

**EFFECTS OF INTERNAL AUDIT PRACTICE ON PERFORMANCE OF
PUBLIC COMMISSIONS IN KENYA: A CASE OF PARLIAMENTARY
SERVICE COMMISSION OF KENYA**

ANGELICAH WANJIRU KABUE

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DECLARATION

I declare that this applied research project is my original work and that it has not been presented in any other university for academic credit

Signature: ----- Date: -----

Name of student: Angelicah Wanjiru Kabue

SUPERVISOR'S DECLARATION

This applied research project is submitted for examination with my approval as the university supervisor

Signature: ----- Date: -----

Name of supervisor: Dr. Peter G.T. Gaiku

**AFRICA NAZARENE UNIVERSITY,
NAIROBI, KENYA**

DEDICATION

Dedicated to my family for their love, encouragement, moral and financial support throughout this course. They ignited the little energy that was left in me and encouraged me to finally able to accomplish my goals.

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ABSTRACT

Public Commissions in Kenya are importance arms of the executive in the management of constitutional affairs. The aim of this study was to investigate the effects of internal audit on performance of public commissions in Kenya. The specific objectives of the study were; to determine the effect of expertise of the internal auditing staff on the performance of Public Commission in Kenya, to examine the effect of internal audit controls on the performance of Public Commissions in Kenya and lastly, to investigate the effect of top management support of internal Audit on performance of public Commission in Kenya. Parliamentary service commission was the proxy for public service commissions in Kenya. The study was underpinned on two theories namely the agency theory and institutional theory. The study targeted members of internal audit committee of the twelfth parliament – (first session) the national assembly membership of committees. These are the public accountants (19 members), public investment (19 members) and the special fund accounts committee (19 members). Thus, the target population of the study will be 57 people. Due to the population size of parliamentary commission, the study took the census approach to collect data from all the members of the audit committee in the parliamentary service commission. The study followed a descriptive study design. Primary data was collected by the use of questionnaires. Descriptive techniques through the use of descriptive statistics such as mean, frequency, percentages and standard deviations were used. Content analysis was used to collect the qualitative data. Data analysis was done through the use of Statistical Package for Social Sciences (SPSS). Data was then presented using tables and figures. The relationship between variables was achieved through the use of multiple regression analysis. The results indicated that internal audit had positive and significant effect (p-value of 0.001) on performance of public commissions in Kenya. Internal audit expertise had a p-value of 0.000 which meant it had a positive and significant effect on performance. Internal audit controls had a p-value of 0.210 which resulted to positive and but non-significant effect on performance. Top management support of internal audit had a p-value of 0.000 which implied it had a positive and significant effect on performance. The study recommends that managers and policy makers should pay attention to internal audit staff expertise for it has the greatest effect on performance of public commissions.

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LIST OF ABBREVIATIONS

AIG	America International Group
CAN	Clerk of the National Assembly
CMA	Capital Markets Authority
CMC	Cars & Motors Centre
COSO	Committee of Sponsoring Organizations of the Tread Way Commission
GOK	Government of Kenya
IA	Internal Audit
ICPAK	Institute of Certified Public Accountants of Kenya
IIA	Institute of Internal Auditors
NSE	Nairobi Securities Exchange
NSSF	National Social Security Fund
OECD	Organization for Economic Cooperative & Development
OLS	Ordinary Least Square
PARLSCOM	Parliamentary Service Commission
SNA	Speaker of the National Assembly
SOX	Sarbanes-Oxley
SPSS	Statistical Package for Social Sciences

DEFINITION OF TERMS

Internal audit: In its definition, the IIA (2010) defined internal audit as the extent to which the set goals and objectives are achieved.

Internal audit staff expertise: This is defined by Ebaid (2011) as the knowledge and skills possessed by the internal audit staff that enables them to carry out their duties diligently. Internal auditors should be knowledgeable in their field because internal auditing is an advisory function, not an operational.

Internal controls: This is defined as a process that is affected by the internal personnel of an organization, such as the board of directors, management and other personnel, aimed at providing a rational assurance with regards to the achievement of an organization's goals and objectives. The objectives are usually in relation the performance and efficiency of operations, reliability of financial and management reporting, compliance with applicable laws and regulations and protect the organization's reputation (Kaplan, 2008).

Public Service Commission: This is the government sector dedicated to offer services to all the citizens of Kenya. The public sector in Kenya provides those services that cannot be left in the hands of individual entrepreneurs.

Top management level support: This is defined as all efforts provided by the top level management to its internal audit function, geared towards attaining the goals and objectives of the internal audit department, and the overall organizational goals.

CHAPTER ONE: INTRODUCTION AND BACKGROUND OF THE STUDY

1.1 Introduction

This chapter presents the background of the study, the statement of the problem, the general and specific objectives, the scope and significance of the study and the conceptual framework.

1.2 Background of the Study

Public and government entities are expected by citizens to be efficient and effective in their operations of discharging societal expectations of managing public affairs. There are many activities that such entities can apply toward this end, one such mechanism is Internal Audit. As defined by the Institute of Internal Auditors (IIA), internal audit an activity which is independent, consulting and objective oriented. It is aimed at adding value and improving the operations of an organization (IIA, 2010). Internal audit as an activity, aids a firm to achieve its set objectives by incorporating a systematic, disciplined approach to evaluate and improve the performance of risk management, controls, and governance processes. As a value adding service, Internal auditing provides and independent review of the operations and controls within a firm in an attempt to determine the exactitude and dependability of information; ensuring that an organizational risk are pointed out and minimized; rules and legislature are complied with; resources are efficiently and economically used; and lastly, to ensure that a firm's goals and set objectives are achieved (Ackers, 2011).

When effectively functioned, internal audit (IA) play a critical function in monitoring and appraising financial management activities in government sectors, thereby helping an organization achieve its objectives. Additionally, it helps public organizations to attain

accountability and uprightness, assists in improving the implementation of government programs and develops assurance among the stakeholders like the general public. It also helps in dealing with any risk that might arise as a result of mismanagement of public fund (Dittenhofer, 2011). Organizations with effective IA activities are at an advantage because they are well positioned to point out any business risks and come up with the best corrective strategy to mitigate the associated risks. However, when internal auditing is poorly functioned, it leads to high levels of costs which do not add any value to the organization, poorly executed auditing systems, weak management operations, and eventual, company's quality management system breakdown. Addressing the issues that decreases the performance of IA greatly helps in locating where the problem is and thereby save the organization from such breakdown (Kakucha, 2009). The key objective of this study will be to determine the effect of internal audit on the performance of the Public Service commission in Kenya.

The public finance management provisions in Kenya, in the new Constitution was highly engineered by the prerequisite to abolish past excesses and abuses. Chapter 12 article 201 of the new Constitution points out the controlling principles and guide public finance, which should change the policy formulation and management of public funds and resources if it is followed (Kirira, 2011). Some of the major principles outlined are: Sincerity, taking responsibility and public involvement; Equity in terms of the way the tax burden should be shared fairly at all levels of governance; Public expenditure should be shared equitable for equal development and cater for those in the marginalized areas and the special case groups; The debts, both burden and benefits should also be shared equally between current and future generations; Discreet and responsible use of public

resources and a detailed public financial management with clear fiscal reporting (Kirira, 2011). The gap is that there lacks an extensive and elaborate content on the concept of internal audit.

In Kenya, The Public Financial Management Act of 2012 provides the set-up of internal audit function and the Public financial management regulations of 2015. The two laws advocate for the implementation of the regulations through the 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, 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).

The importance of internal audit in an organization is because it brings perfection in the performance of government organizational activities (Unegbu & Kida, 2011). Any operation in an organization can be viewed as effective in terms of its performance if its results lead to the achievement of the set objectives (Ussahawanitchakit & Intakhan, 2011; Ahmad, Othman, & Jusoff, 2009). The institute of Internal Audit (2010) as the extent to which the set goals and objectives are achieved. Pungas (2003) noted that, for effective performance of the organization, the objectives need to be as clear as possible. Different organizational operations in terms of internal audit differs from one organization to another, and the concerned countries as well (Al-Twajry, Brierley & Gwilliam, 2003).

In the past, a number of financial scandals have been reported in various companies both in local and international scene. For example, in America, investors lost \$180 billion in World Com Scandal of 2002, \$150 million in Tyco during the scandal of 2002, \$1.4 billion in Heath South Scandal of 2003 (the largest publicly traded company) and \$3.9 billion in America international Group (AIG) scandal of 2005, were among some of the several financial fraudulent activities affecting publicly quoted companies. In the early millennial years, various high end organizations experienced financial scandals that resulted in their investors, stakeholders and staff to experience massive losses. These scandals were an eye opener for the need for greater emphasis on corporate governance and in particular establishment of audit committees. In July 2002, the United States Congress passed the Sarbanes-Oxley Act (SOX) in an attempt to minimize public concern over a number of high profile organizational fiascos in the US (COSO, 2013).

In Kenya, Statistics available from CMA (2014) have shown that a high number of firms especially quoted companies have registered declining financial performance. Examples include; Kenya Airways which reported a loss of Ksh10 billion, Mumias Sugar Company Ksh3.4 billion losses, Uchumi Supermarket Ksh226 million loss, Eveready East Africa limited Ksh248 million loss and CMC Holding suspended from NSE among others. Rezaee and Zabihollah (2002) revealed that financial reporting is ineffective due to corruption, frauds, and ineffective regulations that have led to poor financial performance in publicly quoted companies. According to World Economic Forum (2013), Kenya was ranked position 106 out of 144 due to mega corporation scandals. Some of the companies cited by the report for poor corporate governance were CMC and Centum Ltd.

