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Factors Affecting Internal Auditor's Performance in Public Universities in Kenya

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ABSTRACT

The study focused on the factors affecting internal auditors' performance in public universities in Kenya. It aimed at achieving the objectives: to determine how the working environment, to assess how the challenges to the independence of internal auditors, to assess the impact of the level of technical competency affects the performance of internal auditors in public universities in Kenya. Thus this study evaluates the effect of working environment, establishes the effect of internal auditor's independence and the effect of internal auditors competence on the performance of internal auditor in public universities in Kenya. Descriptive research design was applied, with a target population of the chief internal auditors from 31 chartered public universities in Kenya which are registered by the Higher Education ministry. A random simple sampling technique was applied to give the sample size of 31. Primary data was used for analysis. The study found out that the internal auditors working environment, internal audit independence and authority, internal auditor's technical competence impacted on the performance of internal audit function.

The study recommended that auditors should consider complying with professional standards as the most important contributor to internal auditing performance. The management in the public universities should keep organizing seminars and workshops where the internal auditors would be trained frequently by experts either internally or externally.

Keywords: Internal auditors working environment, internal auditor independence, internal auditor competence and internal auditors' performance.

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1.1 Introduction

Organizations Internal auditors play the role of undertaking an independent examinations and giving assurance on various operations of institutions aimed at enhancing organizational performance every day (Institute of Internal Auditors (IIA), 2009). This enables an organization to meet its operational objectives through well thought-out and dedicated approaches to evaluate and improve on how best to manage risk, institute effective controls and enhance governance. The broad view of internal audit places it more centrally as an important element of public expenditure management that also encompasses management controls and information communication processes (Diamond, 2002). Internal auditors become key by informing the public sector as a result of principle-agent relationship that exists between the executive and the public (ICPAK, 2015). Internal auditors help in safeguarding organization resources and are expected to give a continuous account of how the resources have been used and enable continuous assessment on whether the feedback meets public objectives and expectations and whether these are well balanced to reduce the risks inherent in the principal-agent relationship (Adel, 2011).

Internal auditing principles offer quality reporting without due interference from top management in all processes and transactions undertaken and provide responses as to whether the agent has used the resources as intended and expected by the set rules (Adeniyi, 2004). Independence is promoted through established reporting structure by the organization and should be clear to all parties focusing on achieving an appropriate mind-set.

The basic roles of Internal auditors activities are directed towards evaluating whether operations were carried out in accordance with the set rules and regulations, set governance structures as well as systems that manage information in a bid to promote preciseness and efficiency in undertaking transactions (Stoner,

1994). In addition, internal auditors evaluate issues of integrity in a firm, measure systems and information flow to attain accountability and transparency in financial reporting (IIA, 2004). The other function of internal auditors is to offer direction on the best measures to adverse occurrence of chances or deficits that may arise, as well as providing certainty to institutions audit committee's and top management in ensuring objectives are well set (Owler & Brown, 2009).

Public institutions are required to support the internal auditor to learn effectively on all if not most issues faced by public institutions by understanding the daily risks and constraints in public organizations systems and formulating strategies that will enable the internal auditors to work as a team to identify and address all risks (Ramsay, 2002). A good internal auditor is one who undertakes his role efficiently and effectively and enables the achievement of good governance systems in any given public institution (Belay 2007). The internal auditors' roles are affected by credibility issues hindering their capability to perform their duties in promoting transparency, accountability and good governance.

1.2 Internal audit practices

Internal Auditing may be defined in several ways depending upon what purpose is to be served (Ondieki, 2013). Pickett (1976) as cited by Ondieki (2013) stated that —internal audit is an independent, objective assurance and consulting activity designed to add value and improve an organization's operations. According to Institute of Internal Auditors (IIA) (2009), internal auditing can be defined as a self-governing, objective and consulting activity that is designed in order to add value and develop the operations of an organization. It helps an organization to carry out its objectives by bringing an organized, disciplined approach in order to assess and develop the effectiveness of risk management, control and governance processes.

