

**INTERNAL AUDIT PRACTICES, TOP MANAGEMENT SUPPORT AND
ORGANIZATIONAL PERFORMANCE OF STATE CORPORATIONS IN KENYA**

ROSEMARY AQUINO NYIKULI

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DECLARATION

I declare that this project is my original work. No part of this project has been submitted to any other university or institution for a degree. The works of other scholars used in this study are dully referenced.

Signed: _____ Date: _____

Rosemary A. Nyikuli

KCA/19/04263

This master's project has been developed under my guidance as the university supervisor.

Signed: _____ Date: _____

Dr. Wafula Fredrick (PhD)

Lecturer and Business Risk Consultant

KCA University

DEDICATION

This research project is dedicated to my spouse Elias Oyaro Onsando for being my pillar, our children Baraka and Israel and my sister Winnie Nyikuli for always being there for me.

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ABBREVIATIONS AND ACRONYMS

IIA:	The Institute of Internal Auditors
NACOSTI:	National Commission for Science, Research and Innovation
p-p Plots:	Probability Probability plots
VIF:	Variance Inflation Factor

OPERATIONAL DEFINITION OF TERMS

- Internal Audit Standards:** Principles focuses on providing a framework for performing and promoting internal auditing (The Institute of Internal Auditors, 2018).
- Internal Audit:** A systematic assurance activity established as a service to an entity whose functions includes examining, evaluating and monitoring accounting records, operations and performance of the entity to verify their authenticity and fairness (Ahmad, 2018).
- Internal Auditor Independence:** Not being under control or direction of anything or anybody that could compromise the ability of the internal auditor to carry out internal audit duties objectively (The Institute of Internal Auditors, 2018).
- Organizational Performance:** The actual output of an organization as measured by its capacity to achieve its targets through effective and efficient utilization of resources at its disposal (Ombaka, Machuki, Awino, & Wainaina, 2015)
- Professional Competencies:** Ability to perform a job or task properly having complied with a set of defined knowledge, skills and behaviour (Boskou, Kirkos, & Spathis, 2019)
- Top Management Support:** The degree to which the executive management understands the importance of internal audit function and gives support to internal audit activities (Alqudah, Amran, & Hassan, 2019).

ABSTRACT

Internal auditing provides audit services to management at all levels thus improving organizational performance. This study has conceptualised a relationship between internal audit and organization performance. Extant literature has linked internal audit to organizational performance. However, the notion has largely been superfluous and hence needs to be grounded on empirical literature. Further, despite top management support moderating role in the association between internal audit and organizational performance being implied, there lacks empirical evidence. The study main objective was to examine the influence of internal auditing on the organizational performance of State Corporations in Kenya. Specific objectives were to: investigate the effect of professional competencies on organizational performance of the Kenyan State Corporations; examine the effect of internal audit standards compliance on organizational performance of Kenya's State Corporations; establish the role played by internal auditors' independence on organizational performance, and to examine the moderating effect of top management support on the relationship between internal audit and organizational performance of the State Corporations in Kenya. The objectives had corresponding hypotheses which were tested at a 95 percent level of confidence. The study employed a cross-sectional research design and had a target population of 288 state corporations. The study adopted criterion-based sampling and used a sample of 154 state corporations. Primary data was collected from a single respondent in each of the corporations' using semi-structured questionnaires that were administered online. Out of the questionnaires sent 105 were filled and returned. This was a response rate of 68.2 percent and was considered adequate for the study. Through standard multiple linear regression and moderated multiple linear regression, findings indicate a statistically significant relationship between internal audit and organization performance. However, the internal audit could only explain 49.2 percent of the variations in organizational performance. Results of the independent effect of the disaggregated internal audit indicated positive and statistically significant effects of professional competencies, internal audit standards and internal auditors' independence with organizational performance. The moderating effect of top management support gave rise to a marginal increase in the explanatory power of the model at 5.87 percent, although the moderation was found not to be statistically significant. The findings provide empirical grounding to the agency theory by supporting the postulation internal audit characteristics yields to organizational performance. The study further provides theoretical linkage contingency theory and stakeholder theories. The study has offered recommendations to managerial practice and policy to both the state corporations and the government regulatory agents.

CHAPTER ONE

INTRODUCTION

1.1 Background of the Study

Internal audit, the systematic and independent examination of financial statements and accounting records has become an indispensable management tool in management operations (Ahmad, 2018). The main goal of internal audit is to advance the competencies and effectiveness of an organization's operations. Further, internal audits seek to ensure the financial reports are reliable and in compliance with existing laws and regulations (Cho, Lee, & Park, 2017). Alzeban (2020) posit that internal audit facilitates significantly the organizational performance of public institutions in diverse nations. Internal audit added value and enhanced organizations operations and was a core activity that helped organizations attain their objectives (Alzeban, 2020). Boskou et al (2019) demonstrated that effective internal audit can enhance financial reporting quality. The quality of internal audit is an essential element upon which financial reporting quality depends on (Boskou et al. 2019). According to Omolaye and Jacob (2017), the implied requirement that the internal audit should be effective in the attainment of institutional goals deserves more attention in academic research than it has received. In practice, the internal audit has been actively debated but in academic research, Internal audit and its contribution to the organizational performance of independent institutions remain largely unexplored (Omolaye & Jacob, 2017).

The global financial crises of the past decade created incentives leading to the introduction of effective internal audit systems to avoid frauds similar to those that have taken place in recent years worldwide (Boskou et al 2019). The Institute of Internal Auditors (2018) emphasises that internal auditing is critical to assessing and reporting the attainment of an institution objective including organizational performance. Across the globe, the empirical association between internal audit and organizational performance has been examined. However, the findings have been inconclusive. For instance, in Saudi Arabia and the United Arab Emirates, Alzeban (2020) investigated the impact of internal audit on organizational performance and found out that internal audit improves organizational performance and help institutions attain their objectives. In Poland, Ćwieląg (2016) investigated the role of internal audit in shaping rational financial management in independent government entities. The study concluded that internal auditing enhanced the potential of independent government institutions and allowed them to economize and efficiently manage financial resources for greater financial performance (Ćwieląg, 2016).

Other scholars have however argued that internal auditing is unrelated to financial performance. For instance, in Korea, Cho et al (2017) examined the effect of characteristics of statutory internal auditors on operating efficiency and found that the two concepts were negatively related. In a Kenyan study that focused on the effect of internal audit on organizational performance of public institutions, Muchiri and Jagongo, (2017) found internal audit did not influence the organizational performance of the Kenya meat commission.

1.1.1 Internal Audit

The internal audit function adds value while enhancing the operations of an institution and is considered as key in assisting organizations to achieve their objectives (The Institute of Internal Auditors, 2018). According to the Victorian Auditor-General's Office (2017) report, an internal audit is an independent and impartial assurance intended to add value and advance an entities operation. Muchiri and Jagongo (2017) argue that internal auditing is an overall monitoring activity for assessing the effectiveness of control procedures. Internal audit assesses compliance with financial regulations and evaluates the value and usefulness with which the resources are utilized (Ziniyel, Otoo, & Andzie, 2018). Being a core activity in public institutions financial management, internal audit evaluates the dependency and credibility of record maintenance and financial reporting. Arum, (2015) posit that internal auditing provides assurances that business risks are well managed and internal controls operate effectively.

The internal audit practice is a basis for superior performance of public institutions and it is important for assuming effective and efficient application of appropriate controls (Victorian Auditor-General's Office, 2017). The professional competencies of internal auditors are one of the essential factors that determine the extent to which the set audit objectives are met (Nurdiono & Gamayuni, 2018). According to Furiady and Kurnia (2015), professional competency had a significant effect on audit quality and by extension firm performance of public accounting firms in Jarkata, Indonesia. They argued that auditor professional competence is the auditors' ability to apply knowledge and experience to facilitate the accurate and objective performance of the audit function (Furiady & Kurnia, 2015). Similarly, Alhassan (2018) posits that with public institutions having to demonstrate accountability in the use of public funds, there is now greater demand for professional competency from the internal auditor. The technical attributes that a professionally competent internal auditor must possess include technical, analytical appreciative, interpersonal and organization skills. The Institute

of Internal Auditors (2018) argues that the attributes are attained through education, experience and professional certification.

The internal auditors' independence has been cited as being important in building public confidence in the financial management of independent institutions (Mburunga, Walubuka, & Gichana, 2019). They find that lack of internal auditors' independence has a negative influence on listed firms in Kenya. Mburunga et al (2019) argue that the functions of internal audit are adequately funded and sufficient financial resources invested in the function. This, Mburunga et al (2019) notes enhance the internal audit independence. Further, the personal characteristics of individuals performing the role of the internal auditor are necessary as they add to the effectiveness of internal audit and this further enhances the performance of an organization (Endaya & Hanefah, 2016). Citing objectivity, effective communication skills, proficiency and due professional care, continuous professional development, Endaya and Hanefah (2016) argued that those were key elements that enhanced internal auditors' professional competence. The study argued that the relationship amongst the characteristics was clear since internal auditors needed to possess the skill, knowledge and other competencies to attain their individual responsibilities (Endaya & Hanefah, 2016).

Internal auditing standards contribute greatly to the effectiveness of internal auditing in determining firm performance (The Institute of Internal Auditors, 2018). The Institute of Internal Auditors (IIA) issues auditing standards and professional guidelines globally. The standards include attributes standards, performance standards in addition to standards of implementation. The IIA standards lay down the basic principles that signify the practice of internal audit (Lenz, 2018). In general, auditing standards recognize that internal auditors also provide services regarding risk management, corporate governance beyond auditing financial books (Lenz, 2018). The standards require internal auditors to carry out their mandate in conformity with the code of ethics of the audit profession. Performance of the internal audit activity in relation to the required criteria for professional practice will obviously add value to the organization and hence its performance (The Institute of Internal Auditors, 2018). The internal audit standards constitute an intentionally recognised guide for the internal audit profession. Compliance with the institute of internal standards is a fundamental criterion for the assessment of internal audit contribution to organization performance (Abdulaziz, 2019).

Even though internal auditors can have a large degree of independence and autonomy (Alzeban, 2020), they may still have a limited capability to perform their duties within an organization. Hence top management support becomes critical to facilitate internal auditors in conducting their studies (Turetken, Jethefer, & Ozkan, 2020). Top management support has been cited as one of the key factors in ensuring the effectiveness of internal audit which in turn impacts positively to overall organizational performance (Bello, Ahmad, & Yusof, 2018). According to Alqudah et al (2019), top management support is linked to the provision of efficient resources to internal audit in areas of staff recruitment, staff training and professional development aimed at improving on the competencies of the internal auditor in addition to ensuring that the internal audit department is independent. According to Bello, et al (2018), the attitude and support of the top management has a significant influence on firm performance. Further, the factors that impact internal audit effectiveness including the size of the internal audit and the internal auditors' independence are derived from the support of top management. Moreover, giving independence to the internal audit department, career development and allocation of sufficient resources are all the results of top management support (Alqudah et al. 2019).

In the present research study, the support of top management is adopted as the moderating variable in the relationship between internal audit and organizational performance. Baron and Kenny (1996) argue that a moderating variable, besides acting as an independent variable, also strengthens other exogenous variables in their influence on the dependent variable. Moderating variable thus supports and influences the association between the independent variables and dependent variable (Baron & Kenny, 1986). The need to include top management support as the moderating variable is thus given credence by Barry and Kenny (1986). Other scholars, for instance, Bello et al (2018) have adopted top management support as a moderating variable and shown that the moderator strengthens the association amongst the other variables.

1.1.2 Organizational Performance

Organizational performance is a universal term that however lacks a global definition and thus is defined differently across the various professions. What is clear, however, is that institutions have goals and intentions and amongst them to succeed (Ongeti & Machuki, 2018). In addition to evaluating the achievements and failures in fulfilling the goals of an organization, explaining organizational performance is a key research theme in the finance and accounting fields (Ombaka et al 2015). Despite the elusive nature in the definition of organizational performance, extant literature suggests that it could be measured in terms of economic performance or operational terms. Economic performance relates to financial and market results from the perspective of sales, profits, return on investments in addition to other performance metrics (Musallam, 2020). Such financial measures have historically been used to measure organizational performance (Ongeti & Machuki, 2018). The short-term outlook of economic measures has led to their criticism and dissatisfaction in literature and more so because they overlook the long-term strategy of an organization. While viewed from operational terms, organizational performance places more emphasis on observable matrices such as user satisfaction, relevancy, value addition, survival and growth and as a measure of a good fit with the organization (Alzeban, 2020). With such diverse indicators of organizational performance, the ultimate purpose for which performance needs to be measured determines the best approach to defining it.