1.2.1 Public Service Commissions

A public service commission in Kenya is the government sector that is dedicated to offer services to all its citizens. This is done in two ways; through the public sector and through private financing of services. The nomination to the public sector is often done through a democratic election and thus termed as social consensus. The mandate is to make sure that all services are rendered to its citizens regardless of the income capacity. The sector whether publicly or privately financed usually operate under strict regulations. A public service in Kenya is the characteristics of a public good (being non-rivalrous and non-excludable), but most are merit goods, that is, services which may (according to prevailing social norms) be under-provided by the market. Therefore, the public sector in Kenya provides those services that cannot be left in the hands of individual entrepreneurs. Some of the public service commissions include; Commission on Administrative Justice, Commission on Revenue Allocation, Ethics and Anti- Corruption Commission, Independent Electoral and Boundaries Commission, National Land Commission, Public Service Commission, Teachers Service Commission and Salaries and Remuneration Commission and the Judicial Service Commission. This study will focus on Parliamentary Service Commission (Public Service Commission Act of 2017)

1.2.2 Parliamentary Service Commission

The quest by parliament as an arm of Government of Kenya to acquire autonomy and independence from the executive dates back to first parliament of independent Kenya (Parliamentary Service Report, 1998). This was aimed at reducing control of management and administrative process and structure of the parliament from the control

of the executive and vests them in organs created by, from and direct answerable to parliament. To attain this, Parliamentary Service Commission (PARLSCOM) was created by the Constitution of Kenya (GOK, 1999) comprising of ten members; Speaker of the National Assembly (SNA) as the chairperson, vice-president, leader of official opposition party in the house and seven members of parliament with Clerk of the National Assembly (CNA) as the secretary. To fulfill this, the commission created a secretariat of two hundred members of staff, headed by CNA with a deputy and two senior clerk assistant in charge of public relations and parliamentary relations respectively (PARLSCOM Annual Report, 2000).

Since the enactment of Parliamentary Service Act of 2000, the institution has been restructured which has resulted to creation of four directorates, each headed by a director. This is in addition to creation of specialized departments of research, legal affairs and an independent Parliamentary Budget Office (PARLSCOM Strategic Plan, 2008-2018). The secretariat has evolved to cope with increased demands by the members of parliament for quality, timely and professional advice and support to enable them fulfill their constitution mandate. This has led to further expansion of the PARLSCOM with acquisition of various buildings to accommodate expanded workforce which currently stands at 650 under nine directorates (PARLSCOM Annual Report, 2010). The institution is currently enshrined under section 127 of the Constitution of Kenya (GOK, 2010) with a broad mandate of provision of services and facilities to ensure efficient and effective functioning of the bicameral parliament consisting of the National Assembly and the Senate. The commission is expected to prepare annual estimates of expenditure of the Parliamentary Service and submitting them to the National Assembly for approval.

This is in addition to exercising budgetary control over the service, undertaking programs with other relevant organizations to promote the ideals of parliamentary democracy and performing any other function as prescribed by a national legislation.

The promulgation of the Constitution of Kenya (GOK, 2010) remains the biggest force for change in all the three arms of government (Legislature, Judiciary and the Executive), where the legislature is seen as a core player in its implementation. The introduction of senate as an upper house in the legislature calls for adoption of various strategic changes in Parliament to enable it play its role as distinctively outlined in the constitution. This clearly shows that PARLSCOM has to implement various changes in its structure, infrastructure, systems and human resource to accommodate the expanded role of a bicameral parliament of two houses whose mandates are distinct. This includes review of commission's systems and procedures to support linkage between the National Assembly and the Senate, development of appropriate structure to accommodate additional constitutional office holders and staff, building of adequate infrastructure to cater for expanded representation of 350 members in the National Assembly, from the previous number of 222 members. This is in addition to 65 members of the senate (PARLSCOM Revised Strategic Plan, 2008:2018).

It is the responsibility of PARLSCOM to facilitate current parliament in enacting the forty-nine legislations necessary to operationalize the constitution and to provide facilities needed to accommodate the significantly increased number of members of parliament and the senate (PARLSCOM Strategic Plan, 2008:2018). To actualize the various changes that are required, a taskforce on implementation of the new constitution was appointed by the CNA to undertake key changes under four thematic areas:

Enactment of laws required to operationalize the constitution and advising on the legal aspects of the acquisition of properties within the proposed parliamentary square; Review of the 2008/2018 PARLSCOM Strategic Plan; Re-casting of the budget for 2010/2011-2012 Financial Years and preparation of appropriate offices for staff of the Senate and National Assembly (PARLSCOM, 2010).

1.3 Statement of the Problem

Internal audit plays a vital role in public financial management in most countries. In Kenya, each government Ministry has a functioning Internal Audit Committee whose role is to help with the streamlining of public finance management (ICPAK, 2015). Recent scandals in Kenya for example the ones that affected the Judiciary and the Ministries of Agriculture and Education reveal poor internal audit performance mainly due to bureaucracy in transparency and which resulted in misappropriation of public finance and losses of funds (GOK, 2013). Similarly, when the public sector has a weak internal audit processes and procedure, the result is an increase in the failure of the same to detect any fraudulent activities and major loses. This results to poor performing internal auditors in the public sector (Otieno 2010).

Various studies on internal audit have been conducted over the years. Waweru (2013) found Audit Committees and Corporate Governance in developing Countries with a specific focus on Kenya. The study however failed to tackle the issue of the performance of public financial management. Kibet (2008) in his study concluded that internal audit function played a vital role in corporate governance. Ahmad (2013) found internal audit processes were associated with efficient management of public funds. The study however did not discuss anything relating to internal audit. In Nigeria, Ojo (2009) revealed the

need for developing countries to ensure efficient management of funds, but failed to focus on the influence of internal audit on performance. Enofe et al. (2013) established that internal audit plays key role in ensuring effective management in public sector, but failed to link it to public financial management. Jordaan (2013) found that understanding public finance management is imperative as it forms an integral element in national development and growth which is central to the existence of functional governments; however, the study failed to show the association between internal auditing and performance.

These studies however did not focus on the effects of internal audit on performance. Some studies have narrowed their scope on employee satisfaction, management process, and technology capabilities and not on performance. To the best of the knowledge of this author there are no studies that have tested the relationship between internal audit and performance in public commissions in Kenya. This knowledge gap occasioned a study which will examine the effects of internal audit on performance of public service commissions in Kenya.

1.4 Objectives of the Study

This section presents the general objective and the specific objectives of the study.

1.4.1 General Objective

The general objective of the study was to examine the effects of internal audit practice on the performance of Public Commissions in Kenya. A case of Parliamentary Service Commission of Kenya.

1.4.2 Specific Objectives

The specific objectives of this study included;

- i. To determine the effect of internal audit staff expertise on performance of Public Service Commissions in Kenya.
- ii. To examine the effect of internal audit controls on performance of Public Service Commissions in Kenya.
- iii. To investigate the effect of top management support of internal Audit function on performance of Public Service Commissions in Kenya.

1.5 Research Questions

- i. What was the effect of internal audit staff expertise on performance of Public Service Commissions in Kenya?
- ii. What was the effect of internal audit controls on performance of Public Service Commissions in Kenya?
- iii. What was the influence of top management support of internal Audit function on performance of Public Service Commissions in Kenya?

1.6 Significance of the Study

This study provided critical information to the various stakeholders in the corporate world. The study may help the management of the public sector to understand the vital role played by internal auditing function in their organizations and better acknowledge the problems and challenges they encounter as they carry out their responsibilities and ultimately help them solve these problems.

The study would help governing bodies and senior management in the public sector see the need of internal audit for the efficient and effective performance. Another importance of this study is that it outlines the mission of the internal audit and make it known and supported by the top management government officials, in an attempt to improve the risk and control management systems and good governance.

The study may contribute in informing the duty and responsibilities of internal auditors in their respective organizations and any preempts the challenges they are likely to encounter as they perform their duties on a day-to-day basis. Internal auditing provides assurance to the external donors, regulatory bodies, and the government and policy makers.

The study provides assurance about the contribution of auditing function to the public financial management to foster quality service delivery. These bodies may use this study to make policies that all public sector corporations can use as fully developed internal audit functions.

To the academicians and scholars, the study adds significantly to the internal auditing knowledge frontier. The study contributes to the existing literature regarding the effect of internal audit to public financial management and also will point out areas for further research.

1.7 Scope of the Study

The study sought to examine the effects of internal audit practice on the performance of Public Commissions in Kenya. A case of Parliamentary Service Commission of Kenya.

The study sought to establish the extent to which internal auditor's expertise, internal audit controls and top management support affects performance of Public Commissions in Kenya. The study was conducted for over one month and targeted members of internal audit committee of the twelfth parliament – (first session) the national assembly membership of committees. These are the public accountants (19 members), public investment (19 members) and the special fund accounts committee (19 members). Thus, the target population of the study will be 57 people. The respondents are busy people and getting appointments might prove to be difficult.

1.8 Limitations of the Study

The researcher anticipated a number of limitations while carrying out the research. The researcher had limited access to vital information due to the confidential nature of the information. However, to mitigate this, researcher used a cover letter to introduce the study and assured respondents that the feedback was for academic research purpose only.

1.9 Delimitations of the Study

The study concentrates mainly on the performance of Internal Audit in the public sector and therefore dwelled too much on service delivery. The study was limited to the internal audit committee of the twelfth parliament and thus it greatly limited the scope of the study, given that the findings was used to generalize the entire public commissions of Kenya which is a big body.

1.10 Conceptual Framework

The purpose of the framework is to assist the reader understand anticipated relationship between variables (Mugenda & Mugenda, 2003). The study adopted the below

conceptual framework in an attempt to answer the research questions. Figure 1.1 which summarizes the relationship between the dependent variable and the independent variables.

