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FACTORS AFFECTING THE EFFECTIVENESS OF GOVERNMENT AUDITS: EVIDENCE OF GOVERNMENT MINISTRIES IN KENYA

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ABSTRACT

Government conduct audit regularly to ensure that there is efficient utilization of public resources to all its ministries. There is lack of effective monitoring and supervision of audit systems in all government ministries. Therefore, this study sought to assess factors affecting the effectiveness of the government audits of ministries in Kenya. The study specifically sought to assess how the audit control environment, challenges to the independence of internal auditors, level of technical competency and the internal audit compliance affect effectiveness of audits of government ministries in Kenya. This study reviewed agency theory, institutional theory and assessed determinants affecting effectiveness and relevance to this study. The study anchored on the descriptive research design targeting 84 respondents from 21 ministries in Kenya. This study adopted stratified sampling technique in selecting the sample size. A questionnaire was the main research instrument for collecting data. Data collected was analysed by both inferential and descriptive statistics. The regression model was adopted to establish the effects of relationship between variables. The study concluded that legislation of audit charter clearly defined roles of internal auditor while internal auditors were graded and remunerated according to the roles and responsibilities. The study concluded that independence of internal auditors mostly improved effectiveness of government audits in ministries and was significant. There should be need to ensure appropriate supervision by senior staff be provided. The major findings on regression coefficient; the study recommended that effectiveness should be based on internal compliance test which should be embraced with effectiveness of internal auditors on effectiveness of government ministries. Another research can be conducted to examine the effect of internal audit compliance on the effectiveness of government audit in other public institution to fill the remaining percentage.

Keywords: *Audit Control Environment, Auditor's Independence, Technical Competency, Internal Audit Compliance*

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INTRODUCTION

Government audits face numerous significant challenges in most public sectors. This is the most important part where the government agencies are given an opportunity to reduce a number of factors affecting auditors to place independent audit committee. Government audit is affected by different opinion where independent examination of effectiveness and efficiency of government programs and undertakings are due with regard to the improvement of the economy. Institutions around the world rely on government audits, relies on internal audit functions to assess resource utilization, operationalization and enhance government audits (Adeniyi, 2014).

Government auditors are facing many challenges in which individuals get engaged with different auditing government report on different factors. Corporations are formed in order to improve audit knowledge of internal auditing by providing the understanding of relevance research products and professionalism. Auditors from government audit departments are asked to categorise potentials factors affecting audits but the unique challenges are faced by different ministries (Nteziryayo, 2014).

The main factors are based on lack of audit resources, expertise to give advice between individuals and different group members. The ineffective plan for auditing remains in figure tips on organization impediments among ministries. Auditing is an important aspect in every organization owing to the revelations on growth, diminish and progress of institutional service delivery and other services offered. In aiming to ensure that, organizations meet their objectives, periodical auditing provides the assurance. Audit function is more of a central pillar towards management of risks, clear and effective control and contributing to governance of an organization. Audit function offers a view of organizational expenditures through management controls and information processing (O'Donnell, Guillermo, 2013).

IIA (2010) defined internal audit effectiveness "as the degree (including quality) to which established objectives are achieved". Internal audit effectiveness means the extent to which an internal audit office meets its purposes (Mihret & Yismaw, 2007). While Mizrahi and Ness-Weisman (2007) give their own definition which is in line with the ability of the internal auditor intervention in the prevention and correction of deficiencies. They finally defined internal audit effectiveness as "the number and scope of deficiencies corrected following the auditing process". Audit effectiveness is an outcome of auditor's activities, duties, professional practices and responsibilities delivered with commitment and with audit standards, goals, objectives, policies and procedures. Hence the overall design of the internal audit function should be geared towards the specific priorities and objectives of each country and in instances where the main challenges are governance, and then the internal audit function should be focused on ensuring compliance with financial laws and regulations (Diamond, 2002).

The principles of government audits is to offer quality reporting and whether there's efficient resource usage, processing and transactions based on the set rules Auditors and institutional managers or Government institutions operate on a principal-agent model where the auditors are agents tasked with examining the well-being of organizations through thorough assessments. Administrations of Public expenditures have had audit as a central function for assurance. The manner of reporting and employed structure within an organization establishes the independence of auditors. Auditors operate on principle of focus and clear mind-set to offer credible results. Public institutions credibility, performance and general growth heavily relies on audits conducted to realize the public and actual expenditures (Tapiwa, 2013).

The basic aim of auditing staff is to ensure if operations were undertaken in the right way or set rules and regulations, institutional obligations and general compliance. Internal auditors assess the systems, control effectiveness, measure information flow for accountability and transparency aspects. The institutional adversity and progress is provided by internal audit reports and instil sense of direction. The Chief Audit Executive (CAE) heads audit departments or senior staff who guides, allocates roles to staff. The CAE has overall mandate of establishing true independence in the delivery of audit roles and ensure there's proper structure and relationship between auditing staff and other institutional staff (Thompson, 2013),

The main role of the internal audit function is to guarantee that management controls are being applied in an effective manner. The internal audit function, even though not obligatory, exists in most private enterprise or corporate entities, and in government including federal, state, and county and city governments. The task, quality and strong point of an internal audit function may differ extensively within organizations due to difference audit approach. The huge role of internal auditors requires that they always follow the laid down procedures developed by IIA (Ramsay, 2002). The other function of internal auditors is to achieve transparency and high level of accountability in management of utilization of public finances and achieving expected institution performance Factors included audit control environment, level of technical competency, independence of internal auditors, internal audit compliance test, management support, availability of working resources, independence of internal auditors and commitment by management influence internal auditor's performance (Shuttleworth, 2008). Internal auditor always perform their roles well, they have to work in a conducive working environment.

