Reasoned Action, Technology Acceptance Model, Theory of inspired confidence and Agency Theory.

2.2.1 Theory of Reasoned Action
The Theory of Reasoned Action (Fishbein & Ajzen, 1975) explains an individual’s behavior based on his or her behavioral intention, which is influenced by his or her attitude towards the behavior and view of the subjective norms regarding the behavior. The Theory of Reasoned Action has been used in ICT adoption and uses research as the fundamental theoretical framework, and it also has been combined with other theories and models. Both attitude and subjective norm were found to be important determinants of peoples’ intentions to adopt and use technology. Attitude was found to have a substantial influence on the intention to adopt and continue to use ICT. The subjective norm from previous studies establishes that it influences not only the behavioral intention but also other concepts including satisfaction, image, and the perceived usefulness of ICT, (Venkatesh & Davis, 2000).

The study attempted to find out whether the behavior and attitude of the financial auditors towards the adoption of ICT in the audit process had an effect on the performance of the audit. This theory was used in this study to ascertain the effect the auditors’ behavior and attitude had on the adoption of ICT on the performance of audit in the Government Ministries.
2.2.2 Technology Acceptance Model

The study was guided by the Technology Acceptance Model (TAM). This is an information systems theory that illustrates how users come to accept and use technology (Davis, 1989). In TAM, Davis identified two theoretical constructs which include the Perceived Usefulness and Perceived Ease of Use that affect the intention to use a system. The Technology Acceptance Model states that one’s actual use of a technology system is influenced directly or indirectly by a user’s behavioral intentions, attitude, perceived usefulness of the system, and perceived ease of the system. TAM has changed over a period of time and extended the original model to explain perceived usefulness and usage intentions including subjective norm, image, job relevance, output quality, experience and result demonstrability (Venkatesh & Davis, 2000).

The study attempted to find out whether the adoption of ICT in the financial audit process is influenced by the level of IT Training and computer knowledge one has been exposed to. This theory was used to illustrate that training on ICT and access to ICT infrastructure improved the ease of using and adopting technology in the financial audit process.

2.2.3 Theory of inspired confidence

This theory addresses both the demand and the supply for audit services. The demand for audit services is as a direct consequence of the participation of third parties who are the interested parties of a company. These parties demand accountability from the management, in return for their investments made in the company. Accountability is achieved through the issuance of periodic financial reports. However, since this information provided by the management may be subjective, and external parties have no direct means of monitoring the activities of an organization, an audit is therefore required to assure the reliability of this information. With regard to the supply of audit assurance, it is suggested that the auditor should always strive to meet the public expectations (Limperg, 1992).

An audit is also valued as a means of improving the financial data used by managers in decision-making. An auditor can improve the quality of the input data by finding errors and by making employees more careful in preparing records. More accurate data will improve internal decision-making. External use of more accurate data for credit and investment
analysis, labor negotiations or regulation decisions will also improve managers’ performance. (Wallace, 2006)

The study attempted to find out whether implementation of audit recommendations by Government Ministries forwarded to the legislature by the Office of the Auditor General improves performance of future audits. This study used this theory to illustrate how the financial auditors of Government Ministries could ensure that accountability is improved through the adoption of ICT in their audits. The auditors would be able to meet the public expectations when they conduct their audits in an effective and efficient manner.

2.2.4 Agency theory

The Agency theory states that the auditor is appointed in the interests of both the third parties as well as the management. A company is viewed as a grid of contracts and includes several third parties or principals such as suppliers, bankers, customers and employees who make some kind of contribution to the company for a given price. Management’s task is to ensure that these groups are coordinated and optimized so as to obtain: low price for purchased supplies, high price for sold goods, low interest rates for loans, high share prices and low wages for employees. In these relationships, management is the agent, and auditors are appointed to safeguard the interests of the third parties (Watts & Zimmerman, 1996).

Auditing plays an important role in monitoring contracts and reducing the information risk. Without an external audit the accounting information used for decision-making by several internal and external parties will lack credibility. Therefore the most important requirement of the external audit function is to increase the credibility of financial statements generated from accounting information. The principals contract the auditors to view the accounting numbers, procedures used in compensation and bonus plans and any breaches of contracts. This increased credibility of the financial information potentially benefits both owners and the management (Watts & Zimmerman, 1996).

In this study, the citizens are the principals who have put in place the Government to manage their funds are resources. The auditor is the third party whose main role is to ensure that resources are managed appropriately and efficiently on behalf of the citizens. The study therefore attempts to find out whether the main role of the auditor of ensuring that resources
are appropriately managed has an effect on the performance of the audit. The Agency theory was used in this study to illustrate the importance of the audit function in ensuring that resources are properly safeguarded and managed.

This study was mainly guided by the Technology Acceptance Model to illustrate how the perceived usefulness and ease of use of ICT systems could affect the performance of financial audits in Government Ministries.

2.3 Empirical Review

This section highlighted studies carried out on the effect of ICT Infrastructure and Training, Organizational Structure, Legislative Support and auditing standards on the performance of Financial Audits in Government.

2.3.1 ICT Infrastructure

ICT infrastructure refers to the physical hardware, software and networking equipment used to interconnect computers and users. The wider scope of ICT infrastructure includes Computers, Networking devices, printers, servers and application software (Shaikh, 2005).

According to a research by Rakner, (2005) lack of access to basic facilities such as computers, offices, vehicles by the SAIs has hindered the effectiveness of the SAIs operations. He further stated that an integrated financial management system (IFMS) had been installed in government ministries and departments in Tanzania, Malawi and Uganda. However, a common factor is that the SAIs in all the three countries had been unable to keep up with this progress in technical development and so far havenot been effective in conducting audits of the IFMS system thereby not being able to timely detect fraudulent transactions.

Limo (2008) in his study stated that over the last five years, the Kenyan government has initiated capital investment towards the set up and installation of ICT infrastructure. Funding for these investments is achieved through partnerships between the government and its development partners. The foreign funding from its development partners constitutes the largest percentage of this investment in terms of technology. The government contribution is usually in the form of technical and support staff and facilities such as buildings. To date the
Government Information Technology Investment and Management Framework has connected all ministries to the Internet under the Executive Network. The government is also connecting the ministries to run integrated information systems such as the Integrated Financial Management Information System (IFMIS) and the Integrated Personnel and Pensions Database (IPPD). Limo (2008) further stated that the recent automation in government operations will require the auditors to adopt ICT in their audits so as to be effective in their audits.

A strategy to assist auditors in the audit of automated systems is the use of computer-assisted audit techniques (CAATs) software packages such as ACL and IDEA. However, while there is a developing literature demonstrating CAATs and their possible uses there is little research describing the extent of their use in audit practice and the factors associated with their use, or presenting empirical tests of their efficiency and effectiveness (Elliot, 2006).

An exception is the auditors who make extensive use of CAATs for such applications as internal control evaluation and the testing of online transactions, but the extent of technology usage varies across other applications. Further research found out that auditor willingness to employ CAATs in the financial statement audit is impacted by auditor perceptions of the usefulness of those procedures and concerns regarding the budget impact of CAATs usage. Firms play a significant role in these perceptions through training and other resources they provide to their staff, as well as through their communication of support for CAATs usage (Curtis & Payne, 2008).