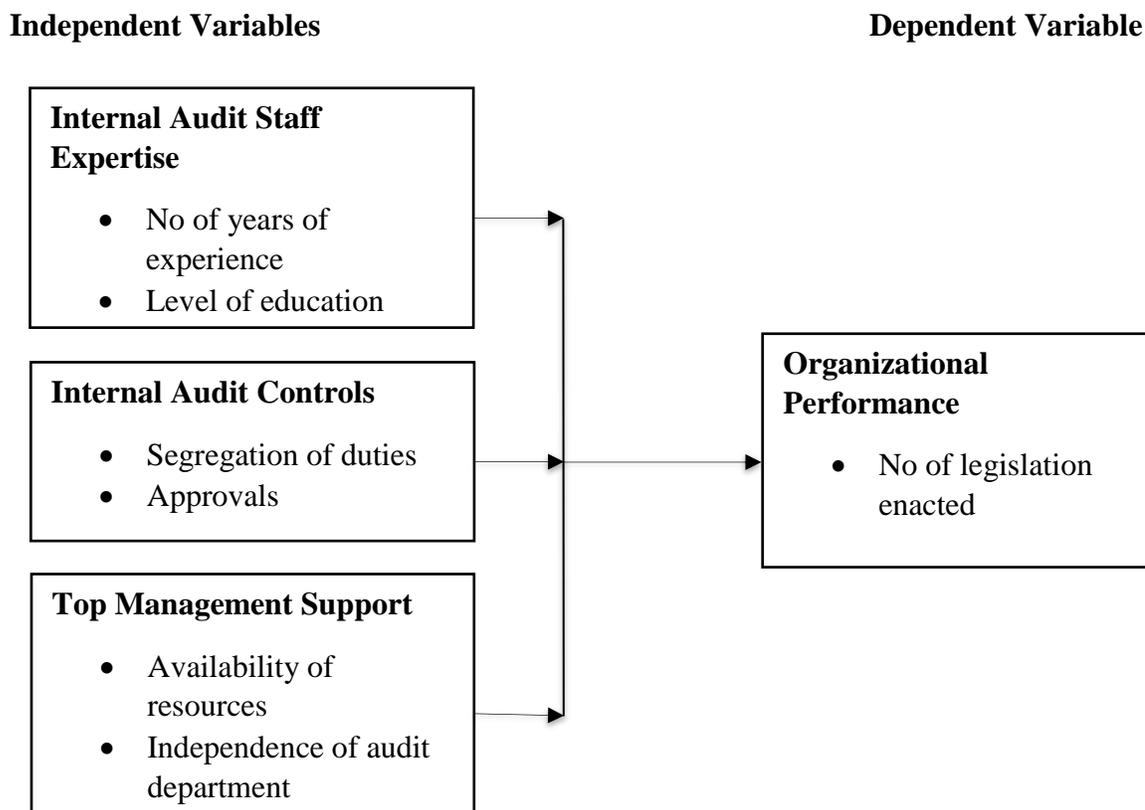


Figure 1.1 Conceptual Framework

The expertise of internal auditors is vital in enhancing good performance and making sure that there is effective use of the public resources. The personnel of the internal audit department ought to be well skilled, knowledgeable and qualified for them to work well. Morgan (2009) speculated that experience is a vital element as far as internal auditing is concerned. The internal auditors need also to have the expertise. The major aspect

required by internal auditors is ensuring that their independence, expertise, integrity and diligence to perform their role effectively.

Holmes and Holmes (2012) argues that occupational fraud risks increased with noncompliance to the written policies. Kiragu (2015) also observed that thorough internal audit controls are required to manage occupational fraud. Further, it is important that the combination of diverse policies and procedures which make up those controls respond effectively to management directives and are clearly stipulated in organizations policies and procedures. Control activities in an organization are often evident in all levels within a range of activities such as approvals, authorizations, verifications, reconciliations, reviews of operating performance, security of assets and segregation of duties (Asembo, 2007). Control activities usually complement each other and different types of control activities exist, such as preventive controls, detective controls, manual controls, computer controls and management controls (Dittenhofer, 2011).

Management support comes in where the goals and objectives of the internal audit are to be achieved. Their importance is in the commitment and support they offer which is critical for the internal auditors to perform well. In this scope, the top management can do this by making sure that they first understand the role of the internal audit and secondly by identifying gaps and assisting in the case of district, municipal and metropolitan assemblies, the chief executives and other high government officials should show a high commitment in improving the quality of internal audit. Support for the internal audit unit in all parts of the organization to ensure, as far as possible that the

auditors are treated with respect. It would be important that the role of internal audit and its powers are well understood within the organization (Aburabe, 2015).

The importance of performance in the public sector is to promote well-performing policy management and service delivery. In most countries, the need to constantly improve the performance and especially in the public sector has resulted coming up with mechanisms that are result oriented and cost consciousness (OECD, 2016). Performance management requires a performance information system that can be audited and results linked to its financial management and policy cycles. Organizational performance management in a government context concerns monitoring the success of public policy, programs or projects in achieving their objectives and in securing the expected benefits.

CHAPTER TWO: LITERATURE REVIEW

2.1 Introduction

This chapter presented the theoretical framework that anchors this study. The chapter also presented a review of empirical studies showing the relationship between study variables. Theoretical review was carried out to show how appropriate the selected theory was in relation to study variables.

2.2 Theoretical Review

The study was anchored on two theories. These theories supported the study so as to give a clear view of the effect of internal audit on performance of Public Service Commission in Kenya. The study was guided by agency theory and institutional theory. These theories are discussed in the next two sections.

2.2.1 Agency Theory

Meckling and Jensen (1976) in their paper on the theory of the firm defined the agency relationship as a contract under which one or more persons (the principal(s)) engage another person (the agent) to perform some service on their behalf which involves delegating some decision-making authority to the agent. Thus, for the internal audit to be effective there is need for not only their independence but also the top management support. The first scholars to propose, explicitly, that a theory of agency be created, and to actually begin its creation, were Stephen Ross and Barry Mitnick, independently and roughly concurrently. Ross introduced the study of agency in terms of problems of compensation contracting; agency was seen, in essence, as an incentives problem.

The Agency theory offer explanations on how firms can effectively relate with each other and stakeholders where agents determines the responsibility to be undertaken (Dess, Lumpkin & Eisner, 2009). The theory argues that under features of partial information flow and risk, which arise from the two parties (agencies) the challenges that need to be dealt with are adverse selection and moral hazard (Lin, Vargus & Bardhan, 2013). Agency theory therefore focuses on agency constraints or conflicts of interest between parties on management practices that has led to the need for good governance and resulted into approaches that focused on control mechanisms. The theory led to various financial studies which sought to explain prudent financial management in the organizations.

This theory is of importance to this study because the separation of management from ownership in public institution offers an ideal context for the operationalization of agency theory. The shareholders are regarded as the principal with the interest of achieving maximum outcome interests from the organization. Conflict arises as the separation of ownership from management leads to inability of the owners to monitor management actions and activities and results in the need to employ certain source of information systems and control measures to minimize agency costs (Krishnan & Visvanathan, 2013). Most institutions put in place control systems such as internal auditing to promote efficiency in financial management and to effectively monitor the operational performance of individual departments. Senior management are normally offered rewards depending on performance agreed on in reward-based plans which are formulated to provide an incentive to management to increase shareholder wealth and to attract and retain the most competent and qualified staff (Maletta, 2013).

Internal auditors are used as a control mechanism for evaluating management action against the expectations of the board and shareholders (Montondon & Fisher, 2009). Despite their existence, information inequalities constraint management and directors and the expectation that the internal audit function is an effective control system that promotes good governance (Lin, Chiu, Huang, Chao, Liang, Hsu & Ko, 2013). This is supported by IIA (2012), which opined that one of the expected outcomes when assessing the role of internal auditors is whether the function assists the organization to promote corporate governance processes. This is another reason why the theory relates to this study.

2.2.2 Institutional Theory

According to institutional theory by Fogarty (1996), an organization is designed and functions to meet social expectations in so far as its operations are visible to the public. Therefore, organizational internal operations, which are often complex and difficult to identify, may take second place to the issue of external legitimacy. It is suggested that the external image of the organization may be loosely coupled with its operating processes and the kind of technology it adopts.

Fogarty (1996) developed this, asserting that the contribution of institutional theory is in the insight that the actual accomplishments of an organization and what its structure suggests should accomplish are often different. The organization operates with internal processes that are not normally visible to those external to it, while other structures maintained for outsiders do not significantly add to output. Fogarty (1996) observes that scrutiny by outsiders can be avoided if the right structures are adopted by organizations.

Goodwin (2014) posited that institution internal audit functions are hard and complex to realize and that the external picture of the organization may be weakly associated with the organization's internal operations (Sterck & Bouckaert, 2014). Institutional theory is of the view that the organization has structured operations to ensure social accountability. The real functioning of the organization is complemented by an effective internal audit process (Millichap, 2012).

This theory is applicable to this study because loose technological coupling enables organizations to show success in external problems whilst allowing flexibility in operational processes. Thus, the institutions should be ready to meet the high cost of adopting various technologies in the internal audit department and ensure that the staffs are trained in order for the department to operate efficiently.

2.3 Empirical Review

Lack of adequate historical data on financial performance has made the empirical analysis of internal audit on public commission quite un-intensive. This part looks at various studies done in the past relating to internal audit variables namely internal audit staff expertise, internal controls and top management support of internal audit.

2.3.1 Internal Audit Staff Expertise

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.

Zulkifli, Alagan and Serjana (2014) included 330 respondents from the internal audit departments of ministries in India. The authors confirmed that there exists a significant positive correlation between the performance of audit and audit competence, independence and support by the management audit.

Barac and Van Staden (2009) reported no correlation between corporate governance structures and the perceived internal audit quality when they looked into the relationship between perceived quality of internal audit and corporate governance structure in the South African firms. The study however concentrated only on the aspect of perception and not the exact internal auditor's expertise.

