EFFECT OF INTERNAL AUDIT ON THE ORGANIZATIONAL PERFORMANCE OF STATE CORPORATIONS IN KENYA

BY

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A RESEARCH PROJECT SUBMITTED IN PARTIAL FULFILLMENT OF THE REQUIREMENTS FOR THE AWARD OF MASTER OF SCIENCE COMMERCE IN FINANCE AND INVESTMENT IN THE SCHOOL OF BUSINESS AND PUBLIC MANAGEMENT AT KCA UNIVERSITY

OCTOBER, 2021

DECLARATION

I declare that this dissertation is my original work and has not been previously published or submitted elsewhere for award of a master's degree. I also declare that this dissertation contains no material written or published by other people except where due reference is made and Author duly acknowledged.

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ABSTRACT

A clear internal audit role is important for good organizational performance. Therefore, the current study sought to establish the effect of internal audits on the organizational performance of State Corporations in Kenya. The study specifically sought to determine the effect of internal audit standards, internal audit independence, internal audit professional competency and internal controls on the organizational performance of state corporations in Kenya. The study used a descriptive research technique and to evaluate the performance of the state corporations, using a cross-sectional approach. The sample size was 131 state corporations obtained using Yamane's formula at the confidence level of 95%. The data collection was aided by the use of a questionnaire. Descriptive statistics that provide a summary of the data in frequencies, percentages (%) among others were used while the inferential statistics with the help of correlation analysis (R-value) and regression analysis (beta coefficients, R^2 & p values) determined the causality between the variables. The collected data was analyzed with the help of SPSS version 25.0 and Excel and presented using tables and figures for ease of understanding and interpretation. The findings were compared with the findings of similar studies to determine whether there is consistency. The findings revealed that internal audit standards ($\beta = 0.482$, $p=0.000$), internal audit independence ($\beta= 0.134$, $p=0.083$), internal audit professional competency ($\beta= 0.214$, $p=0.000$) and internal audit controls ($\beta= 0.125$, $p=0.039$) have a positive and significant effect on organizational performance of state corporations in Kenya. This implies that improvement in 1 unit of internal audit standards, internal audit independence, internal audit professional competency, and internal audit controls lead to an improvement in the organizational performance of state corporations in Kenya by 0.482 units, 0.134 units, 0.214 units and 0.125 units respectively. The study, therefore, concludes that internal audit standards, internal audit independence, internal audit professional competency and internal audit controls have a significant and positive effect on the organizational performance of state corporations in Kenya. The study recommends consistent and professional internal monitoring and evaluation of the audit department for transparency and accountability. This is based on the fact that the study has established that professional internal audits standards have the strongest contribution to organizational performance. Likewise, for improved performance of the auditors and their professional competence, the study recommends frequent on and off-job training of the internal audit staff. This helps to build up their skills and expertise on matters internal auditing. Likewise, to ensure continuity of professionally performing internal audit department, the study recommends training and equipping young staff into the field for the sustenance of improved performance of the internal audit department.

Keywords: *Internal audit standards, internal audit independence, internal audit professional competency, internal audit controls, organizational performance*

ACKNOWLEDGEMENT

I thank the Almighty God for divine provision, wisdom and knowledge during the research project process. Secondly, I appreciate my guardian Lydia Kimondo and my parents late Joseph Muli Mutulu and Florence Mutio Joseph for moral and financial support throughout my course. Thirdly, my special thanks to my dissertation supervisor Dr. Ibrahim Tirimba for guidance, facilitation and support in making of this project a success. Fourthly, special thanks also to KCA university management for ensuring we have a library which is fully equipped, librarian and technical support and cooperation in the making of this research project. Finally, I appreciate and recognize the assistance accorded to me by my spouse all friends and colleagues at KCA University and Kenya Meat Commission for their cooperation, encouragement and moral support in making of this project successful.

May God bless you all!

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DEDICATION

This research project is dedicated to my parent, wife and guardian for their continuous support to me actualize my vision.

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ACRONYMS AND ABBREVIATIONS

AICPA	– American Institute of Certified Public Accountants
IAF	– Internal Audit Function
COSO	– Committee of Sponsoring Organization Treadway Commission
CIA/CIE	– Chief Internal Auditor/Executive
IFMIS	– Integrated Financial Management Information System
CSC	- State Corporation
SAGAs	- Semi-Autonomous Government Agencies

OPERATIONAL DEFINITIONS TERMS

Internal Audit Controls- Internal audit control systems are integral component of the management processes of a public sector which provide reasonable assurance that the financial management are carried out transparently and accountably (Langat, Okelo & Terer,2016)

Internal Audit Independence -Independence is the freedom from conditions that threaten the ability of the internal audit activity to carry out internal audit responsibilities in an unbiased manner (The Institute of Internal Auditors, 2016).

Internal Audit Professional Competency - the ability of an individual to perform a job or task properly, being a set of defined knowledge, skills and behavior. (The Institute of Internal Auditors 2013).

Professional internal audit standards -The Standards are principle-focused and provide a framework for performing and promoting internal uditing (Hock and Burch, 2015).

Organization performance is the ability of an organization to effectively implement strategies to achieve institutional objectives (Randeree & Al Youha, 2009; Mocklas, 2018).

CHAPTER ONE

INTRODUCTION

1.1 Background of the Study

The function of internal audits in businesses has grown in prominence throughout the years. This is because internal audit brings benefits to the firm by evaluating systems. Adverse economic circumstances, complicated competitive dynamics, corruption and accounting scandals, and failing corporate governance rules have made it harder for businesses to fulfil their financial goals (Njung'e, 2019). The task of internal audits is to ensure that corporate role in managing risk, leadership and quality assurance systems function efficiently (IIA, 2009). Auditors are key in advising the financial sector through the interaction between the management and the public in general. The audit committee assists with securing organizational capital, and can continuously monitor how the assets are being used to ensure that input satisfies public goals and standards and are balanced in reducing the risks embedded in the partnership between principal agents (ICPAK, 2015).

Different contextual reports indicate the effect of internal audits on organizational performance. For instance, a case of the Jordanian Banks by Ahmad (2018) indicates that there is a significant impact of internal audits on the organizational performance in all banks. Lack of proper audit controls resulted in investors losing $180 billion in the World Com Scam of 2002, $150 million in the Tyco Scandal of 2002, $1.4 billion in the Heath South Scandal of 2003 (the largest publicly traded firm), and $3.9 billion in the America International Group (AIG) scandal of 2005 in the United States (Kabue, 2020).

Internal audit in China is primarily pushed by the government, and the status of internal audit organizations has in the past been unclear, which hampered internal audit independence to some extent. The internal audit agencies of China's publicly traded firms are still under the jurisdiction of the company's internal administration. However, with technological advancements such as artificial intelligence and big data, China has been able to increase corporate audit oversight, recover internal audit weaknesses, and enhance the internal audit system of China's listed businesses (Li, Xu & Li, 2020). According to Cioban (2015), one of the reasons why internal audits in public institutions do not reflect the performance of the entities is that the advisory missions are not achieved to most entities

In Nigeria, efforts are being made progressively to enhance financial practices for auditing profession in the government sector, as well as a shift away from the chronological feature of the internal audit unit, which has been limited to capital administration due to numerous occurrences of breaches that have resulted in the demise of public entities. As a result, the government has placed a high value on oversight adherence, clarity in budgetary control, and responsibility to ensure efficiency in internal audits in the public sector (Adekola & Adewale, 2018). However, due to various incidences of accounting irregularities that resulted in the defunct of government institutions, dimensions have been improved significantly toward the enhancement of auditing requirements for internal audit in the public sector and the transition away from the traditional feature of the internal audit department that is constrained to asset management (Adekola & Adewale, 2018). In Zimbabwe, internal audit’s value addition in ensuring the organization’s performance at HIVOS was not being done to the fullest thus necessitating the need to promote internal audit effectiveness so that the organization triumphs (Mahachi, 2018).

On account of South Africa, the Institute of Directors in Southern Africa PSACF Secretariat showed that the quantity of administration disappointments (in both the general population and private areas) over the course of the years has featured the significance of oversight councils, particularly that of the Audit Committee (AC). This straightforwardly affects AC individuals' extent of work and expansion in obligations. In that capacity, a proficient and viable interior review work (IAF) isn't just of crucial significance to an association from an administration, hazard the executives and inside control viewpoint yet additionally according to the point of view of supporting the AC individuals in the conveyance of their oversight order through the arrangement of free and target affirmation, counsel and hierarchical knowledge (Institute of Directors in Southern Africa PSACF Secretariat, 2020).

In Kenya, internal auditor capabilities/competencies in educational, professional, and technological abilities have been found to contribute to financial success. Internal audit is effective in carrying out its obligations, thanks to skilled people who guarantee that control violations are notified on time and that remedial action is done to minimize waste and waste in the business (Njung'e, 2019). According to Kabue (2020) stated that internal audit has significantly excelled in the execution of government administrative tasks hence reducing the number of financial scandals recorded in various public institutions corporations such as the Sh13 billion loss in graft deals in key state departments such as the National Youth Service, Kenya Pipeline Company, the Anglo-Leasing corruption scandal (Bachelard, 2010) and the recent KEMSA corruption scandal in the health care (Office of the Auditor General, 2020).

Therefore, there is compelling evidence that the effect of an internal audit goes a long way in impacting the performance of State Corporations in Kenya. The skills, knowledge and objectivity of qualified internal auditors are important to the firm’s internal audit unit and protect against any threat to controls and efficiency in the management of public resources. Therefore, the current study seeks to apply the fundamental concept of internal auditing to assess its effect on the organizational performance of State Corporations in Kenya.

1.1.1 Internal Audit

Successful audits have a beneficial impact on accountability and minimizing corruption at the national level. Auditing could help to make public administrations with a reduced potential for corruption/misappropriation (Gustavson, 2016). The Internal Audit Contract is a statutory report defining the intent, jurisdiction and duty of the auditing operation (IIA, 2016). To improve auditing internally, Dessalegn (2010) suggests that the Independent Audit Charter is relevant. In the event of lack of structured mandate, lack of top management cooperation and lack of unlimited access, internal auditor's operations pose significant obstacles. Therefore, when top management understands the charter and supports the audit function then, its role in the organization would be effective hence improved organizational performance. IIA (2010) states that internal auditors should examine risks related to management, activity and data management within the institution as integrity, and credibility of financial information, operational and policy efficiency, asset safeguarding and compliance with applicable laws, and regulations.

According to Deyganto (2014), internal audit is best measured in terms of internal audit standard, competent leadership and unrestricted access which all when optimally executed impact positively on improving internal audit quality on one hand and organizational performance of bureaus. Ahmad (2018) indicates that professional competence, internal controls, internal audit standards, independence of internal audit are best used as the measures of internal audit. Internal audit has a responsibility to detect and prevent financial misappropriation in the public sector, impacting positively on performance. Likewise, internal auditors in the State Civil Service are not independent, which affects their freedom to report such acts of financial misappropriation to the legislative arm for proper action (Oyadonghan & Ogoun, 2017).

As per IIA, internal auditing must help the organization, by measuring its efficacy, performance and by encouraging quality growth, to ensure successful measures. To help the company to meet its strategic targets, protect properties as well as ensure compliance with rules, legislation, policies, processes and contracting, it needs to assess the adequacy and efficacy of controls to respond to threats within leadership, operations and information technology (IIA, 2016). Graycar (2012) found that the weakness in the control system affects the current opportunities for corruption positively and substantially. It is also critical that you have protections to ensure that your strategy will properly fulfil your fiduciary obligations, as per the American Institute of Certified public accountants (AICPA) (2014) because mistakes and abuse can and may occur. Any efficient internal management mechanisms can be introduced.

However, Nwannebuike and Nwadialor (2016) note that Several state companies in Kenya lack competent implementation perspectives. In this specific case, the public sector organizations have failed to carry out their orders due to a variety of factors, including insufficient asset utilization and debasement practices. Kitolo (2016) observed that semi-independent offices in Kenya face a variety of hierarchical execution problems, including deficiencies and inadequacy in assistance conveyance and other functional aspects. Monetary discrepancies have been identified as a major hierarchical exhibition problem for semi-independent government departments. Chepkonga (2018) shows that interior reviews are identified with the actions embraced by hierarchical specialists to assess the proficiency and viability of controls set up by the executives for the smooth running of the association.

According to Njung'e (2019), internal auditors' skills and knowledge in instructional, competent, and technological knowledge could indeed contribute to economic achievement that is efficient in implementing its obligations with competent employees who make sure control failures are punctually flagged up and take the necessary action to avoid financial loss and waste in the company. According to Mutirithia (2017), many of the state corporations can identify with the centrality of risk management in the success of their organisations. Risk management importance has gained momentum recently and all organisations ought to ensure that their risk management processes are reviewed periodically to input new and more effective strategies in order to ensure high performance of their respective corporations.

Therefore, based on the above evidence, internal audits can be confidently argued out to have a significant impact on organizational performance. Notwithstanding, in certain occasions, there is restricted familiarity with inward review and its commitment to administration, in spite of the critical requirement for better administration. The assets accessible for preparing are restricted (combined with the significant expense of vis-à-vis preparing and network issues for virtual preparing). Endeavors are inadequately organized across the landmass to help the advancement of good administration. In this way, there is a more prominent requirement for compelling interior reviews in the general population and private areas in the help of sound administration than is presently being given (IIA Global, 2018). Therefore, to ascertain how the internal audit impacts the organizational performance of State-owned firms in Kenya, the study will analyze internal audit standards, internal audit independence, professional competence, and internal audit controls.

1.1.2 State Corporations in Kenya

The origin of State Corporations in Kenya traces back to the late nineteenth century with the development of the Kenya-Uganda Railway line by the Imperial British East African Company (IBEA), which was a state enterprise under the provincial government. The frontier government set up other legal sheets to direct the creation of Agricultural products and manage the promoting of these items through showcasing sheets. From 1963 when Kenya accomplished political freedom up to 1979 when a far-reaching audit of the State Corporations sub-area was done, the Government's support in business exercises developed quickly and extensively bringing about state predominance in different structures in numerous business exercises. The foundation of the state company was driven by a public longing to speed up monetary social improvement by guaranteeing territorial financial equilibrium, the advancement of native business and unfamiliar speculation as its nitty-gritty in Sessional Paper No. 10 of 1965 on African Socialism and its application to arranging Kenya (Ochola, 2016).