2.3.2 IT Audit training

As the business and audit environments have changed with regard to ICT, the financial statement auditor has been faced with the need to adapt. This increased focus is likely to cause an increase in the knowledge development. Besides the increased practice resulting from new standards, research has found out that training could be applied to help firms ensure that audit professionals are meeting the challenges of the current environment. Borthick (2006) found out that certain types of directed training can help compensate for lack of experience. Thus, firms employing auditors with little IS experience may discover the need to provide training in areas not previously addressed by the university curriculum. Audit firms may consider assessment methods for evaluating auditors’ knowledge of relevant IS
issues and identification of training necessary for continuing knowledge development as technology changes.

In a 2006 baseline study of the Tanzanian SAI it was reported that all audit staff expressed concern that while the auditees are rapidly moving towards Computer Information System environment, they had nearly no experience using basic IT software or Audit software (SNAO 2006:12). The study reported that there needed to be a concerted effort between the Government and the SAI to ensure that the staff are adequately trained to be able to effectively conduct their audits.

Brazel (2005) in his study indicates that human constraints such as inadequate training hinder the SAIs in effectively completing their audits. In addition, the introduction of automated systems in central government and the general increase in the performance audits required to be conducted reduce the effectiveness of the auditors. Therefore, all these challenges could denote a need to modify the training requirements to the changing environment.

2.3.3 Legislative Support

According to Sawyer (2008), as a representative of the citizens, parliament has a role to ensure that the nation’s funds are properly utilized in an effective and efficient manner. For a Legislature to be independent of the Executive arm, it must have a strong internal mechanism to enable it carry out the complicated task of policy oversight that would otherwise not be possible in the plenary session. A strong committee system is the hallmark of a dynamic legislature. The debate in the parliamentary reform Programme across the globe has been on how to empower the legislative committee system. This is based on the premise that a vibrant committee system is a useful instrument for the House in charting the policy direction upon those matters that come before it for debate.

The Public Accounts Committee (PAC) was established in 1948 and whose key role is to oversight of Government ministries and departments. The mandate of the Committee is to examine the annual reports of the Auditor General on the Central Government expenditure and fund accounts of ministries and departments. The Committee may also examine special audit reports on current issues that may require urgent attention. The work of the main Committee is mainly to undertake a post-mortem examination and follow up analysis of
issues raised by the Auditor General, and make recommendations to the Executive to implement. Upon the review of the reports of the Controller and Auditor General and after hearing evidence from relevant officials, PAC compiles a report and presents it to Parliament clearly highlighting the action to be taken on those who misappropriate public funds and resources (Institute of Economic Affairs Series No.19, April 2009).

The SAI is dependent on the parliament to act upon its reports for audits to be effective, implying that with an ineffective legislature that does not fully discharge its duties the value of the SAIs work is substantially reduced. The Office of the Auditor General has no judicial function itself but its findings may be passed on to legal authorities for further action indicating another relational factor determining its functioning (Vibeke, 2005).

Audit findings and recommendations would not serve much purpose unless the legislature is committed to implement them. Adams (2007) used the agency theory to explain that it is in the interest of the legislature to maintain a strong public audit department that will ensure the effective and efficient use of public funds. Implementation of audit recommendations is highly relevant to audit effectiveness and the legislature of a country is viewed as the citizens receiving the audit services. As a result, legislature's commitment to use audit recommendations and its support in strengthening public sector audit is vital to audit effectiveness. The legislature's commitment to implement audit recommendations improves the operation of the auditee.

2.3.4 Organizational Structure

Organizational setting refers to the organizational profile, internal organization and funding allocations of the audit office; and also the organizational policies and procedures that guide operation of auditees. Studies state that it provides the context in which the audit operates. Thus, organizational setting can exert influence on the level of effectiveness that the audit could achieve (Jones & Stewart, 2008).

The auditee attributes relate to the capability of the auditee to meet its intended objectives. Audit quality and the support of management strongly affect the effectiveness of an audit. Better audit effectiveness, has a positive relation on these two factors. If audit enhances quality to the extent it elicits management's interest, management support would be a natural
trade off because the management would realize the contribution of audit to the achievement of an organizational goals. This would have a favorable impact on audit quality and thereby enhance audit effectiveness. Furthermore, this will enable management to retain the authority to improve the organizational setting and influence the auditee towards a positive effect on audit effectiveness, which in turn leads to an improvement of audit quality (Cook & Winkle, 2008).

2.3.5 Auditing Standards
Griffith, (2005) in his studies stated that auditing standards explain the responsibility and independence of the auditor from the point of view of management and shareholders. International standards have been formulated to harmonize auditing practices between different nations and are to be applied where there are no local standards. Auditing standards refers to the rules accepted by the profession as guidelines to measure transactions, event and circumstances which affect financial results and financial information supplied to beneficiary parties.

These standards should be related to the relevant objectives of the audit, which should be relevant and appropriate within the social environment. Therefore, these standards should satisfy the criteria of relevance, acceptability, consistency and suitability. The Auditing Practices Committee issued a series of auditing standards between 1980 and 1991. The standards issued by its successor body, the Auditing Practices Board (APB) are known as Statement of Auditing Standards (SAS). The APB also issues Practice Notes to assist the auditor in applying auditing standards of general application to particular circumstances and industries and Bulletins designed for issue when guidance is needed on any new or emerging issues.

Though the International Auditing Guidelines (IAG) apply primarily to independent financial audits, it is recognized that they may also have application, as appropriate, to other related activities of the auditor. IAG are not automatically binding on the auditors in a particular country. However, they provide an authoritative view of what is internationally recognized as Generally Accepted Auditing Practices (GAAP) and thus, serve as the basis for the development of auditing assertions by professional bodies in individual countries. GAAP which is the overall guideline for auditing establishes the framework within which an auditor
decides the necessary action to take in organizing for the examination of financial statements, in performing the examination and in writing the report. Auditing standards are viewed as a measure used in determining the ability of the auditor in the performance of the procedures and the objectives to be attained by the use of the procedures undertaken (Hermanson & Shrawer, 2006).

Auditing standards set the minimum standards of technical proficiency in auditing. These standards are applicable to each financial report audit made by an independent auditor regardless of the size of the entity, the form of business organization, the type of industry or whether the entity is for profit or not for profit. Shareholders and other users should be informed in the scope section of the audit report that the audit has been conducted in accordance with the specified auditing standards.

According to Rouseey (2009), International Auditing Standards (IAS) increases the comparability of financial statements and harmonization of auditing standards among institutions. In addition, standards preparers at the national level also give consideration to these international standards in developing their own auditing standards.

General auditing standards relate to the qualifications of the auditors and the characteristics that the auditors should possess. General standards require that the auditor be trained, proficient and be independent in fact and appearance and exhibits due professional care during the audit. The auditor should comply with the code of ethics for professional accountants issued by the International Federation of Accountants and particularly the ethical principles governing an auditor’s professional responsibilities. These ethical principles include independence, objectivity, professional competence and due care, confidentiality, professional behavior and technical standards (IFAC, 2007).

