

Effects of Internal Audit Function on Service Delivery in Kenya, Case Study of Bomet County

¹CLARAH CHEBET, ²DANIEL KAMAU KARABA, ³DR.KEPHA OMBUI

¹Student of Masters in Business administration, ²Adjunct Lecturer, ³Lecturer; Jomo Kenyatta University of Agriculture and Technology, Department of Entrepreneurship and Procurement, P.O Box 62000-00200 Nairobi, Kenya

Abstract: The research has shown that internal audit independence and authority impacts on service delivery and concluded that service delivery is enhanced by there being a clear policy on the establishment of the internal audit function which protects the internal auditors from undue pressure of reprisals when they report. Also the research concluded that internal auditors technical competence impacts on the performance of the function and the audit staff need to have competence in risk profiling, performance measurement principles, financial analysis tools and techniques, ICT and tech-based audit techniques and an overall appreciation of organization objectives and how these link to the objectives of the internal audit function. Lastly the research recommends that the county department should keep organizing seminars and workshops to train the internal auditors and that the heads of the internal audit department should be responsible to the audit committees who possess sufficient authority to promote independence and to ensure that the broad audit objectives are met. Further, the study also recommends that the internal audit function should have the latest internal audit software and be aware of the developments in the internal audit frameworks to enhance their pivotal role in the development of effective public financial management systems in Kenya.

Keywords: Effects, Internal Audit, Service Delivery.

1. INTRODUCTION

Organizations Internal auditors play the role of undertaking an independent examinations and giving assurance on various operations of institutions aimed at enhancing organizational performance every day (Institute of Internal Auditors (IIA), 2009). This enables an organization to meet its operational objectives through well thought-out and dedicated approaches to evaluate and improve on how best to manage risk, institute effective controls and enhance governance.

The broad view of internal audit places it more centrally as an important element of public expenditure management that also encompasses management controls and information communication processes (Diamond, 2002). Internal auditors become key by informing the public sector as a result of principle-agent relationship that exists between the executive and the public (ICPAK, 2015). Internal auditors help in safeguarding organization resources and are expected to give a continuous account of how the resources have been used and enable continuous assessment on whether the feedback meets public objectives and expectations and whether these are well balanced to reduce the risks inherent in the principal-agent relationship (Adel, 2011).

Internal auditing principles offer quality reporting without due interference from top management in all processes and transactions undertaken and provide responses as to whether the agent has used the resources as intended and expected by the set rules (Adeniyi, 2004). Independence is promoted through established reporting structure by the organization and should be clear to all parties focusing on achieving an appropriate mindset. Internal auditors review and evaluate all internal control measures undertaken within diverse organizations that vary in complexity, size, structure, and purpose through staff appointed within the organization (Adeniyi, 2004).

The basic roles of Internal auditors activities are directed towards evaluating whether operations were carried out in accordance with the set rules and regulations, set governance structures as well as systems that manage information in a bid to promote preciseness and efficiency in undertaking transactions (Stoner, 1994). In addition, internal auditors evaluate issues of integrity in a firm, measure systems and information flow to attain accountability and transparency in financial reporting (IIA, 2004). The other function of internal auditors is to offer direction on the best measures to adverse occurrence of chances or deficits that may arise, as well as providing certainty to institutions audit committee's and top management in ensuring objectives are well set (Owler & Brown, 2009).

In most cases, organizations' internal auditor's role is guided by the chief audit executive who outlines authority, independence and the scope of duty for internal auditors in a written policy document called the charter which is approved by institution's audit committee and in turn becomes of importance for reference and reading for top management of the organization (Paape, 2007). The skills, knowledge and objectivity of qualified internal auditors are important to the firm's internal audit unit and protect against any threat to controls and efficiency in management of public resources (IIA, 2004).

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 (Shuttleworth, 2008). For an internal auditor to always perform their roles well, they have to work in a conducive working environment. Key factors such as management support, availability of working resources, independence of internal auditors and commitment by management influence internal auditor's performance (Smith, Normah, Zulkarnain & Ithnahaini, 2001).

Public institutions are required to support the internal auditor to learn effectively on all if not most issues faced by public institutions by understanding the daily risks and constraints in public organizations systems and formulating strategies that will enable the internal auditors to work as a team to identify and address all risks (Ramsay, 2002).

A good internal auditor is one who undertakes his role efficiently and effectively and enables the achievement of good governance systems in any given public institution (Belay 2007). The internal auditors' roles are affected by credibility issues hindering their capability to perform their duties in promoting transparency, accountability and good governance. For instance, misappropriation of public funds through scandals such as 2005 Anglo-Leasing, NHIF, Judiciary and the Ministries of Agriculture and Education scandals are indicators of ineffectiveness in public internal auditing and poor performance of internal auditors.