The quality and effectiveness of internal audit procedures in practice are necessary since internal auditors cover a wide variety of assignments, not all of which will relate to accounting areas in which the external auditor is interested. Emasu (2007) notes that "The effectiveness of internal audit function partly depends on; legal and regulatory framework, placement of the function and its independence existence of audit committees, resources allocated to the function and professionalism of internal audit staff". Effectiveness of internal audit procedures is a measure of the ability of the programme to produce a desired effect or a result that can be qualitatively measured (Harvey, Leinicke, Rexroad & Ostrosky, 2004). Rezaee and Zabihollah (2002) argue that there should be effective internal audit procedures to ensure reliability of financial statements, operational reports, safeguarding corporate assets and effective organizational controls

Higher education is one of the most effective instruments for economic, political, human resources and social development. Ogom (2007) argues that higher education not only enables a state to maintain a competitive advantage but it also stimulates scientific research that results in modernization and social transformation. On this basis, Ogom (2007) further proposes that governments should financially support their institutions of higher education. The Universities are increasingly being pushed towards greater accountability and a display of greater sensitivity to the needs of its stakeholders. At the same time as the institutions are taking on greater responsibility due to the fast rate of expansion, the level of its financial support from the Government is reducing in real terms. (UON, Strategic Plan, 2008). It is therefore imperative that it makes very bold steps towards enhancing its governance structure, including increasing the capacity and effectiveness of the Internal Audit Function.

The audit function has become an integral part of government financial management and an

instrument for improving performance in the public sector. Internal audit undertakes reviews of individual systems and processes and consequently makes recommendations to heads of public sector entities on how internal controls could be improved. The internal audit function is in a good position to help senior management of public institutions to identify risks, suggest risk management strategies and, ultimately, provide assurance that the risks are being appropriately managed (Njui, 2012).

Kenya being among the developing countries has been in the forefront to foster the education level by increasing the number of universities. Since independence the number of public universities has grown spontaneously. Initially in the early 1980s the country had five public universities namely; Nairobi University, Kenyatta University, Jomo Kenyatta University of Agriculture and Technology, Moi University and Egerton University. This number has grown over the past decade. Currently there are more than 31 public universities in Kenya as listed in Appendix II. Due to increased demand of higher education geared by the introduction of parallel programs in public universities, competition from both private and international universities, the public universities have faced a lot of challenges in enhancing effectiveness in training and services they offer due to insufficient funds. In order to meet its goal of offering quality and relevant academic programmes and be relevant in the competitive environment, the universities decided to embark on a programme of adopting ISO standards which apply to quality management systems.

Financial management in public organizations is concerned with ensuring funds are available when needed and that they are obtained and used in the most efficient and effective way to the benefit of the citizens (Waddell, 2000). Financial management practices requirements can impose a significant burden on public academic institutions. Managing the movement of funds in relation to the budget is essential for

a public academic institutions performance. But experience reveals that the financial management processes of public academic institutions are generally weak and dominated by conditions of resource scarcity vis-à-vis the ever increasing agenda of development activities on which such funds could be spent.

1.3 Statement of the Problem

Effective public finance management, including the management of aid flows, is crucial to countries making progress in reducing poverty. Weaknesses in public financial management often reflect underlying interests and incentives, and the reform and strengthening of public financial management requires high-level political leadership and support as well as technical skills (Diamond, 2002). For all these reasons, public financial management is likely to remain at the centre of dialogue between aid agencies and partner country governments. At the same time, donors have both a developmental and a fiduciary interest in the quality of their partners' public financial management (OECD, 2006). Audit committees play an important role in public financial management in most countries. Internal auditors are used to significantly enhance controls to promote transparency and accountability. There have been numerous complaints on the management of public funds and government being not as effective in detecting and preventing the misappropriation of public funds. However, even after enacting laws governing internal audit processes, there is still a rise in cases of inefficiency in public resources management and many reported cases of frauds and corrupt practices (Mihret & Yismaw, 2007).

Adel (2011) indicated that there is inadequate staffing of internal accounting and auditing departments in public universities and specifically the internal audit function is generally under resourced and this affects the performance of the internal auditors in financial management hence exposing public organizations to face threats of misuse of public

funds. Rezaee (2012) noted that financial reporting is ineffective due to corruption, frauds, and ineffective regulations.

Similarly weak internal auditing procedures have increasingly become a major problem in detecting loss of public funds and are an indication of ineffectiveness of internal auditors in the public sector (Otieno, 2010).