2.3.6 Performance of Financial Audits

According to Politt (2009), there are different measures for assessing the performance of a financial audit. In practice, different measures are used, attributed to the differences between the auditors’ mandates, objectives and identification of the clients being served. He further states that there is no single methodology or set of practices that can be used to adequately measure the performance of an audit. In order to improve the performance of an audit, the
auditor must select those methodologies and techniques that are appropriate considering the resources available, the nature of the activity chosen and the duration available to conduct an audit (Brown, 2006).

When measuring the effectiveness of an audit in general auditors tend to equate the success of an audit with whether or not their recommendations have been followed. Geist, (2011) indicated that an audit is only effective in as far as it has convinced the decision makers of the audited units of its findings and persuaded them to effect the necessary changes. The study conducted by Pollitt (2009) indicated that the proportion of recommendations in financial audit reports accepted by governments was the most common measure of performance used by the audit offices in the United Kingdom and Netherlands.

Geist, (2011) states that by the audit offices indicating the financial savings that they have made during the conduct of their audits will help to distinguish the performing and non-performing audit institutions. The main advantage of using financial measurements is that it is a very strong argument and more credible than non-financial indicators. Financial indicators are also easy to read, understand and present.

The main problem in ascertaining the performance levels in the public sector is the measurement of macro level effectiveness. Unlike in the private sector, there are no single objectives in the public sector. Instead there is a variety of them depending on the department, authority or audit client in question (White, 2008).

Morin, (2005) in his study states that there are three separate issues that should be examined in order to determine the effectiveness and performance of an audit: the perceptions and reactions with regard to the auditors, the impact on the audited organization and the contribution to the public debate. In his study he states that the following factors may likely affect the effectiveness of an audit: willingness of the staff, political will of superior organs to make changes, timing of the audit, reorganizations in the body being audited, reform at the governmental level and the possibility of the subject matter of the audit having priority in the audited organization.

Performance of an audit focuses directly on the performance achieved and concentrates on inputs, outputs, results and impacts, the assumption being that, if the performance achieved is
satisfactory, there is a little risk of serious problems being present in the design or implementation of activity or control systems, White (2008). Such audits may, for example, assess whether the adopted policies have been suitably implemented and whether they have achieved the intended objectives or whether there are undesirable financial and economic consequences of policy decisions taken. Examining performance directly can be appropriate where there are suitable criteria to measure quantity, quality and cost of inputs, outputs, results and impacts. Where performance achieved is found to be unsatisfactory, the activity and control systems are then examined to the extent necessary to identify the related causes, (Geist, 2011).

According to Pollit (2009), efficiency is one of the most complicated complex measurements of performance in an audit. It is measured by comparing achieved productivity with a desired norm, target or standard. Output quantity and quality achieved and the level of service provided are also compared to targets or standards to determine to what extent they may have caused changes in efficiency. Efficiency is improved when more outputs of a given quality are produced with the same or fewer resource inputs, or when the same amount of output is produced with fewer resources.

2.4 Summary of research gaps
Previous studies carried out have been able to show how adoption of ICT in audit can improve the performance of audits globally. However, none of these studies have been carried out locally to show how ICT can improve the performance of the financial audit in the Kenyan Government. Furthermore, there has been little research carried out on the usage of CAATs and the effect the organization setting has on the conduct of the financial audit. The study has therefore been of benefit to the Office of the Auditor General and Government Ministries.

From the foregoing, it is clear that the adoption of ICT in carrying out financial audits will improve the performance of audits by reducing the time taken to conduct an audit and the costs associated with that audit. This will also enable the auditors to detect fraud in a timelier manner.
2.5 Conceptual Framework
The conceptual framework illustrates the relationship between dependent and independent variables of the study as shown in the figure below.

![Conceptual Framework Diagram]

**Independent Variables**

**ICT Infrastructure**
- Hardware
- Software
- Network

**Organizational Setting**
- Funding activities
- Staffing levels
- Organization Structure

**IT Audit Training**
- Level of education
- Basic IT skills
- Computer training

**Legislative Support**
- Budget Approval
- Audit findings
- Audit recommendations

**Auditing Standard**
- IAS
- ISA
- GAAP

**Performance of Financial Audits**
- Duration
- Audit costs

**Moderating Variable**

Figure 2.5: Conceptual Framework

Source: Author (2016)
CHAPTER THREE: RESEARCH METHODOLOGY

3.1 Introduction
This chapter presented the study design and methodology that was used in gathering information that was needed for the purpose of completing the study. This was done in terms of introduction, research design, determining the target population, sampling design, data collection instruments and procedure and data analysis criteria that will be used.

3.2 Research Design
A descriptive research design was adopted since it enabled the collection of data on group characteristics, attributes and experiences reported using descriptive statistics (Tappen, 2010). The descriptive research design approach was credited due to the fact that it allowed analysis of the variables and enhances greater flexibility in terms of money and time. By use of questionnaire, the descriptive research design sought to determine the effect of the adoption of ICT, training, legislature support, organizational setting and auditing standards and regulations on the performance of financial audits in Government Ministries.

3.3 Target population
The study targeted the financial auditors who were 434 from the Office of the Auditor General who are situated in the 18 National Government Ministries (OAG, 2013).
Table 3.3 Distribution of Target Population

<table>
<thead>
<tr>
<th>Ministry</th>
<th>Financial Auditors</th>
</tr>
</thead>
<tbody>
<tr>
<td>Ministry of Interior and Coordination of National Government</td>
<td>31</td>
</tr>
<tr>
<td>Ministry of Devolution and Planning</td>
<td>32</td>
</tr>
<tr>
<td>The National Treasury</td>
<td>30</td>
</tr>
<tr>
<td>Ministry of Defence</td>
<td>28</td>
</tr>
<tr>
<td>Ministry of Foreign Affairs</td>
<td>26</td>
</tr>
<tr>
<td>Ministry of Education</td>
<td>32</td>
</tr>
<tr>
<td>Ministry of Health</td>
<td>28</td>
</tr>
<tr>
<td>Ministry of Transport and Infrastructure</td>
<td>26</td>
</tr>
<tr>
<td>Ministry of Information, Communication and Technology</td>
<td>28</td>
</tr>
<tr>
<td>Ministry of Environment, Water and Natural Resource</td>
<td>23</td>
</tr>
<tr>
<td>Ministry of Land, Housing and Urban Development</td>
<td>26</td>
</tr>
<tr>
<td>Ministry of Sports, Culture and the Arts</td>
<td>15</td>
</tr>
<tr>
<td>Ministry of Labour, Social Security and Services</td>
<td>15</td>
</tr>
<tr>
<td>Ministry of Energy and Petroleum</td>
<td>16</td>
</tr>
<tr>
<td>Ministry of Agriculture, Livestock and Fisheries</td>
<td>20</td>
</tr>
<tr>
<td>Ministry of Industrialization and Enterprise Development</td>
<td>18</td>
</tr>
<tr>
<td>Ministry of East Africa Affairs, Commerce, and Tourism</td>
<td>20</td>
</tr>
<tr>
<td>Ministry of Mining</td>
<td>20</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>434</strong></td>
</tr>
</tbody>
</table>

Source: OAG (2013).