As indicated by State Corporation Act part 446(3) the President may, by request, set up a state company as a body corporate to play out the capacities determined in a specific order with the accompanying attributes: have ceaseless progression; in its corporate name, be equipped for suing and being sued and; subject to this Act, be fit for holding and estranging mobile and steadfast property. They are overseen by the board where the administrator is designated by the president. The forces and commitment are itemized in this demonstration and auxiliary demonstration building up explicit State Corporations (State Corporation Act part 446, 2015).

In 1986 the State Corporations Act, Cap 446 was instituted setting up the Office of the Inspector of State Corporations with the order of exhorting the Government on the successful administration of State Corporations consequently expecting the elements of the Inspectorate of Statutory Boards. In this manner the division of Inspectorate of State Corporations (ISC) was set up inside the Office of the President and forward-thinking (Kamau, 2013).

Since its beginning, the Inspectorate of State Corporations was dynamic until November 1989 when its specialized limit was diminished from 30 senior specialized officials to 5 and most State Corporations were additionally excluded from the arrangements of the State Corporations Act Cap 446. Thus, the presentation of State Corporations crumbled because of the bungle of assets. (Kamau, i2013) to address this terrible showing, wide going corrections were made to the State Corporations Act through the Statute Law (Miscellaneous Amendments) Act, 2002 among them, the lifting of exceptions and the renaming of the Office of the Inspector of State Corporations to Office of the Inspector-General (Corporations). The Office was thus, fortified in i2003 by enrolling seventeen (17) extra specialized teams.

Since the drafting of sessional paper no.10 of 1965, there are sessional paper no.14 of 1975 on agreeable improvement strategy; region centre around the rustic turn of events, sessional paper no.1of 1986 on financial administration and restored development; destitution decrease system papers (PRSPs) in 2001; monetary recuperation for abundance and work creation (2003-2007); vision 2030 and medium-term plans. Notwithstanding the great procedures government establishments and the state claimed participation has endured helpless administration and administration prompting helpless assistance conveyance and hindered advancement results, (Ochola, 2016).

On the whole, these procedures have added to the rich history of state possessed companies as they have a task to carry out. Sessional paper no.10 of 2012 on Kenya vision 2030, distinguished various leader projects in each area to be carried out over the Vision time frame and to encourage the ideal development rate. These tasks were needs in key areas like horticulture, schooling, wellbeing, water and the climate. For instance, Kenya power and the lightning company was encouraged to adopt affordable connection, maximum transformer utilization and meme Pamoja. Rural electrification authority was mandated in 2007 to initiate rural electrification programs among others are being implemented by state corporations hence the significance of state own corporation (Sessional paper no. 10 of 2012 on Kenya Vision 2030).

Traditionally, many devolved functions were performed by State Corporations. Since devolution began in 2012, no fundamental reform of State Corporations has taken place. However, those performing devolved functions need to be reformed and those performing regional functions should be maintained. In the fiscal year, 2012/13 State Corporations was allocated 32% of the budget (Kinuthia and Lakin, 2015). This implies gradually, State Corporations will continue being devolved due to funding associated with it.

1.1.3 Organizational Performance

Organizational performance tracks throughout a certain amount of time the company's financial overall health and can also be used for evaluating above or within the same company. Whether a company has health or not financially can be measured using various ratios such as profitability ratios like profit margin, return on investment and return on assets (Didin, Fatihudin & Mocklas, 2018).

Improvement and decrease in organizational performance have been linked and attributed to the performance of the internal audit. In the case of the banking sector, Ahmad (2018) acknowledges that there is a significant impact of internal audits on the organizational performance of Bank of Jordan, Cairo Amman Bank, and Jordan Kuwait Bank. An increase in control activities by a unit leads to an increase in organization performance (Muhunyo & Jagongo, 2018). In the case of Local Government Authorities (LGAs) in Tanzania, Tulli (2016) provides evidence that internal auditing can be used as an instrument to foster organizational efficiency despite challenges faced, and confirms that management support to IAUs to be the most important attribute contributing towards effective internal auditing.

In Kenya, state corporations' performance has been linked to the implementation of internal audits. Chiggai (2016) attributed organization performance of state corporations to control activities. Likewise, risk management has a viable and productive effect of internal audit review towards the improvement of organizational performance. Internal audit expertise was evidenced to have a positive and significant effect on performance (Kabue, 2020). Ehaji (2019) acknowledges that internal audit is an activity that guarantees that interior controls of an organization are sufficient to alleviate risks. It also ensures that the governance process is helpful and competent and that the organization' goals and objectives are met. In contemporary times, the mission of the internal audit department is to give absolute assessment and advise on the sufficiency and efficacy of the firm's system of internal management.

Furthermore, it uses the outcome values of the firm's contingency control procedures to reassure its audit strategy and, in particular, coincides its tasks to the locations with high necessity definitions of threat thresholds and control systems accessible for mitigating the risks involved, thereby supporting maximization and retention of value of the firm. Internal audit services can also be performed via a co-sourcing agreement in which a mixture of internal personnel and outsourced businesses jointly offer the service — this third model is most commonly used when the in-house department lacks some skill sets necessary for its job (Gathogo, 2018). A look into the state corporations in Machakos County by Wambugu (2018), indicates that the organizations have rather failed to implement good internal audit practices and thus, they have continued to be run down and collapse for instance the Kenya Meat Commission and the East African Portland Cement among other key players in Machakos County.

In terms of measurement, organizational performance can be measured by financial and/or nonfinancial metrics (Nigri & Del Baldo, 2018). The financial measure includes but is not limited to ROE (Return on Equity), ROI (Return on Investment), EVA (Economic Value Added), REVA (Refined Economic Value Added), EPS (Earning per Share) and P/E (Price/Earning). (Bacidore et al., 1997; Kori et al., 2020). Non-financial metrics include such aspects as financial health, business growth, customer satisfaction, employee relations, organizational efficiency, employee turnover among others (Mashovic, 2018).

Therefore, to measure the organizational performance of the internal audit sector, both the financial and non-financial measures are adequate to measure the performance of the state corporations in Kenya. ROA, business development, client satisfaction, and staff turnover are some of the examples of profitability. Subsequently, firm execution can be observed for this situation by work force who comprehend the frameworks; records and frameworks are kept up with precisely and successfully; arrangements, plans, and targets are met; spaces of shortcoming are distinguished for activity; mistakes and misrepresentation are deflected and recognized; and fitting expectant and restorative move is made.

1.2 Statement of the Problem

Most state-owned enterprises are not achieving their core mandate and the majority has accumulated huge debts, persistently making losses, are technically insolvent and relies on the National Treasury for financial sustenance and survival, (Trendy, 2020). At least one hundred and fifty-two state-owned enterprises had been privatized between 1992 to 2014 and twenty-six state corporations have been approved for privatization, (Privatization commission, 2020). (Kamau & Simiyu, 2019) noted that most state corporations are faced with a challenge of poor financial management as indicated by misuse of finance and inefficiencies in internal audit control systems resulting in persistent losses. Muoria & Miring'u (2011) illustrated that mismanagement, bureaucracy, wastage, incompetence and irresponsibility by officers have made state corporations perform poorly.

Many state corporations in Kenya have been facing poor performance in the recent past. According to un-audited consolidated financial statement for State Corporations (SC) and Semi-Autonomous Government Agencies (SAGAs) for the year ended 30th June 2020, 83 out of 196 state corporations reported a loss cumulative to a tune of Kshs.39.5 billion (Appendix I). For instance, state corporations in the agriculture sector such as Nzoia sugar company and national cereal and produce board report a loss of Kshs.3.01billion and Ksh.1.05 billion among others in another sector. Likewise, in telecommunication, Kenya broadcasting corporation reported a loss of Kshs. 9.79 billion. In addition, state corporations approved for privatization 17 out of 26 reported losses in the year ended June 2020. But while Oyadonghan and Ogoun (2017) suggest that internal audit has a duty to identify and avoid financial misuse in the civil service; this is not clear if the internal audit has an effect on the monetary productivity of State Corporations in Kenya.

Likewise, several studies have attempted to explain the relationship between problems associated with the poor performance of the State Corporations which is attributed to poor internal audit controls. Contextually, not many of them have addressed the problem, especially in State Corporations in Kenya. Deyganto (2014) investigated the impact of internal audit on performance in Ethiopia and found that independency of internal audit, competency of internal audit staff, management support, and formal mandate of internal audit have a positive effect on performance. Udeh and Nwadialor (2016) evaluated the effectiveness of internal audit in the Nigerian public sector and found that in spite of availability of adequate punishments, internal audits were not effectively applied across boards for violations of internal audit procedures. Tulli (2016) investigated the challenges facing internal audit function in improving organizational performance in local government authorities in Tanzania and found that efficiency and effective internal audit function in Tanzanian LGAs cannot be achieved unless internal actors, particularly management, support the function of internal audit units. However, the above studies failed to contextualize the findings to state corporations thus, limited generalizability to Kenyan context.

Likewise, in Kenya, Njung'e (2019) focused on the role of the internal audit function on the financial performance of the listed commercial banks in Kenya and found that internal auditors' skills and knowledge in instructional, competent, and technological knowledge could indeed contribute to economic achievement. Kitolo (2016) focused on the relationship between internal audit and corporate governance of regulatory authorities in Kenya and discovered that the audit team oversees company's security and accounting operations and guarantees that events are held throughout the fiscal year to examine issues that arise. Chepkonga (2018), focused on the case of The State Department of Energy in Nakuru County and indicated that the effectiveness of semi-autonomous entities in the national energy department in Nakuru County was affected by improvements in managerial guidance, professional skills, autonomy, and internal control systems.; Ehaji (2019) in Vihiga County Government indicated that risk assessment, evaluation, and measurement, as well as risk management and disclosure, offer confidence that threats are being controlled correctly and have an impact on monetary output efficacy.; Muhunyo and Jagongo (2018) indicated that internal control, risk evaluation, management procedures, and communications technology as indications of internal controls all have a major impact on the profitability of Nairobi City County's universities. Kabue (2020) also indicated that internal audit has a positive and significant effect (p-value of 0.001) on performance of public commissions in Kenya. However, these studies have not directly focused on the performance of the State Corporations in Kenya and thus offers little generalizability in their findings. This, therefore, forms the backdrops of the current study to investigate the effect of internal audits on the organizational performance of the State Corporations in Kenya in a bid to fill the existing contextual and conceptual gaps.

1.3 Objective of the Study

1.3.1 General Objective

The general objective of the study was to examine the effect of internal audits on the organizational performance of the State Corporations in Kenya.

1.3.2 Specific Objectives

1. To determine the effect of internal audit standards on the organizational performance of state corporations in Kenya.
2. To evaluate the effect of internal audit independence on the organizational performance of state corporations in Kenya
3. To examine the effect of internal audit professional competency on the organizational performance of state corporations in Kenya
4. To assess the effect of internal audit controls on the organizational performance of state corporations in Kenya

1.4 Research Questions

i. What is the effect of internal audit standards on the organizational performance of the State Corporations in Kenya?

ii. How does internal audit independence affect the organizational performance of the State Corporations in Kenya?

iii. What is the effect of professional competency of internal audit staff on the organizational performance of the state corporations in Kenya?

iv. How do internal audit controls affect the organizational performance of the state corporations in Kenya?

1.5 Significance of the Study

This study would be useful to the following stakeholders:

1.5.1 Government and Policy Markers

This study would help government and policy makers improve governance processes by putting in place effective and efficient control in the management of the State Corporations. Likewise, Standard 2130 specified that an internal audit function ought to evaluate the governance mechanism and provide adequate proposals for achieving the following objectives: fostering reasonable values and beliefs in the institution; maintaining efficient management of the organization's results and efficient coordination of activities and communications.

1.5.2 Management of the State Corporations

The management would understand their role and the benefit they can get from the internal audit. Management has the role of ensuring the IAF is supported by ensuring they have competent staff, adequate budget and implement audit recommendations. Management would release the vital benefit of having an effective IAF in the organizational performance of the organization.

1.5.3 Academician and Scholars

This study will benefit scholars and researchers, as it will expand their knowledge on the effects of internal audits on the financial performance of State Corporations and related areas. They will be able to come up with other relevant areas of study within the study; moreover, this study would be very helpful as a source of secondary data for reviewing the literature.

1.6 Scope of the Study

The study sought to establish the effects of internal audits on organizational performance of the State Corporations in Kenya; specifically, it covered State Corporations within Nairobi Metropolitan counties. The choice of this location is due to accessibility when considering factors like time and cost. The study investigated the public sector's internal audit standards, independence of internal audit, and competence of internal audit staff and internal control environment to answer the research question. The study was conducted between May and August 2021 to review the performance of state-owned corporations.

CHAPTER TWO

LITERATURE REVIEW

2.1 Introduction

This chapter reviewed the literature available regarding the research problem. It also reviewed theories that informed the study, empirical evidence, conceptualize the research question and then operationalize the study.

2.2 Theoretical Review

This study was informed by the following theories: agency theory, institutional theory, stakeholder theory and resource allocation theory.

2.2.1 Agency Theory

Agency theory principle was initially developed by Stephen Ross as the economics philosophy of agency and Barry Mitnic as operational principle of agency in 1973. Autonomously, later Jensen and Meckling in 1976 suggested a theory of the organization/firm and released 1976. The function of the theory focuses is to identify the dilemma and remedy of the agency challenges (Jensen & Mackling, 1976; Ross, 1973). It talks about the issues that surface in the organizations because of the division of proprietors and administrators and accentuates on the decrease of this issue.