According to Institute of Internal Auditors (IIA) (2009), internal auditing can be defined as a self-governing, objective and consulting activity that is designed in order to add value and develop the operations of an organization. It helps an organization to carry out its objectives by bringing an organized, disciplined approach in order to assess and develop the effectiveness of risk management, control and governance processes. Thus, internal auditing is performed by professionals with a thorough understanding of the business culture, systems and processes.

The internal audit function is expected to offer guarantee that internal controls in place are sufficient to alleviate the risks, governance processes are helpful and competent, and organizational goals and objectives are being met (IIA, 2004). This definition suggests that internal audit has undergone a paradigm shift from an emphasis on accountability about the past to improving future outcomes which help organization operate in a more effective and efficient manner (Nagy & Cenker, 2002).

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 (Kibara, C. W. (2007).

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 in approach by top executives and due to the culture and traditions of companies and organizations. By measuring and evaluating the effectiveness of organizational controls, internal auditing, itself, is an important managerial control device, which is linked directly to the organizational structure and the general rules of the business (Cai, 2007).

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, then the internal audit function should be focused on ensuring compliance with financial laws and regulations (Diamond, 2002). Diamond (2002) also noted that in developing and transitional countries which have a high degree of financial stress, the main objectives of the internal audit function should be to ensure macroeconomic stability while countries that are able to ensure compliance with laws and have achieved a fair degree of macroeconomic stability, the main objective of the internal audit function should be to ensure efficiency and effectiveness of resource use. Effective internal audit system helps in achieving performance, profitability and prevents loss of funds particularly in public sectors even though Pilcher Gilchrist and Singh (2011) observed that efficiency and effectiveness of audit in public sectors context is more complex than in the private sectors.

Internal Auditing in Bomet County:

Counties and Bomet in particular suffer from serious economic and financial problems, including: weak internal controls and limited human resources capabilities. To overcome these serious problems, Bomet County was actively working to develop the tools and institutions necessary to implement sound governance principles on financial management. It was interesting to note, however, that one of the key obstacles to the successful implementation of governance standards was the management lack of compliance with public finance Act.

Although the auditing was only one dimension of broad-based entity governance, a lack of appropriate auditing practice can ultimately contribute to entity’s failure and diminish public confidence in the mechanism. The internal auditing forms an important requirement of Bomet county assembly financial management framework although many researchers have examined audit committee effectiveness and its determinants in developed nations, much less academic study has been made of county governments given the pressures related to public sector financial management.

Recent past the Government was caught up with scandals that rocked the Judiciary, the Ministries of Agriculture, Education and Health ministry too this has revealed poor internal auditors performance mainly due to bureaucracy in transparency and which resulted in misappropriation of public finance and losses of funds billions of taxpayers’ money was lost indicate poor performance of internal auditors (GOK, 2016).

Despite the increase in corruption cases and misappropriation of public funds in the public sector, studies on internal auditing in public institution remain scanty and there is no critical research that has been undertaken to explain the reasons why the internal audit functions clearly legislated for under the Public Financial Management Act of 2012 has not been effective in strengthening public financial management systems which would be a more effective way of protecting government resources. Further, the constitution brought far reaching changes in the governance structure in Kenya and the general elections held in March 2013 ushered in the two levels of government.

County of Bomet like all other counties are expected to manage their finances in a prudent way and in accordance with public finance management Act 2012. However County of Bomet have been faced with poor governance leading to inefficiency, loss of funds, deviation of funds, misappropriation of funds and to some extent lack of directions on financial managements (General Auditor reports 2015).

This study therefore sought to fill-in the existing research gap by examining the effects of internal audit function on services delivery in Bomet County.

2. LITERATURE REVIEW

Agency Theory:

Agency theory is concerned with resolving problems that can exist in agency relationships; that is, between principals (such as shareholders) and agents of the principals (for example, company executives). The two problems that agency theory addresses are: the problems that arise when the desires or goals of the principal and agent are in conflict, and the principal is unable to verify what the agent is actually doing and the problems that arise when the principal and agent have

different attitudes towards risk. Because of different risk tolerances, the principal and agent may each be inclined to take different actions.

Adams (1994) in his article stated that Agency theory can provide for richer and more meaningful research in the internal audit discipline. Agency theory contends that internal auditing, in common with other intervention mechanisms like financial reporting and external audit, helps to maintain cost-efficient contracting between owners and managers.

Agency theory may not only help to explain the existence of internal audit in organizations but can also help explain some of the characteristics of the internal audit department, for example, its size, and the scope of its activities, such as financial versus operational auditing. Agency theory can be employed to test empirically whether cross-sectional variations between internal auditing practices reflect the different contracting relationships emanating from differences in organizational form.