Turley and Zaman (2007) investigated the factors influencing IA team's performance and contended that members' communication positively influence the audit results. This was also supported by Arena and Azzone (2009) who considered members' communication as a factor that influences internal audit performance. In addition, Cohen and Sayag (2010) found that professional efficiency of internal auditors is integral for the performance of internal auditing. The above studies however failed to base their studies on the public sector. Resulting from the reviewed literature, it was hypothesized that;

H₀1: Internal audit staff expertise had no significant effect on the performance of Public Service Commissions in Kenya.

2.3.2 Internal Audit Controls

The definition of internal control is divided into financial internal control and non-financial (administrative) internal control. Financial internal control pertains to financial activities and may be exemplified by controls over company's cash receipts and payments financing operations and company's management of receipts and payments. Non-financial internal control on the other hand deals with activities that are indirectly financial in nature i.e. controls over company's personnel section and its operations, fixed assets controls and even controls over laid down procedures (Reid & Ashelby, 2002). A sound internal control system helps an organization to prevent frauds, errors and minimize wastage. Custody of assets is strengthened; it provides assurance to the management on the dependability of accounting data eliminates unnecessary suspicion and helps in maintenance of adequate and reliable accounting records.

Mawanda (2008) conducted a research on effects of internal control systems on financial performance in institution of higher learning Uganda. In his study he investigated and sought to establish the relationship between internal control systems and financial performance in an Institution of higher learning in Uganda. Internal controls were looked at from the perspective of Control Environment, Internal Audit and Control Activities whereas Financial performance focused on Liquidity, Accountability and Reporting as the measures of Financial performance. The Researcher set out to establish the causes of persistent poor financial performance from the perspective of internal controls. The study established a significant relationship between internal control system and financial performance. The investigation recommends competence profiling in the Internal Audit department which should be based on what the University expects the internal audit to do

and what appropriate number staff would be required to do this job. The study therefore acknowledged role of internal audit department to establish internal controls which have an effect on the financial performance of organizations.

Ewa and Udoayang (2012) carried out a study to establish the impact of internal control design on banks' ability to investigate staff fraud and staff life style and fraud detection in Nigeria. Data were collected from 13 Nigerian banks using a four-point Likert Scale questionnaire and analyzed using percentages and ratios. The study found that Internal control design influences staff attitude towards fraud such that a strong internal control mechanism is deterrence to staff fraud while a weak one exposes the system to fraud and creates opportunity for staff to commit fraud.

Kakucha (2009) evaluated the level of performance of internal controls of enterprises operating in Nairobi. The study was quantitative and was conducted between September 2007 and June 2009 using a sample of 30 small businesses as listed in the National Social Security Fund (NSSF) Register of Kenya. Primary data was collected from the managers of the small business using interviews and examination of documents pertaining to internal controls. The study established that there are deficiencies in the systems of internal controls, with the degree of deficiencies varying from one enterprise to another. The components of internal control that were missing in most businesses surveyed were: firstly, risk analysis, and secondly lack of proper flow of information. In addition, the study established that the sample population had limited awareness of what constituted an effective system of internal control. The study also found that there is a negative relationship between the age of an enterprise and the performance of its system of internal control while a negative correlation between the resources held by an enterprise

and its internal control system weaknesses exists. The recommended that these was need to enlighten the operators of small business of what constitutes an efficient and effective system of internal control through forums and seminars. The sample of the study was however very small.

Olumbe (2012) conducted a study to establish the relationship between internal controls and corporate governance in commercial banks in Kenya. The researcher conducted a survey of all the 45 commercial banks in Kenya. It was concluded that most of the banks had incorporated the various parameters which are used for gauging internal controls and corporate governance. This was indicated by the means which were obtained enquiring on the same and this showed that the respondents agreed that their banks had instituted good corporate governance with a strong system of internal controls and that there is a relationship between internal control and corporate governance. A study conducted by Wainaina (2011), examined the internal control function. The study established that, other than the prevention and detection of fraud, internal controls should reflect the strength of the overall accounting environment in an organization as well as the accuracy of its financial and operational records. It was therefore hypothesized that;

2.3.3 Top Management Support

To a large extent, internal audit is as useful as management allows it to be. The study of Abdulaziz and Nedal (2013) revealed that the Internal Audit Department suffers due to less support from Senior Management. If internal audit issues report which are critical of certain part of the organization and management takes no action for political reasons, this would only serve to undermine the internal audit function and reduces its performance.

According Salehi (2016) investigated Factors Affecting the Performance of Internal Auditors in the Company, a case Study of Iran. The study developed and tested five hypotheses using an investigation approach. The study gathered data using a questionnaire, filled out by 355 internal audit manager and 272 other internal audit staff. He focused on determinants of internal audit performance "competency of internal audit staff, size of internal audit department, communications between internal auditors and external auditors, management's support for internal audit department, and independent (outsourced) internal audit", he found that internal audit performance has stronger relationships with management's support and the size of internal audit department. This study however failed to look at the effect of internal audit controls and audit staff expertise which is the key variables of this study.

Aburabe (2015) study investigated factors affecting the internal audit performance, a survey on the Libyan commercial banks, the study found a direct relation effects of management support, organizational independence of internal auditors, competence of internal auditors and audit experience with the internal audit within the Libyan commercial banks. According to the regression output, management support has significant and positive contribution for the IAE, while the other three variables: the organizational independence of internal auditors, competence of internal auditors and audit experience have shown positive relation with the IAE, however their contribution for the IAE are statistically insignificant.

Mihret and Yismaw (2017) study on internal audit performance of an Ethiopian public sector case study amongst the higher education institutions are among those who indicated the existence of a positive linkage between top management support and

internal audit performance. As in all case studies, the generalizability of the conclusions of this study is limited. Similarly, Cohen and Sayag (2010), Alzeban and Gwilliam (2014) and George et al. (2015) studies concluded that management support is indeed a key determinant of audit performance. The study also indicated the positive and significant relation internal of this determinant with all the other variables that impact the performance of internal audit. Therefore, it was hypothesized that;

H₀₃: Top management support had no significant effect on the performance of Public Service Commissions in Kenya.

2.4 Summary of the Reviewed Literature

This cover literature on the evolution of internal audit practice on performance .Salient findings from related research studies carried out in this area will also be discussed.

According Salehi (2016) investigated Factors Affecting the Performance of Internal Auditors in the Company, a case Study of Iran. The study developed and tested five hypotheses using an investigation approach. The study gathered data using a questionnaire, filled out by 355 internal audit manager and 272 other internal audit staff. He focused on determinants of internal audit performance "competency of internal audit staff, size of internal audit department, communications between internal auditors and external auditors, management's support for internal audit department, and independent (outsourced) internal audit", he found that internal audit performance has stronger relationships with management's support and the size of internal audit department. This study however failed to look at the effect of internal audit controls and audit staff expertise which is the key variables of this study.

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H₀₃: Top management support had no significant effect on the performance of Public Service Commissions in Kenya.

2.5 Knowledge Gap

Most of the literature reviewed will be adopted from countries whose strategic approach and financial footing differs from the Kenyan perspective. For example; Barac and Van

Staden (2009) did a study in the South African firms, Salehi (2016) did a study in Iran on factors affecting the performance of internal auditors in a company, Iran, Ewa and Udoayang (2012) carried out a study on Nigeria's commercial banks. Thus, there is a literature gap on the subject matter in the Kenyan situation. This study therefore sought to fill this gap by establishing the effect of internal audit on the performance of public commissions in Kenya. Also, the past studies done with regards to top level management support for example the study by Salehi (2016) and Aburabe (2015), have not tackled the issues of motivation, the role that the top-level management has on overall performance issues of accountability and availability of resources. This study sought to fill in this gap of knowledge by examining the level of expertise of the audit staff and how internal audit control affects internal audit performance in Public Commissions in Kenya. The study analyzed the effect of level of education and training, fraud detection mechanisms and risk assessment techniques used on organization performance.

CHAPTER THREE: RESEARCH DESIGN AND METHODOLOGY

3.1 Introduction

This chapter looked at the research design, the target population, the sample size and procedures that were used to select the sample elements. It covered the research instruments and the procedure for collecting the data and outlined the methods used to analyze data.

3.2 Research Design

According to Mutai (2001) research design outlines the steps to be taken to answer the research questions. This entails the blueprint for the collection, measurement and analysis of data (Cooper & Schinder, 2007). This study used a descriptive research design. A case study of Parliamentary Service Commission was used as a proxy for public service commission in Kenya. According to Yin (2004), one of the importance of using a case study is because it allows an investigation to retain the holistic and meaningful characteristics of real-life events. Kothari (2004) pointed out another advantage of using a case study approach, and pointed out that it reduces the negative impact generalization of concepts, and focuses on a careful and complete observation of social units, and thus more in-depth in its approach. This ensures that the collected data was more reliable and current.

3.3 Research Site and Rationale

Kothari (2011) insists that the best set up to carry out a study should be within the convenient locality that a researcher is more familiar with. This is in terms of the operations and guidelines that are tied to the specific locality. Kombo and Tromp (2006) also points out that this reduces resistance from the respondents during data collection,

and any form of tension with how the information was used. The study was carried out in Parliamentary Service Commission; this is because it is where the researcher got the feedback as per the objectives.

3.4 Target Population

According to Kothari (2012), the importance of a target population is where the researcher drew inferences from, and answers of the research questions. A population frame is a comprehensive itemized list of all subjects, which comprise the study population, from which a sample is taken (Mugenda & Mugenda, 2008). The study target population was members of internal audit committee of the twelfth parliament – (first session) the national assembly membership of committees. These are the public accountants (19 members), public investment (19 members) and the special fund accounts committee (19 members). Thus, the target population of the study was 57 people.

3.5 Sampling Procedures

The sampling design sought to answer whether a sample or a census was to be taken, and if a sample design was used, the approach to be used and the sample size (Mugenda & Mugenda, 2003). Due to the population size of parliamentary Commission, the study took the census approach to collect data from all the members of the audit committee in the Parliamentary Service commission. This is where data was obtained from all the subjects of the target population (Hair, Celsi, Money, Samouel, & Page, 2011).