This hypothesis helps in carrying out the different administration components to control the specialists' activity in the enterprises. The problem is not only revolving around the principal and agent, but other parties including investors, main shareholders and smaller shareholders. The main disagreement between officer and agent arises due to a mismatch of the interests and a disputed arrangement of possession leads to conflicts because of the lack of adequate control. There also arises principal-principal problem between majority shareholder and minority; this is because majority may make decisions which are against minority. Principal-creditor problems occur because the shareholders make risks investments where they will derive higher returns whereas creditors' returns are fixed (Panda & Leepsa, 2017).

The agency theory emphasizes numerous issues that occur in the agent-principal relationship. When the aims and desires of both sides clash, the first one emerges. The second issue arises when the principal has little ability to monitor the agent's behavior or when doing so would be prohibitively expensive. All of this generates ambiguity in the relationship between the principal and the agent as a result of information asymmetry (Przybylska & Kańduła, 2019). The initial worry of asymmetric information is the circumstance prior the agreement's completion, when the representative is aware of their competencies but this knowledge is not known to the owner. This imbalance may potentially result in a moral hazard. More broadly, this manifests itself in the fact that the agent may engage in operations that are either not supervised at all or are inadequately overseen by the principal. The third situation arises when, while both the principal and the agent know the identical ex-post information, it is not available to a third party (Wojtyna, 2005)

According to the agency theory, information asymmetry and the legitimacy of internal audits are especially important when it comes to the public finance sector1. Considerations may be made on two levels in this instance. In the first scenario, we suppose that, given the public ownership of funds and property in this sector, the principal is society (national, regional, or local), and the agents are the individuals who administer the property and public funds inside various institutions. In this circumstance, the function of internal audit is frequently undervalued, and the results of the internal auditor's work are seldom used to evaluate the performance of the organization (Przybylska & Kańduła, 2019). In the case of the second level of concerns, the function of the principal may be given to the body monitoring an entity's activities, and the role of the agent to the people in charge of that entity. As a result, it is possible to infer that, in light of the agency relationship, an internal audit helps to the decrease of information asymmetry in the public finance sector, regardless of the level at which the talks are held. According to agency theory, the primary aim of an internal auditor is to decrease the magnitude of ineffectiveness caused by knowledge imbalance between the agent and the principal. As a result, it may be seen as a tool for ensuring that corporate governance is viewed as balancing the aspirations of all organizational members and their egocentric conduct (Dobija, 2010).

In conclusion agency theory would inform the study through the variable as follows: the independence of IAF would ensure audit activities are guided by professional audit standard and the audit staffs are professionally competent. This will guarantee existence of effective control framework which prevents agents from pursuing personal interest. This way principal agent conflict would reduce.

2.2.2 Institutional Theory

Meyer and Rowan (1977) proposed institutional theory (Tolbert & Zucker, 1983; DiMaggio & Powell, 1983; Raynard, 2015). It implies that in order to exist, companies must follow social standards that are deemed acceptable behaviors or practices, rather of focusing only on performance and profit. Institutional rules must be followed by organizations in order to gain legitimacy, access to resources, and stability (Meyer and Rowan, 1977). Legitimacy is required, and one method for IA to get legitimacy is to demonstrate its effectiveness. Internal auditors, on the other hand, find it difficult to offer such proof because their work is not directly related to the company's profitability (Lenz et al., 2018).

Also, the conceivable logical inconsistency between systematized assumptions and hierarchical productivity some of the time drives associations to participate in the 'decoupling' of formal constructions from genuine work rehearses. That is, associations embrace constructions and practices that are lined up with institutional remedies yet which are purposely separated from how work is really performed. Al-Twaijry (2003) used the decoupling concept to characterize inconsistencies between the current internal audit procedure and job requirements found in professionalism for internal audit procedure. Meyer and Rowan argue that there is similarity of organizational practices (institutional isomorphism) across organizations hence they converge upon similar strategies and structures (DiMaggio & Powell 1991).

Institutional theory has also moved into examining the founding conditions for new firms (Tolbert, 2011). Three methods identifying structural isomorphism can be used by DiMaggio and Powell (1983): coercive, mimetic and normative. Coercive mechanisms occur as a result of actions by agencies such as the state or regulatory bodies. Mihret et al. (2010) investigated IA efficacy using institutional theory, and Arena and Azzone (2007) examined IAF features using an institutional theory-based approach. Furthermore, Al-Twaijry et al. (2003) and Arena et al. (2006) investigated the establishment of IA departments based on coercive isomorphism in Italy and Saudi Arabia. Al-Twaijry et al. (2003), for example, used institutional theory to provide context for their results on the formation of IA departments and the role of the government in their establishment in Saudi Arabia, emphasizing the need for more coercive pressure.

Raynard (2015) suggest that organizations that are exposed to high risk, one might expect mimetic pressures to contribute to the development of internal audit function. Endaya and Hanefah (2013) also stated that intrusive, mimetic and normative pressure has affected the acceptance and growth of internal audit. The partnership will determine the efficacy of the Internal Audit and thereby guide operational Philosophy Conceptual framework of internal Audit Studies, Mihret (2010) argue the successful/positive link between ISPPIA adherence and organization's objective accomplishment Mihret (2010) suggest that a link is favorable between fulfillment and the accomplishment of the organization's goals and should determine the efficacy of the internal audit.

In conclusion institutional theory would inform the study through the various variables as follows. Firstly, the activities of internal audit are governed by a formal framework and operate to implement financial management regulation in government hence the theory would inform professional internal audit standards. Secondly, IAF staffs should be professionally competent in carrying out tasks of the function. These would ensure effectiveness of IAF.

2.2.3 Stakeholders' Theory

Freeman (1984), proposed stakeholder theory, this theory asks who should influence strategic planning. Freeman (1984) and other scholars challenge the current theory of the firm that has the objective of maximizing the value of shareholder and rather suggest it should maximize stakeholder value. The theory identifies groups, which are 'stakeholders' of a firm. suppliers.

The notion of corporate moral obligation is an essential need for human general societal growth. Firms have substantially enhanced the level of social wellbeing and generated benefits to society in the means of obtaining their value as a method of societal advancement for strong asset acquisition and exploitation. The Stakeholder Theory states that a company is a "collection of contracts" established by stakeholders (Freeman & Evan, 1990). These essential assets are being invested in the company by investors. In general, social obligation reflects stakeholder agreement expectations and the two are a natural fit. Social accountability, in particular, refers to the obligations that a business must fulfill to lenders, vendors, authorities, workers, consumers, communities, as well as other stakeholders, and in general the environment, while still meeting its financial obligations to shareholders (Li et al., 2018).

It is therefore, instrumental in explaining that the board of directors should also take cognisance of the legitimate interests and expectations of stakeholders other than shareholders (King III, 2009). In the public sector, one of the major concerned stakeholders with service delivery, is the community. The presence of a functional internal audit function in the public sector ensures that resources are deployed efficiently and effectively for the benefit of all stakeholders. Internal audit has traditionally had a high level of regard for the agency in which it works. Internal audit, through the audit committee, may give public sector governing bodies and senior management with insights into an organization's governance, operations, and risk management by acting as an objective source of assurance and direction (Dzomira, 2020).

Stakeholder theory would inform the study in the variable of internal control function. Although manager and director who advocate for the tradition view of stakeholder theory promote weak internal controls. Enlighted stakeholder theory advocate for strong internal control as performance can be measured. Effective IAF would ensure the internal controls are working effectively, monitoring, review with aim of improving them hence promoting improved organizational performance.

2.2.4 Resource Allocation Theory

Bower (1972) proposed resource allocation theory. The theory noted that the general management process, even to this day, has ignored the cognitive, organizational, and interpersonal aspects with respect to the financial and economic aspects of making decisions and choices about allocation resources. The theory further states whether or not the manager is impressed by the legitimizing value of a theory of management. Generally, managers, mostly appreciate any guidance that helps them in carrying out their difficult and practical problem at hand.

Allocation of financial and nonfinancial resources is mediated by organizations. The theory highlighted three general features of this mediating role of organizations in the resource allocation process namely: argument relating to the distinct opportunities and opportunity costs that an organization faces; argument considers the impact of differential beliefs and perspectives; and lastly, resource allocation by the firm plays a particularly important role with respect to the allocation of resources over time on a given initiative (Leventhal, 2016). The significance of this process affects organizational performance, capital budgeting decision and decisions management makes in relating to allocation of the resources.

Levinthal (2014) existing bases of heterogeneity may also cause firm to perceive pay offs to a common investment opportunity differently. Capital is typically allocated in a hierarchical and cascading manner (Levinthal, 2016) and organization do not buffer initiatives from selection but also potentially provide different bases for interim selection process (Levinthal& Morino, 015). Levinthal (2016) for financial assets, the investment question is simply return on the set of possible alternative investments relative to the firms cost of capital. Hence to maximize value and enhance profitability the return on investment must be higher the cost of capital. On the other hand, for non-financial assets such as technical expertise, time and energy of management, and other qualitative skill they raise the issue of opportunity cost (Levinthal & Wu, 2010).

Resource allocation theory would inform the study through the variable of professional auditor competence, a professional competent CIA would ensure organization allocate resource in investment that would maximize return on investment. Secondly, the activities of internal audit should adhere professional internal audit standards and IAF should be independent in order enhance effectiveness and ensure the recommendation are adhered to. Finally, only a strong internal control that would ensure resources are properly allocated and utilized hence enhancing organizational performance.

2.3 Empirical Review

2.3.1 Professional Internal Audit Standards and Organizational Performance

The organization expressed that expert review guidelines uphold the execution of the past components and give a structure to advance quality review work that is deliberate, unbiased and dependent on proof (IIA, 2006). Internal auditing is directed in different lawful and social conditions; inside associations that change in reason, size, intricacy and structure and by people inside or outside the association. While contrasts may influence the act of internal auditing in every context, conformance with The IIA's International Standards for the expert Practice of Internal Auditing (Standards) is fundamental in gathering the obligations of inside inspectors and the interior review action, (IIA, 2010).

Mihret (2010) inspected precursors and authoritative execution ramifications of internal audit viability. The goal was to synthesize significant hypothetical and exact writing to create recommendations and proposes an examination plan on the forerunners and organizational performance of internal auditing viability. The paper utilized a qualitative research method to survey institutional hypothesis and Karl Marx's hypothesis of the circuit of modern capital. The examination established a significant relationship between internal audit degree of consistence with the norms for proficient act of inside inspectors and with hierarchical execution could fill in as an extra way to deal with survey IA adequacy.

Mihret (2011) examined reliance of external auditors on internal audit work: a corporate governance perspective. The study objective was to examine external auditor reliance on internal audit work in Ethiopia. The study employed questionnaire survey. The result indicates that the major concern of external auditors regarding internal audit practice was work performance of the internal auditors.

Mihret (2011) analyzed dependence of outer examiners on internal auditing functioning: a corporate administration viewpoint. The examination objective was to look at external auditor dependence on internal audit work in Ethiopia. The investigation utilized questionnaires and the outcome shows that the significant worry of external auditors in regards to internal audit practice was work execution of the internal auditors. The factors that was considered in work execution incorporates: The ten items in the work performance dimension focused on scope of internal audit work, frequency of internal audit, presence of internal audit manuals, preparation and effective use of audit programs, satisfactory documentation of audit working papers, review of internal audit work and quality of internal audit reports, perceived compliance of internal audit with Institute of Internal Auditors' (IIA) Standards for the Professional Practice of Internal Auditing, and presence of external assessment and ongoing monitoring. Likewise, Deyganto (2014) investigated the impact of internal audit on performance in Ethiopia and found that independency of internal audit, competency of internal audit staff, management support, and formal mandate of internal audit have a positive effect on performance.

The effects of the internal financial review in banking sector have been studied in Ondieki (2013). The study aimed to assess the impact of internal audit of commercial banks' financial results in Kenya. The thesis used methods for predictive analysis and regression. The analysis observed that the internal accounting criteria and the financial success of commercial banks are positively related. The study agrees that the most significant contribution to IA added benefit is compliance with ethical norms.

By use of a descriptive design and based on the agency and the institutional theories, Kabue (2020) examined the effects of internal audit practice on performance of parliamentary service commission of Kenya. The study targeted members of internal audit committee of the twelfth parliament that is a total of be 57 respondents. The study indicated that internal audit expertise, internal audit controls and top management support of internal audit have a positive and significant effect on performance of public commissions in Kenya.

The review of the above studies therefore provides compelling evidence that professional internal audit standards have a positive effect on the organizational performance. Such aspects as the internal audit work, frequency of internal audit, presence of internal audit reports, preparation and effective use of audit programs, satisfactory documentation of audit working papers, review of internal audit work and quality of internal audit reports, perceived compliance of internal audit with Institute of Internal Auditors' (IIA) among others have been found to be the very specifics that lead to the achievement of good performance of the companies in various contexts. Therefore, the current study seeks to find out the effect of professional internal audit standards on the organizational performance of state corporation in enya.

2.3.2 Internal Audit Independence and Organizational Performance

Cohen and Sayag (2010) examined the effectiveness of internal auditing: an empirical examination of its determinants in Israeli organizations. The objective of the study was to examine auditing effectiveness in Israeli organizations examining top management support, organization independence, quality of audit work and professional proficiency the study employed regression and correlations analysis. The study found out that management support, more prominent nature of the examining work and more institutional autonomy were directly/positively identified with auditing quality and auditees' assessments. This outcome is most likely because of the extremely solid impact of the variable top administration uphold, which additionally diminished the impact of the other autonomous factors/predictors.