3.4 Samples and sampling procedure

As the targeted population was large, stratified random sampling was used to group the auditors into ministries then classified based on staff levels. After grouping the financial auditors into the staff levels, a proportional sample of 20% was used to select the target
population to come up with a size of 87 respondents. According to Mugenda and Mugenda (2013), a sample of 10% to 20% of the population is sufficient for a study.

Table 3.4 Sample Size

<table>
<thead>
<tr>
<th>Category</th>
<th>Target Population</th>
<th>% of Target Sample</th>
<th>Sample Size</th>
</tr>
</thead>
<tbody>
<tr>
<td>Directors</td>
<td>6</td>
<td>20%</td>
<td>1</td>
</tr>
<tr>
<td>Senor Managers</td>
<td>12</td>
<td>20%</td>
<td>2</td>
</tr>
<tr>
<td>Managers</td>
<td>24</td>
<td>20%</td>
<td>5</td>
</tr>
<tr>
<td>Assistant Managers</td>
<td>28</td>
<td>20%</td>
<td>6</td>
</tr>
<tr>
<td>Senior Supervisors</td>
<td>60</td>
<td>20%</td>
<td>12</td>
</tr>
<tr>
<td>Supervisors</td>
<td>84</td>
<td>20%</td>
<td>17</td>
</tr>
<tr>
<td>Audit Associate I</td>
<td>90</td>
<td>20%</td>
<td>18</td>
</tr>
<tr>
<td>Audit Associate II</td>
<td>130</td>
<td>20%</td>
<td>26</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>434</strong></td>
<td></td>
<td><strong>87</strong></td>
</tr>
</tbody>
</table>

Source: Author, (2016)

3.5 Data Collection Instrument

The research applied the use of questionnaires. The use of questionnaires was most appropriate since it allowed the respondent to remain anonymous and truthful and had more time to think about the questions. This resulted into more meaningful and unbiased answers. The questionnaires were mainly closed ended and distributed to the auditors in each Government Ministry.

3.6 Data Collection

Data was collected from the respondents using self-administered questionnaires. Primary data was obtained using questionnaires which was completed by various auditors from the Office of the Auditor General. The questionnaires were distributed to the employees and took a period of about one week to collect them back. Questionnaire was the best tool for collecting views and opinions (Oso & Onen, 2008).

A questionnaire is a carefully designed instrument consisting of a set of items to which the respondents were expected to respond to. It is a self-report instrument used for gathering information about variables of interest in an investigation (Amin, 2005). Questionnaires were
preferred because given the time constraints; questionnaire was the most ideal tool for collecting data within the shortest possible time. Besides, the target population for this study was largely literate and was unlikely to have difficult in responding to the questionnaire items. Thus questionnaire was the ideal tool for collecting data in this study.

3.7 Validity of Instrument
Mugenda and Mugenda (2013), defines validity as the accuracy and meaningfulness of inferences which were based on the research results; validity is the degree to which results obtained from the analysis of data actually represent the phenomenon under study. In this regard, the questionnaire was subjected to scrutiny by the University Supervisor to ensure both content and face validity.

3.8 Reliability of Instrument
Mugenda and Mugenda (2013), defines reliability as a measure of the degree to which a research instrument fields consistent results after repeated trials. To ensure reliability the instrument was pretested on a small sample to determine soundless, accuracy, clarity and suitability of the research instruments before the final field survey was carried out. Necessary adjustments were made for the final survey process to further ensure data reliability. Questionnaires were given to 3 auditors at the Ministry of Education. The same questionnaires were administered again after 1 week to the same auditors.

3.9 Ethical Considerations
Ethics has been defined as the norms of conduct that distinguishes acceptable from unacceptable behaviour in research (Shamoo & Resnik, 2009). In collecting data for the study, the researcher first sought for authority from Kenyatta University and authorization permit from National Commission for Science, Technology and Innovation before seeking permission from the management of the Office of Auditor General to gather data for the study. The researcher conformed to the principle of voluntary consent where the respondent willingly agreed to respond to questionnaire on free will without any coercion by the researcher after disclosing the real purpose of research. The researcher ensured that the findings were reported without any manipulation.
3.10 Data analysis techniques

The data collected was edited to ensure relevance, consistency and uniformity before being analyzed. Data analysis was done using descriptive statistics to compute percentages of the outcomes and draw bar and pie charts to show the effect of ICT adoption on the performance of financial audits. Descriptive statistics enabled the researcher to summarize and organize the data in an effective and meaningful way and provide tools for describing collections of statistical observations and reducing information to an understandable form.

To determine the relationship between ICT Infrastructure, organizational setting, training, legislative support and auditing standards on the performance of financial audits the following regression model was used.

\[ Y = \beta_0 + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + \beta_4 X_4 + \epsilon \]

Where \( Y \) is the dependent variable

\( \beta_0 \) is the regression constant

\( \beta_1, \beta_2, \beta_3, \beta_4 \) are the regression coefficients

\( X_1, X_2, X_3, X_4 \) are independent variables

\( \epsilon \) is the error term
CHAPTER FOUR: DATA ANALYSIS AND INTERPRETATION

4.1 Introduction
This chapter presents analysis and findings of the study as set out in the research methodology. The study findings are presented on to analyze effect of adoption of ICT on the performance of financial audits in Government Ministries of Kenya. Data was gathered exclusively from the questionnaire as the research instrument. The questionnaire was designed in line with the objectives of the study.

4.2 Sample Characteristics
This section presents general information on the demographic features of respondents such as response rate, gender, age, level of education and working duration.

4.2.1 Response Rate
The sample of the study comprised of 87 respondents. The questionnaires were administered to the respondents who later on returned all questionnaires. Out of 87 questionnaires that were administered, 70 were duly filled and returned. This was a response rate of 80 percent as displayed in table 4.1. This commendable response rate was made a reality after the researcher made personal visits to remind the respondent to fill-in and return the questionnaires.

Table 4.1: Response Rate

<table>
<thead>
<tr>
<th>Response</th>
<th>Frequency</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Responded</td>
<td>70</td>
<td>80</td>
</tr>
<tr>
<td>Not responded</td>
<td>17</td>
<td>20</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>87</strong></td>
<td><strong>100</strong></td>
</tr>
</tbody>
</table>

Source: Author (2017)
4.2.2 Gender of the Respondents

The study sought to find out the gender of the respondents. From the findings as shown in table 4.2, 54 percent of the respondents were male while only 46 percent of the respondents were female. This response indicates that there was a near equal distribution of gender hence the survey did not suffer gender biased.