In Kenya, Internal auditing is a profession and activity involved in advising organizations regarding how to better achieve their objectives through managing risks and improving internal controls. Internal auditing involves the utilization of a systematic methodology for analyzing business processes or organizational problems and recommending solutions by top executives and due to the culture and traditions of companies and organizations. The application of public finance management provisions in the new Constitution is significantly influenced by the need to correct past executive excesses and abuses. Chapter 12 of the new Constitution begins in Article 201 with guiding principles and a framework for public finance, which if strictly adhered to can alter policy formulation and the management of public resources. Circular 16 of 2005, which provided detailed guidance on internal auditors' role in enhancing oversight, governance, transparency and accountability and circular 18 of 2005 that, provided a detailed guide to management action on internal audit reports (ICPAK, 2015). Among the key principles are requirements that there should be: Openness, accountability and public participation; Promotion of equity, meaning that the tax burden is shared fairly at both national and county levels; Public expenditure that promotes equitable development and addresses marginalized areas and groups; Equitable sharing of debt benefits and burden between current and future generations; Prudent and responsible use of public resources and Responsible public financial management with clear fiscal reporting. Public financial management regulations of 2015 under the law implementing regulations also accommodate prior guidance provided through Treasury circular AG/3/080/6/(61) of 2000 on the establishment of Audit committees in all Ministries, departments and agencies of the central government. This can be implemented by cost of audit observations, regulatory audit for nonconforming process in public sectors. Government audits can educate its auditors by introducing management assertion in audit program but participation during audit report is affected by management distributing the reports (Masika, 2013).

Statement of the Problem

Government conduct audit regularly to ensure that there is efficient utilization of public resources to all its ministries. There is lack of effective monitoring and supervision of audit systems in all government ministries. The independence of government audit requires process of achieving integrity. This notion requires an auditor to conduct his work freely with specific objective. Different parties are interested to the independence of internal auditor as a result of achieving quality results. Despite this, the essential means for management to achieve effectiveness for each ministry is done by the available resources. Simultaneously, corporate governance has received wide attention in recent years both in practice and in academic research because of the major accounting function of morality and large-scale corporate failures. Recent corporate scandals and earnings restatements have resulted in an increased emphasis on the need for strong corporate governance to ensure financial reporting quality (Cohen et al., 2004; Carcello et al., 2005).

An attempt to achieve adequately working in their responsibilities, government audits is often find them in an inconsistent situation. The report of senior management is within the organization, but expected to review the conducts and effectiveness of the management in objective manner. While internal audit can be used in order to assist management in order to encourage a strong ethical tone in the entire organization, a poor attitude by the management can make it hard for the internal auditor to uphold ethical behavior. This can be observed in situations and problems that are connected with the whistle blowing, particularly when the internal job security or threatened progress of the internal auditor (Arnold & Ponemon, 1991).

Conflicts in different internal auditing roles in enhancing corporate governance have not gone away with contradicting opinions on how internal audit affect the corporate governance with some citing a positive effect (Herdman, 2002; Richards, 2002) and some saying it has very minimal effect if any (Davidson et al., 2005).

Over the years, the public sector has been experiencing massive corruption and fraud related cases where public funds end up in the hands of corrupt individuals (Adari, 2007). More often than not, such lost funds are never recovered despite having litigations against the perpetrators. Public organizations in Kenya are faced with risks emanating from internal controls weaknesses which more often than not result to financial losses for the organizations (Njoroge, 2003). Weak internal controls also provide avenues for fraud in these organizations (Wagacha, and Ngugi, 2009). According to Wagacha, and Ngugi, these risks need to be identified and mitigated to ensure that imminent threats are controlled. A question is left unanswered as to whether internal auditors should be among the ones to blame when organizations are at the point of collapsing. In the case of Uchumi, the external auditors were mostly accused for failure to alert the public on the financial status of the supermarket. However, according to the ISAs the role of the external auditor is not to unearth frauds and irregularities in organizations but to carry out his work with a skepticism mind and report any if they encounter. They rely on information provided by the management of which internal auditors are part of. The internal auditor should be aware of any irregularities even before the external auditor finds out. This means that the audit committee would have been made aware also through the internal audit reports. To the best of the researcher's knowledge, no study had looked on the effectiveness of internal audit to promote good governance in the public sector in Kenya. This study sought to fill this gap by looking at factors affecting the effectiveness of government audits in ministries in Kenya.

Objectives of the study

This study sought to assess factors affecting the effectiveness of government audits of Ministries in Kenya.

The study was guided by the following specific objectives:

- To determine how the audit control environment affects effectiveness of government audits in ministries in Kenya.
- To assess how the challenges to the independence of internal auditors affect effectiveness of government audits in ministries in Kenya.
- To assess the impact of the level of technical competency on effectiveness of government audits in ministries in Kenya.
- To assess the effect of internal audit compliance tests on effectiveness of government audits in ministries in Kenya.

LITERATURE REVIEW

Theoretical Review

Agency Theory

Proponents of agency theory; Jensen and Meckling (1976) assert that putting apart how businesses are owned and managed could result into disagreements among managers and stakeholders. Varying people that have the same goal or function in doing a specific task have different motivations, and these differences can manifest in divergent ways. Agency theory is therefore concerned with contractual relationship between people that are termed as agents and are assigned to do functions to represent another individual who has employed them. This makes many firms and organizations to come up with methods through which they can establish controls so as to reduce costs that come with irregularities (Kalbers and Fogarty, 1998). Similarly Pincus et al. (1989) argue that audit committees are used primarily in situations where agency costs are high to improve the quality of information flows from the agent to the principal.

According to the agency theory, to ensure the effectiveness of an audit committee, managers are encouraged to come up with financial statements that clearly show the amount of revenues that a company gets within a specific period in time. Ensuring that the audit committees do their functions allows the company to create and putting place accurate financial records and statements to achieve high performance. According to Felo et al. (2003) there is a positive correlation between the existence of audit committee and the accuracy of financial statements. However, Salah (2010) in Rauf et al. (2012) suggests that, management could use earnings to mislead shareholders by showing a different image of the company's earnings. For the purpose of this study, agency theory is adopted. This is due to the fact that it enlightens the relationship between the principal (shareholders) and the agents (management). In the same vein, audit committee, apart from serving as monetary measures, equally represents the shareholders who are the principal since their composition constitutes equal number of shareholders and directors.

The Institutional Theory

In addition to work focused on agency theory, many research on audit committees have relied on an institutional perspective (Scott 1995 and Zaman 2002). The principle of institutional theory is defined by the fact that an organization consists of cultural, social and symbolic that constitutes its broader institutional environment (DiMaggio& al 1983). The adoption and the operation of audit committees were discussed based on this perspective to the extent it suggests that the audit committee can influence and be influenced by a multiplicity of agents (Zaman2002).