Ntsiful and Mwenechanya (2011) explored in their professional duties the professionalism and objectivity of the internal auditors: facts from the Malawi reserve bank (RBM). The goal was to objectively determine whether freedom and objectivity can actually be accomplished through an RBM case study in operation. The study employed content analysis. The study established board and management set the tone and created the proper environment that ensures freedom from interferences to objectivity. The following are important promoting open and high-level reporting line; presence of board audit committee indicates board’s support for internal audit which improves auditor independence; careful organizational policies that avoid promotion of cognitive biases have all shown in the research that they eliminate independence concerns

Alzeban and Gwilliam (2012) reviewed the perceived influences influencing the quality of public service internal audit by management and internal auditors, a Saudi Arabia case analysis The goals were to explore the connection between internal audit performance and the 5 main factors, namely: auditing expertise, internal audit unit size and external and internal audit ties, internal audit leadership guidance and the internally audited department's autonomy. The thesis used many methods of regression and path analysis The results suggested that, the greater independence of IAF and the closer working relationship between internal and external auditor are statistically significant effectiveness of internal audit activity.

Sawan (2013) studied the role of internal audit function in the public sector context in Saudi Arabia. In regards to Independence and objectivity of internal audit, the study stated that internal examiners in the Saudi public service sought to accomplish autonomy as they are representatives of the association they review, and basically the internal audit work has no genuine authoritative status. The examination referred to the issues around the reporting level, freedom of enquiry, the provision of non-audit activity, and the relationships with auditees. Using qualitative approach, it was affirmed by all interviewees that while internal auditors have their own different divisions in the authoritative construction, these offices, in any case, work under the regulatory initiative of lower-level supervisors. Moreover, the interviewees distinguished a variety of work on concerning the area of the office inside the association. The study concluded that lack of sufficient support and strong social work place network affects objectivity and independence (Sawan & Alzeban, 2013).

Kamau,Nduati and Mutiso (2014) explored internal auditor independence motivators in Kenyan context. Internal auditors provide objective assurance and consulting services designed to add value and improve an organization’s operations. The study employed a multiple regression analysis to study data collected using a self-administered questionnaire distributed among auditors in Kenya. The study established the engagement of internal auditors in management and audit committee effectiveness, among other factors have a significant influence on the internal auditor's independence in Kenya. This way internal auditor add value in an organization's performance.

Abbott (2015) investigated the impact on consistency of financial statements of internal audits. The research examined the possible effect of internal audit efficiency as a common feature of the integrity and autonomy of the lAF. Descriptive design architecture is used in the analysis. The analysis found that the internal audit impacts on the consistency of the financial reporting which relies on the discretion of the internal auditor. The study results found that consistent with independence being enhanced by relatively greater degrees of audit committee oversight of the IAF which is manifested in reporting line and termination authority versus management oversight.

In the context of public service management Mebratu (2015) examined the internal audit mechanism and its complexities. The aim of the analysis was to empirically investigate the importance of the internal audit process in governance of the public sector and factors affecting that function for the public sector of the Amhara regional state. It used the statistical approach of multiple regression of OLS. The study indicates that low levels of corporate freedom do not facilitate the delivery of audit results on the vulnerability of the institution's monitoring structure. This implies that the expected benefit from implementation will not be realized in the organization.

Asaolu (2016) examined promoting good governance through internal audit function. The study assessed the effects of internal audit function ion good governance in the public sector in Nigeria. Correlation analysis have been used and the findings revealed that lAF's efficacy in Nigerian public sector institutions was modest because of the lack of freedom of internal audit mechanism in public entities and the restricted technical expertise due to the lack of funding to carry out its tasks effectively. The investigation showed that the freedom of internal auditors has a fundamentally sure relationship with the extent of inward review work, which was altogether identified with assessment interaction and expert competence of internal audit unit. Different straight relapse examination researched the impact of IAF on administration of public assets.

Wanyama, Odoyo and Bokonko (2018), research the interior review capacities and its impact on monetary execution of Rift valley bottler's restricted in Eldoret. The review took on a connection research plan, with open and shut finished poll. Utilizing a different direct Regression Analysis model, the review showed that viability of inward review capacities on monetary execution of the Company. The review discovering, Internal evaluating is an autonomous, target confirmation and counseling action intended to add esteem, work on an association's tasks and helps an association meet its destinations

It is worth noting that empirically, the above studies among others have clear evidence that internal audit independence influences positively the performance of organizations. Such aspects as engagement of internal auditors in management and audit committee effectiveness, have a significant influence on the internal auditor’s independence in Kenya. This way internal auditor add value in an organization’s performance. Autonomy has been found to have an element of responsibility and accountability of the internal audit department and thus ensure transparency in the system.

2.3.3 Internal Audit Professional Competency and Organizational Performance

The audit head shall be able to hire, maintain and employ highly qualified employees in a timely and efficient way. In addition, the chief audit officer should be a public spokesman for the audit method (IIA, 2006). Ethiopia's Ministry of Finance and Economic Development determines the minimum standard for the auditor and the Director of the Interior Audit. The CIA ought to be highly trained, a participant of a well-known and senior management auditor body (Public Service Commission and State Corporations Advisory Committee, 2015).

Soel (2011) looked at factors structure of the competency framework for internal auditing (CFIA) skills for entering level of internal auditor. The objectives were to arrive at factorization of the required skills for internal auditors and to seek the perception of the internal auditors about the importance of those skills identified by the CFIA. The study established eleven new skill factors, each of which had significant reliability scores using factor method whereas investigation on the perception of experienced internal auditors about the importance of those skills identified by CFIA and the newly recognized factors. However, the survey results suggest that softer skills, such as sincerity and impartiality, are possibly more important than technical skills, such as technical communication. Hence for internal auditor to be fully competence he needs both technical skill and soft skill.

Alzeban and Gwilliam (2012) analyzed the view of administrators and internal auditors as to factors influencing the adequacy of inside review in the public area setting in Saudi Arabia. The goals were to look at the relationship between the competence of internal audit, the size of the IAF and the relationship between internal and external auditors, management support for internal audit, and the independence of the internal audit department.

The investigation utilized descriptive examination plan. Study found that there is a moderate critical consistence from the internal auditors for the code of morals in Jordanian shareholding organizations, consistence with competency measurement was profoundly huge, and afterward objectivity, privacy and trustworthiness measurement separately however all were huge subsequently huge viability of the internal audit work.

Alzeban and Gwilliam (2012) inspected view of supervisors and internal auditors as to factors influencing the viability of internal audit in the public area setting in Saudi Arabia. The goals were to look at the relationship between inside review adequacy and five chief elements, specifically; the fitness of interior review, the size of the IAF and the connection among inward and outer evaluators, the executives uphold for inner review, and the freedom of the interior review division. The examination showed solid importance in fitness, size, and the board uphold. The study therefore, proposed that administration uphold for the inner review work was the primary driver regarding guaranteeing the apparent viability of the inward review work from the viewpoint of both administration and inside examiners.

Sawan and Alzeban (2013) took a gander at the job of internal audit work in the public area setting in Saudi Arabia with the primary target including capability of the internal audit, autonomy of internal audit, the executives uphold for internal audit, internal audit exercises and connection between audited associations and external auditors. Utilizing an example size of 29 eye to eye semi organized meetings to three gathering of nine inside inspectors, ten general ranking directors and ten outer examiners affirmed that the absence of qualified staff addresses perhaps the main issues confronting interior review in the Saudi public area. They cited several reasons were offered for this situation, including staff recruitment where they cited poor recruitment procedure and criteria for appointing internal audit staff; low educational qualifications, non-recognition of professional qualifications, absence of sufficient work experience and shortage in continuous development.

Rahahle (2017) studied the extent of compliance with code of ethics and its impact on internal audit effectiveness in the context of Jordanian shareholding companies. The study objectives were to identify the internal auditors' compliance with code of ethics issued by the Institute of Internal Auditors, it includes (integrity, objectivity, confidentiality, and competency) and its impact on the effectiveness of internal audit. The study employed descriptive analytical research design. Study found that there is a moderate significant compliance from the internal auditors for the code of ethics in Jordanian shareholding companies, compliance with competency dimension was highly significant, and then objectivity, confidentiality and integrity dimension respectively though all were significant hence significant effectiveness of the internal audit function.

Jachi and Yona (2019) investigated the impact of professional competence and staffing of internal audit function on transparency and accountability in context of Zimbabwe local authorities .The study employed regression and multivariate analysis to study survey data obtained from semi-structured questionnaires and focus group discussions. The study showed a significant positive relationship between internal audit function competency dimensions of qualification, experience and training and transparency and accountability in Zimbabwe local authorities. It was noted its essential to improve and maintain a pool of competent internal audit function to enhance effectiveness and efficiency in corporate governance practices.

By far, the above studies have considerable evidence that professionalism and competence of the staff/ internal auditors play a pivotal role in ensuring the process is done to the required standards. With the above said, the influence of professionalism and competence of the internal auditors on organizational performance cannot be understated. This brings on board the factors such as professional recruitment procedure good educational qualifications, recognition of professional qualifications and presence of sufficient work experience that ensures the performance of the auditing processes are of high and recommended quality.

2.3.4 Internal Audit Controls and Organizational Performance

Standard 2130 of IIA (2010) noted that the internal audit activity must assist the organization in maintaining effective controls by evaluating their effectiveness and efficiency and by promoting continuous improvement. Several studies have been done do evaluate the control role for the function as reviewed below:

Akindele (2011) assessed the effect of fraud as a negative catalyst in the Nigerian banking industry. The study objectives were to identify the causes of fraud, measure its impact and means of controlling. It employed a survey research and questionnaire tools. The findings show that fraud in banking sector in Nigerian was caused by inadequate training, inadequate communication channels and weak leadership skills. It also revealed putting up adequate internal control system and improving worker's terms significantly reduces the fraud.

Suyono and Hariyanto (2012) investigated on the relationship between internal control, internal audit and organization commitment with good governance in the case of Indonesia. In this study, the form of data is primary information which can be obtained from questionnaires which have been sent to the participants. The thesis used an analysis of several lines of regression. The finding demonstrated the good management constructive association between management regulation, internal audit and the contribution of the company.

Rahmatika (2014) has identified the effects on the consistency of the financial statements and its impacts on good governance research on Local Government of Indonesia on the efficacy of internal audit functions. Descriptive method of analysis has been used. The outcomes revealed that the efficacy of the audit function, professional budgetary statements and better management in seven local government authorities do not vary substantially. The study concluded that internal audit feature is successful and the level of financial statements impacts significantly on effective management.

Monday, Inneh, and Ojo (2014) analyzed the impact on the operational efficiency of small enterprises in the metropolis of Lagos of internal controls (control environment, risk assessment, control activities, ICT, monitoring and IT). The research used various techniques of regression. The findings revealed that the activities performance of selected SMEs was substantially influenced by such factors, and subsequently internal controls, centered on the COSO model, increased their profitability and thus had a substantial positive impact on profitability and sustainability for SMEs.

Njonde and Kimanzi (2014) took a gander at the impact of coordinated monetary administration data framework on execution of public area in Nairobi County Government. The target of the examination was investigations of the impact monetary detailing, planning, inside control and executed government tasks to survey the viability of the carried-out framework. The examination utilized enlightening exploration configuration to gather information. The investigation found that IFMIS has been compelling in monetary detailing, planning and inside controls just as execution of government projects, despite the fact that there were difficulties looked in inner controls

Barasa (2015) evaluated the role of internal audit (risk management, control process and governance process) in promoting good governance in public institutions in Kenya. The research adopted both the descriptive and correlation research designs. The study showed that there was a strong significant relationship between internal audit and good governance in public institutions. In relation with control process the study noted that absence of good internal control increases an agency's risk of producing unreliable accounting data significantly and with strong internal control decrease an agency's risk in a system significantly. The use of internal controls plays a role to minimize risks associated in auditing and thus ensures transparency and efficient performance of each department.

Mebratu (2015) examined the Internal Audit role and problems in government sector management. The aim of the analysis was to analyze the role and the impact, in the Amhara National Regional State public sector, of the internal audit mechanism in government. It used the mathematical approach for OLS regression analysis. The study revealed a strong and important connection between the management mechanism of internal audit and the presence of qualified employees, compliance with technical audit requirements and accessibility of financing. This shows that qualified workers live easier, comply with requirements for technical audits and availability of This shows that the greater presence of qualified personnel, conformity with technical audit practices and availability of resources the improved oversight role of internal audit in the government sector. The research While these factors are statistically important, just 49.90, relative to other parameters, estimates an internal audit monitoring mechanism for the government sector.

Makori (2016) studied the influence of internal control systems on fraud risk management among commercial banks in Kisii town, Kenya. The objectives of the study were: to establish the influence of the control environment, examine the influence of risk assessment and evaluate on information and communication on fraud risk management. The research followed the design of correlation analysis. The studies indicated that 67.7% of fraudulent risk mitigation impact internal monitoring structures the control climate, risk assessing and exchange of data all have a positive effect on fraudulent risk mitigation and have a major influence on fraud control. Internal controls therefore have a positive significant impact on fraudulent risk mitigation.

Masengeli (2018) studied the impact of monetary corruption and graft on fraud risk in Mombasa County. The aim of the analysis was to determine the impact of financial errors and the influence of bribery. The thesis employed descriptive design analysis using a sample of 60 internally accountable auditors and 30 financial officers. The report reported that the monetary errors of the Mombasa County State Corporations have a positive and substantial impact on the malpractices. In accordance with previous scholars' research, there was a positive and important lack of control structures over fraud risks. This implies establishment of strong internal audit control framework will foster better organizational performance.

2.4 Research Gaps

Contextually, not many of them have addressed the problem, especially in State Corporations in Kenya. Deyganto (2014) investigated the impact of internal audit on performance in Ethiopia and found that independency of internal audit, competency of internal audit staff, management support, and formal mandate of internal audit have a positive effect on performance. Udeh and Nwadialor (2016) evaluated the effectiveness of internal audit in the Nigerian public sector and found that in spite of availability of adequate punishments, internal audits were not effectively applied across boards for violations of internal audit procedures. Tulli (2016) investigated the challenges facing internal audit function in improving organizational performance in local government authorities in Tanzania and found that efficiency and effective internal audit function in Tanzanian LGAs cannot be achieved unless internal actors, particularly management, support the function of internal audit units. However, the above studies failed to contextualize the findings to state corporations thus, limited generalizability to Kenyan context.