Contingency Theory:

The goal of an audit is to test the reliability of a company's information, policies, practices and procedures. Government regulations require that certain financial institutions undergo independent financial audits, but industry standards can mandate audits in other areas such as safety and technology. Regardless of the audit subject, various factors impact a company's final results, and the contingency theory takes these factors into account during the audit process.

The contingency theory of leadership and management states that there is no standard method by which organizations can be led, controlled and managed. Organizations and their functions depend on various external and internal factors. The functions of audits are themselves, types of organizations that are affected by various factors in the environment. The presence of such factors is why auditing can be managed by applying the contingency theory, with a recognition that processes and outcomes of audits are dependent on variable and contingent factors.

On a broad level, the audit process is straightforward. Auditors require access to documents, systems, policies and procedures to manage an audit. They must remain compliant with industry standards, government regulations and internal requests. Audit teams may begin the audit process with meetings where they gather risk and control awareness, after which the field work begins. During the audit process, auditors perform substantive procedures and test controls. They then draft reports that they submit to management and regulatory authorities. The audit sub processes, particularly in planning and field work, include contingencies such as business type, employee skill level, applicable laws, available audit workforce, available technology and systems, and deadline.

Daft (2012) in his book writes: —Contingency means: one thing depends on other things| and —Contingency theory means: it depends.| Audit functions are task-oriented and can be loosely structured. The functions also can vary considerably, depending on the area of a company under audit and the type of business model, so auditors must carefully manage their inspections and take variables into account to get the job done. The contingency theory also can be applied to an audit team's structure. Typically, audit team managers receive audit projects. They then create ad hoc audit teams for the projects, selecting auditors based on expertise and experience in the subject areas, and on auditor availability, all of which add up to contingencies for any given audit project.

Audit teams use a mix of structure and contingency to get the output rolling quickly. The subject of auditing projects can include such diverse areas as evaluation of production processes, inspection of company accounts, and assessment of compliance with industry standards. Selecting auditors with specialized training or those who have a particular skill set in the subject area minimizes the learning curve and reduces opportunities for errors. The quality and output of audits remain assured when audit teams use resources according to expertise and experience, and when auditors are flexible and can adapt to process fluctuations. For example, an auditor experienced in evaluating financial instruments can be effective in an audit exercise of a bank or hedge fund, even when the financial instruments the institution offers do not fit the typical mould (Davoren, 1994).

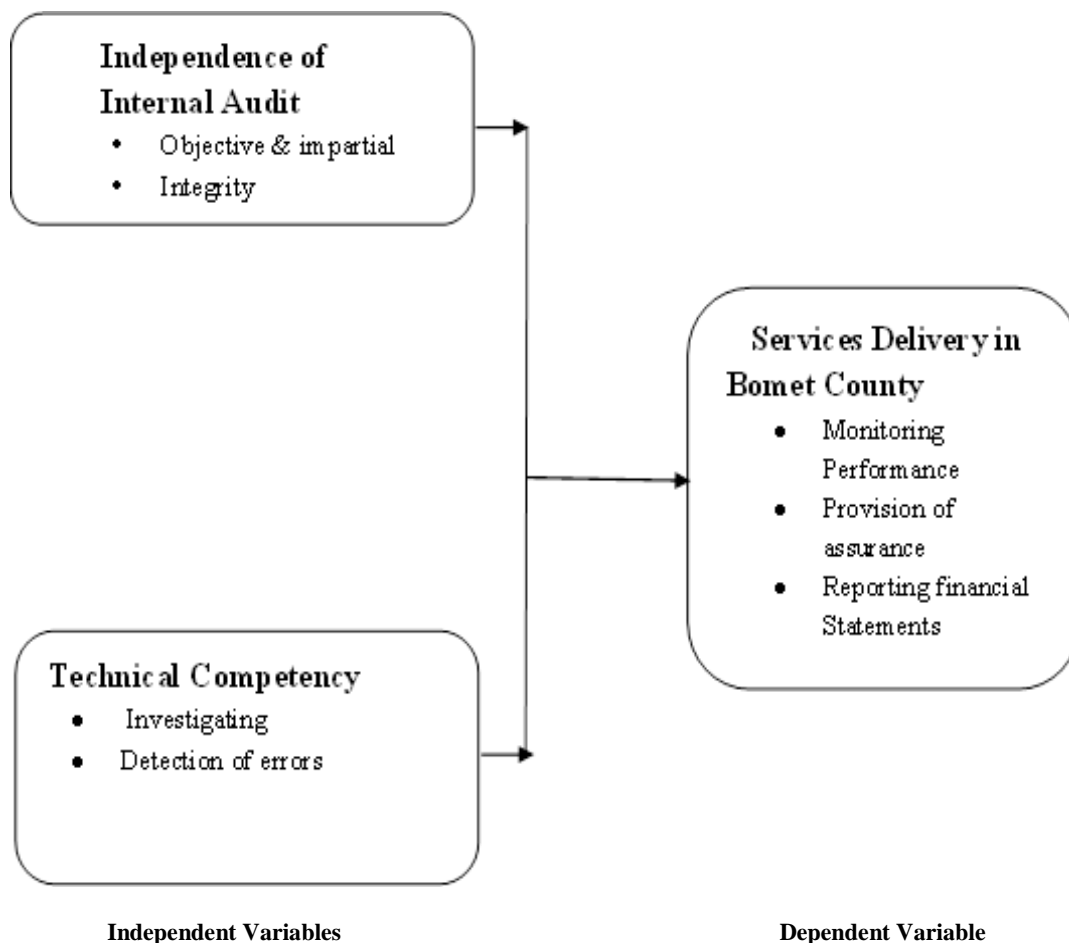
Lending Credibility Theory:

Volosin, (2007) in his book mentioned that the lending credibility theory is similar to the agency-theory and it states that audited financial statements can enhance stakeholders faith in management's stewardship. The business world consists of different groups that are affected by, or participate in, the financial reporting requirements of the regulatory agencies. They are shareholders, managers, creditors, employees, government and other groups. The major recipients of the annual reports are the shareholders, including individuals with relatively small shareholding and large institutions such as banks

or insurance companies. Their decision is usually based on the financial reporting and the performance of the company's management, who have a responsibility to act in the interests of investors. Thus, the purpose of the financial statements.

The auditor is appointed by the company's shareholders and reports his results to his clients. The aim of the auditor's report is to comment on how accurately the company presents its financial situation and how it is performing. This should reassure the shareholders that their investment is secured and also help to reduce the practice of misleading accounting procedures designed to show the company in a more favorable light. Basically, the audit is represented as a process designed to evaluate the credibility of information of a company's financial statements (Letza, 1996).

Conceptual Framework:



Research Gaps:

Public sector utilities in developing countries have often not been efficient in providing relevant information and accountability in terms of financial statements, accounting reporting and standard, regulation and governance and internal audit controls and auditing standards (Barasa, 2006). Internal auditors may not always be in a strong position to monitor and control internal operations in an organization, however (Al-Twaijiry; Brierly and Gwilliam, 2004; Glasscock, 2002). An Australian survey concluded, for example, that internal auditors may not be seen as a true profession by all, including some of their own corporate managers. This can result in less value being attributed to their services or to their views than those of so-called 'external auditors (Cooper et al., 1994). Recent scandals that faced the Judiciary and the Ministries of Agriculture and Education, lots of misappropriations of CDF funds and in Counties are of great worrying and this has been revealed poor internal auditors performance mainly due to bureaucracy in transparency and which resulted in misappropriation of public finance and losses of funds (GOK, 2013). Recent public institutions financial accounting scandals such as in the Judiciary where over Kshs 2.2 billions of taxpayers' money was lost indicate poor performance of internal auditors (GOK, 2013). Similarly weak internal auditing procedures have increasingly become a major problem in detecting loss of public funds and are an indication of ineffectiveness of internal auditors in the public sector (Otieno, 2010). However counties have been faced with poor governance leading to inefficiency and thus establishment of Audit committees and oversight boards to alleviate this issue (Tripathi & Shivnath 2013). The subject of corporate governance

has attracted many scholars and especially in the Counties. ICPAK (2015) survey on effectiveness of internal audit committees in the public sector identified the need to conduct further research to identify the factors affecting the performance of internal auditors in the public sector and specifically in state owned corporations, government ministries and county governments. This study therefore fill the existing research gap by establishing effects of internal audit function on services delivery in Bomet County.

Target Population:

According to Kothari (2012), a researcher has to have a specific population as his research population target upon which uses to make all his inferences regarding validity of what he/she is researching on. A population frame is a comprehensive itemized list of all subjects, which comprise the study population, from which a sample will be taken (Mugenda & Mugenda, 2008).

The study targets members of internal audit function in the 12 County Government Departments. The central Government (treasury) has posted to counties internal auditors to undertaken audit duties (Ministry of Finance, 2015). Thus, the target population of the study are 126 as shown by the Table.