Similarly Zaman (2002) states this perspective can enhance the role of professional bodies and the promotion of regulatory audit committees. In this regard to better perform the function of monitoring and control efficiently, which some authors Klein (2002) and Bryan &al (2014) have stressed the importance of certain characteristics related to the members that form the audit committee. Likewise, the report Vienot (1995) provides that the audit committee's main task is "to ensure the relevance and consistency of the accounting policies adopted for the consolidated financial statements and the company's social and verifies that the internal procedures for collecting and monitoring information guarantee them. In the same furrow, Spira (2003) states that the audit committee has the ultimate aim of defending the interests of investors and reduce agency problems of companies characterized by informational asymmetries. In addition, Spira (2003) showed that the audit committee is an effective body to protect the interests of shareholders and ensure the reliability of ministry information disclosed. The theory supports independence of internal auditors in government ministries.

Stewardship Theory

The stewardship theory in contrast to the agency theory argues that the firm's directors have interests that are consistent with those of the shareholders (Noah, 2013).In this context, Ngotho (2014) notes that the organizational role-holders are conceived as being motivated by a need to achieve and gain intrinsic satisfaction through successfully performing inherently challenging work, to exercise responsibility and authority, and thereby to gain recognition from peers and bosses. Ngenoh (2013) noted that managers carry their duty with a sense of duty. The stewardship perspective suggests that the attainment of organizational success also satisfies the personal needs of the steward (Gad, Shane, & Strong, 2010). The steward identifies greater utility accruing from satisfying organizational goals than through self-serving behaviour. Stewardship theory recognizes the importance of structures that empower the steward, offering maximum autonomy built upon trust (Oketch, 2013). This theory is applicable to in measuring the level of technical competency in this study in the context that the internal audit reports assists the management in making decisions that ultimately leads to the improvements of the shareholder's value.

Attribution Theory

This is a psychological theory first proposed by Heider (1958) and its theoretical framework developed by Weigner and colleagues (e.g., Jones et al, 1972; Weiner, 1974, 1986) becoming a social psychology research paradigm. The model looks into events and behaiviour causes and how they are interpreted using information from the social environment as the basis of explanation (Schroth & Shah, 2000). Reffett (2007) explains that a belief by evaluators of then comparable people would act differently in a particular situation, then the responsibility of outcome is attributed to the person. Such is refered to as dispositional or internal attribution. In situational attribution, evaluation resulting to similar results means that the responsibility ought to be attributed to the situation (Wilks & Zimbelman, 2004).

Based on early literature, people often attribute their own behaiviour to situational circumstances but those of others as dispositional especially when the behaivior observed is negative (Wilks & Zimbelman, 2004). There is a likelihood of the auditors to be sued for failure of detecting the fraud especially if evaluators believe other auditors would have detected the fraud (Bonner et al., 1998). This theory was relevance this study as it explained why internal audit compliance tests are ensured in government ministries.

Determinants of Organizational Performance

Based on Almajali et al (2012) study in Jordan the study examined how financial and non-financial factors, such as leverage, liquidity, company size and company age, have an influence on the firms' financial performance. Almajali et al (2012) chose these factors because they can be easily measured using the data in the financial statements. Gupta et al (2010) cited some studies showing contradictory results about the relationship between increased uses of debt in capital structure and firms performance. Ghosh, Nag and Sirmans (2000), Berger and Bonaccorsi di Patti (2006) reported a positive relationship between leverage and financial performance, while Gleason et al (2000), Simerly and Li (2000) showed negative relationship between firms performance and leverage level.

Based on a theoretical model by Jovanovic (1989), suggest that a moderate amount of liquidity may propel entrepreneurial performance, but that an abundance of liquidity may do more harm than

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good. Therefore, they concluded that the effect of liquidity on firms' financial performance is ambiguous. Almajali et al (2012) argues that the size of the firm affects its financial performance in many ways. Large firms can exploit economies of scale thus being more efficient compared to small firms. In addition, small firms may have less power than large firms; hence they may find it difficult to compete with the large firms particularly in highly competitive markets. On the other hand, as firms become larger, they might suffer from inefficiencies, leading to inferior financial performance. Theory, therefore, is equivocal on the precise relationship between size and performance (Majumdar, 1997).

Almajali et al (2012) found that the age of company has no effect on financial performance. New companies shouldn't pay attention to age because of the negative relationship between age of company and financial performance. Loderer et al, (2013) found that there is a positive and significant relationship between the age of a company and its profitability as measured by ROA. Similarly, Swiss Re (2008) indicated that larger firms are found to grow faster than smaller and younger firms found to grow faster than older firms. In contrast, Al-Shami (2008) found no significant statistical relation between age and profitability of firm.

Pastor and Veronesi (2003) report that profitability and market-to-book ratios decline with firm age as investors learn and uncertainty declines. Consistent with that, the variability of stock returns is negatively related with incorporation age (Adams, Almeida, and Ferreira, 2005) and with listing age (Cheng, 2008). It could also be that older firms are incapable of solving collective action problems. As in the case of nations (Olson, 1982), firms might increasingly become organizations of rent-seeking factions as they get older. On balance, it is therefore unclear whether aging helps firms prosper or whether it dooms them.

Internal Audit Function and Organizational Performance

The audit function has become an integral part of government financial management and an instrument for improving performance in the public sector. The need for good governance and accountability has compelled governments to demonstrate a stronger sense of responsibility in the use of public funds and efficiency in the delivery of services. Management of national economies today is more complex and demands greater competency and professionalism from internal auditors if they are to be able to assist government in ensuring that scarce resources are deployed more efficiently and to also effectively deal with the associated risks.

Effective internal oversight and monitoring are crucial to good governance and effective Public Financial Management (PFM). Internal oversight includes the internal audit function that must be effective and should comply with generally accepted auditing standards with regards to practice and approach. The focus of internal auditing is to determine whether public funds have been spent for the purposes for which they were appropriated and thereby promoting accountability.