Table 4.2: Gender Composition

<table>
<thead>
<tr>
<th>Gender</th>
<th>Frequency</th>
<th>Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>Male</td>
<td>38</td>
<td>54</td>
</tr>
<tr>
<td>Female</td>
<td>32</td>
<td>46</td>
</tr>
<tr>
<td>Total</td>
<td>70</td>
<td>100</td>
</tr>
</tbody>
</table>

Source: Author (2017)

4.2.3 Age of the Respondents

The respondents were required to indicate their age where the study findings indicated that majority 38 percent indicated that their age bracket was between 41 and 50 years. Analysis of findings also indicated that 31 percent of the respondents were between 31 and 40 years of age. The findings further indicated that 19 percent were above 50 years of age while 12 percent were aged between 18 – 30 Years.

Jenster and Hussey (2008) in their study of Determining Strategic Capability in organizations associated age with employee efficiency in performance where they stated that there is a positive correlation between age and employee performance. They further argued that the older an employee was, the higher the performance up to a certain age where performance would start declining. They therefore presented this relationship using a sigmoid curve.

The finding therefore implies that the respondents were old enough to provide valuable responses that pertain to effect of adoption of ICT on the performance of financial audits in Government Ministries of Kenya. The findings of the study are illustrated in table 4:3
Table 4.3: Respondents Age

<table>
<thead>
<tr>
<th>Age</th>
<th>Frequency</th>
<th>Percent (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>18 – 30 Years</td>
<td>8</td>
<td>12</td>
</tr>
<tr>
<td>31 - 40 years</td>
<td>22</td>
<td>31</td>
</tr>
<tr>
<td>41 – 50 years</td>
<td>27</td>
<td>38</td>
</tr>
<tr>
<td>above 50 years</td>
<td>13</td>
<td>19</td>
</tr>
<tr>
<td>Total</td>
<td>70</td>
<td>100</td>
</tr>
</tbody>
</table>

Source: Author (2017)

4.2.4 Level of Education

The study sought to find out the respondents level of education in order to ascertain whether academic and professional qualification determined the effect of adoption of ICT on the performance of financial audits in Government Ministries of Kenya. The findings of the study are displayed in table 4.4. From the findings; majorities (43 percent) hold bachelors’ degree while 30 percent of the respondents indicated that they had attained diploma level. The study further indicated that 17 percent of the respondents were Post graduate while minority (10 percent) had attained Secondary qualifications.

The finding of the study concurs with (Tafor, 2006) who observed that each state corporation has its own management organization structure with a matching head count budget to support the business and the persons assigned various duties should possess requisite professional and academic qualifications.

From the findings, majority of the respondents had attained academic qualification commensurate with their job designation.
Table 4.4: Level of Education

<table>
<thead>
<tr>
<th>Education</th>
<th>Frequency</th>
<th>Percent (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Post graduate</td>
<td>12</td>
<td>17</td>
</tr>
<tr>
<td>Bachelor</td>
<td>30</td>
<td>43</td>
</tr>
<tr>
<td>Diploma</td>
<td>21</td>
<td>30</td>
</tr>
<tr>
<td>Secondary</td>
<td>7</td>
<td>10</td>
</tr>
<tr>
<td>Total</td>
<td>70</td>
<td>100</td>
</tr>
</tbody>
</table>

Source: Author (2017)

4.2.5 Working Duration

The study found it necessary to find out the respondents years in service so as to find out the relationship between work experience and of financial audits in Government Ministries of Kenya. The findings of the study are displayed in table 4.5. Based on the findings, majority (49 percent) of the respondents had over 10 years of experience while 32 percent had between 6-10 years. It was also revealed that 12 percent of the respondents had an experience of 1-5 years while 7 percent had an experience of less than 1 year.

Table 4.5: Working Duration

<table>
<thead>
<tr>
<th>Working duration</th>
<th>Frequency</th>
<th>Percent (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Less than 1 Years</td>
<td>6</td>
<td>7</td>
</tr>
<tr>
<td>1 - 5 Years</td>
<td>8</td>
<td>12</td>
</tr>
<tr>
<td>6 - 10 years</td>
<td>22</td>
<td>32</td>
</tr>
<tr>
<td>Over 10 years</td>
<td>34</td>
<td>49</td>
</tr>
<tr>
<td>Total</td>
<td>70</td>
<td>100</td>
</tr>
</tbody>
</table>

Source: Author (2017)
4.3 ICT Infrastructure

ICT infrastructure refers to the physical hardware, software and networking equipment used to interconnect computers and users. According to Rakner, (2005) lack of access to basic facilities such as computers, offices, vehicles by the SAIs has hindered the effectiveness of the SAIs operations. This section sought to establish how ICT infrastructure affects performance of financial audits in Government Ministries of Kenya.

4.3.1 Extent of agreement with the following statements regarding to ICT infrastructure on performance of financial audits in Government Ministries

The study sought to find out extent of agreement to the following statements on ICT infrastructure on performance of financial audits in Government Ministries. From the findings majority were in agreement that they had been availed adequate ICT infrastructure to conduct the financial audits as indicated by a mean of 2.7049, that they had access to ICT Software and applications that assisted in auditing as shown by a mean of 2.6393, that the adoption of ICT in the audit process will improve the financial audit as shown by a mean of 2.5902 and finally they had been given full access to the Government systems and applications to conduct their audits as shown by a mean of 2.5413. Table 4.6 illustrated the findings.

Table 4.6: Extent of agreement on ICT infrastructure on performance of financial audits in Government Ministries.

<table>
<thead>
<tr>
<th>Statements</th>
<th>Mean</th>
<th>Std Dev.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Have been availed adequate ICT infrastructure to conduct the financial audits</td>
<td>2.7049</td>
<td>1.28250</td>
</tr>
<tr>
<td>Have access to ICT Software and applications that will assist in auditing</td>
<td>2.6393</td>
<td>1.43797</td>
</tr>
<tr>
<td>Adoption of ICT in the audit process improves the financial audit.</td>
<td>2.5902</td>
<td>1.41865</td>
</tr>
<tr>
<td>full access to the Government systems and applications to conduct your audits</td>
<td>2.5413</td>
<td>1.3456</td>
</tr>
</tbody>
</table>

Source: Author (2017)
4.4 IT Audit Training

Borthick, (2006) found out that certain types of directed training can help compensate for lack of experience. Thus, firms employing auditors with little IS experience may discover the need to provide training in areas not previously addressed by the university curriculum. Audit firms may consider assessment methods for evaluating auditors’ knowledge of relevant IS issues and identification of training necessary for continuing knowledge development as technology changes. This section sought to determine how IT audit training affected performance of financial audits in Government Ministries of Kenya.

4.4.1 Extent of agreement with the following statements regarding to IT Audit Training on performance of financial audits in Government Ministries

On the extent of agreement with statements relating to IT audit training on performance of financial audits in Government Ministries, majority of the respondents indicated that the government conducted trainings of its auditors frequently as shown by a mean score of 2.526, training offered assist them in the performance of their audit as shown by a mean score of 2.4279, that they had sufficient knowledge to audit a computerized system as shown by a mean score of 2.3131 and finally the Government trained on emerging technologies and systems in use in its operations as shown by a mean score of 2.2120.