3.6 Sample Size

Sample size is the number of subject or respondent from whom researcher collects the required information (Kumar, 2005).

Due to the population size of Parliamentary Service Commission, the study used the census approach to collect data from all the members of the audit committee in the Parliamentary Service Commission, thus 57 respondents were considered for the study.

The justification of this approach includes; it provides a true measure of the population (no sampling error), a standardized data can be acquired for future studies and finally, detailed information can be collected from the population easily, as long as the population is small in size.

3.7 Data Collection Procedures

The study collected both primary and secondary data. Primary data on the current state of affairs of the internal audit committee of the Parliamentary Service Commission. The researcher used a questionnaire as the main instrument for collecting the primary data. The questionnaires had both structured and open-ended questions. The use of the structured questions was to allow for uniformity in the way the respondents answered the questions. The main reason why the researcher used the questionnaire is because it is a fast way of obtaining data as compared to other instruments (Mugenda & Mugenda, 1999). The other reason is because, the questionnaires allowed greater uniformity in the way questions were asked. This ensured greater compatibility in the responses.

A five-point non-comparative Likert scale was used for designing the structured questions. The advantage of using the Likert scale was because of the statements

represented different aspects of the same attitude. A Likert scale was preferred because as it is easy to design questions with, and simple enough for respondents to comprehend and respond to. The Likert scale is also advantageous in that it leads to accurate results during analysis.

The questionnaires were distributed to the sample respondents by the researcher using a drop and pick later method to reduce disruptions on the respondents' routines. Respondent anonymity was ensured by giving questionnaires unique numbers which only the researcher understands their meaning. An introduction letter was issued to respondents clearly explaining to respondents the reason why the study was how they are to benefit from the research all these was aimed at ensuring a high response rate.

3.8 Research Instruments

The study collected primary data from staff in the office of the Parliamentary Service Commission located in Nairobi in order to achieve the objective of this study. Structured questionnaire was used for data collection. The questionnaire had questions and statements presented as Likert scale. The formulation of a questionnaire was formed by the degree of confidentiality, time saved and the ease of administration (Kombo & Tromp, 2006). A sample of the questionnaire is at Appendix I.

3.8.1 Piloting of Research Instrument

A pilot test of the questionnaire was conducted. Ten respondents were identified and the questionnaire administered to them. The feedback from the pilot study was used in removing double-barreled questions, clarify difficult questions and drop ambiguous questions. The researcher then confirmed that the data collected was sufficient to provide

sought after answers to the research questions. The importance of carrying out a pilot test included the fact that the pilot study was a crucial element of a good study design. It was noted that carrying out a pilot test does not necessarily lead to success but increases the chances of its success. The pilot study also provided important insights that informed the main survey.

3.8.2 Validity of Findings

Validity is the extent to which an instrument measures what it purports to measure (Saunders, 2007). Validity measures the extent to which the tool is likely to show the linking relationship of the variables of the study, a pilot study, which comprised of 7 respondents, was done to test the validity of research instrument. The results obtained assisted the researcher in evaluating the questionnaire to ensure it covered the scope of the study in terms of the objectives.

3.8.3 Reliability of Research Instrument

A pilot study was undertaken to pre-test data collection instrument for validity and reliability. According to (Orodho, 2003), a pilot study is necessary for testing the reliability of data collection instruments. The pilot study involved 10 users of ERP In project management who didn't form part of the study. Reliability of the questionnaire was evaluated through Cronbach's Alpha which measures the internal consistency and establishes if items within a scale measures the same construct. The index alpha was computed using SPSS and measured the average of measurable items and its correlation. Cronbach's Alpha was established for every variable which formed a scale as shown in table 3.1.

Table 3.1 Reliability Analysis

Variable	Cronbach's Alpha	Number of Items
Internal Audit Staff Expertise	0.823	6
Internal Audit Controls	0.879	5
Top Management Support	0.864	5
Organizational Performance	0.855	3

Source: Researcher (2019)

The table 3.1 shows that Internal Audit Controls ($\alpha= 0.879$), followed by Top Management Support ($\alpha=0.864$), Organizational Performance ($\alpha=0.855$) and Internal Audit Staff Expertise ($\alpha=0.823$). This illustrates that all the four variables were reliable as their reliability values exceeded the prescribed threshold of 0.7 as contended by Field (2009). The results of the reliability test also revealed that all the three variables were reliable as the average index of 0.855 exceeded the adopted threshold of 0.7. Bolarinwa (2015) indicates that a value of 0.7 and above is considered reliable therefore having a relatively high internal consistency and measures the same construct.

3.9 Data Analysis and Presentation

This study used both quantitative and qualitative method of data analysis. According to Babbie (2012), quantitative analysis is the numerical representation and manipulation of observations for the purpose of describing and explaining the phenomena that those observations reflect. The data collected from the questionnaires was checked for completeness and accuracy. The questionnaire was coded according to each variable of

the study to ensure the margin of error is minimized and assure accuracy during analysis. The coded data was analyzed using quantitative and qualitative techniques. Quantitative techniques used were descriptive statistics which includes the mean, frequency, percentages and standard deviations while qualitative techniques used was content analysis. Data was analyzed using Statistical Package for Social Sciences (SPSS). The data was graphically presented using tables and figures. Multiple regression analysis was used to establish the relationship between the study variables. The multiple regression equation was as outlined below.

$$Y = \beta_0 + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + \varepsilon$$

Where:

Y is the dependent variable (Performance);

β_0 is the regression constant;

β_1 , β_2 and β_3 are the coefficients of independent variables;

X_1 is Internal Auditor's staff expertise;

X_2 is internal audit controls;

X_3 is management support; and

ε is the error term.

3.10 Ethical Considerations

The researcher expressed honesty, objectivity, integrity, care, openness, confidentiality and respect in reported data, results, methods and procedures, and did not fabricate, falsify, or misrepresent data. The study aspired to make sure that there is the promotion of the general social good and minimize or do away with social harms by the use of research, public education, and advocacy. This study was against any form of

discrimination to the respondents which can be in the form of sex, race, ethnicity, or other factors that are not related to their competence and integrity. The researcher took steps to advance her own expertise through conducting more research and advanced education, that enhanced her overall financial knowledge with the aim of understanding the various laws and institutional and governance policies.

CHAPTER FOUR: DATA ANALYSIS AND PRESENTATION OF FINDINGS

4.1 Introduction

The past chapter comprises data analysis, presentation and interpretation of the findings. The data presented comprises response rates, demographic characteristics of the respondents and the presentation of the findings based on research objective. The statistical package for social science was used for data presentation and making of statistical inferences.

4.2 Response Rate

In the study, researcher issued 57 questionnaires as per the sample size. Out of the 57 questionnaires given out 47 were returned representing 85.97% response rate. Kothari (2004) prescribed a standard rate of response of 60% and therefore the resulting response rate was sufficient. Results of response rate are shown in Table 4.1 below.

Table 4.1 Response Rate

Population segment	Population size	Respondents	Proportion in %
Public accountants	19	19	100.00%
Public investment	19	17	89.47%
Special fund accounts committee	19	13	68.42%
Total	57	49	85.42%

The response for the research show that amongst the 19 Public accountants, the response rate was 100%, amongst the 17 Public investment segment, the response rate was 89.47% and amongst the 13 Special fund accounts committee the response rate was 68.42%. The

overall response rate was 57 representing a response rate of 85.42% of the total respondent. Mugenda and Mugenda (2003) observed that response rate of 50% is good, 60-70% is very good and above 70% is considered excellent. Therefore, the rate of 85.42% was interpreted as excellent and valid since it was above 70%.

4.3 Demographic Characteristics

Demographic characteristics represent the background information of the study respondents. The study sought to establish gender, age and education level forming part of respondents' profile.

4.3.1 Gender of Respondents

In analyzing the relationship between internal audits practice on the performance of public commissions the study sought to describe profile of the respondents since performance is an aspect of decision made, a factor found to be critical is Gender. 59% of the respondents were of the male gender while 41% were of the female gender. The study findings indicate that most of the respondents were of the male gender however both genders were well represented and the third gender rule was respected as required by the law in Kenya.

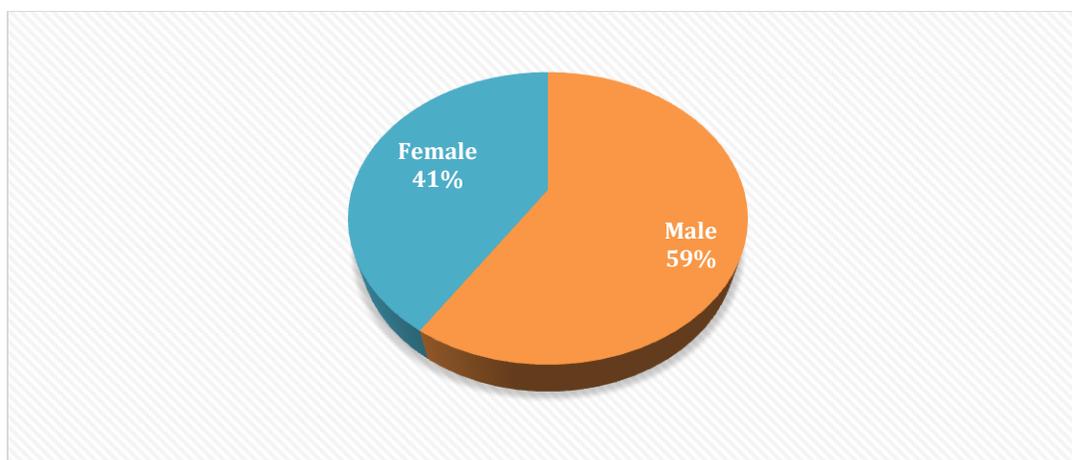


Figure 4.1 Gender of Respondents

Source: Researcher (2019)

4.3.2 Age of Respondents

The study sought to understand the ages of respondents. Respondent were asked to fill their age brackets. Findings are presented on the table 4.2.