Internal audit undertakes reviews of individual systems and processes and consequently makes recommendations to heads of public sector entities on how internal controls could be improved (Spila, 2013). An internal audit function is an essential part of any public expenditure management system. It should ensure that public spending is within budgetary provisions; disbursements comply with specified procedures, provides for the timely reconciliation of accounts and effective systems for managing and accounting for physical and financial assets (Nteziryayo, 2014). Boockholdt, 2015 puts forward the case that "Management must recognize the value added role of internal audit and contribute towards its effectiveness.", and that "As internal auditing in the public sector assumes a status of professional practice, management would benefit from its recommendations in improving its

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decision-making and thus would be playing a more proactive and foresight role. Internal audit function provides internal consulting service to the management in public sector institutions and hence the executive arm of government for smooth and efficient functioning and for reviewing and improving its performance (Tapiwa, 2013).

It also ensures that there are efficient controls and greater transparency in the decision and policy-making processes of government functionaries and institutions in delivering services successfully and in carrying out development programs in an efficient and appropriate manner. Public Sector controls cover all aspects of activities including financial, managerial and operational policies and are intended to safeguard assets, ensure the accuracy and reliability of financial information and promote operational efficiency (Witt & Muller, 2013). The internal audit function is in a good position to help senior management of public institutions to identify risks, suggest risk management strategies and, ultimately, provide assurance that the risks are being appropriately managed. Thus, the internal auditing function evaluates the effectiveness of public institutions in achieving agreed objectives and thereby promoting strong governance and accountability regime (Onyango, 2014).

Nteziryayo, 2014 noted that without internal audits' efforts and expertise in companies' organizational operations, "the business landscape would likely be littered with significantly more disclosures of material weaknesses and revelations of noncompliance with." Based on the Audit Committee, on the one hand internal auditing contribute to corporate governance by: Bringing best practice ideas about internal controls and risk management processes to the audit committee; providing information about any fraudulent activities or irregularities (Masika, 2013); conducting annual audits and reporting the results to the audit committee and encouraging audit committee to conduct periodic reviews of its activities and practices compared with current best practices to ensure that its activities are constituent with leading practises (Spila, 2013). From the other hand, an effective audit committee strengthen the position of the internal audit function by providing an independent and supportive environment and review the effectiveness of the internal audit function (Kulundu, 2014).

External audit is also regarded as an important cornerstone of corporate governance, particularly with respect to the prevention and detection of fraud and errors in financial statements (Ogoro & Simiyu, 2015). The internal audit function plays a unique role in corporate governance by monitoring organizational risks and ensuring that organizational processes are efficient and effectively controlled. This unique role has been noted in both research and practice. For example, studies have found that the presence of an internal audit function has a deterrent effect on financial reporting irregularities and employee theft (Tapiwa, 2013).

Witt & Muller, 2013 found that a control function, such as that performed by internal audit, can lead to better firm performance. Furthermore, Witt & Muller, 2013 found that the internal audit function moderates the level of earnings management in companies. The internal audit activity evaluates risk exposures relating to the organization's governance, operations and information systems, in relation to; effectiveness and efficiency of operations, reliability and integrity of financial and operational information, safeguarding of assets and compliance with laws, regulations, and contracts. Based on the results of the risk assessment, the internal auditors evaluate the adequacy and effectiveness of how risks are identified and managed in the above areas (Onyango, 2014). They also assess other aspects such as ethics and values within the organization, performance management, communication of risk and control information within the organization in order to facilitate a good governance process (Tapiwa, 2013).

The study of Boockholdt, 2015 explores the changes due to the fundamental redefinition of Turnbull guidelines about the nature of internal control as an attributes of corporate governance in the UK. The paper focused on sociological standpoints regarding risks as well as other conceptualization in order to outline the discussion regarding the internal control and risk management within the UK corporate governance. Corporate governance replicates the power relations and political resolutions between shareholders, creditors, management and labor as they are personified in a given institutional history (Jackson, 2000). For this reason, the idea of risk had become essential to corporate governance and become connected to the idea of internal control.

In the process, the significance had changed. Internal control was under assessment, partially because of well-publicized corporate failures and partially as a result of moves towards professionalization of the internal audit function. Express changes in IT and decision-making practices in many organizations were motivating moves away from strict, recognized control to situations where liability for control was being pushed down the organization hierarchy and where mistake by management could not be attained through conventional, fulfilment based internal audit (Onyango, 2014). The study had been able to show an observation that within the corporate governance policy, risk management has become closely aligned with internal control; which proposes the amount to which risks are administered has now been captured as a form of accountability, rather than its focus-considered as an index against which a measurement of performance is being calculated (Onyango, 2014). Thus, the redefinition enables to offer a new vision of risk management as part of the accountability process, which involves an alteration which shadows the difference between responses to risk, through risk management systems and accountability of risk (Witt & Muller, 2013).