This study, however, is assessing the organizational performance of the State corporations in Kenya adopted the balanced score card framework as it has a more stakeholder-based view. A balanced scorecard evaluates organizational performance from four perspectives financial, internal business process, customers and learning and growth (Ombaka et al 2015). There is a need, due to the multiplicity of stakeholders, to adopt a cohort of measures that would include all components that can be monitored and evaluated particularly those that address improved work processes, user satisfaction amongst other outcomes (D'Onza, Selim, & Melville, 2017; Ongeti & Machuki, 2018). Moreover, integrating strategic planning tools such as internal audit in the formal measurement of organizational performance, the effectiveness of meeting such organizational goals was found to have improved (Rashid, Alfadhli, & Yaakub, 2018). The extant literature provides evidence that successful internal audit practices relate to enhanced organization performance (Ahmad, 2018; Alzeban, 2020; Muchiri & Jagongo, 2017). According to D'Onza et al (2017) organizational performance should be taken in the context of the phenomenon being studied. In the present study, and in

line with the views of Turetken et al (2020), internal audit is considered as a tool of controlling and improving operations and governance in institutions. However, in the past few years, internal audit has been viewed as a service that would improve the value-added potential of an institution (The Institute of Internal Auditors, 2018). However, it is difficult to directly correlate between the performance impact of the internal audit activities which cause the added value that internal audit can bring to the organization (Turetken et al 2020). Some studies propose survey questionnaire items that can be used to gather perceptions of the stakeholders about the value-added of internal audits (D’Onza, et al 2017). Several suggestions have been made by D’Onza et al (2017) for instance internal audit improves organizational performance; internal audit makes appropriate recommendations for improving organizational processes; the internal audit findings bring improvement in the organization and internal audit activities add value to the organization. For purposes of this study, D’Onza et al (2017) definition of organizational performance is used

1.1.3 State Corporations in Kenya

State corporations are also referred to as state-owned entities or parastatals. They are institutions either wholly or partly owned by the government. In Kenya, the state corporations are corporate bodies established either through a parliamentary statute or presidential decree to undertake a specified mandate. State corporations play an important role in economic and social development in the republic by ensuring the provision of essential; social services and attaining a strategic commercial objective on behalf of the Kenyan government and for the benefit of all Kenyans. These corporations, therefore, play a critical role in the promotion and acceleration of the country’s development and growth by creating job opportunities in addition to the delivery of their core mandate.

Kenya has just under 290 state corporations as of June 2021 spread across 22 government ministries (National Treasury, 2021). Each of the state corporations has a specified mandate to undertake and therefore the performance of the state-owned agencies is of great importance not only to the government but also to other key stakeholders including the general public. According to a report by the National Treasury (2021), there are concerns over the deteriorating operational performance and efficiency of the majority of the state corporations over recent years. This has weighed heavily on public finances due to state corporations’ overreliance on government budgetary support. The report by the National Treasury (2021) indicated that the financial support offered to the state entities is more proportionate compared to the economic benefits gained from the corporations. These concerns have ignited the need

to establish the main factors influencing the performance of state corporations, and in particular, the role played by the internal audit in influencing performance.

1.2 Statement of the Problem

Kenya state corporations are formed by the government to meet certain key mandates, both commercial and social needs while others are formed to correct market imperfections (Ongeti & Machuki, 2018). These government-owned entities are crucial in the promotion of the country's economic growth in addition to social-economic transformation. Thus, the performance of the state corporations remains crucial for both the microeconomic and macroeconomic development of the country. The Kenyan government continues to pursue a guided policy aimed at transforming the entities as well as improving performance, enhancing efficiency and overall viability of the state corporations. However, the government of Kenya admits that over the past years, the performance of state corporations has deteriorated hindering the realization of the mandates of the corporations (National Treasury, 2021).

Even though some state corporations have consistent good performance, others have been perennial underperformers, over-rely on government budgetary support and even lose viability. For instance, according to a survey undertaken by the National Treasury (2021) on eighteen state corporations, only four were profitable. The rest were either unprofitable or had lost their market share while others were operating below cost recovery. This has raised concerns on the performance of the state-owned entities thus motivating to look at drivers of performance.

Though evidence abounds that internal audit affects organizational performance, an analysis of empirical literature shows knowledge gaps exist. The gaps are in relation to the research methodologies adopted by the studies in addition to the concept and context of the extant literature. From conceptual spheres, though extant literature has researched on internal audit and organizational performance, there are still some outstanding matters. On one part, literature reports that internal audit in the public sector correlated positively with organizational performance, (Thumbi, 2016; Muchiri & Jagongo, 2017) and others found that internal audits are unrelated to superior organizational performance (Ziniyel et al 2018). The lack of consensus thus creates the need to establish if internal audit influences the performance of an organization or otherwise. Contextually, several studies exist on the role of internal audit on organizational performance. However, none has been in the context of the state corporations in Kenya. For instance, Alhassan (2018) established that internal audit statistically and significantly

influenced organizational performance. However, the conclusion was drawn by studying local assemblies in Ghana. The results of the study may not be generalised in the context of the state corporations in Kenya as the two countries are not even geographically close and different frameworks might exist with the jurisdiction.

From a research methodological perspective, a review of extant literature reveals that the designs adopted are either explanatory (Hadisantoso, Sudarma, & Rura, 2017) or purely survey oriented research (Mburunga et al 2019). Though a number of the studies are cross-sectional in nature, (Ahmad, 2018; Endaya & Hanefah, 2016), non-have adopted mixed research design. There thus exists a gap in findings that depended on descriptive cross-sectional research results on the relationship between internal audit and performance.

Internal audit influence on performance organizations cannot be understated. Whether based on evidence or just through subjective reasoning, internal audit plays a critical role in organizations performance (Ibrahim, Ouma, & Koshal, 2019). Despite the foregoing, most literature has only focused on a single construct of internal audit practice and on a single indicator of performance. For instance, Ibrahim, et al (2019) focus on internal auditor experience, while Hadisantoso et al (2017) looked at internal auditor competence. On their part, Mburunga, et al (2019) viewed performance from a single lens of economic performance. Despite literature positively linking internal audit to performance, in practice though, other factors come into play among them top management support. There exists scanty evidence on the empirical role of top management support on the relationship between internal audit practices and the performance of organizations. This study thus is an attempt to fill the gaps identified in the literature.

1.3 Study Objectives

The study objectives were categorised as general objective and specific objectives

1.3.1 General Objective

The broad objective of this study was to determine the influence of internal audit on the organizational performance of State Corporations in Kenya.

1.3.2 Specific Objectives

The specific objectives of this study were to:

- i. Establish the influence of professional competencies on organizational performance of State Corporations in Kenya.
- ii. Determine the influence of compliance with internal audit standards on organizational performance of State Corporations in Kenya.
- iii. Examine the influence of internal auditors' independence on organizational performance of State Corporations in Kenya.
- iv. Determine the moderating influence of top management support on the relationship between internal audit practices and organizational performance of State Corporations in Kenya.

1.4 Research Hypotheses

To enable the establishment of the relationship as conceptualised, the following null hypotheses were formulated tested:

- H₀₁:** Professional competencies have no significant influence on the organizational performance of State Corporations in Kenya.
- H₀₂:** Compliance with internal audit standards have no significant influence on the organizational performance of State Corporations in Kenya.
- H₀₃:** Internal auditor independence has no significant influence on organizational performance of State Corporation in Kenya.
- H₀₄:** There is no significant moderating effect of top management support on the relationship between internal audit practices and organizational performance of State Corporations in Kenya.

1.5 Significance of the Study

The findings of this study are focused on understanding and improving the relationship between internal audit practices, top management support and organizational performance of state corporations in Kenya. In this respect, this study is expected to be significant not only to the managerial practice of the state corporations but also to policy makers, academia and theory.

1.5.1 Significance to the Managerial Practice

The results of this study are expected to inform the managers and administrators of the Kenyan State corporations on the positive role of the practice of internal audit on the overall performance of the entities. The findings of the study are expected to provide to the managers the key competencies of the internal audit function that they should pay attention to in a bid to improve performance. Practising internal auditors stationed at the State Corporations and in other institutions, based on the findings of this study will better understand their role and the influence it yields to the performance of organizations. This will also inform on how to solve challenges they are likely to encounter in the performance of their duties.

1.5.2 Significance to the Policy Makers

The findings in this study shall aid the policy makers in all three arms of the Kenyan government to understand the various aspects of internal audit and their role in the institutional performance of state corporations. Thus, the policy makers will be well versed to formulate policies that will enhance the internal audit function. Further, the findings are expected to add to the current policy and aid in enhancing internal audit and hence organizational performance of the Kenyan state corporations.

1.5.3 Significance to Academia and Theory

Gaps existing in the present study will inform future scholars and academia on future areas of research. The findings of the study are expected to contribute to the agency, contingency and stakeholders' theories that this study is premised on thus enriching the theoretical framework. Further, the study contributes to the existing literature and illustrates the drivers and causes of performance and variation in performance in different institutions. The study further clarifies the moderating role of the top management performance while investigating the influence of internal audit on performance.

1.6 Scope of the Current Study

The objective of this study was to examine the influence of internal audit on the organizational performance of Kenyan State Corporations. The study adopted professional competencies, internal audit standards and internal auditor's independence as the independent variables. Organizational performance was adopted as the dependent variable and top management support was hypothesised as moderating the relationship. A cross-sectional study was carried out in the second, third and fourth quarters of 2021 and targeted 154 state corporations in Kenya. A list of the state corporations in Kenya is attached as Appendix 2.

CHAPTER TWO

LITERATURE REVIEW

2.1 Introduction

To facilitate a deeper and better understanding of the study variables, a review of literature, the subject of this chapter, is undertaken. At first, the chapter carries out a theoretical review and discusses the theories that the study concepts are anchored on. In what follows is a review of empirical literature in line with the proposed relationships. This exposes the research gaps that the study attempted to fill. A conceptual framework and operationalization of the study variables are also presented in this chapter.

2.2 Theoretical Review

The theoretical review serves as a guide that supports and builds on a study by relying on a formal theory to provide coherent explanations of the hypothesised relationship (Saunders & Tossey, 2015). This study has three concepts; internal audit, top management support and organizational performance. The three concepts are anchored on the agency theory (Jensen & Meckling, 1976); the contingency theory (Fiedler & Garcia, 1987) and stakeholder's theory (Freeman, 2010). The sections that follow delve into a discussion of the theories.

2.2.1 Agency Theory

The agency theory as postulated by (Jensen & Meckling, 1976) is concerned with resolving the problems that can exist in an agency relationship between principals, such as the citizens of a country in the present case and the agents of the principle, the management of the corporation. Agency theory seeks to offer solutions to two problems which are: the problems that arise when the goals of the agent and the principal conflicts, and the problem where the principal is unable to verify what the agent is actually doing; and the problems that arise when the principal and agents have different attitudes towards risk (Mokono & Nasieku, 2018). The agency theory assumes that the principal delegates responsibilities at a fee and allow the agent to manage productive resources on his behalf (Ćwieląg, 2016).

Agency theory has been empirically tested in a number of studies. For instance, Endaya and Hanefah (2016) argued that agency theory was appropriate in building a theoretical framework of internal audit effectiveness and suggested a model that consisted of the internal audit characteristics.

Kabuye, Nkundabanyanga, Opiso and Nakabuye (2017) used the agency theoretical logic to test the contribution of internal audit on fraud detection and suggested that the theory was a relevant framework for understanding variations in fraud management. Ibrahim, et al. (2019) recognised the independence of an internal auditor as an important mechanism of preventing agency problems and as an additional control mechanism that ensured the interests of the principle are safeguarded.

The agency theory is said to be one of the internal audit theories. Agency theory contends that internal auditing, as is the practice with other intervention mechanisms such as external auditing and financial reporting, helps maintain a cost-efficient relationship between principals and agents (Mokono & Nasieku, 2018). Agency theory may not only help to explain the existence of the internal audit in organizations, but can also help explain the existence of some characteristics of internal audit such as its independence, and the scope of its activities such as financial versus operational auditing. Agency theory can be employed to test empirically, as it is in the present case if cross-sectional variation in internal audit characteristics helps explain organizational performance.

2.2.2 Contingency Theory

The contingency theory posits that the management of organizations do not follow off-shelf methods in controlling the ways organizations are managed (Fiedler & Garcia, 1987). The theory argues that organization and their functions are hinged on a number of internal and external factors. It is the presence of the internal and external factors that affect the functions of internal audit by recognizing that processes and outcomes of the audit are dependent on variable and contingent factors. The goal of auditing is to test organization policies, practices and procedures. Regulations laid by the government requires publicly funded organizations to undertake an independent internal audit, however, international standards mandate audit in certain other areas.

From a broad perspective, contingency theory views the internal audit process as a straightforward matter requiring the internal auditor to access documents, systems, policies and procedures to manage the audit. (Fiedler & Garcia, 1987). In carrying out the audit, contingency theory requires adherence to industry standards, regulations laid down by the state and internal requests. selecting auditors with specialised training or those with a particular set of skills in the subject area minimises the learning curve and reduces the opportunity for errors (Mokono & Nasieku, 2018).

2.2.3 Stakeholder Theory

The stakeholder's theory identifies and models the groups which are stakeholders of an organization (Freeman, 2010). The stakeholder's theory as proposed explains organizational performance from the perspective of morals and values. The stakeholder theory, unlike agency theory, considers a wider group of stakeholders and not just the shareholders. While the agency theory focuses on maximising shareholders value, stakeholder's theory considers a wider constituent of interested parties that includes top management in the organization, employees, customers and other agents being audited and the overriding focus on the shareholder is less self-evident (Turetken et al 2020).

The stakeholder theory has at its core a straightforward notion, that there is no useful distinction between the interests of the entity and the interests of the variety of groups and individuals that compose it. Those stakeholders' interests are central in stakeholder theory and are seen as part and parcel of particular business existence and thus features as ends in themselves rather than just means to some other end such as organization performance (Lange & Bundy, 2018). According to the stakeholder theory, an organization is made up of a set of contracts between the various interested parties and stakeholders have invested necessary resources into the enterprise. In essence, organizational performance embodies the contractual demands of the various stakeholders including the top management.

2.3 Empirical Review

This section discusses the study constructs along with the hypothesised relationships. This brings to the fore what has been done by other scholars and the research gaps in the literature.