Table 4.2 Age of the Respondents

Age	Frequency	Percent	Cumulative Percent
20-25	10	20.4	20.4
26-30	9	18.4	38.8
31-35	9	18.4	57.2
36-40	12	24.4	81.6
41 years and over	9	18.4	100.0
Total	49	100.0	

Source: Researcher (2019)

An examination of age in Table 4.2 shows that a majority of the respondents 24.4% were aged between 36 and 40 years, while 20.4% were aged between 20 and 25, and those aged 26 and 30 were 18.3%, those aged 31 and 35 were 18.4% and those aged 41 years

and above were equally 18.4%. The results therefore indicate age is an important aspect of performance since different age groups perceive aspects differently and have quite different experience.

4.3.3 Level of Education

The study sought to establish the level of education of the respondents. The results are shown in the table 4.3.

Table 4.3 Level of Education

Level of Education	Frequency	Percent	Cumulative
Certificate/Diploma	14	28.6	28.6
Undergraduate degree	13	26.5	55.1
Master's degree	12	24.5	79.6
PhD. Degree	10	20.4	100
Total	49	100	

The result indicates majority of the respondents 28.6% had had up to Certificate or Diploma level of education. This was followed by 26.5% who had acquired Undergraduate degree, while 24.4% had acquired Master's degree and 20.4% had attained PhD. qualification. The findings indicate that all the respondents had requisite education background, which made them considered as ideal participate for the study.

4.3.4 Work Experience

Researcher asked the question on work experience so that they could identify if length of duration one worked contributed to their performance in the commission.

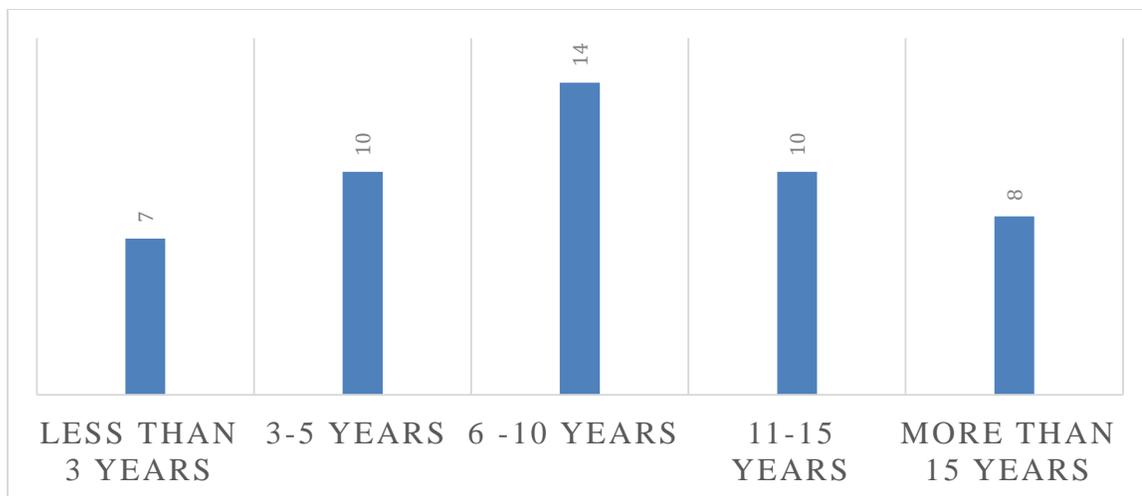


Figure 4.2 Work Experience

Source: Researcher (2019)

The result indicates that a majority of the respondents (n=14) representing 28.57% had working experience ranging between 6-10 years. Respondents with working experience between 3-5 years and 11-15 years were (n=10) representing 20.41% each. Respondents with more than 15 years (n=8) representing 16.33% and finally (n=7) representing 14.58 had working experience of less than 3 years. The presence of respondents with many years of work experience enriched the findings.

4.4 Descriptive Analysis

Descriptive analysis was an important step for conducting statistical analyses. Descriptive analysis was an important step for conducting statistical analyses. The descriptive analysis below shows the average, and standard deviation of the different variables of interest in the study. It also presents the percentile values of the variables. The researcher was able to distribute the data among variables for more statistical analysis as explained below:-

4.4.1 Internal Audit Controls

The respondents were asked to what extent internal audit controls remain a determinant of performance. The findings in regard to the question are shown in table 4.4 below.

Table 4.4 Internal Audit Controls

	Mean	Variance	Standard deviation
Review of individual systems and processes	1.9592	.95654	.915
Satisfied with all aspects of Financial controls	1.5714	.86603	.750
There is high level of Managerial controls	1.5714	.91287	.833
Operational policies controls are functional	2.1633	.82530	.681
Control information within is up to standard	2.3673	1.11232	1.237
Composite Mean	1.9265		

Source: Researcher (2019)

The findings indicate that a majority (mean=1.5714) of the respondents were in agreement that there is a satisfaction with all aspects of Financial controls with variance of 0.8603 and a standard deviation of 0.750.

Results demonstrated that there is high level of Managerial controls with mean of 1.5714, variance of .91287 and a standard deviation of .833 is agreeable from respondents. It means managerial controls aspects are relevant in audit control. The findings further show that the respondents agreed that review of individual systems and processes, with mean of 1.9592, variance of .95654 and a standard deviation of .915.

The results also show that respondent agreed that operational policies controls are functional (mean =2.1633) in internal audit control within an organization.

From the respondents extent of agreement with statement relating to control information within is up to standard, the results show that the respondent agree that control information is up to standard with the score mean of 2.3673.

4.4.2 Internal Audit Controls Expertise

The researcher also sought to find out the influence of internal audit controls expertise in enhancing performance. The study used a Likert scale of a scale of 1 to 5, where 1 was to a strongly agree and 5 strongly disagree. Table 4.5 below presents findings obtained.

Table 4.5 Internal Audit Controls Expertise

	Mean	Variance	Standard deviation
Review of individual systems and processes	1.5217	0.841	0.91730
Satisfied with level of education of staff	1.8406	1.136	1.06582
There is high level of Managerial controls	2.8116	3.067	1.75126
Operational policies controls are functional	3.6812	2.897	1.70201
Control information within is up to standard	2.2174	2.614	1.61673
Composite mean	2.4145		

Source: Researcher (2019)

The results in table 4.5 suggest that majority of the respondents were not fully in agreement that there is a review of individual systems and processes in the organization with a mean of 1.5217 being less than composite mean, variance of 0.841 and a standard deviation of 0.91730.

From the information revealed by table 4.5 the result indicated that majority of respondent agreed that they are satisfied with education level of internal audit with a mean of 1.8406, variance of 1.136 and a standard deviation of 1.06582 under the revealed varied responses from respondents interviewed are satisfied with financial controls by the internal auditors expertise. It means financial controls aspects are relevant in audit control expertise. The finding further shows that the respondents agreed that high level management controls give assurance on internal audit controls expertise with mean of 2.8116.

The results also show that respondent agreed that operational policies controls are functional (mean =3.6812) in internal audit control expertise within an organization. From the respondents extent of agreement with statement relating to control information within the organization, the results show that the respondent agree that control information is up to standard with the score mean of 2.614.

4.4.3 Top Management Support

Top management support of organization function was an important determinant of performance and using mean score analysis, the study sought to examine this influence. A Likert scale of 1- 5 where 1 was to a great extent and 5 was to no extent. The findings in regard to this question are captured in Table 4.6

Table 4.6 Top Management Support

Support role	Mean	Variance	Standard deviation
Lack of support demotivates internal audit staff	2.4203	3.041	1.74395
Top management should work as a team with the entire audit staff	2.2174	2.614	1.61673
Lack of resources by top Management leads to overall failure of internal audit activities	2.0435	2.307	1.51885
Top management should closely monitor the activities of the internal audit staff for efficiency	3.1304	3.645	1.90906
Reports on performance should come from the top management staff	3.0145	3.22	1.79454
Composite mean	2.5652		

Source: Researcher (2019)

From the results of the survey as shown in Table 4.6. Respondent seems to disagree to whether support by top management demotivates internal audit staff. This is revealed by mean of 2.4203 which is below average of 2.5652. However; a standard deviation of 3.041 suggests a significant variation in the responses generated by the respondents.

From the responses on extent of concurring with the statement regarding top management working as a team with internal audit staff, the results (mean =2.2174) that are below average suggest that management are not adequately working as a team with internal audit. Therefore for the success of internal audit control, the management should work as a team with audit staff. The respondent also strongly believes that lack of proper

resources by top management should closely leads to overall failure of internal audit activities (score =2.0435).

From the result in table 4.6 it is clearly evident that respondent were in total agreement that top management should closely monitor the activities of the internal audit staff for efficiency to continually able to review their responsibilities outcome (mean =3.1304).

From the responses on report on performance, the respondent strongly agree that reports on performance should come from the top management (mean =3.0145) However the result that is revealed by mean of 2.5652 suggest that the top management support. This outcome provides an indicator that top management support is vital for effectiveness of internal audit function.

4.5 Inferential Statistics

The study further applied correlation analysis and multiple regressions to determine the predictive power of the internal audit practices and firm performance in Kenya.

4.5.1 Correlation Analysis of Variables

Correlation analysis is used to determine the extent of the correlation of different pairs of variables under study. It measures/calculates the correlation coefficient between 1 and -1. The data was combined and analysed to check the relationship and strength of the relationship between the variables for a 1 tailed test. The correlation matrix was used to determine if any pair of independent variables was highly collinear through the magnitude of the correlation coefficient of the pairs of variables established. Correlation was significant at level of 0.005 an R value of 1 is total positive correlation, 0 is no

correlation and -1 is total negative correlation. There was a strong correlation between internal audit expertise, internal controls and effect of top management support. Table 4.7 presents findings obtained.