Kibet (2008) carried out a study on the role of the internal auditors in promoting good corporate governance in State Owned Enterprises (SOEs') aimed to explore the use of staff working as internal auditors in promoting good corporate governance in public sector enterprises and the challenges faced by the internal auditors in SOE. Kibara (2007) similarly carried out a survey of internal auditors risk management practices in the banking industry in Kenya and Chepkorir (2009) carried out a study on the challenges and roles of internal auditors in the banking sector in Kenya. Despite the increase in corruption cases and misappropriation of public funds in the public universities, studies on factors affecting internal auditor's performance in public universities remain scanty and there is no critical research that has been undertaken to explain the reasons why the internal audit functions clearly legislated for under the Public Financial Management Act of 2012 has not been effective in strengthening public financial management systems which would be a more effective way of protecting government resources. ICPAK (2015) survey on effectiveness of internal audit committees in the public sector identified the need to conduct further research to identify the factors affecting the performance of internal auditors in the public sector. This study therefore sought to fill the existing research gap by establishing factors affecting internal auditors' performance in public sectors in Kenya, with special focus on public universities.

2.0 Theoretical Literature

The study was guided by the following theories;

2.1.1 Agency Theory

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

Adams (1994) in his article stated that Agency theory can provide for richer and more meaningful research in the internal audit discipline. Agency theory contends that internal auditing, in common with other intervention mechanisms like financial reporting and external audit, helps to maintain cost-efficient contracting between owners and managers. Agency theory may not only help to explain the existence of internal audit in organizations but can also help explain some of the characteristics of the internal audit department, its size, and the scope of its activities, such as financial versus operational auditing. Agency theory can be employed to test empirically whether cross-sectional variations between internal auditing practices reflect the different contracting relationships emanating from differences in organizational form.

2.1.2 Contingency Theory

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

Fred (1964) in his article of the Contingency theory of leadership and management stated

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

Audit teams use a mix of structure and contingency to get the output rolling quickly. The subject of auditing projects can include such diverse areas as evaluation of production processes, inspection of company accounts, and assessment of compliance with industry standards. Selecting auditors with specialized training or those who have a particular skill set in the subject area minimizes the learning curve and reduces opportunities for errors.

2.1.3 Stakeholder Theory

This theory was originally detailed by Freeman (1984) in the book, *Strategic Management: A Stakeholder Approach*. The theory identifies and models the groups which are stakeholders of a corporation. It is a theory of organizational management and business ethics that addresses morals and values in managing an organization.

In the traditional view of the firm, the shareholder view, the shareholders or stockholders are the owners of the company, and the firm has a binding fiduciary duty to put their needs first, to increase value for them. Stakeholder theory argues that there are other parties involved, including employees, customers, suppliers, communities governmental bodies, political groups, trade associations, and trade unions. Even competitors are sometimes counted as stakeholders - their status being derived from their capacity to affect the firm and its stakeholders. The nature of what is a stakeholder is highly contested (Miles, 2012),

with hundreds of definitions existing in the academic literature.

2.2 Empirical review

2.2.1 Internal Auditors Working Environment

IIA (2012) indicates that effective public sector internal audit focuses on achieving good governance. Internal auditors play a critical role in promoting governance that is critical in the organization for the promotion accountability and transparency in financial management, reduction of risk and minimizing corruption. In this respect, it is important for the internal audit functions and structure to be effective to achieve the intended objectives and internal auditors should be empowered to take action with integrity and offer reliable information for action to be undertaken (IIA, 2012).

Organization view internal auditor's role as a tool to improve effectiveness in management of organization's resources. In many occasion, internal auditors work under poor working conditions and many times management fail to support their role and despise them as unworthy in the organization and fail to allocate sufficient resources to the internal audit function (Morgan, 2009). Insufficient attention by top management is a negative indicator of the importance of the internal audit function and this affects the performance of internal auditors (Mihret & Yismaw, 2011). In addition, insufficient knowledge on the role of the internal auditors results in poor performance (Mihret & Yismaw, 2011).