2.3.1 Professional Competencies and Organizational Performance

Endaya and Hanefah (2016) examined the direct relationship between internal auditor characteristics and internal auditor effectiveness from the perspective of external auditors using data collected from Libya during the first quarter of 2015. The study also examined the moderating effect of top management support in the association amongst the features of internal audit and effectiveness of the internal audit. The study independent variable, internal audit proxies included dimensions that measured objectivity, the relationship between internal auditor and auditee, the effectiveness of communication, due professional care and training and development. The moderating variable top management support was proxied by the various

requisitions by the internal audit department for support by senior management aimed at strengthening the role of internal audit.

This was based on four items; statements requiring all the departments of the organization to follow internal audit recommendations, unrestricted access to review senior managers work, internal auditors were not tasked with operational work and chief internal auditor had open communication with senior management (Endaya & Hanefah, 2016). The findings of the study revealed that internal auditor's characteristics had a positive and significant impact on internal audit effectiveness. Further, the findings of the study indicated in a significant way, the relationship between internal audit features and internal audit effectiveness was moderated by top management support. (Endaya & Hanefah, 2016). This study was however carried out in Libya, and it is not clear of the findings can be generalised in Kenya.

Hadisantoso et al (2017) analysed the influence of auditor's professionalism and competence on auditor's performance in the auditor's office in Indonesia. The study adopted an explanatory research design and used questionnaires to collect primary data from a purposively selected sample of 150 audit staff spread across 13 regions in Indonesia. The findings of the study indicated that the professionalism and competence of auditors had a positive and significant link with performance (Hadisantoso et al. 2017). The study however was carried out in Indonesia and never conceptualised the relationship between professional competence and firm organizational performance. Furthermore, the study did not investigate the role of internal audit practices on organizational performance.

Kabuye, Nkundabanyanga, Opiso and Nakabuye (2017) examined the influence of internal audit competencies on fraud management in the financial service sector in Uganda. The study used the agency theory and focussed on the contribution of internal audit competencies to fraud management (Kabuye, Nkundabanyanga, Opiso, & Nakabuye, 2017). Internal audit was proxied by continuing professional development, adherence to the professional international standards and performance contracting. The cross-sectional study targeted 54 financial services firms in Uganda. The study utilized primary data obtained from the respondents by use of a self-administered questionnaire. To test the contribution of each construct under internal audit, the study used hierarchical regression analysis. The results from the study indicated that internal auditor competence was a significant predictor of fraud management. This study however investigated the influence of a single internal audit practices

on fraud management. There is need to evaluate the joint effect as well as single effect of the internal audit practices variable.

Jachi and Yona (2019) investigated the impact of internal audit function and staffing on transparency and accountability in Zimbabwe local authorities. The study adopted professional competence and staffing as the independent variable while transparency and accountability were the proxies for the dependent variable. The dependent variable was measured on specific items that pertained to experience, qualification, training and membership of the professional association of the internal auditors (Jachi & Yona, 2019). The independent variable was assessed as internal audit effectiveness.

The variable focussed on the management perception of specific items on organizational policy, auditee cooperation and risk exposure. The study was anchored on the theory of inspired confidence which is alternatively referred to as the theory of rational expectation, which according to Jachi and Yona (2019) asserts the need for audit engagement to be driven by the involvement of external stakeholders. The cross-sectional study adopted a mixed methodology approach for data collection by making use of semi-structured questionnaires and focus group discussions. Stratified random sampling was used to obtain the study sample of 182 from the Zimbabwe local authorities. Regression and multivariate analysis were used to test the study hypotheses. Findings of the study indicated that professional competence and staffing had a positive and significant association with transparency and accountability in Zimbabwe local authority. The study was contextualised in Zimbabwe and it is not clear if its findings can be ported to the Kenya's state corporations.

Novranggi and Sunardi (2019) sought to establish the influence of internal auditor competence on the effectiveness of internal audits of the banking sector in Indonesia. Two theories, the contingency theory and entity theory anchored the study (Novranggi & Sunardi, 2019). The study adopted a cross-sectional research design. From the population of the study, the banking sector in Indonesia, the study purposively selected 34 banks. The unit of analysis was the internal auditors in each of the banks. The study used primary data that was collected with structured questionnaires over the period 2019. Results from hypotheses testing and multiple linear regression indicated a positive but insignificant association amongst the variables. The context of the study was on the banking sector in Indonesia. The present study sought to find out if the findings can be inferred on the organizational performance of state corporations in Kenya.

2.3.2 Internal Audit Standards and Organizational Performance

Alhassan (2018) investigated the influence of internal audit standards on the effectiveness of financial management at the regional governments in Ghana. The study adopted a correlational research design and had a population of 123 respondents working at the regional government out of which a sample of 100 respondents was randomly selected. Primary data used in the study was collected with the use of a questionnaire. Thereafter, inferential statistics were used to analyse data. Results from the study indicated that internal audit standards had a statistically significant relationship with the effectiveness of financial management of regional governments in Ghana. The study however did not examine the conceptual relationship between internal audit standards and organizational performance. Further, contextually it was based in Ghana while the present study is in the context of State Corporations in Kenya.

Rashid, et al (2018) investigated the impact of adherence to internal audit standards on the sales performance of a cement company in Libya. The study adopted a descriptive approach and used a sample of 36 employees in the organization. The study employed primary data obtained from the respondents using a self-administered semi-structured questionnaire. The findings of the study showed that adherence to internal audit standards had a positive but statistically insignificant association with the sales performance of the Libyan cement company (Rashid et al 2018). The study was however contextualised on Libyan cement firm, while the current study is in the context of the Kenyan State Corporations. Further, the study by Rashid, et al (2018) conceptualised sales performance as the dependent variable while the present study considers organizational performance.

Lenz (2018) examined the effect of internal audit compliance on the financial performance of 782 united states firms in the period 2016. The study employed primary data that was collected from each of the firms' chief internal auditors using an interview guide that contained a binary type of questions. The independent variable was proxied by compliance with four specific international internal audit standards that included: use of risk-based audit; development and maintenance of quality standards assurance programmes; considering input from other corporate governance stakeholders i.e. the board audit committee and top management. As a result of the duo nature of the predictor variable, Lenz (2018) adopted a logistic regression model. The study findings indicated that compliance with internal audit practices had a significant positive relationship with financial performance. The study was however carried out in the united states and it is not clear if the findings could be generalized to State Corporations in a developing country.

Abdulaziz (2019) explored the impact of internal audit compliance with the international standards for the professional practice of internal auditing on the financial reporting quality of firms listed in the Saudi Arabia stock market in the period 2015 to 2016. The independent variable, internal audit compliance was measured as internal audit compliance with the standards and the performance standards. Two proxies were used to measure financial reporting quality namely, discretionary accruals and accruals quality (Abdulaziz, 2019). The study adopted a descriptive-survey approach and had a target population of all the 188 firms listed in the Saudi Arabian stock market during the study period. The study employed both primary and secondary data with a semi-structured questionnaire used to obtain primary data from the chief audit executives of each of the firms. Secondary data relating to financial reporting quality was collected from published financial statements of the targeted firms. Findings of the study revealed that companies that demonstrated higher internal audit compliance with standards had a better financial reporting quality. This revealed a positive and significant association between internal audit department compliance with standards and financial reporting quality. The study did not consider the role of internal audit compliance on organizational performance. Furthermore, the study was contextualized on the listed firms in Saudi Arabia whereas the present study's contextual focus is on government-owned entities in Kenya. The finding in the study by Abdulaziz (2019) may not be applicable in the context of the current study.

2.3.3 Internal Auditors Independence and Organizational Performance

Ziniyel et al (2018) assessed the effects of internal auditor's independence on the organizational performance of public universities in Ghana. The study adopted a descriptive cross-sectional research design. From a population of 60 respondents, the study purposively selected a sample of 40 respondents among senior members in audit and finance units in addition to heads of department. The study opted for questionnaires and interviews as tools for collecting primary data. The data was analysed using the binary logistic regression framework (Ziniyel et al 2018). Findings of the study identified internal auditors' independence as a significant determinant of organizational performance of public universities in Ghana. Nonetheless, despite the study focusing on public institutions, its contextual settings in Ghana require that a similar study be carried out in the Kenyan context.

Mokono and Nasieku (2018) evaluated the effectiveness of internal auditors' independence on the performance of internal auditors in public universities in Kenya. The study

was guided by the agency, contingency and stakeholder theory. To measure the independent variable, internal auditor's independence, the study evaluated if: legislation and charters defining the role of the internal auditor existed and free and unrestricted access to operations, assets and transaction records. Internal auditor performance which was taken as the dependent variable by the study had several measures. They included the number of reports as indicated by the audit plan was issued; the number of risks identified and the timeliness of issuing audit reports (Mokono & Nasieku, 2018). The study adopted a descriptive research design and targeted internal auditors in each of the 31 chartered universities in Kenya. The study used primary data that was collected with the use of questionnaires. Results from the study indicated that internal audit independence had a positive and significant influence on the performance of the internal auditor. However, the study was in the context of public universities while the present study focusses on the Kenyan State corporations. Further, the study dependent variable was conceptualised as the performance of the internal auditor. In the current study, organizational performance is conceptualised as the dependent variable.

Bogdan and Paula (2019) analysed the effect of an independent internal audit committee on firm profitability. The study considered a sample of 697 listed companies in 11 countries in Central and Eastern Europe. The targeted companies were in Slovenia, Hungary, Slovakia, Czech, Latvia, Croatia, Romania, Estonia, Bulgaria, Lithuania and Poland. The study measured profitability as return on equity and return on equity. Independence of the internal audit committee was assumed if no member of the committee held an executive position. The study employed a longitudinal survey design and used unbalanced panel data obtained over a ten-year period ranging from 2004 to 2013. Results from the study using ordinary least square on panel data for both fixed and random effects indicated that independent internal audit positively influenced firm profitability (Bogdan & Paula, 2019). However, the study focused on 11 countries in developed world and the findings may not be generalized in developing countries such as Kenya.

Ibrahim et al (2019) examined the effect of audit committee independence on the organizational performance of insurance firms in Kenya over the period 2017. Audit committee independence was operationalized by the number of independent directors serving on the boards of insurance companies. Organizational performance on the other hand was measured using financial measures as indicated by returns on equity and returns on assets. The study adopted a correlational research design and considered 55 insurance companies that were licenced to operate in Kenya. The targeted population was 645 board members, audit

committee members, chief executive officers, chief finance officers and internal auditors. A stratified random sampling criterion was employed in selecting a representative sample of 412 respondents. The study used data that was obtained from primary and secondary sources. Questionnaires distributed to the respondents were adopted as the primary data collection instrument. Secondary data on the performance of each insurance firm was obtained from audited financial statements during the study period, the year 2017 (Ibrahim et al 2019). Findings of the study indicated that audit committee independence significantly and positively influenced the organizational performance of insurance firms in Kenya. Though this was a Kenyan study, it did not focus on state corporations thus a contextual gap in literature.

Mburunga et al (2019) investigated the effect independence of internal auditors had on banks organizational performance. The study targeted commercial banks that were listed in Kenya's Nairobi stock exchange. Internal audit independence was adopted as the independent variable and proxied as an internal audit plan, adequacy of internal audit budget, the charter of independent audit and internal audit as a training ground for future managers. The dependent variable internal audit was measured by return on investment, return on equity and return on assets. Two theories, the market power theory and the agency theory anchored the study.

The study employed a descriptive research design and had a target population of 76. The respondents in the study were audit managers and internal auditors. Due to the small population, the study opted for a census sampling technique with questionnaires being employed to obtain primary data from the respondents. Findings from the study indicated a significant positive relationship existed between the independence of the internal auditor and the organization performance of commercial banks quoted at the Nairobi securities exchange in Kenya. In addition, the findings of the study revealed that the internal audit budget contributed significantly to the independence of the internal auditor. Furthermore, the study revealed that amongst the indicators of internal audit independence, internal audit budget existence and training had the highest influence on the performance of the banks (Mburunga, et al, 2019).

Alzeban (2020) examined the effect of internal audit independence on the financial performance of firms listed in the United Arabs Emirates and Saudi Arabia as of the year 2018. The study employed a cross-sectional research design and had a population of 119 listed companies, 32 from the United Arab Emirates and 87 from Saudi Arabia. Both primary data and secondary data were used in the study. Primary data was collected using questionnaires that were directed to the chief internal auditors in each of the firms. Secondary data was

obtained from annual reports of the firms for the period 2016-2017. The dependent variable, financial performance was proxied by returns on assets and Tobin's Q. Proxies that the study used to measure the independent variable internal auditor's independence were direct contact between the chief internal auditor and the board, approval of the internal audit budget and approval of appointment and dismissal of the Chief internal auditor. Ordinary least square regression was conducted to test the study's hypotheses. The findings of the study showed that internal auditors independence was significantly correlated to organizational performance (Alzeban, 2020).

2.3.4 Top Management Support and Organizational Performance

Bello, et al (2018) investigated the moderating role of the top management support in the association between internal audit and the performance of federal universities in Nigeria. The size of the internal audit department, the competence of the internal auditor and the independence of the internal auditor were employed as the dependent variables. The stewardship theory was adopted as the main anchoring theory in the study. The study adopted a cross-sectional research design and had a target population of 40 universities. Stratified random sampling was employed in obtaining 400 respondents. However, this study was contextualized in Nigeria and it is not clear if the findings can be ported in the Kenyan context. Ten respondents were drawn from each university. The study used primary data obtained through questionnaires from the targeted respondents. The primary data collected was subjected to content analysis. Further, multiple linear regression method was used to test the study's hypothesised relationships. Findings of the study indicated that top management support had a positive and significant effect in the relationship between internal audit and organizational performance of federal universities in Nigeria (Bello et al 2018).