S no	Department	Population
1	Land & Public Health	15
2	Medical services	9
3	Social services	10
4	Economic planning	9
5	Water services	10
6	ICT & Training	5
7	Road & Public works	15
8	Education & Vocation	20
9	Finance	10
10	Agribusiness	20
11	County Secretary	1
12	County Attorney	1
		126

Target Population Source: Bomet County Government

3. DATA PRESENTATION, ANALYSIS AND INTERPRETATION

Internal Auditor’s Independences:

Several statements on internal auditors independent were identified and the respondents were required to indicate the extent to which they agree or disagree. A five point Likert scale was provided ranging from: a scale of 1 to 5 where 1=Strongly Disagree, 2= Disagree, 3= Moderately Agree, 4= Agree and 5=Strongly Agree. From the responses, mean and standard deviation were used for ease of interpretation and generalization of findings. The findings are clearly illustrated in the proceeding presentations.

Internal Auditor’s independence and services delivery:

internal auditors are praised in audit publications had a mean of 4.15 with a standard deviation of 0.760, the flexibility of processes and controls to manage changing environment with new risks, or operational gaps had a mean of 4.14 with a standard deviation of 0.763, internal auditors are recognized at annual audit conference had a mean of 4.12 with a standard deviation of 0.762, top management through its support and policies demonstrates their enthusiasm to cultivating trust, integrity and competence within the ministry had a mean of 4.11 with a standard deviation of 0.765. The respondents strongly agree with the statements thus this finding concurs with those of Kamere (2013) who carried out a study on challenges faced in professionalizing the internal auditor’s role in Kenya’s industrial and Allied companies listed in the Nairobi Stock Exchange. He established that failure to realign skills to address new requirements, failure to conduct risk assessments by management, poor leveraging of ICT to attain efficiencies and failure to cope with diminished resources, affects the performance of internal auditors.

Internal Auditor’s dependence and services delivery:

Internal Auditor’s Working Environment and performance	Mean	Std. Dev.
Internal auditors are provided with formal audit training courses	3.86	.814
Internal auditors are given opportunities to attend audit conferences/seminars/exchange programs	3.75	.750
Internal auditors are provided with training opportunities in employer specific operations in a bid to enhance their output	3.77	.899
Internal auditors are accorded with on-job skills that suit their work in the internal audit unit	3.85	.806
The organization has future training plans for each internal audit staff	3.72	.734

Internal Auditors Technical Competence:

The study sought to find out the extent to which the respondents agreed with the statement on internal Auditor’s technical competence. A five point Likert scale was provided ranging from: a scale of 1 to 5 where 1= significantly below expectation, 2=below expectation 3=Meets (on average) expectation, 4=above expectation and 5=Exceptionally above Expectation and from the responses mean and standard deviation was calculated.

Internal Auditor and Consulting:

As shown on Tale 4.5, understanding county processes had the highest mean of 4.26 with a standard deviation of 1.004 followed by both management and operation research skills which had a mean of 4.23 with a standard deviation of 0.883, how higher-level objectives link with ministry’s operational objectives had a mean of 4.21 with a standard deviation of 0.905, the county’s attitude towards identified risks had a mean of 4.15 with a standard deviation of 1.07 and the county’s key related risks and how they impact high-level objectives had a mean of 4.13 with a standard deviation of 0.905.

Internal Auditor and Consulting:

Internal Auditor and Consulting	Mean	Std Dev
Internal auditors are aware of various principles of risk assessment and appraisal as well as risk management	3.68	1.357
There is adequate awareness of risk management strategy for the ministry	2.97	1.026
There is a deep understanding of the ministry’s attitude towards identified risks	4.15	1.127
There is awareness of county ’s key related risks and how they impact their high-level objectives	4.13	.905
There is understanding of how higher-level objectives link with ministry’s operational objectives	4.21	.905

Internal Auditor Expertise:

As shown on Table 4.6, governance, risk, and control tools and techniques had a mean of 4.11 with a standard deviation of 0.934, project management had a mean of 4.10 with a standard deviation of 1.133, electronic work papers had a mean of 4.07 with a standard deviation of 1.075, Process modeling software had a mean of 4.05 with a standard deviation of 0.952, understanding performance and measurement principles verses output targets designed to deliver objectives had a mean of 4.02 with a standard deviation of 1.052. The statements were above expectation as indicated by the respondents and concurs with Paape (2011) who mentioned that lack of adequate knowledge and relevant experience causes inability and failure of audit committee members to understand their roles and responsibilities in the organization and Haron (2013) that absence of these qualities also affects the technical aspects of some of the internal auditors’ roles, particular in case of internal control evaluation.