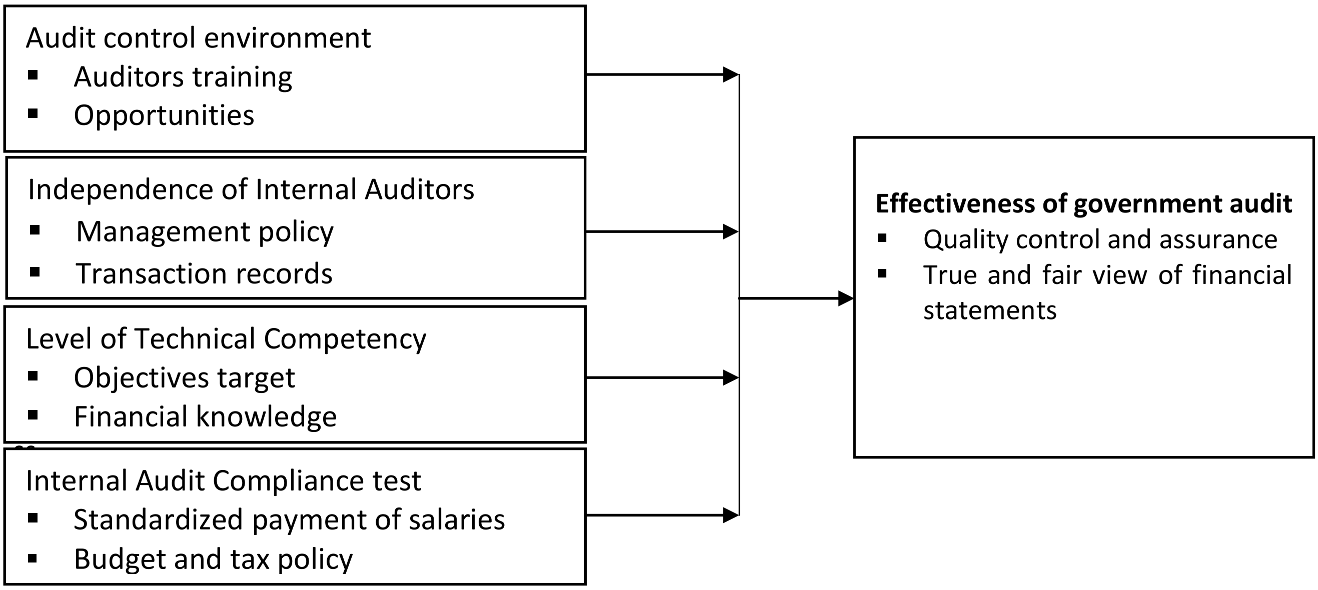
According to Murimi, 2013, the Internal Control System resembles the human nervous system which is spread throughout the business carrying orders and reactions to and from the management. In this concept, by measuring and evaluating the effectiveness of organizational controls, internal auditing, itself, is an important managerial control device, which is directly linked to the organizational structure and the general rules of the business (Boockholdt, 2015). In today's business environment internal auditors are now providing management with a far broader range of information concerning the organization's financial, operational and compliance activities to improve effectiveness, efficiency, and economy of management performance and activities.

The internal auditors are expected to provide recommendations for improvement in those areas where opportunities or deficiencies are identified. While management is responsible for internal controls, the internal audit activity provides assurance to management and the audit committee that internal controls are effective and working as intended (Nteziryayo, 2014). The internal audit activity is led by the CAE. The CAE delineates the scope of activities, authority, and independence for internal auditing in a written charter that is approved by the audit committee. An effective internal audit activity is a valuable resource for management and the board or its equivalent, and the audit committee due to its understanding of the organization and its culture, operations and risk profile (Onyango, 2014).

The objectivity, skills, and knowledge of competent internal auditors can significantly add value to an organization's internal control, risk management, and governance processes. Similarly, an effective internal audit activity can provide assurance to other stakeholders such as regulators, employees, providers of finance, and shareholders (Spila, 2013). SEC officials have repeatedly emphasized the importance of the internal audit function to the overall control structure of an organization. For example, former SEC Chief Accountant Herdman (2002) stated that an effective internal audit function is "crucial to the success of a company in stemming fraud and abuse, and in the preparation of accurate financial statements."

The internal auditing profession is guided by the International Standards for the professional practice of Internal Auditing. According to the International Standards for the professional practice of Internal Auditing (2008), the purpose, authority, and responsibility of the internal audit activity must be formally defined in an internal audit charter, consistent with the definition of internal auditing, the code of ethics, and the standards. The CAE must periodically review the internal audit charter and present it to senior management and the board for approval. The study of Roe (2004) focused on internal audit independence and corporate governance. The study analyzed the internal audit function as a first line protection against insufficient corporate governance and financial reporting.

With suitable support from the Board of Directors' Audit Committee, the internal audit staff is in the best position to collect intelligence on unsuitable accounting practices, insufficient internal controls and unsuccessful corporate governance. The result of the study showed that the internal audit scope should be extensive to address strategic business issues as well as increasing some fulfilment audits. There is a strong support for internal audit to play a major role in monitoring in conformity in positive manner. As a result, the Chicago area internal audits groups previously have taken vital steps to move past the dialogues stages and have become vigorously engaged in conformity monitoring (Spila, 2013). The relationship between internal and external auditors should be one of mutual support and cooperation in order to strengthen overall audit quality and mechanisms of corporate governance. (Murimi, 2013). Finally internal auditing help corporate governance by reviewing the organization's code of conduct and ethics policies to ensure they are current and are communicated to employees.



Independent Variable **Dependent Variable**

Source: Researcher (2020)

Figure 1: Conceptual Model

Empirical Studies

Rono (2013) studied on the effectiveness of the internal control system in the management of finances in public universities in Kenya. The study seeks to determine whether there was a significant difference in the evaluation of the effectiveness of the internal control system in the financial management between the academic and non-academic departments in Egerton University. It concluded that the evaluation of the effectiveness of the internal control systems in the university depended on the category of the departments. The research revealed that the internal control systems in Egerton university were effective due to the well-established departments charged with the responsibility of implementing the internal controls as they carry out the financial processes for example, finance, supplies and personnel departments with their various sections like cash office, salaries, computer, debtors and creditors (Rono, 2013).

In a study carried out by Ahmad, Othman and Jusoff (2009) on effectiveness of internal audit in Malaysian public sector in which simple percentage was used as the tool for date analysis, they found that lack of audit staff was a major impediment to effective internal auditing. One of the major limitations of the study was a narrow scope. In another study conducted by Theofanis, Drogalas and Giovanis (2011) on the 'relationship between elements of internal control system and internal audit effectiveness' with the use of 52 Hotels in Greek through mail survey, the results reveal positive relationship between the variables. However, they suggested that with larger samples the outcome of the study might differ significantly from their own.

Boockholdt, 2015 in their study examined the effectiveness of internal audit and external audit in determining financial reporting irregularities. They conducted an experimental study that examined the effects of manager's perception of internal and external auditing on the potential of financial irregularities. A total of 264 subjects, the majority of who were experienced managers were required to make decisions on three cases involving materiality type of irregularity, perceived extent of Generally Accepted Accounting Standards (GAAP) violation and incentives for misstating income. The decisions were made in a situation where there was no auditing at all, only internal auditing or external auditing. The results clearly supported internal and external auditing as deterrents to financial reporting irregularities when all of the four factors were present. It was also found that internal auditing effects were similar to those of external auditing. The study, however, suffered from the inability to explain why the existence of audits was perceived as having deterrent effects.