Cattrysse (2014) carried out a study investigating the role of internal auditors in organizations. The study found that internal auditors maintain the structure of organizations internal operations but also noted that the main problem facing the internal auditor is poor working conditions that create an unfavorable working environment. Kamere (2013) carried out a study on challenges faced in professionalizing the internal auditor's role in Kenya's industrial and Allied companies listed in the Nairobi Stock Exchange and established

that the failure to realign skills to address new requirements, failure to conduct risk assessments by management, poor leveraging of ICT to attain efficiencies and failure to cope with diminished resources, affects the performance of internal auditors.

Risk assessment requires that the internal audit staff to have skilled manpower. According to Hack (2013), 89% of respondents indicated that risk assessment was normally conducted in their respective organizations to support the internal audit planning process. However, training needs remained critical as only 44% of the respondents had the skills and he noted that training of internal auditors was critical as lack of auditing skills hinders performance of the internal audit function. Research by the American Accounting Association (2011) on issues of competency pointed out that internal auditors should engage in those services for which they have the necessary knowledge, skills, and experience and that they should perform duties in accordance with the *Standards*; and continually improve their proficiency and effectiveness.

2.2.2 Internal Auditors Independence and Authority

Internal audit independence and authority are important concepts that enable the function to operate without interference and provide effective feedback to management on how to continuously enhance effective control policies (Warga, 2014). Lawrence (2013) found that the increased frequency of financial reporting and external audit failures motivated the internal audit profession to seek greater autonomy in the organization structure and in countries where the role of internal audit is highly valued, functional reporting moved from senior officers in the organization to specific committees set-up under the boards and that report to the board of directors. The auditing services offered by internal auditors are achieved through internal auditor's independence and where internal auditors lack independence, they would

normally fail to perform to the expectation of the organization (Kadondi, 2012).

Schneider (2014) found that internal auditors role in achieving objectivity in the organization is largely affected by their economic status and that lack of clear reward systems. Schneider found that when rewards were not given to internal auditors, the internal audit operations could be influenced by management and this would affect would affect their reports and may result in unreliable reports to the organization. In contrast, clear rewards linked to performance influenced internal auditors' intent to report any violation in the organization. Hence, internal auditors fail to achieve their performance due to lack of support from management, insufficient resources and failure to receive support from executive as well as poor relationship in the organization (Warga, 2014).

The lack of controls also results in financial reporting errors, late filings, fraud and numerous other questionable transactions being performed. As the number and size of public organizations grow so does the need for properly educated and experienced accounting related personnel. Certain smaller public companies in developing countries are encountering difficulties in attracting and paying higher wages of qualified accounting personnel especially those with knowledge of and experience with GAAP and auditing regulations. As a result management influences decisions of internal auditors affecting their performance and this results in financial reporting risks such as improper revenue recognition, inflated acquisition costs for equipment and inventory, improper cash advances to officers and other transgressions that have a significant impact on organizational viability (Cohen, Krishnamoorthy & Wright, 2008).

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).

2.2.3 Internal Auditors' Technical Competency

The competency of internal auditors is important in promoting good governance and ensuring effective utilization of public resources. The internal audit function personnel both at the audit committee level and at actual internal auditors should be qualified, competent and knowledgeable to enable them perform their duties effectively. Morgan (2009) posited that internal auditors needed to be experienced and have the expertise. The uniqueness of internal auditor's competency is fostered by ensuring internal auditor's independence, expertise, integrity and diligence to perform their role effectively (DeZoort, 2012). In organizations with internal auditors with high competency levels, there is a positive correlation with performance which results in overall more effective corporate governance.

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

internal auditors role depends on the level of staff competency attained and this impacts on the audit quality (Mihret & Yismaw, 2013).

3.0 METHODOLOGY

The study applied descriptive research design, with a target population of 31 chief internal auditors from the respective chartered public universities. The relationship between the study variables was established using the following model;

$$Y = \beta_0 + \beta_1X_1 + \beta_2X_2 + \beta_3X_3 + \varepsilon$$

Where:

Y = Internal Auditor performance

β_0 = Constant Term

β_1 = Beta coefficients

X1 = working environment

X2 = Auditors independence

X3 = internal auditors competence

ε = Error Term

4.0 RESULTS AND DISCUSSION

The overall response rate was found to be 99% (out of the 31 questionnaires administered only 30 were returned) which was relatively high. The 1 % of the respondents did not respond. The interpretation was that the high response rate was essential to obtain sufficient observations for further analysis. According to Kothari (2007) a response rate above 50% of the total sample population is recommended.