The findings are indicated in table 4.7

<table>
<thead>
<tr>
<th>Statements</th>
<th>Mean</th>
<th>Std Dev.</th>
</tr>
</thead>
<tbody>
<tr>
<td>The Government conduct trainings of its auditors frequently</td>
<td>2.526</td>
<td>1.387</td>
</tr>
<tr>
<td>Training offered assist you in the performance of your audit</td>
<td>2.4279</td>
<td>1.350</td>
</tr>
<tr>
<td>Have sufficient knowledge to audit a computerized system.</td>
<td>2.3131</td>
<td>1.252</td>
</tr>
</tbody>
</table>
Government train you on emerging technologies and systems in use in its operations

**Source: Author (2017)**

### 4.5 Legislative Support

For a Legislature to be independent of the Executive arm, it must have a strong internal mechanism to enable it carry out the complicated task of policy oversight that would otherwise not be possible in the plenary session (Sawyer, 2008). A strong committee system is the hallmark of a dynamic legislature. This section sought to examine the effect of legislature support on performance of financial audits in Government Ministries of Kenya.

#### 4.5.1 Extent of agreement with the following statements regarding to Legislative Support on performance of financial audits in Government Ministries of Kenya

On the extent of agreement with statements relating to legislative support on performance of financial audits in Government Ministries of Kenya, majority of the respondents indicated that Legislature had been able to approve the allocation of sufficient funds to the Office for its operations as shown by a mean score of 2.426, Legislature had been supportive towards adopting the auditor’s recommendations as shown by a mean score of 2.3279, that legislature had the capacity to understand and interpret the auditors’ findings and recommendations as shown by a mean score of 2.2131 and finally Legislature’s operations have an effect on the performance of the financial audit as shown by a mean score of 2.4120. Findings are indicated in table 4.8.

**Table 4.8: Extent of agreement on Legislative Support on performance of financial audits in Government Ministries**

<table>
<thead>
<tr>
<th>Statements</th>
<th>Mean</th>
<th>Std Dev</th>
</tr>
</thead>
<tbody>
<tr>
<td>Legislature has been able to approve the allocation of sufficient funds to the Office for its operations</td>
<td>2.426</td>
<td>1.647</td>
</tr>
</tbody>
</table>
Legislature been supportive towards adopting the auditor’s recommendations 2.3279 1.350

Legislature have the capacity to understand and interpret the auditors’ findings and recommendations 2.2131 1.292

Legislature’s operations have an effect on the performance of the financial audit 2.4120 1.584

Source: Author (2017)

4.6 Organizational structure
Organizational structure refers to the organizational profile, internal organization and funding allocations of the audit office; and also the organizational policies and procedures that guide operation of auditees. Studies state that it provides the context in which the audit operates. Thus, organizational setting can exert influence on the level of effectiveness that the audit could achieve (Jones & Stewart, 2008). This section sought to determine how organizational structure affects performance of financial audits in Government Ministries of Kenya

4.6.1 Extent of agreement with the following statements regarding to Organizational structure on performance of financial audits in Government Ministries of Kenya
On the extent of agreement with statements relating to Organizational structure, majority of the respondents indicated that the office was adequately staffed to conduct financial audits in Ministries as shown by a mean score of 2.326, that competency of staff in the office had an effect on the performance of the financial audit as shown by a mean score of 2.324, that current organizational structure had an effect on the reporting of audit findings as shown by a mean score of 2.3131 and finally Office’s policies and procedures had an effect on the performance of the financial audits as shown by a mean score of 2.3120. Findings are indicated in table 4.9
Table 4.9: Extent of agreement on Organizational structure on performance of financial audits in Government Ministries

<table>
<thead>
<tr>
<th>Statements</th>
<th>Mean</th>
<th>Std Dev.</th>
</tr>
</thead>
<tbody>
<tr>
<td>The office adequately staffed to conduct financial audits in Ministries</td>
<td>2.326</td>
<td>1.367</td>
</tr>
<tr>
<td>The competency of staff in your office have an effect on the performance of the financial audit</td>
<td>2.324</td>
<td>1.350</td>
</tr>
<tr>
<td>The current organizational structure has an effect on the reporting of your audit findings.</td>
<td>2.3131</td>
<td>1.292</td>
</tr>
<tr>
<td>Office’s policies and procedures have an effect on the performance of the financial audits</td>
<td>2.3120</td>
<td>1.284</td>
</tr>
</tbody>
</table>

Source: Author (2017)

4.7 Auditing Standards

Auditing standards refers to the rules accepted by the profession as guidelines to measure transactions, event and circumstances which affect financial results and financial information supplied to beneficiary parties (Griffith, 2005). This section sought to assess the effect of auditing standards and regulations as a moderating variable affect affects performance of financial audits in Government Ministries of Kenya.

4.7.1 Extent of agreement with the following statements regarding Auditing standards on performance of financial audits in Government Ministries of Kenya

Moreover the study sought to find out extent of agreement with statements relating to Auditing standards on performance of financial audits in Government Ministries of Kenya. Majority of the respondents indicated that they were conversant with the auditing standards so as to conduct the financial audits adequately as shown by a mean score of 1.526, that office use the International Audit Standards in the conduct of its audits as shown by a mean
score of 1.4279, that knowledge of the auditing standards affect the performance of the financial audit as shown by a mean score of 1.3131 and finally that they had adequately been trained on the application of audit standards in the audit process as shown by a mean score of 1.2120.

Table 4.10: Extent of agreement on Auditing Standards

<table>
<thead>
<tr>
<th>Statements</th>
<th>Mean</th>
<th>Std Dev.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Conversant with the auditing standards so as to conduct the financial audits adequately</td>
<td>1.526</td>
<td>1.287</td>
</tr>
<tr>
<td>Office use the International Audit Standards in the conduct of its audits</td>
<td>1.4279</td>
<td>1.250</td>
</tr>
<tr>
<td>Knowledge of the auditing standards affect your performance of the financial audit</td>
<td>1.3131</td>
<td>1.242</td>
</tr>
<tr>
<td>Adequately trained on the application of audit standards in the audit process</td>
<td>1.2120</td>
<td>1.234</td>
</tr>
</tbody>
</table>

Source: Author (2017)

4.8 Performance of financial audits

Performance of an audit focuses directly on the performance achieved and concentrates on inputs, outputs, results and impacts, the assumption being that, if the performance achieved is satisfactory, there is a little risk of serious problems being present in the design or implementation of activity or control systems, (White, 2008). This section sought to examine the performance of financial audits in Government Ministries of Kenya

4.8.1 Extent of agreement with the following statements regarding to Performance of financial audits

On the extent of agreement with statements relating to Performance of financial audits, majority of the respondents indicated that adoption of ICT in the financial audit reduces the
time it takes to conduct audit as shown by a mean score of 2.526. Use of Computer Audit Assisted Software will assist in the conduct of financial audits as shown by a mean score of 2.4279, that sufficient and regular training on emerging technologies enhances the performance of financial audits as shown by a mean score of 2.3131 and the number of staff attached to an audit assignment affect the performance of the audit as shown by a mean score of 2.2120. The findings are indicated in table 4.11.