Likewise, in Kenya, Njung'e (2019) focused on the role of the internal audit function on the financial performance of the listed commercial banks in Kenya and found that internal auditors' skills and knowledge in instructional, competent, and technological knowledge could indeed contribute to economic achievement. Kitolo (2016) focused on the relationship between internal audit and corporate governance of regulatory authorities in Kenya and discovered that the audit team oversees company's security and accounting operations and guarantees that events are held throughout the fiscal year to examine issues that arise. Chepkonga (2018), focused on the case of The State Department of Energy in Nakuru County and indicated that the effectiveness of semi-autonomous entities in the national energy department in Nakuru County was affected by improvements in managerial guidance, professional skills, autonomy, and internal control systems.; Ehaji (2019) in Vihiga County Government indicated that risk assessment, evaluation, and measurement, as well as risk management and disclosure, offer confidence that threats are being controlled correctly and have an impact on monetary output efficacy.; Muhunyo and Jagongo (2018) indicated that internal control, risk evaluation, management procedures, and communications technology as indications of internal controls all have a major impact on the profitability of Nairobi City County's universities. Kabue (2020) also indicated that internal audit has a positive and significant effect (p-value of 0.001) on performance of public commissions in Kenya.

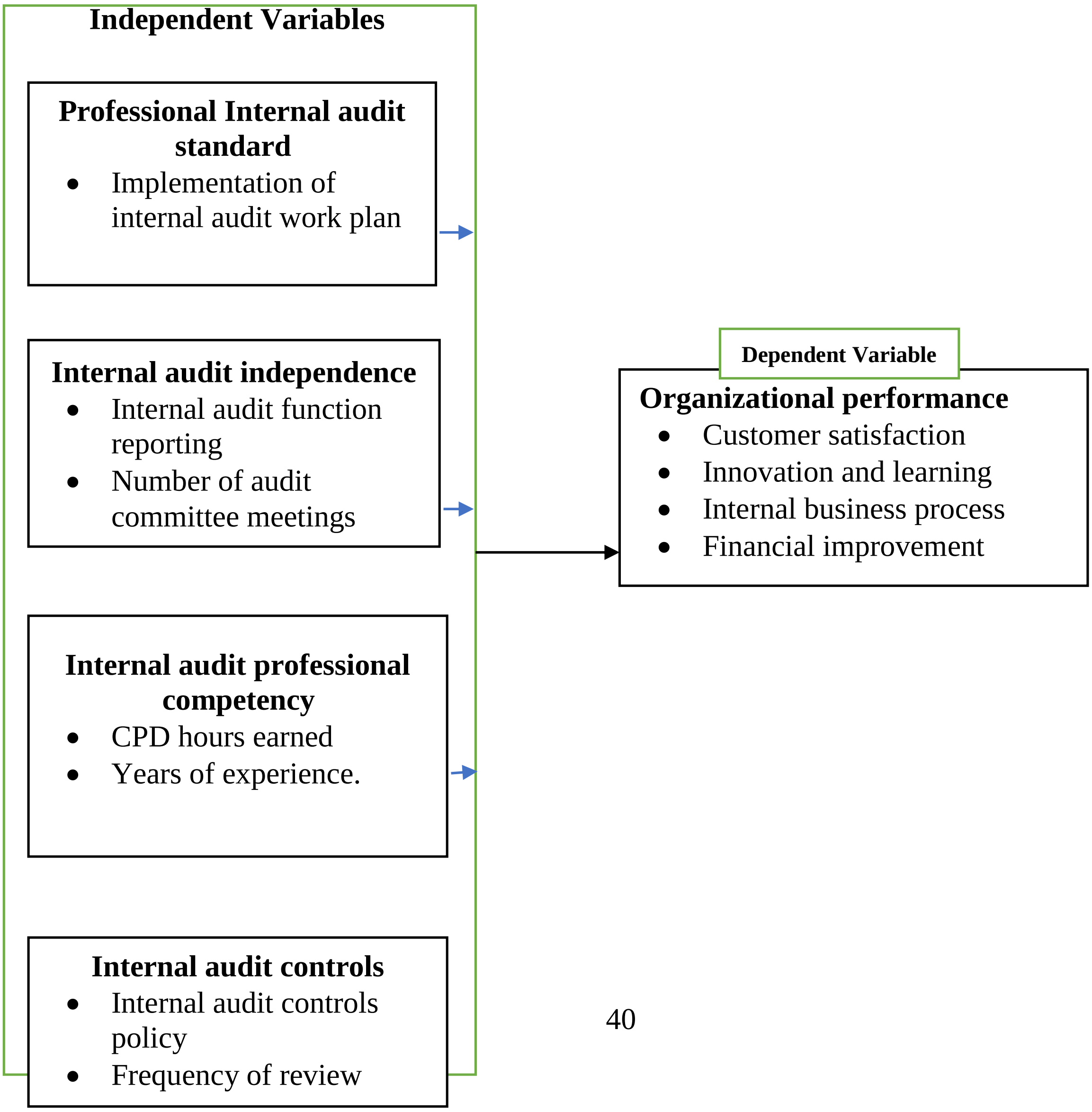
However, these studies have not directly focused on the performance of the State Corporations in Kenya and thus offers little generalizability in their findings.

2.5 Conceptual Framework

A conceptual framework is a hypothesized model identifying the model under study and the relationship between the dependent variable and independent variables. A conceptual framework is a research tool intended to assist a researcher to develop awareness and understanding of the variables under scrutiny (Ivey, 2015). The current study has the following conceptual framework:

FIGURE 2. 1

Conceptual Framework



2.6 Operationalization of Variables

This section presents how the variables were operationalized that is how the variables are measured in the current study and how the concepts are linked to the variables. Internal audit standards was operationalized as the implementation of internal audit work plan; internal audit independence Internal audit function reporting and the number of audit committee meetings; internal audit professional competency as CPD hours and the earned years of experience; internal audit controls as Internal audit controls policy and frequency of review; while financial performance as customer satisfaction, innovation and learning, internal business process and financial improvement.

TABLE 2.1

Operationalization of Variables

Variable	Category	Measurement	Statistical test	Measurement Scale
Internal audit standards	Independent	Implementation of internal audit work plan	p- values, F-tests and t statistic	Likert
Internal audit independence	Independent	Internal audit function reporting Number of audit committee meeting	p- values, F-tests and t statistic	Likert
Internal audit professional competency	Independent	CPD hours earned years of experience	p- values, F-tests and t statistic	Likert
Internal audit controls	Independent	Internal audit controls policy Frequency of review	p- values, F-tests and t statistic	Likert
Financial performance	Dependent	Organizational performance	p- values, F-tests and t statistic	Likert

CHAPTER THREE

RESEARCH METHODOLOGY

3.1 Introduction

This section presents the sections of the exploration strategy that is utilized starting with the research design, data collection methods and concluded by data analysis and data presentation methods that were used in this study.

3.2 Research Design

Kumar (2005) defines a study strategy as a method, layout or approach intended to offer responses to concerns or challenges. Kumar (2005) states that it has both features: to comprehend analysis by study design, and to guarantee that the protocols for obtaining true, impartial and correct answers to study problems are satisfactory. The current study therefore, used the descriptive research technique (Mugenda & Mugenda, 2003; Tarus & Omandi, 2013). The design was appropriate for the study since draws from the quantitative approach and allows the study to test hypotheses and establish the causal effect of the independent variables on the dependent variable (Allen, 2017).

3.3 Target Population

The target population was 196 state owned corporations. According to the Inspectorate of State Corporations (2020) and as per appendix 1, there are 196 state owned corporations in Kenya.

3.4 Sampling and Sampling Procedure

The general rule when computing a sample requires the sample to be as large as possible or else it will not provide a good representation (Gentles, Charles, Ploeg & McKibbon, 2015). The sample of the current study were selected using a simple random style. The participants in this technique possess an equal and representative chance of being selected.

In order to determine the appropriate sample size, the study would employ Yamane's formula (Yamane, 1967):

$$n = \frac{N}{(1+Ne^2)}$$

Where **n** is corrected sample size; **N** is population size and **e** is the margin of error of 5% hence a confidence level of 95%.

The sample size or the study was calculated as follow:

$$n = \frac{196}{(1+196(0.05^2)}=131$$

The researcher therefore, collected data from the 131 state corporations internal audit staff which were selected randomly from all strata with the objective of drawing statistical inference on the study problem.

3.5 Research Instruments

The researcher collected primary data for all variable. This was aided by use of a questionnaire that were issued to 131 senior internal audit staff from 131 state corporations.

3.5.1 Validity and Reliability of the Instrument

To ensure internal validity of the data, the questionnaire would be pretested at two stages. In the first stage, it would subject to review by advisors and other colleagues and in the second stage, to insure clarity and understandability of items to actual respondents. The researcher tested reliability of the structured interview using Cronbach's coefficient of alpha (Pallant, 2001). Most researchers agreed that the alphas were considered high enough to take the data as reliable at a minimum acceptable level of 0.70 (Pallant, 2001) and others argue 0.60 and 0.50 as sufficient (Dessalegn, 2010).

The pilot test was conducted to test the questionnaire for data collection before the actual research commenced (Simon, 2011), a well-designed and a well conducted pilot studies can inform the researcher on the research process and about likely outcome.

To improve the validity of the instruments, the researcher got guidance from supervisors from KCAU who assessed the relevance of the content in the tools. This helped to determine the content and face validity. Construct validity was performed utilizing Kaiser-Meyer-Olkin (KMO) was used with a cut-off of 0.4 as the least valid score and 1.0 as the best score (Andale, 2017).

3.6 Data Collection Procedure

The study used primary data which was collected in August 2021 for the purpose of this study.

3.7 Diagnostic tests

The study conducted the linearity test, normality test, multicollinearity test, autocorrelation/serial correlation and heteroscedasticity tests.

3.7.1 Testing for Normality of Residuals

Normality error terms was tested using a fitted normal curve and Kolmogorov-Smirnov test and Shapiro-Wilk tests. The null hypothesis is that there is normal distribution among the error terms. If the likelihood/probability value is greater than 0.05, the data would normally be transmitted/ distributed (Saunders & Thornhill, 2012).

3.7.2 Testing for Multicollinearity

The Multicollinearity test helps to determine the frequency of the linear relationship between the two variables. In the current study multicollinearity is evaluated using a tolerance value of more than 0.1 and a variance inflation factor (VIF) with a tolerance level of less than 10 (Miles, 2014).

3.7.3 Testing for Autocorrelation

To determine whether or not the residuals are serially associated, the Durbin-Watson test was performed (Chang, Pal & Lin, 2019). Autocorrelation occurs when there is a pattern in the residual from a model. When autocorrelation is detected in the residual it suggests the model is mis-specified indicating some key variables are not included in the model. Autocorrelation inflates the t-statistics by underestimating the coefficients' standard errors (Gujarati, 2003). The judgment rule is that test statistical values in the range of 1.5 to 2.5 are comparatively common (Field, 2009).

3.7.4 Testing for Heteroscedasticity

The OLS model argument predicts that the expression error variance is homoscedastic, i.e., has constant and standard variance. The null hypothesis is rejected if the error term is found to be varying. Running a regression model without accounting for heteroscedasticity would lead to biased parameter estimates. The graphical method of testing error variance was used to test for heteroscedasticity.

3.8 Data processing and Analysis

Quantitative approaches were used for data analysis. Descriptive statistics that provide a summary of the data in frequencies, percentages (%) among others were used while the inferential statistics with the help of correlation analysis (r value) and regression analysis (beta coefficients, R^2 & p values) determined the causality between the variables. Correlation analysis provided the direction of the relationship while the regression analysis provided the extent/magnitude of the relationship. A 0.05 significance level/ 95% confidence interval was the error variance used. The collected data was analyzed using multiple regressions statistical analysis with the help of SPSS version 25.0 and Excel. The data was summarized and presented using figures and tables. A cross section model was adopted for this study. The following regression model would be used to examine the nature of the relationship between independent variables characteristics and dependent variable overtime:

$$Y = \beta_0 + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + \beta_4 X_4 + \varepsilon$$

Where:

Y= organizational performance

X_1=internal auditing standards

X_2=Independence of internal auditor and audit activity

X_3= Professional competency of internal auditor; and

X_4=internal audit controls

ε = The random error term that accounting for all other variables that affects organizational performance of the state corporations in Kenya but are not captured in the model.

$\boldsymbol{\beta}_0$= The Y intercept (Value of Y when all independent variables are zero).

$\boldsymbol{\beta}_1$, $\boldsymbol{\beta}_2$, $\boldsymbol{\beta}_3$ and $\boldsymbol{\beta}_4$ = represent the regression coefficient or change on Y by each independent variable.

CHAPTER FOUR

DATA ANALYSIS, PRESENTATION AND INTERPRETATION

4.0 Introduction

The chapter presents results of the data processed during analysis. Results were processed in line with the study objectives from which the study problem was investigated and interpretations of results was carried out. Both descriptive and inferential statistics were used to analyses the data. The chapter is organized as follows: response rate, background information, Demographic Information, reliability and validity analysis, descriptive analysis, diagnostic tests and discussion of the study findings

4.1 Response rate

The results below give the level of respondents' cooperation on their view regarding the questions asked, which reflected on different themes.

TABLE 4.1

Response Rate

Response	**Frequency**	**Percentage**
Returned	128	98%
Unreturned	3	2%
Total	**131**	**100%**

The total questionnaires given were 131 of which all of them were properly filled and returned. This return saw a 98% response rate. According to Hardigan, Popovici and Carvajal (2016), a response rate of above 50% is adequate for a descriptive study.

4.2 Pilot Results

The respondents that were piloted were not included in the main study. The pilot results for 13 (of 131) participants were distributed as per the organization in the table 4.2 below

4.2.1 Reliability Results

Reliability analysis was done to evaluate survey construct using Cronbach's alpha. The table 4.2 shows the reliability results for the pilot study.