Endaya and Hanefah (2013) conducted another conceptual study on internal audit effectiveness: An approach proposition to develop the theoretical framework. The study concluded that sufficient theories should be used toward supporting the internal audit effectiveness (the study utilized three theories, agency, institutional and communication theories). Finally, the study observed that only limited studies been conducted on internal audit effectiveness all over the world and thereby stressed the need for more future studies on such internal audit effectiveness.

Unegbu and Kida (2011) carried out an empirical study on the effectiveness of internal audit as instrument of improving public sector management in Nigeria within the Kano state public sector organization, and finally the study showed that, internal audit can effectively check fraud and fraudulent activities in the public sector and that public sectors in Kano state have significant numbers of internal audit departments to function effectively.

Firsteberg (2014) carried out a study on internal audit committee function and financial performance of a public organization, a case study of the National Social Security Fund (NSSF), Uganda to determine whether the internal audit function impacts the performance of NSSF. The main findings were that internal audit function had a significant positive effect on performance in terms of control environment, risk assessment, control activities, information & communication, monitoring and advisory services.

The competency of internal auditors is important in promoting good governance and ensuring effective utilization of public resources. The internal audit function personnel both at the audit compliance level and at actual internal auditors should be qualified, competent and knowledgeable to enable them perform their duties effectively. Morgan

(2009) posited that internal auditors needed to be experienced and have the expertise. The uniqueness of internal auditor's competency is fostered by ensuring internal auditor's independence, expertise, integrity and diligence to perform their role effectively (DeZoort, 2012). In organizations with internal auditors with high competency levels, there is a positive correlation with performance which results in overall more effective corporate governance.

Lack of experience, expertise, knowledge and qualification on auditing practices hinders performance of internal auditors. Kariuki, (2010) posited that internal auditors in a firm should be competent professionals. Lack of adequate understanding when coupled with low level of knowledge on auditing operations poses a major threat to the achievement of high performance. The audit function requires internal auditors to be competent with high professional qualification with required experience to effectively execute their mandate. To achieve good governance, internal auditors must have attained minimum education level and have good professional standing in auditing. The chief auditor is required to effectively select and recruit highly trained and skilled internal auditors (Kunkel, 2014). Knowledge, competency and qualification of the internal auditors role depends on the level of staff competency attained and this impacts on the audit quality (Mihret & Yismaw, 2013).

Mutua (2015) carried out a study aimed at establishing the relationship between internal audit and effective management in Embu water and sanitation company limited. Primary data was collected from staffs in the different levels as per the organization structure using a questionnaire and secondary data included cost of internal audit from the payment cash book and salaries journals. The data was analyzed using SPSS tool and the following conclusion was noted: with commitment to integrity and accountability, internal auditing provides value to governing bodies and senior management as an objective source of independent advice. A fact that ensures proper processes are followed in generating and safeguarding the organizations wealth.

Ndege (2015) seeks to examine the effects of corporate governance practices among the audit compliance on financial performance of Savings and Credit Cooperatives. The independent variables that were used are: board size, internal audit function and frequency of board meetings. Return on Capital Employed was used as a measure of financial performance. Financial information for the period between year 2013 and 2009 was used. The findings of this study indicate that there is a negative relationship between the size of the board and the financial performance; the average board size being seven.

METHODOLOGY

This study adopted descriptive research design. The questionnaire was adopted to collect primary data from the field. This study targeted head of 21 audit managers and 63 audit officers in each Ministry. In Kenya, there were 21 Ministries. This implied that this study's target population was 84. The study selected 50% of the target population for the research observation and pooling of data for analysis. The study adopted simple random sampling technique to select the sample size. This was convenient and reliable to collect data from the respondents. This study looked to examine 42 respondents working as audit managers and officers in the Government Ministries in Kenya.

This study adopted a questionnaire as the main research instrument for data collection. This is mainly because the study relied on primary data collected from respondents in the field. The researcher used drop and pick method to distribute questionnaires to respective Ministry Offices. The researcher provided 1 week duration to enable each respondent to fill the questionnaire and collected afterwards for subsequent data processing. The researcher provided assistance to respondents who required such assistance.

In order to ascertain the validity of data, the researcher conducted a pilot study in Government of Kenya Ministries stationed in Kisii County. The researcher conducted a pilot test of 10 respondents in the respective Ministry Offices. The researcher used content validity index to test validity of research instrument by use research experts and supervisor. Collected data was cleaned, coded and analysed using adopted techniques. The study applied both descriptive and inferential statistics to analyse collected data. The study also adopted a linear regression model to measure the relationships between the variables. This helped in answering to the research questions adopted by this study.

FINDINGS

Descriptive statistical method

This study sought to assess the effectiveness of internal audit function on performance of Government Ministries in Kenya. Descriptive statistical methods was conducted to determine how the audit control environment affects the performance of internal auditors in government ministries, to assess how independence of internal auditors affect performance of government ministries, to assess the impact of the level of technical competency on performance of internal auditors in government ministries and to assess the effect of internal audit compliance tests on financial performance in government ministries according to specific objectives

The effect of audit control environment on performance of internal auditors

Using likert scale of 1-.5, the research asked the respondents to indicate the extent to which they agree with the following statements in relation to audit control environment on performance in the government ministries as presented in table 1.

Table 1: Descriptive analysis on audit control environment

	N	Mean	Std. Deviation
Internal auditors are provided formal audit training course	38	1.1053	.38831
Internal auditors are given opportunities to attend audit conferences/seminars/exchange programs	38	1.0526	.22629
They are provided with training on specific operations in bid to improve performance	38	1.0263	.16222
Internal auditors are accorded with on job control skills in internal audit	38	1.2632	.44626
Organization has future training plans for each internal audit staff	38	3.5526	1.05772
Internal auditors recommendation are recognized and acted	38	4.3421	.62715
Internal auditors are represented at meetings and conferences	38	4.3158	.61973
Internal auditors are recognized at annual professional audits	38	4.3421	.58246
The role played by Internal auditors is recognized by audit publications	38	4.3421	.70811

The findings showed that internal auditors were provided formal audit training course had a mean of 1.1053 with standard deviation of.38831, internal auditors were given opportunities to attend audit conferences/seminars/exchange programs had a mean of 1.0526 with standard deviation of.22629, They were provided with training on specific operations in bid to improve performance had a mean of 1.0263 with standard deviation of.16222, internal auditors were accorded with on job control skills in internal audit had a mean of 1.2632, Organization had future training plans for each internal audit staff had a mean of 3.5526 with standard deviation of 1.05772, Internal auditors recommendation are recognized and acted had a mean of 4.3421 with standard deviation of.62715, Internal auditors are represented at meetings and conferences had a mean of 4.3158 with standard deviation of.61973 and Internal auditors are recognized at annual professional audits had a mean of 4.3421 with standard deviation of.58246, The role played by Internal auditors is recognized by audit publications had a mean of 4.3421 with standard deviation of.70811.