Internal Auditor Expertise:

Internal Auditor Expertise	Mean	Std Dev
Internal auditors possess the ability to relate the organizations risk appetite to the application of controls in operational areas	3.94	1.113
There is understanding of performance measurement principles against output targets and these are designed to deliver objectives	4.02	1.052
There is knowledge on financial analysis tools and techniques	2.93	.958
Internal auditors are proficient in the use of IT/ICT and tech-based audit techniques	3.67	1.255
Internal auditors are proficient in forensic skills/fraud awareness	4.15	1.027
Internal auditors are proficient in project management	4.10	1.133

4. CONCLUSION AND RECOMMENDATIONS

Internal Auditor’s independence:

The management in the ministries should keep organizing seminars and workshops where the internal auditors would be trained frequently by experts either internally or externally. Internal Auditors must have sufficient proficiency and training to carry out the tasks assigned to them. The auditor's work must be carefully directed, supervised and reviewed. The amount of supervision required should correspond to the experience and skill of the internal auditor.

Internal Auditors Technical Competence:

The management in the concern ministries should procure the latest ICT internal audit software which will ensure better determination of risks and enhance fast delivery of services including the detection and prevention of frauds and/or non-compliance with public expenditure management. Internal auditors should also be fully trained on how to use the latest internal audit software which should be frequently upgraded to keep abreast with changing technology. Internal auditors should also be exposed to the developments in the internal audit frameworks regularly pronounced by the Institute of Internal Auditors, professional bodies like the Institute of Certified Public Accountants of Kenya and those promulgated by agencies like the World Bank, IMF and UNDP that support the enhancement of governance in the public sector.

Recommendations for Further Studies:

This study recommends that a similar study be done but to concentrate on the new levels of government such as County governments apart from Bomet county and other arms of government such as the Judiciary and the legislature. The County governments are particularly important as these are made up of the County executive and the County legislatures (i.e. County Assemblies). Also to be included should be a study of the internal audit function in parastatals, regulatory agencies of government and independent commissions which were setup under the 2010 constitution. Such studies when combined with the findings of this study will enable a clearer picture of the challenges facing internal audit in public sector and will help in enhancing the internal audit function in the public sector in Kenya and thus positively affecting their performance.

REFERENCES

[1] Adel S. M. (2011). Internal audit effectiveness: an expansion of present methods, *Managerial Auditing Journal*, 16(8):89-112.

[2] Adeniyi, A. A. (2004). *Auditing and Investigations*. Yaba College of Technology, Yaba Lagos.

[3] Ahlawat, S. S. and Lowe, D. J. (2014). An examination of internal auditor objectivity: In house versus outsourcing. *Auditing: A Journal of Practice and Theory*. 23: 3.

[4] American Accounting Association-AAA (2011) Response to the Progress Report of the SEC *Advisory Committee on Improvements to Financial Reporting* (Release No. 33-8896; File No. 265-284

[5] Anderson, J. Asare, S. K., & Wright, A. (2013), The impact of risk checklists and a standard audit program on the planning of fraud detection procedures, University of Florida, Gainesville, FL, working paper, .