TABLE 4.2

Reliability of the Instrument

Variables	Cronbach's Alpha	Number of Items	Conclusion
Professional Internal Audit Standards	0.714	9	Reliable
Internal Audit Independence	0.880	8	Reliable
Internal Audit Professional Competency	0.804	7	Reliable
Internal Audit Controls	0.760	7	Reliable
Organizational Performance	0.765	7	Reliable

Table 4.2 proved that the variable statements were highly reliable with Cronbach's Alpha for the results being 0.714, 0.880, 0.804, 0.760 and 0.765 for professional internal audit standards, internal audit independence, internal audit professional competency, internal audit controls and organisational performance respectively. Park and Park (2013) and Kiliç (2016) stated that coefficient greater than or equal to 0.7 is acceptable for basic research.

4.2.2 Validity Analysis using Kaiser-Meyer-Olkin and Bartlett's test

The Kaiser-Meyer-Olkin (KMO) test is given the following scales: 0.90 to 1.00 = Marvelous, 0.80 to 0.89 = Meritorious, 0.70 to 0.79 = Middling, 0.60 to 0.69 = Mediocre, 0.40 to 0.59 = Miserable, 0.00 to 0.40 = Don't Factor (Andale, 2017). This test was used to confirm statistically the principal component analysis method used to confirm the factors of the study. The results are as shown in Table 4.3.

TABLE 4.3
Factorial Test Results

	KMO	Bartlett's Test of Sphericity			Validity
		Approx. Chi-Square	Df	Sig.	
Professional Internal Audit Standards	0.770	66.051	12	0.000	Valid
Internal Audit Independence	0.670	95.148	12	0.000	Valid
Internal Audit Professional Competency	0.724	28.144	12	0.000	Valid
Internal Audit Controls	0.597	62.539	12	0.000	Valid
Organizational Performance	0.776	89.036	12	0.000	Valid

Table 4.3 indicate that all the KMO values of the respective variables had their corresponding significance values below 0.050. The results further imply that there was a significant sampling adequacy for all the variables with KMO values of more than 0.4 and a p value of less than 0.05. This implies that the statements used in the analysis were significant and valid in explaining the factors to be selected.

4.3 Socio- Demographic Characteristics of Participants

Section 4.3 presents the demographic characteristics of the respondents who participated in the study.

4.3.1 Gender of the Respondents

A total 128 participants responded to the questions as shown in the table below:

TABLE 4.4

Gender of the Respondents

Gender	Frequency	Percent
Female	39	30.5
Male	89	69.5
Total	**128**	**100**

The results on gender indicate that 69.5% of the respondents are males while their corresponding counterparts are females (30.5%). The results reveal that the majority of the respondents are male which imply that the top management of the state corporations in Kenya is dominated by males in accordance with the 2/3 gender rule policy (Kurea, 2015; Makau, 2019). The findings further denote that both genders were represented in this study.

4.3.2 Age of the Respondents

Table 4.5 shows the age of the respondents. A total 128 participants responded to the questions.

TABLE 4.5

Age of the Respondents

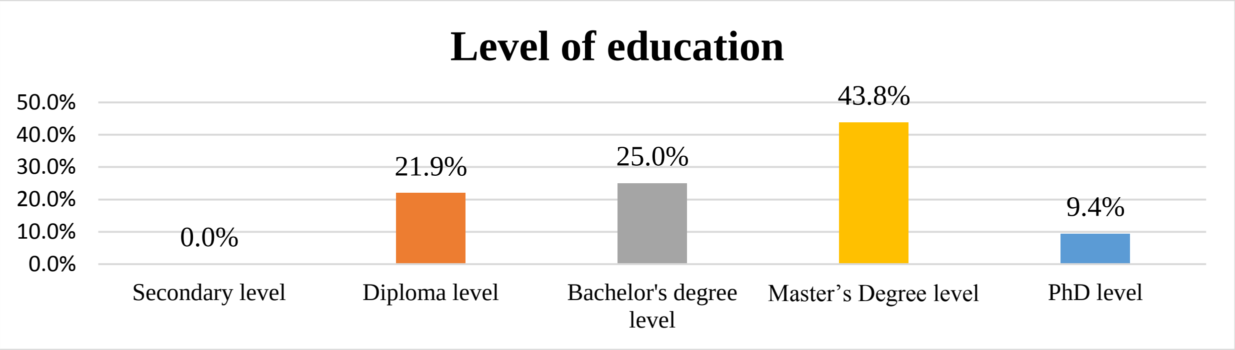
Age of the Respondents	**Frequency**	**Percent**
18-28 years	9	7.00
29-38 years	46	35.9
39-48 years	33	25.8
49-58 years	20	15.6
Above 59 years	20	15.6
Total	**128**	**100**

The findings in Table 4.5 indicate that out of the 128 participants in the study, 35.9% of senior internal audit staff in the state corporations in Kenya are between the age of 29 and 38 years, 25.8% of them are between the age of 39 and 48 years, 15.6% of them are between the age of 49 and 58 years as well as above 59 years respectively while 7% of them are between the age of 18 and 28 years. The findings imply that all the respondents as per the age groups represented in the study were mature enough to give informed information without coercion.

4.3.3 Respondents' Level of Education

FIGURE 4. 1

Respondents' Level of Education

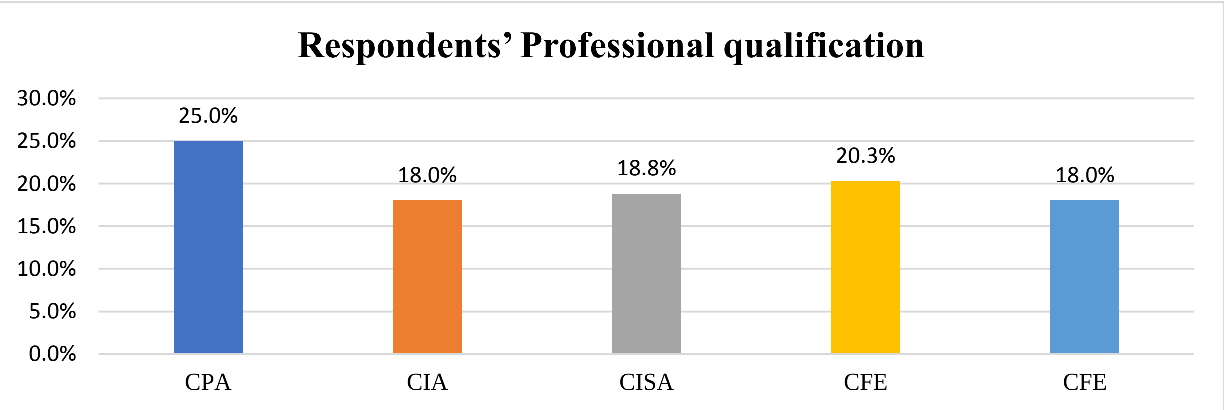


The findings in figure 4.1 indicate that out of the 128 participants in the study, 43.8% of senior internal audit staff in the state corporations in Kenya have master's degree level of education, 25.0% of them have Bachelor's degree level of education, 21.9% of them have Diploma level of education while 9.4% of them have PhD level of education. The findings imply that the respondents were well learned to understand and respond to the study questions.

4.3.4 Respondents' Professional qualification

FIGURE 4. 2

Respondents' Professional Qualification



The findings in figure 4.2 indicate that out of the 128 participants in the study, 25.0% of senior internal audit staff have CPA qualifications, 20.3% of them have CFE qualifications, 18.8% of them have CISA qualifications while 18.0% of them have CFE and CIA qualifications. These findings imply that respondents were not only informed but had acquired professional skills to avoid bias and to remain objective in responding to the study questions.

4.3.5 Respondents' Tenure

TABLE 4.6

Respondents' Tenure

Respondents' tenure	Frequency	Percent
1-3 years	6	4.7
4-6 years	44	34.4
7-9 years	34	26.6
Above 10 years	44	34.4
Total	**128**	**100**

The findings in Table 4.6 indicate that out of the 128 participants in the study, 34.4% of senior internal audit staff have worked in the state corporations in Kenya have worked over 10 years and between 4 and 6 years respectively, 26.6% of them have been in the state corporations in Kenya between seven and nine years while 4.7% of them have worked between one and three years. The findings in this case imply that the respondents had worked in the current organization long enough to attain familiarity and relevant experience relevant to responding to the study questions.

4.4 Descriptive Statistics

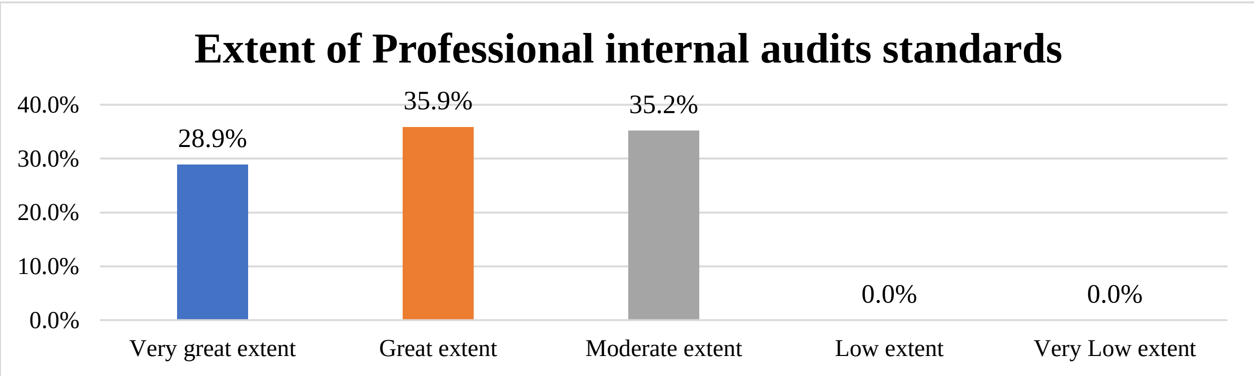
Descriptive statistics was done to show the summary of the findings by including, counts, frequencies, mean and the standard deviation.

4.4.1 Professional Internal Audit Standards

The respondents were asked to indicate the extent to which professional internal audits standards affect the organizational performance of State Corporations in Kenya. Their responses are as shown in figure below

FIGURE 4. 3

Extent of Professional Internal Audits Standards



The results in Figure 4.3 indicate that out of the surveyed 128 respondents, 35.9% of them stated that professional internal audits standards affect the organizational performance to a great extent, 35.2% indicated that professional internal audits standards affect the organizational performance to a moderate extent and 28.9% of them indicated that professional internal audits standards affect the organizational performance to a very great extent.

The respondents were further asked to rate the extent to which they agreed with the statements on professional internal audit standards of the State Corporations in Kenya. Their responses were averaged as shown in Table 4.7:

TABLE 4.7

Percentages, Mean and Standard Deviation of the Responses Regarding Professional Internal Audit Standards

Statements	5	4	3	2	1	Mean	S D
Professional internal audit standard is important to conduct of internal audit.	35%	39%	14%	10%	2%	2.04	1.02
Conducting internal audit activity according to professional internal auditing standards contributes significantly to effectiveness of internal audit department.	36%	38%	21%	4%	1%	1.95	0.89
Complying with professional standards is the most important contributor to internal audit's added value.	38%	41%	14%	4%	3%	1.94	0.98
Presence of approved audit charter, approved annual work plan can it indicate compliance.	45%	23%	20%	6%	6%	2.05	1.20
Professional internal audit standards recognize that internal auditors also provide other services	22%	35%	28%	8%	7%	2.43	1.13

that improve internal business process.							
Full implementation of internal audit work plan may stimulate innovation within an organisation.	12%	34%	38%	12%	5%	2.63	1.00
Internal audit conducted in line with professional audit standard contribute to the improvement of risk management, control and governance in the state corporations	27%	33%	21%	16%	4%	2.38	1.15
Professional internal audit standard has positive impact on performance of the state corporations.	28%	41%	16%	9%	5%	2.21	1.10
Generally internal audit conducted within professional standard help an organization achieve customer satisfaction, improved internal process, innovation and improved financial management hence overall organizational performance.	31%	27%	16%	8%	20%	2.59	1.48
Average						**2.25**	**1.11**

Table 4.7 indicates that 74% of the respondents indicated that professional internal audit standard is important to conduct of internal audit (mean=2.04≈2, SD=1.02). The results

also indicate that 74% of the respondents indicated that conducting internal audit activity according to professional internal auditing standards contributes significantly to effectiveness of internal audit department (mean=1.95≈2, SD=0.85). The results also indicate indicates that 79% of the respondents indicated that complying with professional standards is the most important contributor to internal audit's added value (mean=1.94≈2, SD=0.98).

The results also indicate that 68% of the respondents indicated that presence of approved audit charter, approved annual work plan can it indicate compliance (mean=2.05≈2, SD=1.20). The results indicate that 57% of the respondents indicated that professional internal audit standards recognize that internal auditors also provide other services that improve internal business process (mean=2.43≈2, SD=1.13). The results indicate that 56% of the respondents indicated that full implementation of internal audit work plan may stimulate innovation within an organisation (mean=2.63≈2, SD=1.00).