From the findings, it was established that internal auditors were provided formal audit training course had a mean of 1.1053 with standard deviation of .38831 while the role played by internal auditors is recognized by audit publications had a mean of 4.3421.

Descriptive of independence of internal auditors on performance

The study sought to assess independence of internal auditors on performance of government ministries.

Table 2: Independence of internal auditors on performance

	N	Mean	Std. Deviation
Legislation of audit charter clearly defined roles of internal auditor	38	1.0000	.00000
Management policy is established with internal audit unit	38	2.031	.2200
Internal auditors are restricted to transaction records in asset	38	2.051	.2029
Accountability of auditors is charged with reinforcement support and administrative interferences	38	2.006	.2129
Internal auditors operations are position strategically with management	38	1.6579	.84714
Segregation is done by management decision through heads of operations	38	2.3947	.28615
The unlimited and direct access with audit governance	38	4.1316	.84377
The power of internal auditors plans are established adequately by chief audit executives	38	4.1579	.85507
Recruitment of internal audit staff is fully involved in the process	38	4.2895	.69391
Internal auditors are graded and remunerated according to the roles and responsibilities	38	4.4211	.79293

The result showed that Legislation of audit charter clearly defined roles of internal auditor had a mean of 1.0000 with standard deviation of.00000, Management policy is established with internal audit unit had a mean of 1.0526 with standard deviation of.22629, internal auditors were restricted to transaction records in asset had a mean of 1.0526 with standard deviation of.22629, Accountability of auditors is charged with reinforcement support and administrative interferences had a mean of 1.0526 with standard deviation of.22629, Internal auditors operations are position strategically with management had a mean of 1.6579 with standard deviation of.84714, Segregation is done by management decision through heads of operations had a mean of 2.3947 with standard deviation of.28615, The unlimited and direct access with audit governance had a mean of 4.1316 with standard deviation of .84377, The power of internal auditors plans were established adequately by chief audit executives had a mean of 4.1579 with standard deviation of.85507, Recruitment of internal audit staff was fully involved in the process had a mean of 4.2895 with standard deviation of.69391, internal auditors were graded and remunerated according to the roles and responsibilities had a mean of 4.4211 with standard deviation of .79293.

The result indicated that Legislation of audit charter clearly defined roles of internal auditor had a mean of 1.0000 while internal auditors were graded and remunerated according to the roles and responsibilities.

Impact of the level of technical competency on performance

The study sought to determine the impact of the level of technical competency on performance as presented in table 3.

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Table 3: Impact of audit technical competency on performance

	N	Minimum	Maximum	Mean	Std. Deviation
Internal auditors proficient by use ICT and tech based audit techniques	38	1.00	3.00	1.1053	.38831
Computer assisted audit is used by internal auditors	38	1.00	5.00	1.2632	.92076
Financial analysis knowledge is tool and technique used	38	1.00	5.00	1.7895	1.49156
Performance measurement principles are designed to achieve objectives target.	38	1.00	5.00	1.8158	1.60834
Internal auditors are able maintain continues auditing reports	38	.00	5.00	3.7368	1.40817
Internal auditors have ability to use electronic working papers	38	3.00	5.00	4.0439	.46609
Internal auditors have technique to risk analysis and assessment	38	1.00	5.00	4.0526	.86828
Internal auditors are proficient in forensic skills to detect fraud	38	1.00	5.00	4.0789	.94101
Internal auditors are proficient in risk control technique	38	2.00	5.00	4.1316	.84377
Valid N (listwise)	38				

The findings indicated that internal auditors were proficient in using ICT and tech based audit techniques which had a mean of 1.1053 with standard deviation of.3883, Computer assisted audit is used by internal auditors had a mean of 1.2632 with standard deviation of.92076, Financial analysis knowledge is tool and technique used had a mean of 1.7895 with standard deviation of 1.49156,Performance measurement principles are designed to achieve objectives target had a mean of 1.8158 with standard deviation of 1.60834, Internal auditors are able maintain continues auditing reports had a mean of 3.7368 with standard deviation of 1.40817, Internal auditors have ability to use electronic working papers had a mean of 4.0439 with standard deviation of.46609, Internal auditors have technique to risk analysis and assessment had a mean of 4.0526 with standard deviation of.86828, Internal auditors are proficient in forensic skills to detect fraud had a mean of 4.0789 with standard deviation of.94101, Internal auditors are proficient in risk control technique had a mean of 4.1316 with standard deviation of.84377.

From the findings, it was indicated that Internal auditors were proficient by use of ICT and tech based audit techniques which had a mean of 1.1053 while Internal auditors are proficient in risk control technique had a mean of 4.1316 with standard deviation of.84377.