Table 4.11: Extent of agreement on Performance of financial audits

<table>
<thead>
<tr>
<th>Statements</th>
<th>Mean</th>
<th>Std Dev.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Adoption of ICT in the financial audit reduce the time it takes to conduct your audit</td>
<td>2.526</td>
<td>1.387</td>
</tr>
<tr>
<td>Use of Computer Audit Assisted Software assist in your financial audit</td>
<td>2.4279</td>
<td>1.350</td>
</tr>
<tr>
<td>Sufficient and regular training on emerging technologies enhance your performance of financial audits</td>
<td>2.3131</td>
<td>1.252</td>
</tr>
<tr>
<td>Number of staff attached to an audit assignment affect the performance of the audit</td>
<td>2.2120</td>
<td>1.564</td>
</tr>
</tbody>
</table>

Source: Author (2017)

4.9 Inferential Statistics

4.9.1 Correlation

Correlation is a term that refers to the relationship between two variables. A strong or high correlation means that two or more variables have a strong relationship with each other while a weak or low, correlation means that the variables are hardly related. The value of -1.00 represents a perfect negative correlation while a value of +1.00 represents a perfect positive correlation. A value of 0.00 means that there is no relationship between variables being tested (Orodho, 2003). The most widely used types of correlation coefficient is the Pearson R
which is also referred to as linear or product-moment correlation. This analysis assumes that the two variables being analyzed are measured on at least interval scales. The coefficient is calculated by taking the covariance of the two variables and dividing it by the product of their standard deviations. In this study pearson correlation is carried out to determine how the research variables related to each other. Pearson’s correlation reflects the degree of linear relationships between two variables. It ranges from +1 to -1. A correlation of +1 means there is a perfect positive linear relationship between variables (Young, 2009).

Table 4.12: Correlations Analysis

<table>
<thead>
<tr>
<th></th>
<th>ICT infrastructure</th>
<th>IT audits training</th>
<th>legislature support</th>
<th>organizational structure</th>
</tr>
</thead>
<tbody>
<tr>
<td>ICT infrastructure</td>
<td>Pearson Correlation</td>
<td>1</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Sig. (2-tailed)</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>IT audits training</td>
<td>Pearson Correlation</td>
<td>.183</td>
<td>1</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Sig. (2-tailed)</td>
<td>.015</td>
<td></td>
<td></td>
</tr>
<tr>
<td>legislature support</td>
<td>Pearson Correlation</td>
<td>.212</td>
<td>.201</td>
<td>1</td>
</tr>
<tr>
<td></td>
<td>Sig. (2-tailed)</td>
<td>.023</td>
<td>.032</td>
<td></td>
</tr>
<tr>
<td>organizational structure</td>
<td>Pearson Correlation</td>
<td>.108</td>
<td>.180</td>
<td>.183</td>
</tr>
<tr>
<td></td>
<td>Sig. (2-tailed)</td>
<td>.012</td>
<td>.005</td>
<td>.051</td>
</tr>
<tr>
<td>auditing standards</td>
<td>Pearson Correlation</td>
<td>.152</td>
<td>.056</td>
<td>.239</td>
</tr>
<tr>
<td></td>
<td>Sig. (2-tailed)</td>
<td>.027</td>
<td>.016</td>
<td>.011</td>
</tr>
</tbody>
</table>

Source: Author (2017)
A correlation analysis was to find out how ICT infrastructure, IT audits training, legislature support, organizational structure and auditing standards are correlated with the performance of financial audits in Government Ministries. Table 4.12 shows positive Pearson correlation coefficients from all the five factors discussed. ICT infrastructure has a positive correlation at 0.183 and a p=0.015<0.05 with performance of financial audits in Government Ministries. IT audits training has a positive correlation at 0.212 and p=0.023<0.05 with performance of financial audits in Government Ministries. Legislature support has a positive correlation at 0.108 and a p= 0.012<0.05 with performance of financial audits in Government Ministries while organizational structure has a positive correlation at 0.152 and a p= 0.027<0.05 with performance of financial audits in Government Ministries.
CHAPTER FIVE: SUMMARY, CONCLUSIONS AND RECOMMENDATIONS

5.1 Introduction
This chapter summarizes the findings from the above chapters, gives conclusion and recommendation of the study with reference to the topic of study that is to determine the effect of adoption of ICT on the performance of financial audits in Government Ministries of Kenya.

5.2 Summary of the Findings
This study was on effect of adoption of ICT on the performance of financial audits in Government Ministries of Kenya. The findings showed that there was a significant relationship between each of the five independent variables and performance of financial audits in Government Ministries.

Based on the findings 54 percent of the respondents were male while only 46 percent of the respondents were female hence response indicates that there was a near equal distribution of gender hence the survey did not suffer gender biased

From the findings; majorities) hold bachelors’ degree while 30 percent of the respondents indicated that they had attained diploma level. The study further indicated that 17 percent of the respondents were Post graduate while minority (10 percent) had attained Secondary qualifications.

The finding of the study concurs with (Tafor, 2006) who observed that each state corporation has its own management organization structure with a matching head count budget to support the business and the persons assigned various duties should possess requisite professional and academic qualifications.

Based on the findings, majority (49 percent) of the respondents had over 10 years of experience while 32 percent had between 6-10 years. It was also revealed that 12 percent of the respondents had an experience of 1-5 years while 7 percent had an experience of less than 1 year.

From the findings majority were in agreement that they had been availed adequate ICT infrastructure to conduct the financial audits as indicated by a mean of 2.7049, that they had
access to ICT Software and applications that assisted in auditing as shown by a mean of 2.6393, that adoption of ICT in the audit process improve the financial audit as shown by a mean of 2.5902 and that they had been given full access to the Government systems and applications to conduct their audits as shown by a mean of 2.5413. This indicated that access to ICT infrastructure had a significant effect on the performance of financial audits in Government Ministries.

From the findings majority of the respondents indicated that the government conducted trainings of its auditors frequently as shown by a mean score of 2.526, training offered assisted them in the performance of their audit as shown by a mean score of 2.4279 and that they had sufficient knowledge to audit a computerized system as shown by a mean score of 2.3131. Finally, a majority of the respondents indicated that the Government had trained them on emerging technologies and systems in use in its operations as shown by a mean score of 2.2120. This was an indicator that training had a positive effect on the performance of financial audits.

The study also found out that majority of the respondents indicated that Legislature had been able to approve the allocation of sufficient funds to the Office for its operations as shown by a mean score of 2.426, Legislature had been supportive towards adopting the auditor’s recommendations as shown by a mean score of 2.3279, that legislature had the capacity to understand and interpret the auditors’ findings and recommendations as shown by a mean score of 2.2131 and that Legislature’s operations have an effect on the performance of the financial audit as shown by a mean score of 2.4120.

Majority of the respondents indicated that the office was adequately staffed to conduct financial audits in Ministries as shown by a mean score of 2.326, that competency of staff in the office had an effect on the performance of the financial audit as shown by a mean score of 2.324, that current organizational structure had an effect on the reporting of audit findings as shown by a mean score of 2.3131 and finally Office’s policies and procedures had an effect on the performance of the financial audits as shown by a mean score of 2.3120.