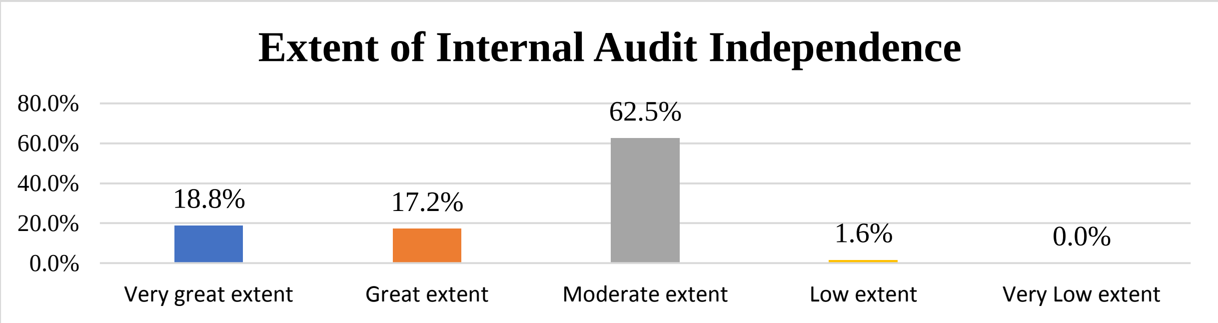
The results indicate 59% of the respondents indicated that internal audit conducted in line with professional audit standard contribute to the improvement of risk management, control and governance in the state corporations (mean=2.38≈2, SD=1.15). The results indicate 70% of the respondents indicated that professional internal audit standard has positive impact on performance of the state corporations (mean=2.21≈2, SD=1.10). The results indicate 57% of the respondents indicated that generally internal audit conducted within professional standard help an organization achieve customer satisfaction, improved internal process, innovation and improved financial management hence overall organizational performance (mean=2.59≈2, SD=1.48). In conclusion, the average mean of the responses was 2.25 when viewed on a scale of five points presenting a standard deviation of 1.11. This means that the majority of the respondents were of the opinion that professional internal audits standards affect the organizational performance of State Corporations in Kenya.

4.4.2 Internal Audit Independence

The respondents were asked to indicate the extent to which internal audit independence affects the organizational performance of State Corporations in Kenya. Their responses are as shown in figure below

FIGURE 4. 4

Extent of Internal Audit Independence



The results in Figure 4.4 indicate that out of the surveyed 128 respondents, 62.5% of them stated that internal audit independence affects the organizational performance to a moderate extent, 18.8% indicated that internal audit independence affects the organizational performance to a very great extent, 17.2% of them indicated that internal audit independence affects the organizational performance to a great extent while only 1.6% of them indicated that internal audit independence affect the organizational performance to a low extent.

The respondents were asked to the statements regarding the internal audit independence of the State Corporations in Kenya. The findings are as presented in Table 4.8 below:

TABLE 4.8

Percentages, Mean and Standard Deviation of the Responses Regarding Internal Audit Independence

Statements	5	4	3	2	1	Mean	S D
Internal audit independence is importance for good improved internal processes.	31%	35%	17%	9%	9%	2.30	1.23
Chief internal auditor and other audit staff must be independent of the operational activities of an organization.	33%	36%	15%	7%	9%	2.24	1.25
Chairperson of the audit committee must be independent for better organizational performance.	31%	25%	16%	8%	20%	2.61	1.50
The integrity of the auditor's opinions, conclusions and recommendations depends on level of independence of the internal audit function.	36%	31%	12%	11%	11%	2.30	1.35
Internal audit independence is necessary for the effective achievement of the function and objective of internal audit function	39%	38%	13%	5%	5%	1.98	1.07
The internal audit department in the state corporation must be	44%	23%	20%	6%	6%	2.08	1.21

independent from the activities which it controls and must likewise be independent from the day-to-day internal control processes.							
Every state corporation should have audit charter and approved work plan to achieve effectiveness of the audit function and independence.	35%	39%	14%	10%	2%	2.04	1.02
Generally internal audit conducted by independent internal audit function can help an organization achieve customer satisfaction, improved internal process, innovation and improved financial management hence overall organizational performance.	34%	38%	22%	4%	2%	2.03	0.96
Average						**2.20**	**1.20**

Table 4.8 indicates that 66% of the respondents indicated that internal audit independence is importance for good improved internal processes (mean=2.30≈2, SD=1.23). The results also indicate that 69% of the respondents indicated that chief internal auditor and other audit staff must be independent of the operational activities of an organization (mean=2.24≈2, SD=1.25). The results also indicate indicates that 56% of the respondents indicated that chairperson of the audit committee must be independent for better organizational performance (mean=2.65≈3, SD=1.50).

The results indicate that 66% of the respondents indicated that the integrity of the auditor's opinions, conclusions and recommendations depends on level of independence of the internal audit function (mean=2.30≈2, SD=1.35). The results indicate that 77% of the respondents indicated that internal audit independence is necessary for the effective achievement of the function and objective of internal audit function (mean=1.98≈2, SD=1.07).

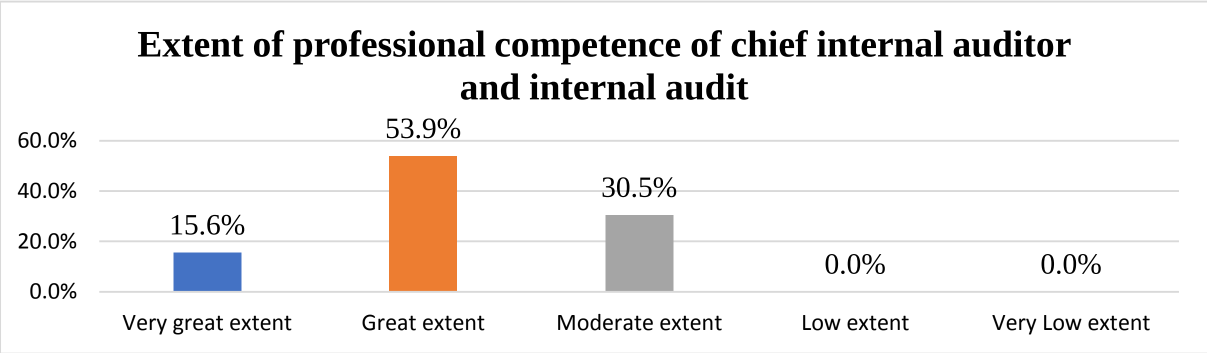
The results indicate 67% of the respondents indicated that the internal audit department in the state corporations must be independent from the activities which it controls and must likewise be independent from the day-to-day internal control processes (mean=2.08≈2, SD=1.21). The results indicate 74% of the respondents indicated that every state corporation should have audit charter and approved work plan to achieve effectiveness of the audit function and independence (mean=2.04≈2, SD=1.02). The results indicate 72% of the respondents indicated that generally internal audit conducted by independent internal audit function can help an organization achieve customer satisfaction, improved internal process, innovation and improved financial management hence overall organizational performance (mean=2.03≈2, SD=0.96). In conclusion, the average mean of the responses was 2.20 when viewed on a scale of five points presenting a standard deviation of 1.20. This means that the majority of the respondents indicated that internal audit independence affects the organizational performance of State Corporations in Kenya.

4.4.3 Internal Audit Professional Competency

The respondents were asked to indicate the extent to which internal audit professional competency of chief internal auditor and internal audit affects the organizational performance of State Corporations in Kenya. Their responses are as shown in figure below

FIGURE 4. 5

Extent of Internal Audit Professional Competency of Chief Internal Auditor and Internal Audit

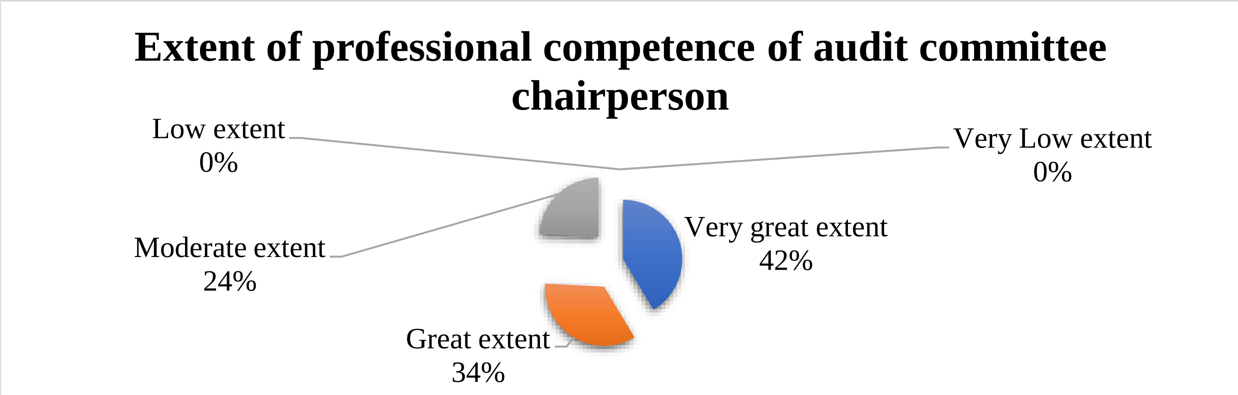


The results in Figure 4.5 indicate that out of the surveyed 128 respondents, 53.9% of them stated that internal audit professional competency of chief internal auditor and internal audit affects the organizational performance to a great extent, 30.5% indicated that it affects the organizational performance to a moderate extent, 15.6% of them indicated that it affects the organizational performance to a great extent while only 1.6% of them indicated that internal audit independence affect the organizational performance to a very great extent.

The respondents were asked to indicate the extent to which internal audit professional competency of audit committee chairperson affects the organizational performance of State Corporations in Kenya. Their responses are as shown in figure below

FIGURE 4. 6

Internal Audit Professional Competency of Audit Committee Chairperson



The results in Figure 4.6 indicate that out of the surveyed 128 respondents, 42% of them stated that internal audit professional competency of audit committee chairperson affects organizational performance to a very great extent, 34% indicated that it affects the organizational performance to a great extent while 24% of them indicated that it affects the organizational performance to a moderate.

The respondents were asked to respond to the statements regarding the internal audit professional competency of the State Corporations in Kenya. The findings are as presented in Table 4.9 below:

TABLE 4.9

Percentages, Mean and Standard Deviation of the Responses Regarding Internal Audit Professional Competency

Statements	5	4	3	2	1	Mean	S D
Professional competence of internal auditor can be reflected by CPD hours earned	39%	28%	16%	15%	2%	2.13	1.16
A competent internal auditor and	34%	29%	17%	14%	6%	2.30	1.25

chairperson can prevent financial malpractices and boost organizational performance.							
Competent internal auditor and chairperson can help improve financial reporting.	19%	24%	31%	21%	6%	2.70	1.16
Frauds are detected by the internal audit function and only a professional competent internal audit can detect and deter it.	24%	32%	25%	11%	8%	2.46	1.20
Internal audit needs multi-skills thus frequent trainings to maintain professional competence hence effective performance of audit activity is necessary.	23%	35%	26%	7%	9%	2.42	1.17
The auditors in the state corporations are professionally qualified to undertake audit function	22%	35%	27%	8%	8%	2.45	1.15
Generally internal audit conducted by professionally qualified and competent staff help an organization achieve customer satisfaction, improved internal	32%	20%	30%	8%	11%	2.46	1.31

process, innovation and improved financial management hence overall organizational performance.		
Average	**2.42**	**1.20**

Table 4.9 indicates that 67% of the respondents indicated that professional competence of internal auditor can be reflected by CPD hours earned (mean=2.13≈2, SD=1.16). The results also indicate that 63% of the respondents indicated that a competent internal auditor and chairperson can prevent financial malpractices and boost organizational performance (mean=2.30≈2, SD=1.25). The results also indicate indicates that 43% of the respondents indicated that competent internal auditor and chairperson can help improve financial reporting (mean=2.70≈3, SD=1.16).

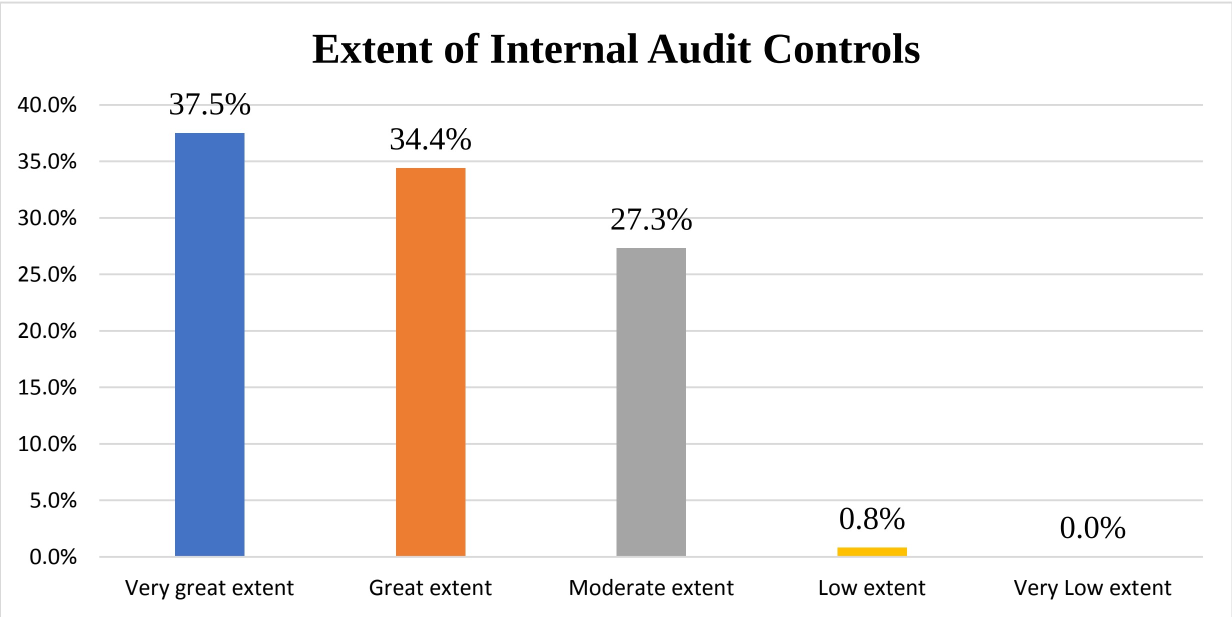
The results indicate that 56% of the respondents indicated that frauds are detected by the internal audit function and only a professional competent internal audit can detect and deter it (mean=2.46≈2, SD=1.20). The results indicate that 59% of the respondents indicated that internal audit needs multi-skills thus frequent trainings to maintain professional competence hence effective performance of audit activity is necessary (mean=2.42≈2, SD=1.17). The results indicate that 57% of the respondents indicated that the auditors in the state corporations are professionally qualified to undertake audit function (mean=2.45≈2, SD=1.15).