Table 4.7 Correlation Analysis of Variables

Variable		Internal audit staff expertise	Internal audit controls	Top Management	Financial Performance
Internal audit staff expertise	Pearson Correlation	1			
	Sig.				
	N	49			
Internal audit controls	Pearson Correlation	0.104	1		
	Sig.	0.476			
	N	49	49		
Top Management support	Pearson Correlation	0.099	-0.264	1	
	Sig.	0.499	0.067		
	N	49	49	49	
Financial Performance	Pearson Correlation	0.325	0.162	0.482	1
	Sig.	0.023	0.265	0	
	N	49	49	49	49

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

Sig-Significant Level

N-Number of respondents

The study indicated that there is positive relationship between internal audit control and financial performance ($r = 0.325$, $P = 0.023$). The correlation was found to be insignificant since the value of r was greater than 0.05.

The study also indicated that there is positive relationship between internal audit control expertise and financial performance ($r = 0.162$, $P = 0.265$). The correlation was found to be insignificant since the value of r was greater than 0.05.

The study also indicate that there is strong positive relationship between control expertise and financial performance ($r = .482$, $P = 0.000$). The correlation was found to be insignificant since the value of r was greater than 0.05.

Therefore from the above correlation analysis of variables, the researcher deduced that the internal audit control expertise and internal controls are the main factor that influence organizational financial performance within public commissions in Kenya

4.5.2 Regression Analysis

The multiple linear regression analysis resulted in three outputs; a model summary, Analysis of Variance (ANOVA) and coefficients tables. The model summary outcome in Table 4.8 shows the coefficient of determination (R^2), which measures how well the resulting model is likely to predict future outcomes. The outcome meant that model 1 could predict 60.8% of the variations in a performance and hence provided a relatively good fit. This further meant that the three internal audit practices; internal audit controls, internal audit staff expertise and top management support explained 60.8% of the variations in performance leaving only 39.2% to be explained by other variables. The results are discussed in the table 4.8.

Table 4.8 Model Summary of Internal Audit Practices and Performance

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.795 ^a	0.633	0.608	0.31567

a. Predictors: (Constant), Internal audit controls, Internal audit staff expertise, Top management support

Source: Researcher (2019)

The ANOVA results related with model 1 above were extracted and presented in Table 4.8 A significance value is statistically significant when the p-value ≤ 0.05 (Moore, & Kirkland, 2007). Table 4.8 shows that Model 1 had a sig-value = 0.001 which meant the model predicted by; internal audit controls, internal audit staff expertise and top management support was significant in explaining the linear relationship between the three predictors that define internal audit practices and firm performance.

Table 4.9 ANOVA of Internal Audit Practices and Performance

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	7.72	3	2.573	25.824	.001 ^a
	Residual	4.484	45	0.1		
	Total	12.204	48			

a. Predictors: (Constant), Internal audit controls, Internal audit staff expertise, Top management support

b. Dependent Variable: Performance

Source: Researcher (2019)

From Table 4.8, the coefficients were interpreted. The Table 4.9 shows that internal audit staff expertise had a significant coefficient with p-value = 0.000. The study therefore rejected the null hypothesis H_0 at 5% level, meaning internal audit staff expertise had a

significant effect on the performance of Public Service Commissions in Kenya. Table 4.8 further shows that internal audit control had a non-significant coefficient with p-value = 0.210. The study therefore failed to reject H_{02} at 5% level, and interpreted the results to mean that internal audit staff expertise had no significant effect on the performance of public service commissions in Kenya. An examination of the top management support reveals the existence of a significant p-value = 0.000 and therefore H_{03} was rejected at 5% level and top management support inferred to have a significant effect on the performance of Public Service Commissions in Kenya.

Table 4.10 Coefficients of Internal Audit Practices

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
	(Constant)	0.129	0.188		0.688	0.495
1	Internal audit controls	0.061	0.048	0.116	1.271	0.210
	Internal audit staff expertise	0.627	0.108	0.524	5.785	0.000
	Top management support	0.327	0.05	0.592	6.514	0.000

a. Dependent Variable: Performance

From Table 4.10, the resulting coefficients were used in derivation of the fitted model as shown in equation below;

$$Y = 0.129 + 0.627X_1 + 0.327X_3$$

From the fitted equation, Y stood for performance, X_1 was Internal Audit staff expertise and X_3 was top management support. The results indicate that in the absence of internal control practices, performance of the state commission would be 0.129. Equation shows that Internal Audit staff expertise had highest effect on performance of the parliamentary commission, where a unit change in Internal Audit staff expertise would result in a 62.7%

positive change in performance of the parliamentary commission. Top management support had the second highest influence on Parliamentary Commission, and that a unit change in top management support would result in a 32.7% positive change in performance of the Parliamentary Commission. Internal audit control had no significant influence and was dropped from the fitted equation assuming a linear relationship between internal audit practices and performance, the study used the Ordinary Least Square (OLS) method of estimation to extract a regression line of best fit. The estimated model took the form of equation below.

$$Y = \beta_0 + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + \varepsilon_i$$

Where; Y was the dependent variable (Performance); β_0 was the regression constant; β_1 , β_2 and β_3 were the coefficients of the independent variables; X_1 was Internal Audit staff expertise; X_2 was internal audit controls; X_3 was top management support and ε_i is the error term. The relationship between internal audit practices and performance was examined by testing the following three research hypotheses;

H₀₁: Internal audit staff expertise had no significant effect on the performance of Public Service Commissions in Kenya.

H₀₂: Internal audit controls had no significant effect on the performance of Public Service Commissions in Kenya.

H₀₃: Top management support had no significant effect on the performance of Public Service Commissions in Kenya.

Therefore, internal audit controls activities and practice performance of public commission in Kenya is accepted.

CHAPTER FIVE: SUMMARY OF FINDINGS, DISCUSSION, CONCLUSION AND RECOMMENDATIONS

5.1 Introduction

This is the last section that abridges the discoveries of the study, the conclusion of the study, suggestions and recommendations that are significant for improving credit information sharing practices.

5.2 Summary of the Findings

The research aimed at looking at the effect of internal audit on performance of Public Service Commissions in Kenya. The study also sought to establish the effect of internal audit staff expertise, internal audit controls and Top management support of internal Audit function on performance of Public Service Commissions in Kenya. The finding of the study was based on the study objectives and research questions.

The first research objective sought to examine the influence of internal audit controls on performance of public service commissions in Kenya. Based on multiple regression analysis, it was established that internal audit controls had no significant effect on performance of public service commissions in Kenya. The finding is positive and insignificant. This meant that lack of internal controls could have an effect on performance however minimal. The findings are in agreement with Feng, Li, McVay and Skaife (2014) who noted ineffective internal controls could adversely affect a firm's operations.

The second research objective sought to determine the impact of internal audit staff expertise on performance of Public Service Commissions in Kenya. The study established the existence of a significant positive relationship between internal audit staff

expertise on performance of public service commissions in Kenya. The study findings indicate that majority of the respondents confirmed to understand their roles as internal audit representing 72%. Majority of the respondents n= 24 representing 49% agreed that they are given adequate training. Majority (n= 24) representing 48.98% confirmed that parliamentary service commission conduct frequent training to staff. The findings are in line with the findings of Salanova, Agut and Peiro (2005) on linking organizational resources and work engagement to employee performance and customer loyalty.

The third research objective of the study sought to determine the impact of top management support of internal Audit function on performance of public service commissions in Kenya. It was established that top management support had a significant effect on the performance of public service commissions in Kenya. The results indicated that failure of the top management leads to overall failure of internal audit activities attained the highest score of agreement by being rated a mean of 2.0435 and a variance of 2.307. Followed by top management should work as a team with the entire audit staff that acquired a mean of 2.2174 and a variance of 2.614. Lack of support demotivates internal audit staff scored a mean score of 2.8116 and a variance of 3.067 and finally reports on performance should come from the top management staff scored a mean score of 3.6812 and a variance of 2.897. These findings are in agreement with the results by Noe, Hollenbeck, Gerhart, and Wright (2017) on human resource management as a source of competitive advantage.

5.3 Discussions

The research aimed at looking at the effect of internal audit on performance of Public service commissions in Kenya. The study also sought to establish the effect of internal audit staff expertise, internal audit controls and top management support of internal Audit function on performance of public service commissions in Kenya. The finding of the study was based on the study objectives and research questions.

5.3.1 Internal audit controls.

Based on multiple regression analysis, it was established that internal audit controls had no significant effect on performance of public service commissions in Kenya. The finding is positive and insignificant. This meant that lack of internal controls could have an effect on performance however minimal. The findings are in agreement with Feng, Li, McVay and Skaife (2014) who noted ineffective internal controls could adversely affect a firm's operations.

5.3.2 Internal audit staff expertise.

The study established the existence of a significant positive relationship between internal audit staff expertise on performance of public service commissions in Kenya. The study findings indicate that majority of the respondents confirmed to understand their roles as internal audit representing 72%. Majority of the respondents n= 24 representing 49% agreed that they are given adequate training. Majority (n= 24) representing 48.98% confirmed that parliamentary service commission conduct frequent training to staff. The findings are in line with the findings of Salanova, Agut, and Peiro (2005) on linking

organizational resources and work engagement to employee performance and customer loyalty.

5.3.3 Management support of internal Audit function.

It was established that top management support had a significant effect on the performance of public service commissions in Kenya. The results indicated that failure of the top management leads to overall failure of internal audit activities attained the highest score of agreement by being rated a mean of 2.0435 and a variance of 2.307. Followed by Top management should work as a team with the entire audit staff that acquired a mean of 2.2174 and a variance of 2.614. Lack of support demotivates internal audit staff scored a mean score of 2.8116 and a variance of 3.067 and finally reports on performance should come from the top management staff scored a mean score of 3.6812 and a variance of 2.897. These findings are in agreement with the results by Noe, Hollenbeck, Gerhart, and Wright (2017) on human resource management as a source of competitive advantage.