- [6] Annuar, N. (2011). The effectiveness of the internal auditor in Malaysian listed institutions. *Akauntan Nasional*, 14(9):30-53.
- [7] Beckmerhagen, I. A. (2013). On the effectiveness of quality management system audits. *The TQM Magazine*, 16(1):14-25.
- [8] Belay, Z., 2007. A study on effective implementation of internal audit function to promote good governance in the public sector. Presented to the The Achievements, Challenges, and Prospects of the Civil Service Reform Program Implementation in Ethiopia, Conference Ethiopian Civil Service College Research, Publication and Consultancy Coordination Office.
- [9] Brody, R. G. & Lowe, D. J. (2010). The new role of the internal auditor: Implications for internal auditor objectivity. *International Journal of Auditing* 4 (2): 169-176.
- [10] Brown, P. R. (2013). Independent auditor judgment in the evaluation of internal audit functions. *Journal of Accounting Research*, 21(2) :444-455.
- [11] Brune, C. (2010). Internal Audit Issues Analyzed. *Internal Auditor*, 57(5), 14.
- [12] Cai, C. (1997). On the Functions and Objectives of Internal Audit and their Underlying conditions, *Managerial Auditing Journal*, 12(4), 247-250.
- [13] Cattrysse, J. (2014). *Reflections on Corporate Governance and the Role of the Internal Auditor*. Roularta Media Group.
- [14] Chepkorir J. (2009). The challenges and roles of internal auditors in the banking sector in Kenya. Unpublished MBA Project, University of Nairobi.
- [15] Cohen, J.R., Krishnamoorthy, G. & Wright, A. (2008). Form versus substance: the implications for auditing practice and research of alternative perspectives on corporate governance, *Auditing Journal* , 27(2):181-98.
- [16] Dess, Gregory G.; Lumpkin, G.T. (Tom); Eisner, Alan B. 2010. *Strategic Management: Creating Competitive Advantages*, 5th Edition. McGraw-Hill.
- [17] Diamond, M. J. (2002). The role of internal audit in government financial management: An international perspective. *International Monetary Fund*, Number. 2-94.
- [18] Dittenhofer, M. (2011). Internal auditing effectiveness: An expansion of present methods. *Managerial Auditing Journal*, 16(8): 443-450.
- [19] Fama, E.F. and M.C. Jensen (2013), Separation of ownership and control', *Journal of Law and Economics*, 26(3):301-25.
- [20] Eden, D, & Moriah, L. (1996). Impact of internal auditing on branch Bank Performance: A field experiment', *Organizational Behavior and Human Decision Performance*, 68(1), 262-71
- [21] Goodwin, J. & Yeo, T. Y. (2011). Two factors affecting internal audit independence and objectivity: Evidence from Singapore. *International Journal of Auditing* 5(1): 107-125.
- [22] Goodwin, J. (2013). The relationship between the audit committee and the internal audit function: Evidence from Australia and New Zealand. *International Journal of Auditing* 7(2): 263-278.
- [23] Goodwin, J. (2014). A comparison of internal audit in the private and public sectors, *Managerial Auditing Journal*, 19(2):67-78.
- [24] Goodwin, J. (2014). A comparison of internal audit in the private and public sectors. *Managerial Auditing Journal*, 19(5):640-650.
- [25] Goodwin-Stewart, J. & Kent, P. (2006), The Use of Internal Audit by Australian Companies', *Managerial Auditing Journal*, 21(2):56-79.
- [26] Hack, S. (2013). Greater expectations for internal auditors. CA magazine, March 2008 issue.
- [27] Hung, J.-H., & Han, H.-L. (2008). *An empirical study on effectiveness of internal auditing for listed institutions in Taiwan*. Retrieved November 4, 2015.

- [28] Holmes, R., & Holmes S. (2002). *Profiling violent crimes an investigative tool*. Sage Publications Limited.
- [29] The Institute of Internal Auditors Research Foundation (IIARF), 2014. Nine elements required for internal audit effectiveness in the public sector. 247. Florida: Maitland Avenue Altamonte Springs 32701-4201.
- [30] IIA, (2012). *The standards for the professional practice of internal auditing*. Altamonte Springs: The Institute of Internal Auditors, Research Foundation.
- [31] Institute of Internal Auditors Research Foundation (2009). International Professional Practice Framework. Internal Control Weaknesses *Managerial Auditing Journal*, 19(6): 56-76.
- [32] Jamal, A. S. (2011) The Reality and Constraints of Using Analytical Procedures in the Control of Public Fund Jordanian Audit Bureau Case *European Journal of Economics, Finance and Administrative Sciences* ISSN 1450-2275 Issue 34 (2011).
- [33] Kadondi, O. N. (2012). Internal audit education: exploring professional competence, *Managerial Auditing Journal*, 11 (5): 28-36.
- [34] Kamere, N. H. (2013). *Challenges faced in professionalizing the internal audits function in Kenya's industrial and Allied companies*. Post-Sarbanes-Oxley era: the role of auditors and corporate governance, working paper, George Mason University.
- [35] Kibara, C. W. (2007). A survey of internal auditors' risk management practices in the banking industry in Kenya. Unpublished MBA Project, University of Nairobi.
- [36] Kibet, P. K. (2008). A survey on the role of internal audit in promoting good corporate governance in SOEs. Unpublished MBA Project, University of Nairobi.
- [37] Kiprono, D. K. (2010). The factors that contribute to the report environment for the internal auditors in Public Universities in Kenya Unpublished MBA Management Research Paper, University of Nairobi.
- [38] Kirira N., (2010). Public Finance under the New Constitution, *Society for International Development Constitution Working Paper Series* 5(1), 1-25.
- [39] Kombo, D. K., & Tromp, D. L. (2006). Project and thesis writing: An introduction. Nairobi: *Paulines Publications Africa*, 10-45.
- [40] KPMG's Audit Committee Institute (2013). *An Approach to Effective Audit Committee Self-evaluation*
- [41] Krishnan, G. V., & Visvanathan, G. (2013). Reporting Internal Control Deficiencies in the Post Sarbanes Oxley Era: The Role of Auditors and Corporate Governance. *International Journal of Auditing*, 11(2), 73-90.
- [42] Lawrence, R. (2013). Risky Business Team with Audit Committee to Tackle It Security Needs. *Journal of Accountancy*, www.findarticles.com, June 2006
- [43] Lin, S., Pizzini, M., Vargus, M., & Bardhan, I. R. (2011). The role of the internal audit function in the disclosure of material weaknesses. *The Accounting Review*, 86(1), 287-323.
- [44] Louis O. Maingat, M. & Zeghal, D. (2010). *A survey of audit committees in Canada*", paper presented at the 23rd EAA Annual Congress, 29-31 March, 2000, Munich.
- [45] Mahmoud, A. & Ehab, N. (2011). Measuring the Degree of Implementation of Internal Audit Based on Business Risk in the Banking Sector of Jordan, *Arab Journal of Management*, 27 (2): 51-67
- [46] Maletta, M. J. (2013). An examination of auditors' decisions to use internal auditors as assistants: The effect of inherent risk. *Contemporary Accounting Research*, 9(2) : 508-525.
- [47] Margheim, L. L (2013). Further evidence on external auditors' reliance on internal auditors *Journal of Accounting Research*, 24(1):194-205
- [48] Messier, W. F., & Schneider, A (2008). A hierarchical approach to the external auditor's evaluation of the internal audit function *Contemporary Accounting Research*, 4(2): 337-353.
- [49] Mihret, D. G., & Yismaw, A. W. (2011). Internal audit effectiveness: An Ethiopian public sector case study. *Managerial Auditing, Journal*, 22(5), 470-484