4.1 Relationship between the internal Auditor's Working Environment and internal auditor's performance

To measure the internal auditor's working environment, the study evaluated whether the organisation's culture, code of conduct, human resource policies and performance reward systems support the organisation's objectives, risk management and internal control system.

It was established that the organisation's culture, code of conduct, human resource policies and performance reward systems support the organisation's objectives, risk

management and internal control system with the highest mean of a 3.78.

To determine the internal auditor's working environment, the study evaluated whether there were training opportunities and if the opportunities were open to all.

It was established that there existed multiple opportunities for training and that they were open to all interested auditors with a mean of 3.75

To evaluate the internal auditor's working environment, the study also investigates whether the internal auditor's were accorded on job skills that suit their work in the internal audit function.

It was also established that internal auditors are well accorded with the necessary n job skills that suit their work in the internal audit function effectively with a mean of 3.71.

The interpretation was that majority of the respondents felt that the working environment was an important factor in to dictate their performance. The respondents moderately agreed with the statements which are consistent with the findings of Hack (2013) who carried out a study on challenges facing internal auditors in 24 countries in Europe and found that challenges facing internal auditors were technical skills gaps, corruption and lack of authority and also identified other challenges that hinder the effective functioning of internal auditors which included high costs.

4.2 Relationship between the internal Auditor's independence and authority and the internal auditor's performance

To measure the internal auditor's independence and authority, the study evaluated the legislation and charters that define the roles and authorities of an internal auditor.

It was established that their existed a clear legislation and charters that defines the roles of an internal auditor with a high mean of 3.63.

The study also evaluated the internal auditor's independence and authority by evaluating whether they have free and unrestricted access

to all the operations, personnel, assets and transaction records.

It was also established that the auditors have few and unrestricted access with a mean of 3.61

The study sought out to determine the Chief Audit Executive powers in establishing the internal audit plans and whether the internal auditors are immune from any internal pressure and whether they undertake the audits findings and recommendations objectively without any reprisals.

It was established that the Chief Audit Executive has adequate powers in establishing the internal audit plans and that the internal auditors did are sufficiently immune from any internal pressure and undertake audits, report findings and recommendations objectively without fear of reprisal with a mean of 3.59.

The interpretation was that majority of the respondents almost to the same opinion as to the effect of auditors' independence on performance. The respondents agree with the statements thus the findings concurs with those of Schneider (2014) who found that internal auditors role in achieving objectivity in the organization is largely affected by their economic status and that lack of clear reward systems, lack of authority and access to information.

4.3. Relationship between the internal Auditor's technical competence and the internal auditor's performance

To measure the internal auditor's technical competence, the study evaluated the awareness of various principles of risk assessment and appraisal as well as risk management and the risk management strategies for the university. It was established that there was adequate awareness of risk management strategy for the university with a mean of 3.56.

The study also evaluated the internal auditor's knowledge on financial tools and techniques and that they are proficient in the use of IT/ICT

and tech based audit techniques. It was established that there was knowledge on the financial tools and techniques and that they were also proficient in the use of IT/ICT and tech based audit techniques with a mean of 3.59.

The study further evaluates the internal auditor's ability to evaluate the organizations risk appetite to the application of controls in operational areas. It was also established that the internal auditors possessed the ability to evaluate the organization's risk appetite to the application of controls in operational areas with a mean of 3.54

The interpretation was that majority of the respondents were in agreement with the various measures which indicated that competence was a major determinant to Internal Auditors' performance.

4.4 Performance of Internal Auditors

To measure the performance of internal auditors, the study evaluated whether the internal audit function issues the number of reports as indicated in the audit plan. It was established that it issues the number of reports as indicated with a mean of 3.72.

The study also evaluated whether there was a high number of key risks identified. It was established that there was with a mean of 3.73

Further, the study sought to find out the number of 'best practice' recommendations made that are accepted/implemented by the organization. It was established that there was a high number of best practice recommendations made that are usually implemented by the organization with a mean of 3.82.

To conclude, the study also evaluated timeliness in issuing the audit reports and the time sent in the specific activities compared to the budget. It was then established that there was timeliness in the issuing of the reports and that actual time was also spent to the activities as per the budgeted time.