Alqudah et al (2019) investigated the moderating role of top management empowerment in the relationship between internal organizational factors and internal auditor effectiveness in Jordan. The study was anchored in the resource-based theory and 287 targeted state-owned enterprises in Jordan. Top management support was operationalised by the assistance accorded to the auditor by senior management, presence of internal audit plans, responses to internal audit queries, and provision of adequate budget (Alqudah et al 2019). On the other hand, internal auditors' effectiveness was subjectively measured by the quality of the internal audit function. The study respondents included finance managers and internal audit managers for each state-owned firm. The study used primary data that was obtained from the

respondents using questionnaires. To test the hypothesised association, the study employed partial least squares regression model. Findings of the study indicated that top management support had a positive and significant correlation with internal auditors' effectiveness (Alqudah et al 2019).

2.4 Knowledge Gaps

The review of extant literature enumerated subsections 2.3.1 to 2.3.4 presents inconclusive findings on the influence of top management support on organizational performance. The inconclusiveness of the findings might be a result of knowledge gaps from a conceptual perspective and differences in how the relationship amongst the concepts in the extant literature has been presented. In most cases, the joint influence of the hypothesised variables is not tested with various studies opting to link organizational performance to a single variable. Different research methodologies adopted by the reviewed empirical literature is identified as a source of research gaps. In addition, most studies are contextualised in different jurisdictions and regions further widening the gaps in the literature. This is exacerbated by different definitions of variables across similar studies. These research gaps in empirical literature are summarised and presented in Table 2.1.

Table 2.1 Summary of Research Gaps

Researcher(s)	Focus	Methodology	Findings	Knowledge Gaps	How current Study addresses the Gaps
Endaya and Hanefah (2016)	Relationship between internal auditor characteristics and internal auditor effectiveness in Libya	A cross-sectional survey of 150 respondents from the Libyan Association of Accountants and Accountants. Analysis used structural equation modelling	Internal auditors' characteristics are positively and significantly related to the effectiveness of internal audit	The context was in Libya. The role of internal audit practice on organizational performance was not the focus of this study	The current study seeks to establish the moderating effect of top management support on the relationship between internal audit practice and organizational performance in the Kenyan context.
Abdulaziz (2019)	Impact of internal audit compliance with the International Standards for the Professional Practice of Internal Auditing on financial reporting quality of firms listed in the Saudi Arabia stock market	A descriptive-survey approach of 188 firms listed in the Saudi Arabian stock market.	Internal audit department compliance with standards had a positive and significant association with financial reporting quality	The role of top management support was not considered in this study	The current study seeks to establish the combined influence of internal audit practices and top management support on performance in the Kenyan context.
Ziniyel, et al (2018)	The influence of internal auditor's independence on the organizational performance of public universities in Ghana.	Descriptive cross-sectional research design with a non-probability sampling of public universities in Ghana.	Internal auditors' independence was found to be a significant determinant of organizational performance	The study conducted was in Ghana. Top management support was not considered in this study. State Corporations were not sampled	The current study seeks to establish the influence of internal audit practice on organizational performance in the Kenyan context.
Ibrahim et al (2019)	The effect of audit committee independence on the organizational	The correlational research design of 55	Audit committee independence significantly and	State Corporations in Kenya was not considered.	The current study seeks to establish the influence of internal audit practice in

	performance of insurance firms in Kenya	insurance companies in Kenya	positively influenced the organizational performance of insurance firms in Kenya.		State Corporations in Kenya in a different context.
Alqudah et al (2019)	The role of top management empowerment on internal auditors' effectiveness in the Jordanian public sector.	Sampled 287 public sector firms under the Jordanian audit bureau. The study used partial least squares-structural equation mode	Top management support was found to have a positive and significant correlation with internal auditors' effectiveness	The role of internal audit practice was not considered. Top management support is taken as an independent variable	This study considers several constructs of internal audit practice. Top management support is taken as a moderating variable. The current study will adopt a multivariate and hierarchical regression analysis.
Mburunga et al (2019).	The influence of internal auditors' independence on organizational performance of listed banks at the Nairobi Securities Exchange	descriptive survey research design and had a target population of 76 audit managers and internal auditors.	The study revealed a strong, positive and significant association between internal auditor's independence and organizational performance of listed commercial banks in Kenya.	Focused on Commercial banks. State corporations not considered	The context of the current study is on the Kenyan's State corporations.

2.5 Conceptual Framework

Conceptual framework schematizes the relationship among the study variables. The scheme is developed from the review of the empirical literature and the identified research gaps. The conceptual framework guides this study in its attempt to fill the identified research gaps. In the present case, internal audit practices proxied by professional competencies; audit standards and internal audit independence are employed as the independent variable. Top management support is adopted as the moderating variable while organizational performance is the dependent variable. The schematized model is presented in Figure 2.1

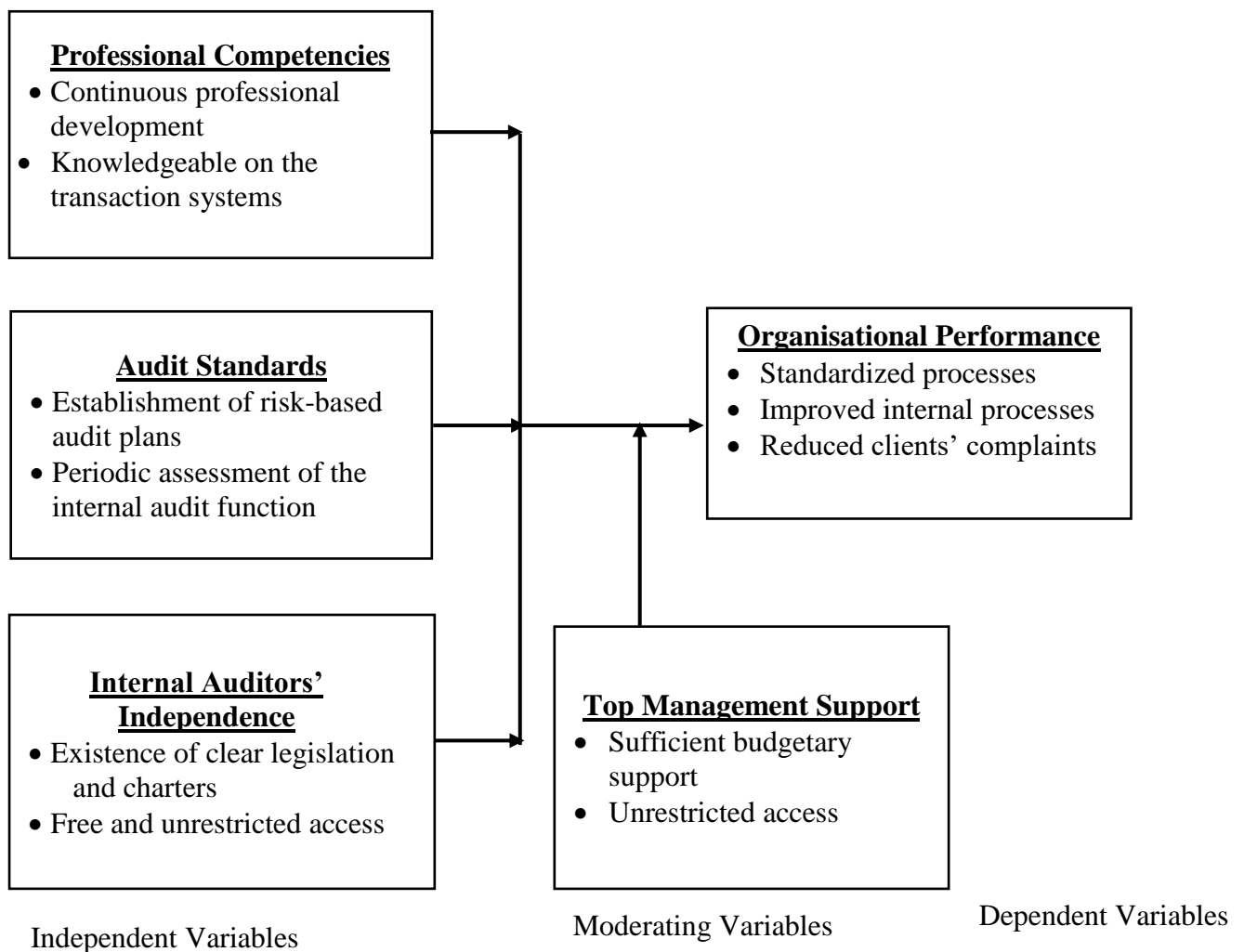


Figure 2.1 Conceptual Framework

Source: Researcher (2022)

The conceptual framework presented in Figure 2.1 conceptualises a relationship between internal audit practices, top management support and organizational performance. Internal audit practices are conceptualised to have an independent empirical role affecting organizational performance. Internal audit practices are operationalized in the present study as professional competencies, internal audit standards, and internal auditor's independence as evidenced by extant literature. Organizational performance is adopted as the dependent variable while top management support is taken as the moderating variable.

2.5.1 Professional Competencies

The literature considers the professional competency of the internal auditor as a function of skills, qualifications and experience. Skills and qualifications are considered as being key in determining the overall professional competence of the internal audit function. The dynamic nature of various organizations calls for continuous professional development of the internal audit staff beyond their basic education qualification. Professional competency of internal audit control enhances the quality of the internal audit performance in general in line with the agency theory. Professional competencies will be assessed using specific items pertaining to experience (Jachi & Yona, 2019), qualifications and training (Alqudah et al 2019) and membership with relevant professional bodies (The Institute of Internal Auditors, 2018).

2.5.2 Internal Audit Standards

International audit standards are guidelines issued by the international internal audit standards board to serve as the basic requirement for internal audit function professional implementation and help in evaluating the effectiveness of the practice of internal auditing (The Institute of Internal Auditors, 2018). The standards provide guidance to internal auditors helps in the discharge of the internal audit effectively and thus guide in organizational performance (Bello, et al, 2018). The operational indicators or internal audit standards are based on (Abdulaziz, 2019) and (The Institute of Internal Auditors, 2018) and includes checks to establish if there are risk-based audit plans and periodic assessment of the function of the internal audit.

2.5.3 Internal Auditors Independence

Internal auditor's independence relates to the freedom from conditions that would interfere or threaten the ability to carry out the function of the internal audit in an unbiased manner (Ziniyel, et al, 2018). According to Ibrahim et al. (2019), social pressure from the management, close relationships with top management can negatively impact on independence and objectivity of the internal audit function. The indicators of internal audit in this study include the presence of clear guidelines (Hadisantoso et. al. 2017) and free and unrestricted access to top management and adequate budget (Muchiri & Jagongo, 2017).

2.5.4 Top Management Support

Top management support is the moderating variable and through empirical exploration, top management support is indicated using a modified model from Muchiri and Jagongo (2017) and Lenz (2018). In the present study, top management support is operationalised in the dimensions of managerial response to internal audit reports and allocation of adequate financial and non-financial resources.

2.5.5 Organizational Performance

The dependent variable is organizational performance and this study uses seven non-financial indicators to measure performance. The seven are standardized processes, improved processes, reduced user complaints, technology-based customer care, positive feedback from customer satisfaction surveys and corporate social responsibility. This is in line with the framework developed by D'Onza et al (2017) and Ongeti and Machuki (2018).

2.6 Operationalisation of Study Variables

To aid the research in measuring analysing and summarising the proposed study hypotheses, both dependent and independent variables have been operationalised. While the internal audit practices are taken as the dependent variable, organizational performance has been adopted as the independent variable. Top management support is employed as the variable moderating the relationship between internal audit practices and organization performance. The operationalization of the variables is in line with reviewed literature. Table 2.2 is a summary of how the variables have been operationalised. Supporting

Table 2.2 Operationalization of the Study Variables

Study variables	Proxy	Supportive Literature	Data Type	Measurement Scale
Internal Audit Practices (Independent)	<u>Professional Competencies</u> <ul style="list-style-type: none"> • Continuous professional development • Knowledgeable of the transaction systems 	Endaya and Hanefah (2016) Hadisantoso et al (2017)	Primary	5-Point Likert Scale.
	<u>Audit Standards</u> <ul style="list-style-type: none"> • Compliance with attribute standards • Compliance with performance standards. 	Abdulaziz (2019) The Institute of Internal Auditors, (2018)	Primary	5-Point Likert Scale
	<u>Internal Auditor Independence</u> <ul style="list-style-type: none"> • Autonomy in work execution • Unrestricted access to all departments and employees, • Existence of internal audit charter • Existence of internal audit annual plan 	Hadisantoso et al (2017) Muchiri and Jagongo (2017)	Primary	5-Point Likert Scale
Top Management Support (Moderating)	<ul style="list-style-type: none"> • Management’s response to internal audit reports • Allocation of adequate resources • Unrestricted access to corporations’ documents 	Muchiri and Jagongo (2017) Lenz, (2018)	Primary	5-Point Likert Scale
Organizational Performance (Dependent)	<ul style="list-style-type: none"> • Standardized processes • Improvement in internal processes • Reduced clients’ complaints 	D’Onza et al (2017) Ongeti and Machuki (2018)	Primary	5-Point Likert Scale

Source: Researcher (2022)

CHAPTER THREE

RESEARCH METHODOLOGY

3.1 Introduction

This chapter elaborates on the research methodology employed by the study. The chapter discusses and describes the research design, the population of the study, and data collection methods. The chapter further demonstrates the data collection methods together with data sources. The chapter further contains the pilot study in addition to reliability and validity tests. Moreover, the study summarises the diagnostic tests and presents the data analysis techniques.