- [50] Millichamp, G. M. (2012), *Risk Management: Changing the Internal Auditor' Paradigm*, Institute of Internal Auditors Research Foundation, Altamonte Springs, F L .
- [51] Mizrahi, S, & Ness-Weisman, I. (2007). Evaluating the effectiveness of auditing in local. Municipalities using analytic hierarchy process (ahp): A general model and the Israeli example. *International Journal of Auditing*, 11, 187–210.
- [52] Montondon, L. G., & Fischer, M. (2009). University audit departments in the United States *Financial Accountability & Management*, 15(1): 85-94.
- [53] Morgan, W. J. (2009), An assessment of the newly defined internal audit function, *Managerial Auditing Journal*, 17(3):56-83
- [54] Mugenda, G. A. (2008) *Research Methods* Nairobi: Acts Press.
- [55] Nagy, A. and Cenker, W. (2002). An Assessment of the Newly Defined Internal Audit Function. *Managerial Auditing Journal*, 17(3), 130-137.
- [56] OECD (2007). *Performance Budgeting in OECD Countries*, OECD Paris.
- [57] Otieno, S. (2012). Members Lose KShs 60 Million As Kisumu Sacco Collapses. The Star newspaper (2012, March 28th)
- [58] Owens, M. A. (2012). Professionalism, Ethical Codes and the Internal Auditor: A Moral Argument, *Journal of Business Ethics*, 24.
- [59] Ower L. & Brown J. L. (2009). *Cost and Management*, Accounting Methods Macdonald & Evans Press London pp.39
- [60] Paape, L. (2011). Corporate governance: The impact on the role, position, and scope of services of the internal audit function. *Unpublished PhD dissertation Erasmus Research Institute of Management* Erasmus University, Netherlands.
- [61] Pilcher, R., Gilchrist, D, & Singh, I. (2011). The Relationship between internal and external audit in the public sector – A Case Study 1-23.
- [62] Ramsay, I. (2002). Independence of Australian Company Auditors: *A Review of Current Australian Requirements and Projects for Reform*, October 2002.
- [63] Scarbrough, D. P., Rama, D. V., & Raghunandan, K. (2008). Audit committee composition and interaction with internal auditing: Canadian evidence *Accounting Horizons*, 12(1): 51-62
- [64] Schneider, A. (2014). An examination of whether incentive compensation and stock ownership affect internal auditor objectivity. *Journal of Management Issues* 15 (4): 486-497
- [65] Smith, M. Normah, Zulkarnain & Ithnahaini (2001). Auditors' perception of fraud risk indicators: Malaysian evidence. *Managerial Auditing Journal*, 20(1):73-85.
- [66] Sterck, M., & Bouckaert, G. (2014) International audit trends in the public sector *The Internal Auditor*, 63(4): 49-53.
- [67] Stoner A. F. (1994). *Management*. New Jersey: Practice Hall Inc. Company
- [68] Veal, A. J. (2005) *Business research methods: A managerial approach* (2nd ed.). Frenchs Forest, New South Wales: Pearson Addison Wesley.
- [69] Viswesvaran, C. (2012). Perspectives on models of job performance. *International Journal of Selection and Assessment*, 8(4), 216-226.
- [70] Waweru, N. M., & Riro, G. K. (2013). Corporate Governance, Firm Characteristics and Earnings Management in an Emerging Economy. *The Journal of Applied Management Accounting Research*, 11(1), 43-64.