The interpretation was that majority of the respondents felt that the internal environment

audit practices were an integral part of their organization and there were several internal factors which affected their performance. The findings were in agreement with these statements to above expectation which is in accordance to Eighme & Cashell (2010) that

the internal audit support enhances the system of responsibility that the executive directors and employees have towards the owners and other stakeholders.

4.5 Correlation analysis

Table 4.1 Correlation analysis

		Performance of internal Auditor	Working environment	Internal Auditor independence	Internal auditor competence
Performance of internal Auditor	Pearson Correlation	1			
	Sig. (2-tailed)				
	N	30			
Working environment	Pearson Correlation	0.807**	1		
	Sig. (2-tailed)	0.000			
	N	30	30		
Internal Auditor independence	Pearson Correlation	0.793**	0.480**	1	
	Sig. (2-tailed)	0.000	0.000		
	N	30	30	30	
Internal auditor competence	Pearson Correlation	0.749**	0.452**	0.443**	1
	Sig. (2-tailed)	0.000	0.000	0.000	
	N	30	30	30	30

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

From table 4.1 it can be observed that the correlation between the independent variables and the dependent variable was high and positive at 0.807, 0.793 and 0.749 for working environment, internal auditor independence and internal auditor competence. The interpretation was that the level of multi-collinearity between the independent variable was not very high though significant, which meant that the influence of each variable in the regression model could be identified without challenges.

Burns and Burns (2008), note that multi-collinearity is the presence of high correlations between the independent variables and should be avoided or minimized. The variables were found to have a strong positive effect on auditor's performance. The interpretation was that improved working environment, adequate internal Auditor independence and high competence would lead to improved performance of the internal Auditor.

4.6 Regression results overall model

Table 4.2 Model Summary

R	R Square	Adjusted R Square	Std. Error of the Estimate
0.893	0.797	0.789	0.45886784

From table 4.2 the values of the regression model were R 0.893, R Square 0.797 and adjusted R square 0.789. These values clearly suggests that there is a strong relationship

between, working environment, internal auditor independence and internal auditor competence and the performance of internal auditor for all

the four models. This indicates that all the variables considered had a statistically significant effect on financial performance.

Table 4.3 Analysis of Variance

	Sum of Squares	df	Mean Square	F	Sig.
Regression	64.576	3	21.525	102.230	0.000
Residual	16.424	78	0.211		
Total	81.000	81			

The results in Table 4.3 indicates that the overall models was a good fit since the value of F-statistic was found to be 102.230 and the p-values was found to be 0.000 which is less than

the critical value of 0.05. This suggests that all the four variables considered were relevant in explaining the auditor's performance.

Table 4.4 Coefficients

Variable	Coefficients	Std. Error	t-statistic	p-value
(Constant)	0.150	0.051	2.915	0.005
working environment	0.383	0.073	5.231	0.000
internal auditor independence	0.353	0.074	4.773	0.000
internal auditor competence	0.258	0.070	3.663	0.000

The fitted regression model is

$$Y = 0.150 + 0.383 X_1 + 0.353 X_2 + 0.258 X_3 + \epsilon$$

Standard Error 0.051 0.073 0.074 0.070

t-Statistics 2.915 5.231 4.773 3.663

p-value 0.005 0.000 0.000 0.000

Where;

Y = internal Auditor performance,

X1 = working environment,

X2 = internal auditor independence,

X3 = internal auditor competence,

ϵ = Error Term,

β_0 = Intercept, β_1 , β_2 , β_3 , β_4 = Coefficients

From table 4.4, the regression coefficient of working environment, internal auditor's independence and internal auditor's technical competence was found to be 0.383, 0.353 and 0.258 respectively. These values shows that holding other variables in the model constant, an increase in working environment, internal

auditor's independence and internal auditor's competence by one unit each causes the auditor's performance to increase by 0.383, 0.353, 0.258 units respectively.

The coefficients had statistically significant values with a t-statistic value of 5.231, 4.773 and 3.663 respectively. The standard errors were found to be 0.073, 0.074, 0.070 and the p-values were found to be 0.000. The interpretation was that working environment, internal auditor's independence and internal auditor's competence causes the performance to increase and vice versa. The public universities in the country should consider enhancing working environment conditions, internal auditor's independence and internal auditor's technical competence to ensure internal auditor performs their function with challenges.