3.2 Research Design

The present study employed a descriptive cross-sectional research design to evaluate the relationship among variables in the case study. The design was appropriate because the data was collected from various respondents at a single point in time and analysed according to set hypotheses. The design is used widely among studies that evaluate the relationship between variables because of its ability to capture important characteristics of a population from their natural settings and improve the credibility of the results and conclusions (Saunders & Tossey, 2015). Other researchers (Endaya & Hanefah, 2016; Kabuye, Nkundabanyanga, Opiso, & Nakabuye, 2017) used the proposed design to conduct similar studies because of its appropriateness and reliability.

3.3 Target Population

The population of the study was all State Corporations in Kenya. According to the National Treasury (2021), there were two hundred and eighty-eight (288) state corporations spread across all the twenty-two ministries as of September 30, 2021. However, the Government of Kenya is in the process of merging, transferring functions and dissolving one hundred and thirty-four (134) of them (National Treasury, 2021). As a result, one hundred and fifty-four firms were unaffected by the exercise. This process had been activated by the time of data collection. Appendix II is a list of the corporations not affected by the exercise.

3.4 Sampling Design

This study adopted a criterion-based sampling technique. In criterion-based sampling, samples are selected based on some predetermined criteria of importance (Cooper & Schindler, 2014). According to Saunders and Tossey (2015), a researcher may learn more by focussing on understanding a small portion of a judiciously selected sample as opposed to obtaining standardized data from a large and representative sample of the population. Therefore, this study used criterion-based sampling to focus on all 154 state corporations that were unaffected by the merger process.

3.5 Data Collection

The study adopted primary data that was collected with the help of a survey questionnaire developed from the literature review. The study's target respondents were the corporations' chief operations officers or the individuals acting on their behalf chief operating officers are well-grounded on internal audit and organizational performance. To enhance cooperation from respondents, the researcher used an introductory letter from the KCA University specifying the need for the study. This was juxtaposed with a research permit obtained from the government agency responsible for research in the country, The National Commission for Science, Research and Innovation (NACOSTI). To gain access to the respondents, the researcher organized for appointments with target people and on the material day, describe items contained in the questionnaire to respondents either through email or orally face-to-face. As Saunders and Tossey (2015) posit, it is appropriate to self-administer questionnaires to allow respondents sufficient time to consider their responses.

3.6 Pilot Study, Reliability and Validity Tests

3.6.1 Reliability Tests

This test is conducted to determine the extent to which the research instrument was produce results that could be repeated a second or third time. It is concerned about the consistency of results (Mugenda, 2014). A research instrument is only reliable if the item intended to be measured is done consistently. The reliability of the questionnaire was carried out using a pilot test. A pilot test with 10 respondents in the State Law Office was carried out. However, this was done before the actual collection of data. Piloting allows the researcher to confirm how the respondents understand and interprets the questionnaire items. Any identified gaps which included sentences'

structure, editorial matters as well as the overall design were addressed. The revised questionnaire was tested for its reliability by computing the Cronbach alpha coefficient.

The computed alpha values are normally between zero and one. According to Saunders and Tossey (2015) if the alpha value exceeds the lower level of acceptability of 0.6, then the instrument is accepted as reliable.

3.6.2 Validity Tests

A research instrument is considered valid if it correctly measures the variables as it is intended to (Mugenda, 2014). The validity of the research instrument was attained by an extensive review of extant literature, consultation with subject matter experts, including university appointed research supervisor's familiar with the subject of study who assessed the relevance of the content in the research instruments and their suggestions incorporated. To ensure clarity of direction for the respondents', short and precise questions were used.

3.7 Diagnostic Tests

Before carrying out the regression analysis, which is the main method of analysis in this study, various diagnostic tests were carried out. This is due to the fact that linear regression is only carried out if a certain assumption is met. Regressing the variables whilst the assumptions of classical linear assumptions are violated leads to spurious findings (Cooper & Schindler, 2014). The subsection that follows details the various tests of the different assumptions.

3.7.1 Normality Tests

Regression analysis assumes data is normally distributed. To examine if the study data meets the assumption of normal distribution, normality tests are carried out. Data is said to be normally distributed if random variables in data are normally distributed (Gujarati & Sangeetha, 2013). The absence of normal distribution in data distorts the hypothesised associations making interpretations and inferences unreliable or invalid (Greene, 2012). There are several tests of normality, such as Shapiro-Wilk, Kolmogorov-Smirnov and Lilliefors. As a result of its highest power among all tests for normality, Shapiro-Wilk was adopted in this study.

3.7.2 Multicollinearity Tests

In any linear regression model, multicollinearity is assumed to be absent. Multicollinearity is described as the intercorrelation of independent variables in a multiple linear regression model and this leads to misleading results (Greene, 2012). The Variance Inflation Factor (VIF) and tolerance statistics were utilized to evaluate multicollinearity. These statistics helped in

identifying whether independent variables have a strong linear association with other variables. If VIF is 10 and above, then it should pose concerns to the researcher (Greene, 2012).

3.7.3 Homoscedasticity Test

Homoscedasticity is the assumption of equal variance or as alternatively referred constant variance. According to Greene (2012), homoscedasticity implies a situation where the error term is the same across all values of the independent variable. Heteroscedasticity, the violation of homoscedasticity is present when the error term differs across values of the independent variable. Heteroscedasticity creates a problem of making standard errors biased. With standard errors being central to conducting significance tests and calculating confidence intervals, biased standard errors lead to incorrect conclusions about the significance of regression coefficients (Greene, 2012). Driven by the fact that the sample size in this study is small, the Koenker test was adopted to test if heteroscedasticity is absent in the error terms.

3.8 Data Analysis

Once the data was collected, it was cleaned to get rid of inaccurate, unreasonable and incomplete ones. This served as a precaution against unnoticed errors and also enhanced the quality of the data to be used for analysis. Descriptive statistics in form of mean, standard deviations and coefficient of variation in addition to inferential statistics were utilised in data analysis. Descriptive statistics were computed to represent general information and firm characteristics (Cooper & Schindler, 2014). Additionally, a series of regression analyses were conducted to assess the relationship between the independent and dependent variables, as well as the moderating effects and hypothesis tests were done to determine whether the results were significant or not.

The study used multiple linear regression analysis to gauge the effectiveness of internal audit on the performance of the Kenyan State corporations. Composite indices were totalled and averaged and used in the linear regression analysis. To determine the nature of the relationship between internal audit and organizational performance, the study adopted Pearson's correlation coefficient. The significance of the overall model will be determined by the value of the F-statistics while the individual variable significance shall be determined by the p-value. Model 1 presents the introduction of individual effects;

$$Y = \beta_0 + \beta_1 \text{Exp} + \beta_2 \text{IAS} + \beta_3 \text{Indep} + \epsilon \text{-----Model 1}$$

Model 1 is the first step that sought to establish the direct effect of internal audit on the organizational performance of state corporations. The moderating role of the top management support on the relationship between internal audit and organizational performance in a second

step and was determined using a measure suggested by Hayes, (2018). In this step, as provided in model 2 an interaction variable in addition to internal audit are used as dependent variables having an influence on organizational performance.

This joint dependent variable accounts for additional influence on organizational performance that is not explained by internal audit. To determine if the moderating effect is present, the combined influence must have a statistically significant influence on the change in organizational performance. Model 2 presents the introduction of the interaction effects.

$$Y = \beta_0 + \beta_1 IA + \beta_2 TMS + \beta_3 IA * TMS + \epsilon \text{ -----Model 2}$$

Where:

Y = Organizational Performance

β = regression coefficients

ϵ = Error term

IA = Internal audit

TMS = Top management support

CHAPTER FOUR

DATA ANALYSIS AND FINDINGS

4.1 Introduction

The main objective of this study was to examine the influence of internal audit on the organizational performance of state corporations in Kenya. The study also examined the moderating influence of top management support in the relationship between internal audit and organizational performance. In order to attain the objectives, four specific objectives and a similar number of matching hypotheses were formulated and tested. In this chapter the findings of data analysis are presented. The study at first presents the response rate and there after the results for the diagnostic tests, descriptive and inferential statistics. The results were interpreted and discussed

4.2 Response Rate

The study targeted one hundred and fifty-four that were sampled using a purposive criterion-based out of 288 state corporations. All the one hundred and fifty-four corporations were approached and requested to fill in the questionnaire. However, 105 respondents filled and returned the questionnaires which represented a response rate of 68. 2 percent. The response rate was high enough for further analysis as it compared well with other similar studies. Jachi and Yona, (2019) had a response rate of 66.7 percent, while Ziniyel et al, (2018) had a response rate of 58 percent. Mugenda (2014) posit a 60 per cent rate of response is considered adequate. Therefore, the response rate in this study was considered adequate and representative enough to allow generalization of results.

4.3 Pilot Study

4.3.1 Reliability Tests

This study used the Cronbach coefficient to assess the reliability of the research instrument. The test yields alpha values which range between zero and one. An alpha value closer to one indicate that the questionnaire item is reliable while those close to zero indicates that the tool would not be expected to provide consistent results. Alpha values above 0.6 were used as the cut off rate for reliability in this study. Table 4.1 presents the Cronbach alpha test results

Table 4.1 Results of the Reliability Test

Objectives	Items included	Coefficient	Decision
Professional competencies	8	0.875	Reliable
Internal audit standards	6	0.818	Reliable
Internal auditor independence	6	0.672	Reliable
Top management support	6	0.807	Reliable
Organizational performance	7	0.858	Reliable
Overall	33	0.944	Reliable

The results of reliability test results are presented in Table 4.1 They indicate that professional competencies had the highest alpha value of 0.875, while internal audit standards had a reliability coefficient of 0.818. Further, internal auditor independence had a reliability score of 0.672 which was the lowest. The moderating variable top management support had a reliability coefficient of 0.807. Organization performance the dependent variable had a reliability score as measured by chronbach alpa of 0.858. The Average value for all the items was 0.944. The coefficient values for all the variables were above 0.6 and therefore the research instrument was considered reliable.

4.3.2 Validity Tests

This study carried out both content and construct validity. Content validity test was meant to ensure that the questionnaire provided adequate coverage of the objectives of the study. Construct validity ensured that the instrument measured each part of a specified construct. This study used the expert judgement the expert judgement of the lecturers at the KCA University, the supervisor and the colleagues in Master of Science of Finance and Accounting class. A preliminary test was carried out on the research instrument through administration to 10 respondents in the State Law Office to establish if they could give responses with ease. Sensitive, ambiguous and double-edged question were either dropped or cleaned.

4.4 Diagnostic Tests

To ensure that the assumptions of the classical linear regression were not violated, a number of analytical tests were undertaken. The tests undertaken were: normality tests, multicollinearity tests and homoscedastic tests. The results of the tests are discussed in the subsections that follow.

4.4.1 Tests for Normality

This study adopted the Shapiro-Wilk test to check if the data were normally distributed. If the data underlying the variables being studied is not normal, results might get spurious and unreliable. The null hypothesis for the Shapiro Wilk test is that the variables are normally distributed. The study rejected the null hypothesis if the computed p-value was not greater than 0.05. The findings of the Shapiro-Wilk test are summarised in Table 4.2.

Table 4.2: Tests of Normality

	Statistic	Shapiro-Wilk df	Sig.
Organizational Performance	.930	105	.000
Professional competencies	.958	105	.002
Internal audit standards	.945	105	.000
Internal auditor independence	.961	105	.004
Top management support	.923	105	.000

The results in Table 4.2 shows that the p-values for all the variables were significant for all the variables. As a result, the study failed to reject the hypothesis that data came from a normal distribution. However, as the sample size was large, the central limit theorem ensures that the findings of the study would not be affected by the violation of the normality test.

4.4.2 Multicollinearity Tests

Regression models are expected to have independent variables that don't have similarities among them. When independent variables have similarities, this results in a strong correlation. Presence of multicollinearity results in inflated standard errors which makes testing of individual regressors difficult. This study adopted the Variance Inflation Factor (VIF) to test for multicollinearity. If the VIF value ranged from one to ten, the study concluded multicollinearity was absent. The results of the multicollinearity test are presented in Table 4.3.

Table 4.3 Multicollinearity Results

	$\frac{1}{VIF}$	VIF
Professional competencies	.377	2.654
Internal audit standards	.406	2.464
Internal auditor independence	.436	2.295

Top management support	.444	2.254
------------------------	------	-------

The collinearity statistics presented in Table 4.3 indicates that all values for variance inflation factor were less than 10. This implied that multicollinearity amongst the study variables was minimal and therefore would not discredit the data.

4.4.3 Test for Heteroskedasticity

Ordinary least square regression is undertaken under the assumption that residuals have constant variance. When the assumption is violated, the residuals are said to be heteroscedastic.

To test for the presence of heteroscedasticity, this test adopted the Koenker test statistics.

The null hypothesis was that heteroskedasticity was not present. The homoscedastic tests results are presented in Table 4.4.

Table 4.4: Koenker Tests Results

	LM	Sig
Breusch-Pagan	2.535	.638
Koenker	1.990	.738

The results in Table 4.4 shows the Breusch-Pagan and Koenker test statistics and the corresponding significant values. The decision to reject or fail to reject the main hypothesis was based on the significance of the p-value. Considering that the p-value was greater than 0.05, the study failed to reject the null hypothesis and concluded that the residuals had constant variance. The data were thus considered good for further analysis.