Internal audit compliance tests

The study sought to determine the effect of internal audit compliance tests on performance of government ministries as presented in table 4

Table 4: The effect of internal audit compliance tests

	N	Minimum	Maximum	Mean	Std. Deviation
performance is based on a well-coordinated audit process	38	1.00	3.00	1.5526	.64504
Budget and taxes affect management of audit reports	38	1.00	4.00	1.7105	.89768
Cash receipt to prevent loss of cash	38	2.00	3.00	2.7857	.28716
Evaluate the systems to reach audit conclusion storage costs	38	3.00	5.00	4.2895	.51506
There is standardized payments of salaries	38	3.00	5.00	4.3947	.54720

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Accountant ensure every transaction is recorded	38	4.00	5.00	4.440	.5010
Salaries are paid to workers is visible trail	38	3.00	5.00	4.5526	.55495
Valid N (listwise)	38				

The study showed that performance is based on a well-coordinated audit process which had a mean of 1.5526 with standard deviation of.64504, Budget and taxes affect management of audit reports which had a mean of 1.7105 with standard deviation of .89768, Cash receipt to prevent loss of cash which had a mean of 2.7857 with standard deviation of.28716, Evaluate the systems to reach audit conclusion which had a mean of 4.2895 with standard deviation of.51506, there is standardized payment of salaries which had a mean of 4.3947 with standard deviation of.54720, Accountant ensure every transaction is recorded which had a mean of 4.440 with standard deviation of.5010, and salaries are paid to workers is visible trail 4.5526 with standard deviation of .55495.

The study indicated that performance is based on a well-coordinated audit process which had a mean of 1.5526 and salaries were paid to workers which were visible trail 4.5526.

Performance of government ministries

In table 5, the study finding indicated that there is reasonable assurance had a mean of 1.2895 with standard deviation of.83530, Security systems safeguard assets had a mean of 4.3158 with standard deviation of .47107, Clear separation of roles had a mean of 4.3684 with standard deviation of.63335, There is timeliness when undertaking satisfactory survey 4.4561 with standard deviation of.21112 Employees work checked by others had a mean of 4.4601 with standard deviation of.60345,The best practices are recommended by the organization had a mean of 4.4737 with standard deviation of.50601, Information accessed with consent of no expense is incurred in excess had a mean of 4.5789 with standard deviation of.50036, Appropriate supervision by senior staff had a mean of 4.6053 with standard deviation of .49536.

Table .5: Effectiveness of government ministries

	N	Minimum	Maximum	Mean	Std. Deviation
There is reasonable assurance	38	1.00	5.00	1.2895	.83530
Security systems safeguard assets	38	4.00	5.00	4.3158	.47107
Clear separation of roles	38	2.00	5.00	4.3684	.63335
There is timeliness when undertaking satisfactory survey	38	4.00	5.00	4.4561	.21112
Employee's work checked by others	38	3.00	5.00	4.4601	.60345
The best practices are recommended by the organization	38	4.00	5.00	4.4737	.50601
Information accessed with consent of no expense is incurred in excess	38	4.00	5.00	4.5789	.50036
Appropriate supervision by senior staff	38	4.00	5.00	4.6053	.49536
Valid N (listwise)	38				

The result showed that there was reasonable assurance with appropriate supervision by senior staff.

Regression analysis

The researcher conducted multiple regression to determine the effects of the relationship between the variables (factors affecting effectiveness of government audits in ministries. The regression model was used which indicated the following regression model summary:

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Table 6: Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.634[a]	.401	.329	1.04322

a. Predictors: (Constant), Internal Audit Compliance, Level of Technical Competency , Control Environment, Independence of Internal Auditors

The results in table 6 showed R = .634 which indicated the strength of relationship between independent variable and dependent variable. The R square .401 which implied that any change of government audit causes a variation of 40.1% accounted for effectiveness of ministries. The remaining percentage (100-40.1%) would be explained by other factors not under this study.

In table 7 showed analysis of variance which indicated that the calculated F value of 5.533 with d.f value of 4 was statistically significant at .002<.05.

Table 7: ANOVA[a]

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	24.086	4	6.021	5.533	.002[b]
	Residual	35.914	33	1.088		
	Total	60.000	37			

a. Dependent Variable: Effectiveness of Government Audit

b. Predictors: (Constant), Internal Audit Compliance, Level of Technical Competency , Control Environment , Independence of Internal Auditors

The regression coefficient showed that;

$Y = 8.177+.642\ X_1+ .917X_2+.832X_3 +.459X_4 +\boldsymbol{\varepsilon}$ where

Y = effectiveness α = determines the level of the fitted line, 8.177 = slope of the line, X_1 = Control environment, X_2 = Independence of internal auditors, X_3= Level of technical competency, X_4 = Internal audit compliance.

Table 8 the results regression of coefficients;

Table 8: Regression Coefficients

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	8.177	1.359		6.017	.001
	Control environment	.642	.201	.235	2.731	.008
	Independence of internal auditors	.917	.227	.234	4.149	.001
	Level of technical competency	.832	.210	.717	3.961	.002
	Internal audit compliance	.459	.118	.547	3.896	.000

a. Dependent Variable: Effectiveness of Government audit

Holding other factors constant, effectiveness of government audit remained at 8.177 at .001 statistically significant <.05. Control environment can change effectiveness of government audit by 64.2 % at statistically significant at <.05 significant level. A change in unit caused a change of independence of internal auditors cause the effectiveness of government audit by 91.7% at statistically significant at <.05 significant level.

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Technical competence cause improves effectiveness of government audit in ministries by 83.2% at <.05 statistically significant. This implied that a unit a change internal audit compliance test causes to improve effectiveness of government audit by 45.9 %.

CONCLUSION AND RECOMMENDATION

The study concluded that audit control environment affect effectiveness. The study concluded that internal auditors were provided with formal audit training course which indicated lowest mean value while the role played by internal auditors was recognized through audit publications.

The study concluded that independence of internal auditors affect effectiveness of government ministries. The study concluded that legislation of audit charter clearly defined roles of internal auditor while internal auditors were graded and remunerated according to the roles and responsibilities.

Based on the major findings from regression coefficients, study concluded that independence of internal auditors mostly improved effectiveness of government audits in ministries and it was significant.

The study recommended that effectiveness should be based on control environments, Independence of internal auditors and level of technical competency; the reasonable assurance should be embraced with effectiveness of internal auditors on effectiveness of government ministries. There is need to ensure appropriate supervision by senior staff.

There is need to be conducted on the effect of internal audit compliance tests on financial effectiveness in government ministries. The study further recommended carrying out a research on the effect of audit control environment on the effectiveness of internal auditors in government ministries.

Suggestion for further research

Another research can be conducted to examine the effect of Internal audit compliance on the effectiveness of government audit in other public institution should be conducted again to fill the remaining percentage.

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