5.4 Conclusions

The study concludes that internal audit influence performance of public commission in Kenya since the p-value two predictor variables were less than 0.05. The study concluded that internal audit has a positive and significant on performance of public commissions in Kenya. The study concludes that internal audit controls as part of internal audit does not influence performance of public commission in Kenya since P value < 0.005.

The study concludes that internal audit staff expertise has influence on performance. This is because the results showed a P-value > 0.000 since the P-value < 0.005. The finding is positive and significant. The findings of the study revealed significant positive

relationship between internal audit staff expertise and the performance of public commission in Kenya.

The study concludes that Top management support of internal Audit function having no influence on performance. This is because the study indicates that $P\text{-value} > 0.000$ since the $P\text{-value} < 0.005$. The finding is positive and significant. The findings of the study revealed a significant positive relationship between Top management support of internal Audit function and the performance of public commission in Kenya.

5.5 Recommendations

From the conclusion drawn, it recommended that managers and policy makers should pay attention to Internal Audit staff expertise. Public institutions should hire qualified staff for better performance. Resources should be directed toward staff development and compensation, for they hold the key to organizational performance. It is recommended that top management must be committed to ensuring internal audit function works in their commissions. Top management should therefore give support internal audit function to enhance effectiveness, independence and efficiency on their service delivery. It is further recommended that management should not direct all resources toward internal audit controls because increased internal audits may not have significant influence to performance.

5.6 Areas for Further Research

Based on the adjusted R square performance of public commission is not purely begged on internal audit function alone since the study indicated that internal audit only explains 60.8% of performance leaving 39.2% unexplained. Further study could be conducted to

establish the other factors that affect performance other than internal audit function in an organization.

This study was based on public commission on Kenya, similar study should be done in other countries especially in the East African Community member countries in order to establish whether similar results will be arrived at. It will also indicate whether there are other influencers of performance other than the internal audit function.

The study was conducted relying on case of study of parliamentary service commission. Similar studies could be done on other organization in different industries like private sector, public limited company, and non-governmental organization among others.

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APPENDICES

APPENDIX I: QUESTIONNAIRE

QUESTIONNAIRE FOR THE EFFECT OF INTERNAL AUDIT ON THE PERFORMANCE OF PUBLIC COMMISSIONS IN KENYA.

Instructions

This questionnaire is designed to collect information on the factors that affect tax compliance in real estate sector.

The information obtained will only be used for academic purposes and shall be treated in utmost confidence. You are requested to complete this questionnaire as honestly and objectively as possible.

Please tick in the appropriate box and also fill in the blank spaces provided for those questions where elaborate answers are required. Use the space at the back of this questionnaire if you need more space for your responses.

SECTION A: BACKGROUND INFORMATION

Kindly answer all the questions by ticking in the boxes or writing in the spaces provided.

1. Gender Male () Female ()

2. Age (Years)

31-35ears ()

26-30 years ()

31-35 years ()

36-40 years ()

41 years and above ()

3. What is your level of education?

Certificate/Diploma ()

Undergraduate degree ()

Masters degree ()

PHD degree. ()

)

4. For how long have you been employed at PARLSCOM?

Less than 3 years ()

3-5 years ()

6 -10 years ()

11-15 years ()

More than 15 years ()

SECTION B

Kindly state your level of agreement or disagreement with the following statements by putting a tick against that which best describes your position.

The scale ranges from Strongly Agree (5), Agree (4), Uncertain (3), Disagree (2) and Strongly Disagree (1)

What is the effect of internal audit controls on performance of Public Service Commissions in Kenya?

	Statement	1	2	3	4	5
5	There is a review of individual systems and processes					
6	I am satisfied with all aspects of Financial controls					
7	There is high level of Managerial controls					
8	Operational policies controls are functional and well implemented					
9	Control information within the organization is up to standard					
10	There is restricted access to Accounting Information and communication					

SECTION C

Questions regarding effect of internal audit staff expertise on performance of Public Service Commissions in Kenya?

11. Do you fully understand your role as an internal audit staff?

Yes No Not Sure

12. Does the Parliamentary Service commission conduct frequent training to staff?

Yes No Not Sure

13. Do you conduct performance appraisal in the internal audit department?

Agree

Disagree

Not sure

SECTION D

Questions in relation to the influence of top management support of internal Audit function on performance of Public Service Commissions in Kenya?

Kindly state your level of agreement or disagreement with the following statements by putting a tick against that which best describes your position. The scale ranges from Strongly Agree (5), Agree (4), Uncertain (3), Disagree (2) and Strongly Disagree (1)

	Statement	1	2	3	4	5
18	Lack of support demotivates internal audit staff					
19	Top management should work as a team with the entire audit staff					
20	Failure of the top management leads to overall failure of internal audit activities					
21	Top management should closely monitor the activities of the internal audit staff for efficiency.					
22	Reports on performance should come from the top management staff.					

SECTION E

On the scale of 1-4 where 1 = Very Much, 2 = Much, 3 = Average and 4 = Not at all, rate the following statements.

Statements	1	2	3	4
Internal audit staff expertise affect performance of Public Service Commissions in Kenya.				
Internal audit controls influence performance of Public Service Commissions in Kenya.				
Top management support of internal Audit function influence financial performance of Public Service				



AFRICA NAZARENE
UNIVERSITY

25th, April 2019

E-mail: researchwriting.mba.ann@gmail.com

Tel. 0202711213

Our Ref: 16M03DDBA057

The Director,
National Commission for Science,
Technology and Innovation (NACOSTI),
P. O. Box 30623, 00100
Nairobi, Kenya

Dear Sir/Madam

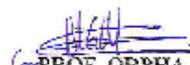
RE: RESEARCH AUTHORIZATION FOR: MS. ANGELICAH WANJIRU KABUE

Ms. Kabue is a postgraduate student of Africa Nazarene University in the Master of Business Administration (MBA) program.

In order to complete her program, Ms. Kabue is conducting a research entitled: "Effect of Internal Audit Practice on Performance of Public Commissions in Kenya: A Case of Parliamentary Service Commission"

Any assistance offered to her will be highly appreciated.

Yours Faithfully,


for **PROF. ORPHA ONG'ITI,**
PRINCIPAL: NAIROBI CBD CAMPUS.



**NATIONAL COMMISSION FOR SCIENCE,
TECHNOLOGY AND INNOVATION**

Telephone +254-20-2213471,
2741549,3319571,2219420
Fax +254-20-218245,318249
Email: cg@nacosti.go.ke
Website: www.nacosti.go.ke
When replying please quote

NACOSTI, Upper Kabete
Off Waiyaki Way
P.O. Box 30823-00100
NAIROBI-KENYA

Ref No. **NACOSTI/P/19/49560/30597**

Date: **29th May, 2019.**

Angelica Wanjiru Kabue
Africa Nazarene University
P.O. Box 53067-00200
NAIROBI.

RE: RESEARCH AUTHORIZATION

Following your application for authority to carry out research on *“Effects of Internal Audit practice on performance of Public Commissions in Kenya: A case of Parliamentary Service Commission of Kenya.”* I am pleased to inform you that you have been authorized to undertake research in **Nairobi County** for the period ending **27th May, 2020.**

You are advised to report to **the County Commissioner and the County Director of Education, Nairobi County** before embarking on the research project.

Kindly note that, as an applicant who has been licensed under the Science, Technology and Innovation Act, 2013 to conduct research in Kenya, you shall **deposit a copy** of the final research report to the Commission within **one year** of completion. The soft copy of the same should be submitted through the Online Research Information System.


BONIFACE WANYAMA
FOR: DIRECTOR-GENERAL/CEO

Copy to:
The County Commissioner
Nairobi County.

The County Director of Education
Nairobi County.

National Commission for Science, Technology and Innovation is ISO9001:2008 Certified

APPENDIX III: NACOSTI RESEARCH PERMIT

Permit No. : NACOSTI/P/19/49560/30597
Date Of Issue : 29th May, 2019
Fee Received : Ksh 1000

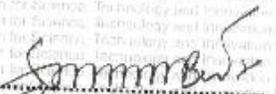
THIS IS TO CERTIFY THAT:
MS. ANGELICA WANJIRU KABUE
of AFRICA NAZARENE UNIVERSITY,
53067-200 Nairobi, has been permitted
to conduct research in Nairobi County

on the topic: EFFECTS OF INTERNAL
AUDIT PRACTICE ON PERFORMANCE OF
PUBLIC COMMISSIONS IN KENYA: A
CASE OF PARLIAMENTARY SERVICE
COMMISSION OF KENYA

for the period ending:
27th May, 2020


Applicant's
Signature




Director General
National Commission for Science,
Technology & Innovation

THE SCIENCE, TECHNOLOGY AND
INNOVATION ACT, 2013

The Grant of Research Licenses is guided by the Science,
Technology and Innovation (Research Licensing) Regulations, 2014.

CONDITIONS

- 1. The License is valid for the proposed research, location and specified period.
- 2. The license and any rights thereunder are non-transferable.
- 3. The Licensee shall inform the County Governor before commencement of the research.
- 4. Excavation, filming and collection of specimens are subject to further necessary clearance from relevant Government Agencies.
- 5. The License does not give authority to transfer research materials.
- 6. NACOSTI may monitor and evaluate the licensed research project.
- 7. The Licensee shall submit one hard copy and upload a soft copy of their final report within one year of completion of the research.
- 8. NACOSTI reserves the right to modify the conditions of the License including cancellation without prior notice.

National Commission for Science, Technology and Innovation
P.O. Box 30623 - 00100, Nairobi, Kenya
TEL: 020 400 7000, 0713 798787, 0735 464245
Email: dg@nacosti.go.ke, registry@nacosti.go.ke
Website: www.nacosti.go.ke



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RESEARCH LICENSE

Serial No.A 25041

CONDITIONS: see back page