4.5 Respondents' Demographic Profile

This study evaluated the characteristics of the respondents in terms of years served in the corporation, length of service in the current position, level of education in addition to the professional qualification held. The respondents in this study were the chief operating officers or persons acting on their behalf in each of the corporations. Period served in the organization was considered as it indicated the period the respondent had related with the corporation. The longer the period the more the respondent was considered to be able to give credible and objective responses to the questionnaire items. The time spent in the organization is presented in Table 4.5.

Table 4.5: Period worked for the Corporation

	Frequency	Percent
Below 5 years	29	27.6
Above 5 years but below 10 years	39	37.1
Above 10 years but below 15 years	28	26.7
Above 15 years but below 20 years	6	5.7
Above 20 years	3	2.9
Total	105	100.0

The results in Table 4.5 indicates 72.4 percent of those who filled and submitted the questionnaire had worked in their corresponding state corporations for more than 5 years. The length of the period served in the corporation has been associated with the experience. In this regard, the respondents were deemed to be authoritative enough to provide relevant, timely and credible information. The respondents were thus considered to be in a good position to provide reliable information. In addition, the study investigated the duration in time that civil servants had held their present position. Table 4.6 presents the results.

Table 4.6: Period Served in the Present Grade

	Incidence	%age
Below 5 years	41	39.0
Above 5 years but below 10 years	46	43.8
Above 10 years but below 15 years	14	13.3
Above 15 years but below 20 years	1	1.0
Above 20 years	3	2.9
Total	105	100.0

The results in Table 4.6 indicate that 39 percent of the respondents had worked in the current position for at least 5 years. This further reinforced the position that the respondents were in a better position to participate in the study. The study further pursued and recorded the highest academic qualification that the civil servant had attained and presented the findings in Table 4.7.

Table 4.7: Highest Academic Qualification Achieved

	Frequency	Percent
Up to secondary school	1	1.0
Ordinary and or advanced diploma	2	1.9
Undergraduate	37	35.2
Post graduate (Master's)	64	61.0
Post graduate (PhD)	1	1.0
Total	105	100.0

Based on the findings presented and tabulated in 4.7 35.2 percent of the of the employee's bachelor's degree implying that the respondents were highly educated. The findings suggest that the respondents have been exposed to a broad range of ideas that could augment organizational performance. In addition to academic qualifications, the study sought to establish if the respondents had any professional qualifications. The study findings are tabulated in Table 4.8.

Table: 4.8 Professional Qualification Held

	No. of employees with qualification	Percentage
CPA	78	74.3
CHRP	4	3.8
CPSP	1	1.0
Others	22	21.0
Total	105	100.0

The results in Table 4.8 indicates that the respondents, in addition to academic qualifications, held professional qualifications. From the findings, a majority of the respondents' 74.3 percent held the Certified Public Accountants (CPA) qualifications and hence were better able to articulate issues related to internal audit.

4.6 Descriptive Statistics

The study variables were described by statistics that included the mean, Standard Deviation (Std. Dev) and Coefficient of Variation (CV). Descriptive statics is presented for both the independent specific objectives and for the dependent variable. The average mean for each of the variables was obtained and summarized in accordance with the scale: 1 to 1.5 no extent; 1.5 to 2.5 to a small extent; 2.5 to 3.5 to a moderate extent; 3.5 to 4.5 to a large extent and the

value exceeding 4.5 was taken to represent to a large extent. The subsections that follow present the results of the descriptive statistics.

4.6.1 Professional Competencies

The study conceptualised professional competencies to have an influence on organizational performance. Descriptive statements along the operationalisation measures outlined in chapter two were investigated to the sampled respondents on a five-point Likert scale. The respondents were asked to state the degree in which to the constructs applied in their corporations. The results are presented in Table 4.9.

Table 4.9: Descriptive Statistics for Professional Competencies

Statement on professional competencies	Mean	Std. Dev.	C.V.
Internal auditors are sufficiently knowledgeable of the transaction systems.	3.962	0.854	0.216
Internal auditors are trained to acquire the necessary professional competencies to perform their duties.	4.038	0.843	0.209
Internal auditors are continuously professionally developed	3.771	0.943	0.250
The internal audit staff remains current with the current changes in accounting and performance requirements.	3.876	0.793	0.205
All new internal auditors are afforded in house training.	3.410	0.997	0.292
The internal auditor is knowledgeable on technology-based audit techniques.	3.400	0.884	0.260
Corporations' internal auditors have the necessary qualifications	4.143	0.802	0.194
Professional competencies of the staff in audit department affect the organizational performance of the State Corporation.	4.143	0.814	0.196
Average mean Score	3.843		

The findings in Table 4.9 shows the average value for professional competencies was 3.843 which indicates that the respondents rated professional competencies of internal audit staff to a large extent. The statements that auditors were qualified and their professional competencies influenced organization performance had the joint highest mean score or 4.143. The statements had the lowest and the second-lowest coefficient of variation at 0.194 and 0.196 respectively.

This implied that the respondents agreed on the possession and role of professional competencies on organizational performance. The statement with the highest variability was that new internal auditors were taken through in-house training (CV = 0.292). This was an indication that there was disparity amongst the respondents on the extent to which internal auditors were trained when they got engaged.

4.6.2 Internal Audit Standards

Internal audit standards act as a guide that aids the internal auditors while undertaking their duties and has the potential to influence the performance of the organization. The respondents were presented with descriptive statements and asked to rate the extent to which statements on internal audit standards applied to their organization. Table 4.10 is a presentation of the results.

Table 4.10 Statistics Describing Internal Audit Standards

Constructs for Internal Audit Standards	Mean	Std. Dev.	CV
The establishment of risk-based audit plans helps in determining priorities that are consistent with the goals of the corporation.	4.124	0.781	0.189
Compliance with risk-based internal auditing allows internal audit to assure the board that risks are being managed effectively.	4.076	0.768	0.188
To what extent has the development and maintenance of a quality assurance and improvement program helped the corporation achieve its goals?	3.838	0.761	0.198
Periodic assessment of the internal audit function help determines if the service rendered added value and relevance to the organization.	3.991	0.753	0.189
The input of the audit committee is taken into account while making internal audit plans.	4.000	0.832	0.208
In planning from internal audit, the input of the top management is considered.	4.067	0.724	0.178
Average Mean Score	4.016		

The findings presented in Table 4.10 show internal audit standards had a superior grade as evidenced by the average mean score of 4.016. Further, most statements that described internal audit standards had mean scores above 3.8. The statement that audit committee input is considered when making audit plans had the highest variability of 0.208 implying that the issue attained the highest dispersions in the answers given by the respondents. Conversely, the statement that input from top management was put into consideration during audit planning

had the lowest variations in responses as evidenced by the coefficient of variation value of 0.188. The establishment of risk-based audit, compliance with risk-based auditing, consideration of the input of the top management and that on audit committee had means scores of 4.124, 4.076, 4.067 and 4.000, respectively. However, the statement with the lowest mean score was on the stent quality assurance led to the organization improving on its objectives of 3.838.

4.6.3 Internal Auditors Independence

This study measured internal audit independence using several dimensions among them autonomy in audit work. Respondents were asked to state the stent statements relating to internal audit independence applied to their organization. The resultant findings are tabulated in Table 4.11.

Table 4.11: Statements Related to Internal Auditors' Independence

Internal Audit Independence	Mean	Std. Dev.	CV
There exists unambiguous laws and regulations defining the role of the internal auditor.	3.943	1.017	0.258
Head of internal audit is empowered sufficiently to adopt plans for audit	4.124	0.895	0.217
The internal auditor has unrestricted access to all operations, staff, assets and transaction records.	4.171	0.893	0.214
Internal audit has an independent budget approved by the audit committee.	3.467	1.241	0.358
Internal audit functionally reports directly to the audit committee.	4.295	0.843	0.196
Internal audit administratively reports to executive management.	4.333	0.689	0.159
Average Mean Score	4.056		

Based on the findings outlined Table 4.11, the average score for internal auditors' independence was 4.056 corresponding to a large extent. This implied that on average the respondents felt that the elements of auditors' independence were favourable to their organizations. The statement that internal auditors reported to the executive management, administratively attained to top average grade of 4.333. This revealed that internal auditor

reporting to the executive management was prevalent in organizations sampled. The statement had the lowest coefficient of variation of 0.159 indicating that there was consensus amongst the respondents on the extent the statement applied to their organizations. On the other hand, the statement with the highest variability in responses was there was an independent budget for internal audit that was approved by the audit committee, coefficient of variation 0.358. This statement had the lowest average value of 3.467 indicating majority of the respondents only agreed to a modest degree on the existence of the internal audit budget.

4.6.4 Top Management Support

The study adopted a control variable that was seen a moderating the relationship between the independent and dependent variable. The variable was operationalised in line with the stated measures outlined in chapter two. The respondents were presented with six statements related to top management support and requested to indicate the degree in which they were applicable in the organization they worked for. A summary of their responses is tabulated in Table 4.12.

Table 4.12 Descriptive Statements for Top Management Support

Statements on top management support	Mean	Std. Dev	CV
Senior managers allow the inter audit function not carried out unfettered. .	3.914	0.921	0.235
Internal auditing has unrestrained access to review senior management work.	4.019	1.056	0.263
The top management issues as a statement requiring all the departments to follow internal audit recommendations.	3.933	0.983	0.250
The top management promptly responds to internal audit reports and queries.	4.267	0.824	0.193
The internal audit has access to all the necessary records.	4.229	0.788	0.186
The top management allocates sufficient financial and non-financial resources for the internal audit department	3.876	1.062	0.274
Average mean for the items	4.040		

Table 4.17 indicates that the average mean score for all the items relating to top management support was 4.040. The results imply that almost all statements had a ranking of 4 (to a large extent) meaning that the respondents agreed that the internal audit function received the necessary top management. the statement on top management prompt response to audit queries

and reports had the highest mean score (4.267, Standard deviation = 0.824) meaning that the reports by internal auditors were promptly acted upon. The statement that had the lowest variability was the internal audit department had access to all the necessary information (Coefficient of variation = 0.186). This implied that the respondents agreed with the level of access internal auditors had on the records they required. The statement with the highest variability was internal auditors had unhindered access to appraise top management work (coefficient of variation = 0.263). This implied that there was a lack of agreement amongst the respondents on the level of application of the statements to the firms.

4.6.5 Organizational Performance

The study adopted organizational performance as the dependent variable. The respondents were presented with seven statements on non-financial measures of organizational performance and were asked to indicate the extent they applied to their firms that possessed the various measures of organizational performance. The results are presented in Table 4.13.

Table 4.13 Descriptive Statements on Organizational Performance

	Mean	Std. Dev.	CV
There are improvements in internal processes within the organization.	3.981	0.920	0.231
The internal processes within the corporation are homogeneous and follow the procedure manual.	3.924	0.840	0.214
Process automation and the adoption of technology has helped to improve the customer care of the corporation.	3.838	0.845	0.220
Clients' complaints have reduced considerably in the period under review.	3.771	0.858	0.227
The corporation has consistently received positive feedback from user's satisfaction surveys.	3.686	0.836	0.227
Activities of the Corporation are customer-centric.	4.010	0.740	0.185
The Corporation is at the forefront of corporate social responsibility.	3.867	0.941	0.243
Average Mean Score	3.868		

The results presented in Table 4.13 indicates that activities of the organization that were customer-focused had the highest mean score (4.010, standard deviation = 0.7400 followed by improvement were present on the internal processes of the organization (mean score = 3.981,

standard deviation = 0.920). This implied that not only did the firms from the correct procedures, but they also put the interests of their customers first. The statement on the customer-centric organization had the lowest variability (coefficient of variation = 0.185) indicating that there was a general agreement among the study respondents on the extent to which the organizations they worked for had attained the specified measures. The statement that corporations were at the forefront when it came to corporate social responsibility had the highest variability. This indicated a general lack of consensus to the extent this measure applied to respective institutions. The overall mean score for the organization performance variable was 3.868 indicating that the firms, to a large extent, attained the various performance measures.

4.7 Hypotheses Testing

The main objective of this study was to determine the influence of internal audit on organizational performance. To attain the general aim, four precise statements were set together with an equivalent number of hypotheses. The study used simple regression analysis to test individual influence, multiple linear regression analysis was applied in testing the joint effect and Hayes stepped regression analysis was used to test if the moderator had any effect on the relationship. All tests were carried at a 95 percent level of confidence that is p-value less than 0.05.

The decision to reject or fail to reject a particular hypothesis was dependent on the p-value. In the event p-value was greater than 0.05, the study rejected the hypothesis and where the hypothesis was less than 0.05, the decision was to fail to reject that particular hypothesis. The study also considered the coefficient of determination (R-squared) that helped explain the change in the dependent variable that was on account of the independent variable. A higher R-Square was interpreted to mean that the model had a higher explanatory power. The F-statistic value was adopted to explain how significant the model was. The unstandardized beta (β) coefficient was used to explain the negative or positive effect of the independent variable on the dependent variable. The results are presented and discussed in the subsections that follows.

4.7.1 Professional Competencies and Organizational Performance

This study objective number one related to examining the influence of professional competencies on the organizational performance of state corporations in Kenya. A matching hypothesis was stated as: Professional competencies insignificantly influence the

organizational performance of state corporations in Kenya. This hypothesis was tested and the results are outlined in Table 4.14.