Majority of the respondents indicated that they were conversant with the auditing standards so as to conduct the financial audits adequately as shown by a mean score of 1.526, that the
office uses the International Audit Standards in the conduct of its audits as shown by a mean score of 1.4279, that knowledge of the auditing standards affect the performance of the financial audit as shown by a mean score of 1.3131 and that they had adequately trained on the application of audit standards in the audit process as shown by a mean score of 1.2120.

Majority of the respondents indicated that adoption of ICT in the financial audit reduces the time it takes to conduct audit as shown by a mean score of 2.526 as well as the use of Computer Audit Assisted Software to assist in financial audit as shown by a mean score of 2.4279. Sufficient and regular training on emerging technologies enhanced the performance of financial audits as shown by a mean score of 2.3131 and finally the number of staff attached to an audit assignment affects the performance of the audit as shown by a mean score of 2.2120.

5.2 Conclusions of the findings

Based on the above findings, the study concludes that the adoption of ICT infrastructure in the audit process improves the performance of financial audit. Adoption of ICT in the financial audit reduces the time for an audit to be concluded and that the usage of CAATs improved the efficiency of the auditors. The number and competency of staff attached to an audit assignment had an effect on the performance of the financial audit. An office which is adequately staffed with competent staff is able to perform the financial audits within a shorter period minimizing the overall audit costs. The study also concluded that the Government conducted frequent trainings on computerized training and emerging technologies which improved the auditor’s knowledge on computerized applications. The legislature was also supportive in approval of the Office’s budget and also in adoption of the recommendations.

5.3 Recommendations of the findings

The study recommends for the implementation of ICT in the audit process since it has been instrumental in reducing operational inefficiency and improving the decision making process in many aspects of governance.

With the recent automation, integration and complexity of technologies that have increased over time, the dependence of Government operations on technology has also increased hence
the study recommends for financial auditors to adopt ICT in their operations to enhance efficiency and effectiveness in their audits.

5.4 Recommendation for further study

This study is a milestone for future research in this area, particularly in Kenya. This study looked at only five independent variables which according to the study contribute to adoption of ICT on the performance of financial audits in Government Ministries of Kenya. The researcher recommends for future research on the following:


ii. The effect of legislative and policy changes on the performance of financial audits
REFERENCES


Project PFM Secretariat, Ministry of Finance.


Parliamentary Service Commission, Kenya.


ITU (2004), ITU World Telecommunication Indicators


APPENDICES

APPENDIX I: RESEARCH QUESTIONNAIRE

SECTION A: PROFILE

(Tick appropriate or applicable)

1. Gender: Male ☐ Female ☐

2. Your age bracket?

20-25 ☐ 26-35 ☐ 36-45 ☐ 46 & above ☐

3. How long have you worked in your organization?

1 - 5 years ☐ 6 -10 years ☐ 11 -15 years ☐

16 years and above ☐

5. What is your highest level of education/qualifications? Tick as appropriate

Secondary ☐ Diploma ☐ Degree ☐ CPA/ACCA ☐

Masters Degree ☐ Others specify ☐
SECTION B

Instructions: Comment the statement below by ticking the correct statement where necessary.

On the scale of 1-5, indicate 1-Strongly Agree; 2-Agree; 3-Neutral; 4-Disagree; 5-Strongly Disagree

1. ICT Infrastructure

<table>
<thead>
<tr>
<th>Questions</th>
<th>1</th>
<th>2</th>
<th>3</th>
<th>4</th>
<th>5</th>
</tr>
</thead>
<tbody>
<tr>
<td>Have you been availed adequate ICT infrastructure to conduct the financial audits?</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Do you have access to ICT Software and applications that will assist in auditing?</td>
<td></td>
<td></td>
<td></td>
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</tr>
<tr>
<td>Will the adoption of ICT in the audit process improve the financial audit?</td>
<td></td>
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<td></td>
</tr>
<tr>
<td>Have you been given full access to the Government systems and applications to conduct your audits?</td>
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<td></td>
</tr>
<tr>
<td>Are you able to operate and use the systems and applications in use in Government to obtain data that you want to audit?</td>
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</tr>
</tbody>
</table>

2. IT Audit Training

<table>
<thead>
<tr>
<th>Questions</th>
<th>1</th>
<th>2</th>
<th>3</th>
<th>4</th>
<th>5</th>
</tr>
</thead>
<tbody>
<tr>
<td>Does the Government conduct trainings of its auditors frequently?</td>
<td></td>
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</tr>
<tr>
<td>Does the training offered assist you in the performance of your audit?</td>
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</tr>
<tr>
<td>Do you have sufficient knowledge to audit a</td>
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</tr>
</tbody>
</table>
3. **Legislative Support**

<table>
<thead>
<tr>
<th>Questions</th>
<th>1</th>
<th>2</th>
<th>3</th>
<th>4</th>
<th>5</th>
</tr>
</thead>
<tbody>
<tr>
<td>Has the Legislature been able to approve the allocation of sufficient funds to the Office for its operations?</td>
<td></td>
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<td></td>
<td></td>
</tr>
<tr>
<td>Has the Legislature been supportive towards adopting the auditor’s recommendations?</td>
<td></td>
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<td></td>
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</tr>
<tr>
<td>Does the legislature have the capacity to understand and interpret the auditors’ findings and recommendations?</td>
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<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

4. **Organizational Setting**

<table>
<thead>
<tr>
<th>Questions</th>
<th>1</th>
<th>2</th>
<th>3</th>
<th>4</th>
<th>5</th>
</tr>
</thead>
<tbody>
<tr>
<td>Is the office adequately staffed to conduct financial audits in Ministries?</td>
<td></td>
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<td></td>
</tr>
<tr>
<td>Does the competency of staff in your office have an effect on the performance of the financial audit?</td>
<td></td>
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</tr>
<tr>
<td>Does the current organizational structure have an effect on the reporting of your audit findings?</td>
<td></td>
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<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Does the lack of funds in your office affect the financial audit?</td>
<td></td>
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<td></td>
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<td></td>
</tr>
</tbody>
</table>

5. **Auditing Standards**

<table>
<thead>
<tr>
<th>Questions</th>
<th>1</th>
<th>2</th>
<th>3</th>
<th>4</th>
<th>5</th>
</tr>
</thead>
<tbody>
<tr>
<td>Are you conversant with the auditing standards so as to</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
6. Performance of financial audits

<table>
<thead>
<tr>
<th>Questions</th>
<th>1</th>
<th>2</th>
<th>3</th>
<th>4</th>
<th>5</th>
</tr>
</thead>
<tbody>
<tr>
<td>Will the adoption of ICT in the financial audit reduce the time it takes to conduct your audit?</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Will the use of Computer Audit Assisted Software assist in your financial audit?</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Does auditing through the computer minimize the audit costs incurred?</td>
<td></td>
<td></td>
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</tr>
<tr>
<td>Will sufficient and regular training on emerging technologies enhance your performance of financial audits?</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Thank you for your time and cooperation.
APPENDIX IV: APPROVAL OF RESEARCH PROJECT PROPOSAL