5.0 SUMMARY, CONCLUSION AND 5.2 Conclusion

RECOMMENDATION

5.1 Summary of findings

The study establishes that internal auditors working environment affects the performance of internal auditors to a great extent. The study also revealed that complying with professional standards is the most important contributor to internal auditing and formal auditing standards recognize that internal auditors also provide services regarding information other than financial reports. The study revealed that internal auditors are expected to carry out their role objectively and in compliance with accepted criteria for professional practice and standards for audits. The study also revealed that audit-related services influence the performance of auditors and performing auditing work according to internal auditing standards contributes significantly to the quality and effectiveness of auditing and finally that internal auditors evaluate and contribute to the improvement of risk management, control and governance using a systematic and disciplined approach in the public sector.

The study establishes that the auditor's independence and authority affect the performance of auditors to a great extent. The study further revealed that an internal auditor must be independent of both the personnel and operational activities of an organization and the internal audit department in a public institution must be independent from the activities which it controls and must likewise be independent from the day-to-day internal control processes. The study established that internal auditors' technical and professional skills in the various aspects that impact on quality audit reports and auditors readiness to embrace change are significant and greatly impact on the performance of internal auditors in the public sector. Effective auditing standards influence auditor's behaviour and improve the quality and effectiveness of audits by substantially adjusting audit practice

5.2.1 working environment

The study concludes that internal auditors working environment was greatly influenced by internal auditors being praised and recognized in audit publications; the presence of flexibility of processes and controls to manage the ever changing environment which brings new risks and operational gaps; internal auditors being recognized at professional annual audit conferences; and by top management through its support and policies demonstrating their enthusiasm to cultivating trust, integrity and competency within public universities. The study also concluded that the organization's culture, code of conduct, human resource policies and performance reward systems support the organizations objectives and that risk management knowledge facilitates achieving set goals and managing risks effectively

5.2.2 Internal auditor independence

The study concluded that the ministries offered auditors independence and authority in that the management policy establishes internal audit unit and the universities does not permit internal auditors to audit operations which they have undertaken. Internal auditors report to top management who are in charged with governance and that legislation and the audit charter defines clearly and formally the roles and authorities of an internal audit function. The study also concludes that internal auditors are segregated from functional and management decisions and the CAE is fully involved in the recruitment process of internal audit staff.

5.2.3 Internal auditor competence

The study concludes that the internal auditors technical competence was based on organization management and operation research skills, how higher-level objectives link with universities operational objectives, the universities attitude towards identified risks, the universities key related risks and how they impact their high-level objectives, risk, control

tools and techniques, project management, electronic work papers, process modelling software and understanding performance and measurement principles versus output targets designed to deliver objectives.

The study also concludes that the internal auditors technical competence in universities had not fully adopted on techniques on control assessment and risk analysis, balanced scorecard, , data mining, analysis of business processes and use of IT/ICT and tech-based audit techniques and Controls identification.

5.3 Recommendations

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

The heads of the internal audit department should also be responsible to the management/board in the organization with sufficient authority to promote independence and to ensure broad audit coverage, adequate consideration of audit reports, and appropriate action on audit recommendations in the public universities.

The management in the concern Public universities should procure the latest ICT internal audit software which will ensure better determination of risks and enhance fast delivery of services including the detection and prevention of frauds and/or non-compliance with public expenditure management. Internal auditors should also be fully trained on how to use the latest internal audit software which should be frequently upgraded to keep abreast with changing technology. Internal auditors should also be exposed to the developments in the internal audit frameworks regularly

pronounced by the Institute of Internal Auditors, professional bodies like the Institute of Certified Public Accountants of Kenya and those promulgated by agencies like the World Bank, IMF and UNDP that support the enhancement of governance in the public sector.

5.4 Recommends for Further Research

From the regression model it was noted that the variables included were the only ones able to be explained, R Square 0.797 and adjusted R square 0.789 of the variation in the dependent variable. This study therefore recommends the improvement of this model by including more variables that are relevant in explaining the variation. The study was also limited to the public universities and more research should be conducted in the private sector as well. The study should also be extended to other study institutions that are not necessary universities such as technical institutions and also ministries.

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