The findings presented in Table 4.14 reveal that the individual impact of professional competencies on organizational performance it was found to be statistically significant (p-value < 0.05). Overall, professional competencies correlate with organizational performance 0.614 implying that there was a it is a judiciously strong and direct association that accounted for a 37.7 percent (R-square value = 0.377) of the variation in organizational performance. The percentage explained by professional competencies is statistically significant (High F-value, p-value=0.000). Based on these, the first hypothesis was not backed by the findings. Accordingly, the researcher rejects the hypothesis and concludes that professional competencies had a statistically significant influence on the organizational performance of state corporations in Kenya. This relationship can be represented as:

$$Y = 1.527 + 0.609Exp$$

Where Y represents performance and Exp represents professional competencies. This means a unitary shift in professional competencies results to a 0.609 direct effect on organizational performance. These results are supported by extant literature. Endaya and Hanefah (2016) as well as Hadisantoso et. al. (2017). argued that professional competencies positively and statistically significant way influenced organizational performance.

However, the results were in variance with a study by Novranggi and Sunardi (2019) that professional competencies had an insignificant association and thus were unrelated to organizational performance.

Table 4.14: Effect of Professional Competencies on Organizational Performance

Model Summary						
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate		
1	.614 ^b	.377	.371	.49947		
ANOVA^a						
Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	15.522	1	15.522	62.219	.000 ^b
	Residual	25.695	103	.249		
	Total	41.217	104			
Coefficients^a						

Model		Unstandardized		Standardized	t	Sig.
		Coefficients		Coefficients		
		B	Std. Error	Beta		
1	(Constant)	1.527	.301		5.076	.000
	Professional competencies	.609	.077	.614	7.888	.000

a. Dependent Variable: Organizational Performance
b. Predictors: (Constant), Professional competencies

4.7.2 Internal Audit Standards and Organizational Performance

The second specific goal of the instant research was to investigate the extent and effect of internal audit standards on the organizational performance of government owned entities in Kenya. A hypothesis along this line was formulated in its null form as: there is no statistically significant effect of internal audit standard and organizational performance of state corporations in Kenya. The hypothesis was tested and the results are presented in Table 4.15.

From the findings presented in Table 4.15 it can be confirmed that autonomous influence of internal audit standards on organizational performance have a statistically significant effect as indicated by a p-value of 0.000 which was less than the threshold of 0.05. Overall, internal audit standards compared with organizational performance up to 0.591 which was a reasonably strong positive association that explains 35 percentage change in organizational performance.

Further, based on the results obtained, the part that was explained by internal audit standards is statistically significant as indicated by a higher F value, 55.402 with a p-value of 0.000. Based on the results, the study rejected the null hypothesis and confirmed the alternative hypothesis. The relationship can be signified by the following model.

$$P = 1.88 + 0.667IAS$$

Where P = Organizational Performance, IAS= Internal Audit Standards.

Internal audit standard was found to have a positive effect on organizational performance. This implies that a unit change in internal audit standard cause a positive change of 0.667 in organizational performance. The results concur with the findings of Alhassan (2018) and Abdulaziz (2019) who found that internal audit standards have a positive and statistically significant relationship with organizational performance. However, the results contradicted those in Rashid et al, (2018).

Table 4.15: Influence of Internal Audit Standards on Organizational Performance
Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate		
1	.591 ^b	.350	.343	.51010		
ANOVA ^a						
	Model	Sum of Squares	df	Mean Square	F	Sig.
	Regression	14.416	1	14.416	55.402	.000 ^b
1	Residual	26.801	103	.260		
	Total	41.217	104			
Coefficients ^a						
Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	1.188	.364		3.267	.001
	Internal audit standards	.667	.090	.591	7.443	.000

a. Dependent Variable: Organizational Performance

b. Predictors: (Constant), Internal audit standards

4.7.3 Internal Auditors Independence

To determine influence of the independence of internal audit on organization performance a hypothesis in its null form was stated as internal auditors' independence does not have a statistically weighty effect on organization performance of parastatals in Kenya. This null hypothesis was tested at a 95 percent level of confidence and the results are tabulated in Table 4.16.

The findings presented in the aforementioned table 4.16, implies that the independent effects of internal auditor independence on organizational performance were from a statistical view point, weighty (p-value less than 0.05). Overall, internal audit independence correlates with organizational performance up to 0.643 which is a moderately high positive relationship and explains 41.3 percent of the variations in organizational performance. The proportion of organizational performance that is explained by internal auditor independence was statistically significant. This is evidenced by a higher F value of 72.414 that was statistically significant, p-value = 0.000. As a result, the hypothesis is rejected and it is concluded that internal auditor independence had a statistically significant effect on organizational performance in state corporations in Kenya.

Table 4.16 Influence of Internal Auditors Independence on Organizational Performance.

Model Summary						
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate		
1	.643 ^b	.413	.407	.48474		
ANOVA ^a						
Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	17.015	1	17.015	72.414	.000 ^b
	Residual	24.202	103	.235		
	Total	41.217	104			
Coefficients ^a						
Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	1.047	.335		3.126	.002
	Internal auditor independence	.696	.082	.643	8.510	.000

a. Dependent Variable: Organizational Performance
b. Predictors: (Constant), Internal auditor independence

The relationship was explained by the equation that follows:

$$Y = 1.047 + 0.696\text{Indep}$$

Where Y = Organizational performance and Indep represents internal auditor independence.

The equation presented implies a unitary movement in internal auditor independence results to a direct movement of 0.696 in organizational performance. The findings are in tandem with findings in Bogdan and Paula (2019) whose results indicated that internal auditor independence had a positive and statistically significant association with performance. The findings are also in agreement with Ibrahim et al (2019).

4.7.4 Combined Effect of Internal Audit and Organizational Performance

The research pursued to find out the combined effect of internal audit and organizational performance of state corporations in Kenya. The findings of the multiple linear analysis are tabulated in Table 4.17.

The results in Table 4.17 indicates that the joint effects of internal audit on organizational performance was significant, F-value = 32.652 and p-value = 0.000. Overall, internal audit

correlate strongly with organizational performance by up to 0.702 and explain 49.2 per cent of the disparities in organizational performance. This relationship is expounded by the equation

$$Y = 0.504 + 0.235*Exp + 0.234*IAS + 0.405*Indep$$

Where Y = Organizational Performance; Exp = Professional competencies; IAS = Internal audit standards; Indep = Internal auditor independence

The results show that all indicators of internal audit had a positive effect on organizational performance.

A unit change in professional competencies, internal audit standards, internal auditor independence yields a 0.235, 0.234 and 0.405 positive change in organizational performance, respectively. All the variables were jointly significant except for internal audit standards that were insignificant.

Table 4.17: Joint Effect of Internal Audit on Organizational Performance

Model Summary						
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate		
1	.702 ^b	.492	.477	.45515		
ANOVA ^a						
Model		Sum of Squares	df	Mean Square	F	Sig.
	Regression	20.293	3	6.764	32.652	.000 ^b
1	Residual	20.924	101	.207		
	Total	41.217	104			
Coefficients ^a						
	Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
	(Constant)	.504	.353		1.428	.156
	Professional competencies	.235	.111	.236	2.106	.038
1	Internal audit standards	.204	.124	.181	1.645	.103
	Internal auditor independence	.405	.106	.374	3.823	.000

a. Dependent Variable: Organizational Performance

b. Predictors: (Constant), Internal auditor independence, Internal audit standards, Professional competencies

4.7.5 Moderating Influence of Top Management Support

Top management support was imagined as having a moderating effect in the association amongst internal audit and organizational performance. To test the moderating effect, the following hypothesis was formulated: *Top management support does not moderate the connection amongst internal audit and organizational performance.* A moderating variable is one that modifies the existing relationship between an independent variable and a dependent variable. Despite not being affected by the independent variable, the moderating variable affects the strength and direction of the relationship between an independent variable and a dependent variable. In this respect, therefore, moderation describes a situation in which the relationship between two variables is not constant but depends on the value of a third variable, the moderator (Hayes, 2018).

The study used the process macro developed by Hayes (2018) to carry out moderated multiple regression involving a two-way interaction among the predictor variables. The test of moderation was undertaken in two distinct steps. In the first step, the independent effect between internal audit, the independent variable and organizational performance was tested. If findings is statistically significant, step two is then performed. In the first step, a composite index representing internal audit was regressed against organizational performance. Table 4.18 represents the findings.

Table 4.18: Internal Audit and Organizational Performance

Model Summary						
Model	R	R Square	Adjusted R Square	S E of the Estimate		
1	.696 ^b	.485	.480	.45399		
ANOVA ^a						
Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	19.988	1	19.988	96.980	.000 ^b
	Residual	21.229	103	.206		
	Total	41.217	104			
Coefficients ^a						
Model		Unstandardized Coefficients		Std Coeff	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	.540	.341		1.584	.116
	Internal Audit	.838	.085	.696	9.848	.000

a. Dependent Variable: Organizational Performance

b. Predictors: (Constant), Internal Audit

The direct relationship between internal audit and organizational performance was established to be statistically significant (Beta = 0.838; p-value = 0.000). A precondition is that moderation analysis can only be performed on a significant relationship. Since the results were significant, the second step involved introducing a value that interface the association and is computed as independent variable multiplied top management support, the moderator. This is then regressed against organizational performance, the dependent variable. If the findings indicate that the new term as being significant, it is taken than moderating indeed occurred. The findings are indicated in Table 4.19.

Table 4.19: Moderating Effect

Model Summary						
R	R-sq	MSE	F	df1	df2	p
.7374	.5437	.1862	40.1156	3.0000	101.0000	.0000
Model						
	Coefficient	se	t	p		
Constant	3.8898	0.0471	82.6501	0.0000		
Internal audit	0.5247	0.1201	4.3690	0.0000		
Top management support	0.2963	0.0959	3.0903	0.0026		
Interaction	-0.0855	0.0815	-1.0498	0.2963		

Key: Interaction: Internal audit (X) * Top management support (W)

Test(s) of highest order unconditional interaction(s):					
	R-sq change	F	df1	df2	p
X*W	0.0050	1.1020	1.0000	101.0000	.2963

Level of confidence for all confidence intervals in the output: 95 per cent.

NOTE: The following variables were mean centred prior to analysis: Top management support and internal audit.

Results in Table 4.19 indicated that the moderating role of top management support yielded a marginal enhancement of the explanatory power of the model by 5.87 percent from 48.5 percent to 54.37 percent when moderating effect was considered. However, the interaction term was not statistically significant (Beta = -0.0855, p-value = 0.2963) indicating that top management support was not a significant moderator of the effect of internal audit on organizational performance.

The study, therefore, failed to reject the hypothesis and concluded that top management support did not moderate the relationship between internal audit practices and organizational performance of State Corporations in Kenya. However, the findings are at variance with Bello et al, (2018) whose results indicated that top management support moderated the relationship between internal audit and organizational performance of Federal universities in Nigeria. Further, the findings were not in sync with Alqudah et al., (2019).

CHAPTER FIVE

SUMMARY, CONCLUSIONS AND RECOMMENDATIONS

5.1 Introduction

The purpose of this study was to establish the influence of internal audit on the organizational performance of state corporations in Kenya. Having met the objective, this chapter summarizes the findings, presents the conclusions as well as the recommendations. The chapter begins by summarizing the findings in line with the objectives stated.

5.2 Summarized Results

The general objective was to establish the effect of internal audit on organizational performance. The moderating role of top management on the relationship was also examined. Internal audit was disaggregated into three components; professional competencies, internal audit standards and internal auditors' independence.

5.2.1 Effect of Professional Competencies on Organizational Performance

In line with the first objective of the study, a hypothesis that professional competencies did not have a significant influence on performance was formulated and tested. Based on the findings, this hypothesis was not supported and it was therefore rejected. As a result, it was therefore shown that positive and statistically significant influence was exerted by professional competencies on organizational performance.

5.2.2 Influence of Internal Audit Standards on Performance

The subsequent objective sought to investigate the effect of internal audit standards on state owned entities performance. The corresponding null hypothesis was internal audit standards had no significant influence on performance. The results of the tests indicated that the hypothesis had to be rejected. Consequently, the alternative hypothesis that compliance with internal audit standards had positive and statistically significant influence on the organizational performance of state corporations in Kenya was accepted.

5.2.3 Internal Auditors' Independence and Organizational Performance

Thirdly, the study examined the influence of internal auditors' independence on the government agencies performance. The stated and tested null hypothesis was that there was no significant association amongst the variables. This was unsupported by the findings and therefore rejected.

Thus, it was concluded that internal auditors' independence had a positive and statistically significant influence on the organizational performance of state corporations in Kenya.

5.2.4 Moderating Influence of Top Management Support

The fourth objective of the study sought to examine the moderating influence of top management on the association amongst internal audit and organizational performance of state corporations in Kenya. The study adopted the process macro developed by Hayes (2018) to carry out the moderated multiple regression in investigating the moderating role of the support by top management. Findings of the study revealed that top management support did not have any moderating effect on the relationship between internal audit and organizational performance. The study, therefore, failed to reject the hypothesis that top management support did not moderate the association amongst internal audit and organizational performance of state corporations in Kenya.

5.3 Conclusion

The broad objective of this study was to determine the influence of internal audit on the organizational performance of state corporations in Kenya. In order to realize the general objective, four specific objectives and an equal number of hypotheses were developed, tested and results provided. The relationship as hypothesized was presented in a schematic diagram. Primary data collected from one respondent per organization was used. In carrying out the analysis, multiple linear regression, as well as moderated regression analysis, was applied. The results of the study were varied. They have been compared with extant literature. From the results of the research, a number of observations and conclusions were made. Generally, it was observed that internal audit variables jointly had a significant influence and correlated strongly with organizational performance. Internal audit in state corporations explained 49.2 percent of variations in organizational performance. The study concluded that independently, internal auditors' professional competencies, internal audit standards compliance and internal auditors' independence were all had a positive influence organizational performance of state corporations in Kenya. This was not statistically significant, but also consistent with the existing literature. The findings strongly support the integrated association between individual internal auditor characteristics and the organizational performance of state corporations in Kenya. However, top management support was found not to moderate the association amongst internal audit and organizational performance.

5.4 Recommendations

This study sought to establish the relationship between internal audit, top management support and organizational performance of state corporations in Kenya. Top management support was hypothesised as the moderating variable while the internal audit was the independent variable. The study was able to establish aspects of internal audit that contribute to the organizational performance of state corporations in Kenya. The study came up with findings that will enhance the understanding of the drivers of organizational performance in state corporations in Kenya. Based on the results, the study was able to make recommendations to policy makers, to practice as well as suggest areas for further studies.

5.4.1 Recommendations to Policy Makers and Regulators

Several state corporations in Kenya are listed in the securities market and therefore under the ambit of the Capital Market Authority, the regulator of quoted firms. This study thus makes recommendations to the regulator to develop efficient internal audit policies that will guide in improving the organizational performance of such entities. They may find the results of this study to be useful and hence come up with suggestions for improving on internal audit characteristics.

5.4.2 Recommendation to Practice

This study established that internal audit characteristics play an important role in enhancing the organizational performance of state corporations in Kenya. There is thus the need for the board and management of state corporations to adopt policies that address key internal audit characteristics for enhanced organizational performance. As such, state corporations should consider the professional competencies of the internal auditor, adherence of the internal auditor to the internal audit standards. Further, the independence of the internal auditor should be taken into consideration.

5.5 Suggestions for Further Studies

This study focused on the relationship between internal audit practices, top management support and organizational performance. While the study met all the objectives, it provoked matters that would necessitate additional research. This study used non-financial indicators to measure performance, future studies would consider using financial measures as an indicator of performance. Jointly, internal audit characteristics were only able to explain 49 percent of the variations in organizational performance. This implies that 51 percent of the variations in

organizational performance could have been explained by other factors not considered by the model.

This study, therefore, suggests that future studies should consider additional variables. Furthermore, this study only focussed on state corporations and the findings may not be generalised to other companies in the private sector. Future studies should consider incorporating private entities. Top management support was examined for its moderating role and was found not to have any moderating effect. Future studies may consider its intervening influence on the organizational performance of state corporations in Kenya.

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APPENDICES

Appendix I: Questionnaire

Dear Sir /Madam

I am a Master of Science in Finance and Accounting student of the KCA university. As part of my degree program, this study on state corporations in Kenya seeks to expound on the influence of internal audit on the corporation's performance. I therefore seek your responses' which will be utilized for academic performance only.

A. Individual Profile

1. Respondent's Position (optional).....
2. In the space provided below, kindly indicated the period in years that you have served in the present position.

Duration worked in the present position		Please tick one
1.	Below 5 years	
2.	Above 5 years but below 10 years	
3.	Above 10 years but below 15 years	
4.	Above 15 years but below 20 years	
5.	Above 20 years	

3. How long have you worked for the Corporation?

Period served in the State Entity		Please tick one
1.	Below 5 years	
2.	Above 5 years but below 10 years	
3.	Above 10 years but below 15 years	
4.	Above 15 years but below 20 years	
5.	Above 20 years	

4. What is the highest level of qualification you have attained?

The highest level of education attained		Please tick one
1.	Secondary level	
2.	Diploma level	
3.	Bachelor's degree level	
4.	Master's degree level	
5.	Doctorate degree level	

5. Professional certifications held (e.g CPA, ACCA, CHRP, CIM, CPSP, CIMA, CIPS)

.....

B: Internal Audit Dimensions

For all statements in this question, please utilize the following scale

1 = No extent; 2 = Less Extent; 3 = Moderate Extent; 4 = Large Extent; 5 = very large extent

One of the two major aspects of this study is internal audit characteristics. The internal audit characteristics include; Professional competencies, internal audit standards; internal audit independence and top management support.

The questions that follow seek to understand the role played by each of the internal audit characteristics in the operations and performance of the corporation.

The statements in this sub section relate to the professional competencies of the internal auditor. Please indicate the extent they applied to your organization between 2018/2019 and 2019/2020.

Internal auditor professional competencies		1.	2.	3.	4.	5.
1.	Internal auditors are sufficiently knowledgeable of the transaction systems.					
2.	Internal auditors are trained to acquire the necessary professional competencies to perform their duties.					
3.	Internal auditors are continuously professionally developed					
4.	The internal audit staff remains current with the current changes in accounting and performance requirements.					
5.	All new internal auditors are afforded in house training.					

6.	The internal auditor is knowledgeable on technology-based audit techniques.					
7.	Auditors in the corporation are qualified to undertake the internal audit functions.					
8.	Professional competencies of internal audit staff affect the organization performance of the State Corporation.					

7. The statements that follow relate to compliance with internal audit standards compliance. To what extent, on a scale of 1 to 5 did they apply within the corporation between 2018/2019 and 2019/2020?

Internal audit standards		1	2	3	4	5
1.	The establishment of risk-based audit plans helps in determining priorities that are consistent with the goals of the corporation.					
2.	Compliance with risk-based internal auditing allows internal audit to assure the board that risks are being managed effectively.					
3.	To what extent has the development and maintenance of a quality assurance and improvement program helped the corporation achieve its goals?					
4.	Periodic assessment of the internal audit function help determines if the service rendered added value and relevance to the organization.					
5.	The input of the audit committee is taken into account while making internal audit plans.					
6.	In planning from internal audit, the input of the top management is considered.					

The following statements relate to internal auditor/internal audit department independence. Please indicate the extent they applied to your organization in the period between 2018/2019 and 2019/2020.

Internal Auditors independence		1	2	3	4	5
1.	There exists clear legislation and charters defining the role of the internal auditor.					
2.	The chief audit executive has adequate powers in establishing the internal audit plans					
3.	The internal auditor has unrestricted access to all operations, staff, assets and transaction records.					
4.	Internal audit has an independent budget approved by the audit committee.					
5.	Internal audit functionally reports directly to the audit committee.					
6.	Internal audit administratively reports to executive management.					

9 The following statements relate to top management support. Please indicate your perception of the effectiveness of top management support to the internal audit function in the period between 2018/2019 to 2019/2020.

Top Management Support		1	2	3	4	5
1	Top management does not interfere in internal audit scope.					
2	Internal auditing has unrestricted access to review senior management work.					
3	The top management issues as a statement requiring all the departments to follow internal audit recommendations.					
4	The top management promptly responds to internal audit reports and queries.					
5	The internal audit has access to all the necessary records.					
6	The top management allocates sufficient financial and non-financial resources for the internal audit department					

C Organizational Performance

Organizational performance was the dependent aspect of this study. In relation to the part internal audit plays in the improvement of organizational performance of the State corporations, please provide answers to the following question.

To what extent has the corporation attained the stated measures of organizational performance in the period 2018/2019 and 2019/2020

Organizational Performance		1	2	3	4	5
1.	There are improvements in internal processes within the organization.					
2.	The internal processes within the corporation are homogenous and follow the procedure manual.					
3.	Process automation and the adoption of technology has helped to improve the customer care of the corporation.					
4.	Clients' complaints have reduced considerably in the period under review.					
5.	The corporation has consistently received positive feedback from user's satisfaction surveys.					
6.	Activities of the Corporation are customer-centric.					
7.	The Corporation is at the forefront of corporate social responsibility.					

Appendix II: State Corporations

1.	National Transport and Safety Authority
2.	Central Bank of Kenya
3.	Kenya Revenue Authority
4.	Capital Markets Authority
5.	Insurance Regulation Authority
6.	Retirement Benefits Authority
7.	Unclaimed Financial Assets Authority
8.	Public Procurement Oversight Authority
9.	Kenya Reinsurance Corporation
10.	Kenya Institute of Supplies Management
11.	The Consolidated Bank
12.	Development Bank
13.	Kenya Post Office Savings Bank
14.	The East African Development Bank
15.	Kenya National Bureau of Statistics
16.	Industrial, Commercial and Development Corporation
17.	Kenya Industrial Estates
18.	Industrial Development Bank
19.	East African Portland Cement Co. Ltd
20.	Kenya Wine Agencies Limited
21.	Export Processing Zones Authority
22.	Kenya Bureau of Standards
23.	Kenya Investment Authority
24.	Kenya Industrial Research and Development Institute
25.	Kenya Industrial Property Institute
26.	Kenya Industrial Training Institute
27.	Kenya Export Promotion and Branding Agency
28.	Anti-Counterfeit Authority
29.	National Hospital Insurance Fund
30.	Kenya Medical Supplies Authority

31.	Kenyatta National Hospital
32.	Moi Teaching Referral Hospital
33.	Kenya Medical Research Institute
34.	Agriculture, Livestock, Food and Fisheries Authority
35.	Agricultural Finance Corporation
36.	Agricultural Development Corporation
37.	Kenya Seed Company
38.	Nyayo Tea Zones Development Corporation,
39.	South Nyanza Sugar Company
40.	Nzoia Sugar Company
41.	Chemilil Sugar Company
42.	Mumias Sugar Company
43.	National Cereals and Produce Board
44.	Agro-Chemical and Food Company
45.	Kenya Agricultural and Livestock Research Organization
46.	Kenya Meat Commission
47.	Kenya Dairy Board
48.	Kenya Marine and Fisheries Research Institute
49.	Kenya Co-operative Creameries,
50.	Savings and Credit Societies Regulatory Authority
51.	Kenya National Trading Corporation
52.	Kenya Railways Corporation
53.	Kenya Airports Authority
54.	Kenya Civil Aviation Authority
55.	Kenya Ports Authority
56.	Kenya Ferry Services
57.	Kenya National Highways Authority
58.	KURA Kenya-Urban-Roads-Authority
59.	KeRRA Kenya-Rural-Roads-Authority
60.	National Housing Corporation
61.	National Construction Authority
62.	Communications Authority of Kenya

63.	Kenya Broadcasting Corporation
64.	The Postal Corporation of Kenya
65.	Kenya Film Classification Board
66.	Kenya Film Commission
67.	National Museums of Kenya
68.	Kenya National Library Services Board
69.	Kenya National Examinations Council
70.	Kenya Literature Bureau
71.	Kenya Institute of Curriculum Development
72.	Kenya National Qualifications Authority
73.	Jomo Kenyatta Foundation
74.	Teachers Service Commission
75.	Kenya National Innovation Agency
76.	Higher Education Loans Board
77.	National Biosafety Authority
78.	Kenyatta University
79.	University of Nairobi
80.	Jomo Kenyatta University of Agriculture and Technology
81.	Moi University
82.	University of Eldoret
83.	Karatina University
84.	TaitaTaveta University
85.	Kirinyaga University
86.	Muranga University of Technology
87.	Egerton University
88.	Maseno University
89.	Masinde Muliro University of Science & Technology
90.	The Technical University of Kenya
91.	Technical University of Mombasa
92.	Pwani University
93.	South Eastern Kenya University
94.	Dedan Kimathi University of Technology

95.	University of Kabianga
96.	Masai Mara University
97.	University of Kibabii
98.	Jaramogi Oginga Odinga University of Science and Technology
99.	Laikipia University
100.	Meru University of Science and Technology
101.	Garissa University
102.	Machakos University
103.	Multi-Media University
104.	Kisii University
105.	Rongo University
106.	Embu University
107.	Chuka University
108.	Co-operative University
109.	Kenya Universities and Colleges Placement Service
110.	University of Nairobi Enterprises
111.	LAPSSET Corridor Development Authority
112.	Tana and Athi Rivers Development Authority
113.	Lake Basin Development Authority
114.	Kerio Valley Development Authority
115.	Ewaso Nyiro North Development Authority
116.	Ewaso Nyiro South Development Authority
117.	Coast Development Authority
118.	National Social Security Fund
119.	National Employment Authority
120.	National Industrial Training Authority
121.	Tourism Regulatory Authority
122.	Kenya Wildlife Service
123.	Tourism Finance Corporation
124.	Kenya Utalii College
125.	Kenya Tourist Board
126.	Kenyatta International Convention Centre

127.	Bomas of Kenya
128.	Kenya Safari Lodges and Hotels
129.	National Environmental Management Authority
130.	Kenya Forest Service
131.	Kenya Forestry Research Institute
132.	National Environment Trust Fund
133.	Water Services Regulatory Board
134.	Athi Water Works Development Agency
135.	Tanathi Water Works Development Agency
136.	Lake Victoria North Water Works Development Agency
137.	Rift Valley Water Works Development Agency
138.	Coast Water Works Development Agency
139.	National Irrigation Board
140.	Energy and Petroleum Regulatory Commission
141.	Kenya Power and Lighting Company Limited
142.	Kenya Electricity Transmission Company
143.	Rural Electrification and Renewable Energy Corporation
144.	Kenya Energy Generation Company
145.	Geothermal Development Company
146.	National Oil Corporation of Kenya
147.	Kenya Pipeline Company
148.	Kenya Petroleum Refineries
149.	National Mining Corporation
150.	Women Enterprise Fund
151.	Kenya Copyright Board
152.	NGO Coordination Board
153.	National Authority for the Campaign Against Alcohol and Drug Abuse
154.	Inspectorate of State Corporations

Source: (National Treasury, 2021)