The results indicate 52% of the respondents indicated that generally internal audit conducted by professionally qualified and competent staff help an organization achieve customer satisfaction, improved internal process, innovation and improved financial management hence overall organizational performance (mean=2.46≈3, SD=1.31). In conclusion, the average mean of the responses was 2.42 when viewed on a scale of five points presenting a standard deviation of 1.20. This means that the majority of the respondents indicated that internal audit professional competency of chief internal auditor, of internal audit and of audit committee chairperson affects organizational performance of State Corporations in Kenya.

4.4.4 Internal Audit Controls

The respondents were asked to indicate the extent to which internal audit controls affects organizational performance of state corporations in Kenya. Their responses are as shown in figure below

FIGURE 4. 7
Extent of Internal Audit Controls



The results in Figure 4.7 indicate that out of the surveyed 128 respondents, 37.5% of them stated that internal audit controls affect organizational performance to a very great extent, 34.4% indicated that internal audit controls affect organizational performance to a great extent, 27.3% of them indicated that internal audit controls affect organizational performance to a moderate extent while only 0.8% of them indicated that internal audit controls affect organizational performance to a low extent.

The respondents were asked to respond to the statements regarding the internal audit controls of the State Corporations in Kenya. The findings are as presented in Table 4.10 below:

TABLE 4.10

Percentages, Mean and Standard Deviation of the Responses Regarding Internal Audit Controls

Statements	5	4	3	2	1	Mean	S D
Effective internal audit function has a significant positive relation to strong internal audit control	35%	39%	14%	10%	2%	2.04	1.02
Errors and inaccuracy in financial statement reflect weak internal audit control system.	9%	10%	41%	30%	9%	3.20	1.06
The lack of segregation of accounting and custodian functions hinders detection of financial malpractice and it implies weak internal controls	12%	17%	20%	35%	16%	3.27	1.26
Organization that discloses an internal audit control problem experience a significant effect in organizational performance.	23%	38%	23%	9%	8%	2.41	1.16
Effective internal audit control can reduce /eliminate fraudulent activities and corruption in state corporations.	27%	23%	34%	6%	9%	2.47	1.22
Internal audit function can help commercial state corporations	8%	9%	34%	28%	21%	3.46	1.15

improve internal control and organizational performance.							
Generally frequent review of internal audit controls helps an organization achieve customer satisfaction, improved internal process, innovation and improved financial management hence overall organizational performance.	26%	31%	23%	14%	6%	2.44	1.20
Average						**2.76**	**1.15**

Table 4.10 indicates that 74% of the respondents indicated that effective internal audit function has a significant positive relation to strong internal audit control (mean=2.04≈2, SD=1.02). The results also indicate that 41% of the respondents were not sure that errors and inaccuracy in financial statement reflect weak internal audit control system (mean=3.20≈3, SD=1.06). The results also indicate indicates that 52% of the respondents disagreed that the lack of segregation of accounting and custodian functions hinders detection of financial malpractice and it implies weak internal controls (mean=3.27≈3, SD=1.26).

The results indicate that 60% of the respondents indicated that organization that discloses an internal audit control problem experience a significant effect in organizational performance (mean=2.41≈2, SD=1.16). The results indicate that 51% of the respondents indicated that effective internal audit control can reduce /eliminate fraudulent activities and corruption in state corporation (mean=2.47≈2, SD=1.22). The results indicate that 49% of the respondents indicated that internal audit function cannot can help state corporations improve internal control and organizational performance (mean=3.46≈3, SD=1.15). The results indicate that 57% of the respondents indicated that generally frequent review of internal audit controls helps an organization achieve customer satisfaction, improved internal process, innovation and improved financial management hence overall organizational performance (mean=2.44≈2, SD=1.20).

In summary, the average mean of the responses was 2.76 with a standard deviation of 1.15. On a scale of five points, this means that majority of the respondents agreed with the statements on organizational performance of state corporations in Kenya. This means that the majority of the respondents indicated that internal audit professional competency of chief internal auditor and internal audit affects organizational performance of state corporations in Kenya.

4.4.5 Organizational Performance

The respondents were asked to respond to the statements regarding the organisational performance of the State Corporation in Kenya. The findings are as presented in Table 4.11 below:

TABLE 4.11

Percentages, Mean and Standard Deviation of the Responses Regarding Organisational Performance of State Corporations in Kenya

Statements	5	4	3	2	1	Mean	S D
The institution internal process has been improving courtesy of the internal audit measures	35%	39%	14%	10%	2%	2.04	1.02
The institution has seen increased innovation due to frequent review and recommendation by internal audit.	34%	38%	22%	4%	2%	2.03	0.96
The institution has improved competitiveness in amidst the other players in the industry.	27%	31%	16%	7%	20%	2.61	1.45
Level of transparency in corporation has improved and thus the public has faith in the institution	22%	35%	27%	8%	8%	2.45	1.15
The delivery of services is reliable and of the specified standards	32%	20%	30%	8%	11%	2.46	1.31
There is low turnover of employees	28%	41%	16%	9%	5%	2.21	1.10

in the institution							
The institution has promoted high ethical standards among procurement personnel.	31%	27%	16%	8%	20%	2.59	1.48
Average						**2.34**	**1.21**

Note: 1-strongly agree, 2- agree, 3-neutral, 4-disagree, 5 - strongly disagree, S.D = Standard Deviation

Table 4.11 indicates that 74% of the respondents indicated that the institution internal process has been improving courtesy of the internal audit measures (mean=2.04≈2, SD=1.02). The results also indicate that 72% of the respondents indicated that the institution has seen increased innovation due to frequent review and recommendation by internal audit (mean=2.03≈2, SD=0.96). The results also indicate indicates that 58% of the respondents indicated that the institution has improved competitiveness in amidst the other players in the industry (mean=2.61≈3, SD=1.45).

The results indicate that 57% of the respondents indicated that level of transparency in corporation has improved and thus the public has faith in the institution (mean=2.45≈2, SD=1.15). The results indicate that 52% of the respondents indicated that the delivery of services is reliable and of the specified standards (mean=2.46≈2, SD=1.31). The results indicate that 72% of the respondents indicated that there is low turnover of employees in the institution (mean=2.21≈4, SD=1.10). The results indicate that 57% of the respondents indicated that the institution has promoted high ethical standards among procurement personnel (mean=2.59≈3, SD=1.48).

In summary, the average mean of the responses was 2.34 with a standard deviation of 1.31. On a scale of five points, this means that majority of the respondents agreed with the statements on organizational performance of state corporations in Kenya. This means that the majority of the respondents agreed to the statements about improvement in organizational performance of the State Corporations in Kenya.

4.5 Diagnostic Testing

Diagnostics seeks to identify the possibility of bias that may occur in research. These tests include the linearity test, normality test, multicollinearity test, the test for heteroscedasticity and autocorrelation.

4.5.1 Linearity Test

Linearity was tested using scatter plots, which is used to show whether there is a linear relationship between two continuous variables. It is expected that the relationship between variables should be fairly linear before the regression models are applied (Casson & Farmer, 2014).

FIGURE 4. 8

Linearity Test for Professional Internal Audit Standards

FIGURE 4. 9

Linearity Test for Internal Audit Professional Competency

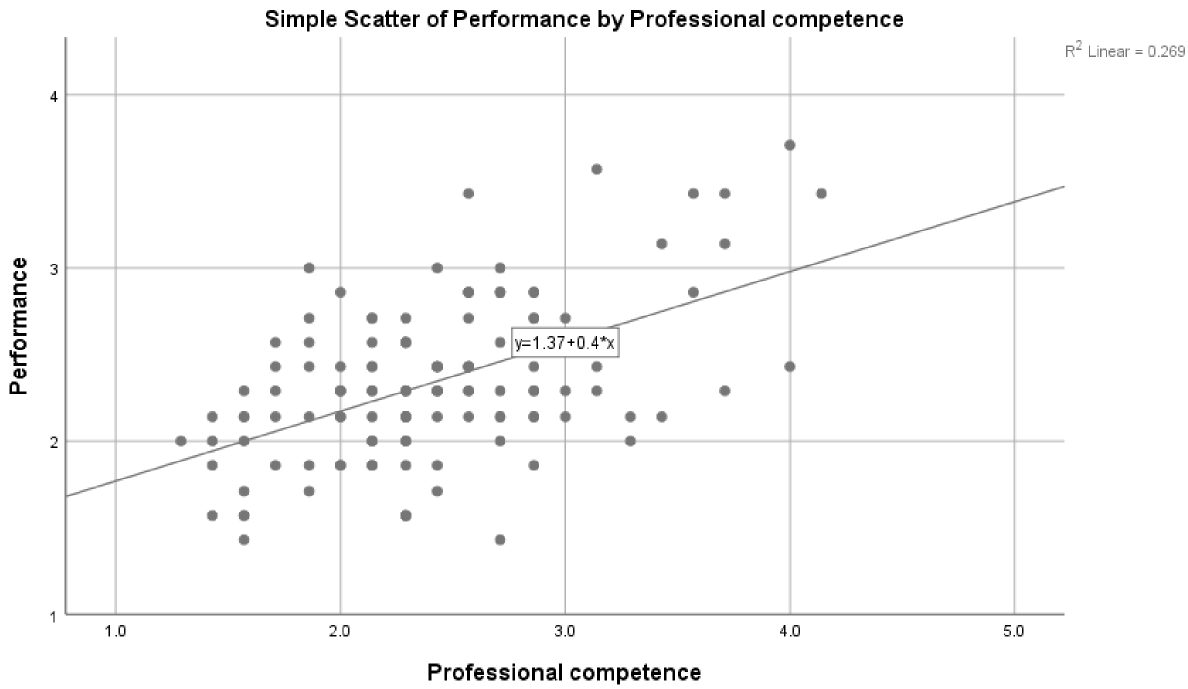
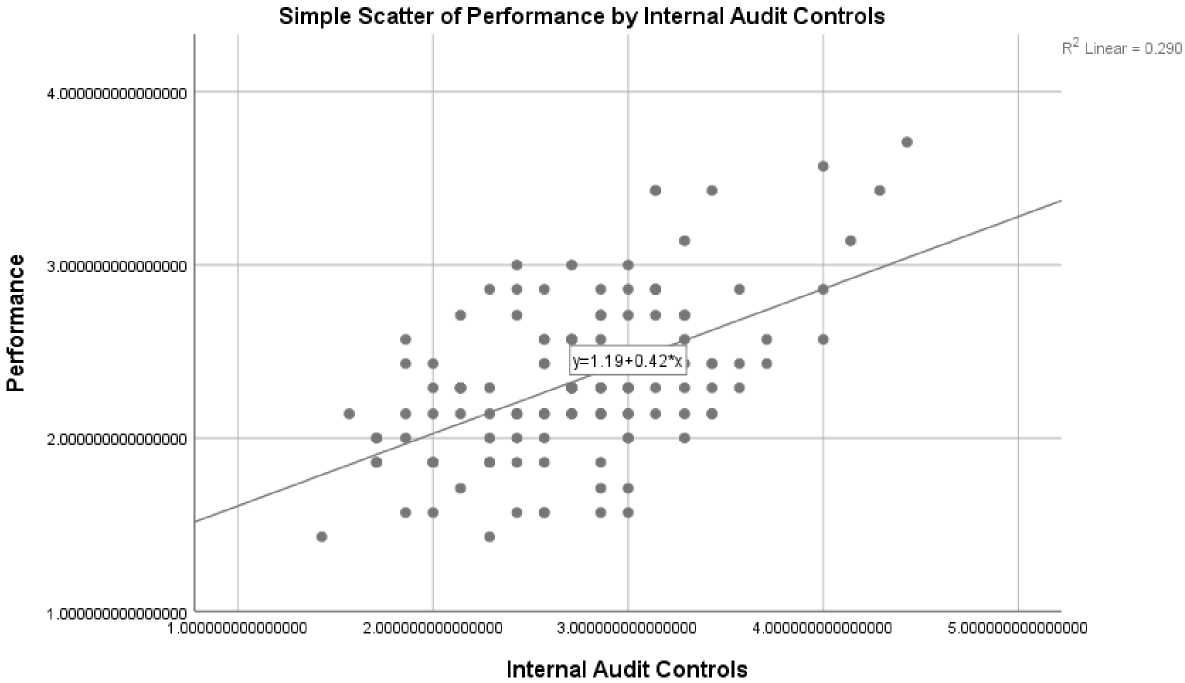


FIGURE 4. 10

Linearity Test for Internal Audit Controls



Source: Research Data (2021)

The results in Figure 4.8 to Figure 4.10 indicate that the relationship between the independent and dependent variable were linear. This was evidenced by an illustration of fit regression line in each of the plots (which are linear in nature).

4.5.2 Normality Test

Normality of data was tested using the Shapiro-Wilk test and the Kolmogorov–Smirnov test due to the sample size being above 50. Here the significance value was measured as well as the Skewness and kurtosis. The criterion is that the probability value (sig) should be greater than 0.05 for the data to be normally distributed (Altman & Bland, 1995; Ghasemi & Zahediasl, 2012; Mishra et al., 2019).

TABLE 4.12

Normality Results

	Kolmogorov-Smirnova			**Shapiro-Wilk**		
Tests of Normality	**Statistic**	**df**	**Sig.**	**Statistic**	**Df**	**Sig.**
Performance	0.119	127	0.567	0.966	127	0.083
Professional internal audits standards	0.09	127	0.082	0.978	127	0.078
Internal Audit Independence	0.113	127	0.521	0.953	127	0.254
Professional competence	0.095	127	0.067	0.966	127	0.053
Internal Audit Controls	0.099	127	0.214	0.970	127	0.117

a Lilliefors Significance Correction

Source: Research Data (2021)

The results in Table 4.12 indicate that all the variables indicated absence of abnormal data observation points. This is because of the respective corresponding p-values to be greater than 0.05 (see Figure 4.11 for graphical presentation). Thus, the null hypothesis was accepted and the data is normally distributed. The results are likewise supported a histogram plotting the normality results as shown in figure 4.11:

FIGURE 4. 11

Normality Plot for Performance

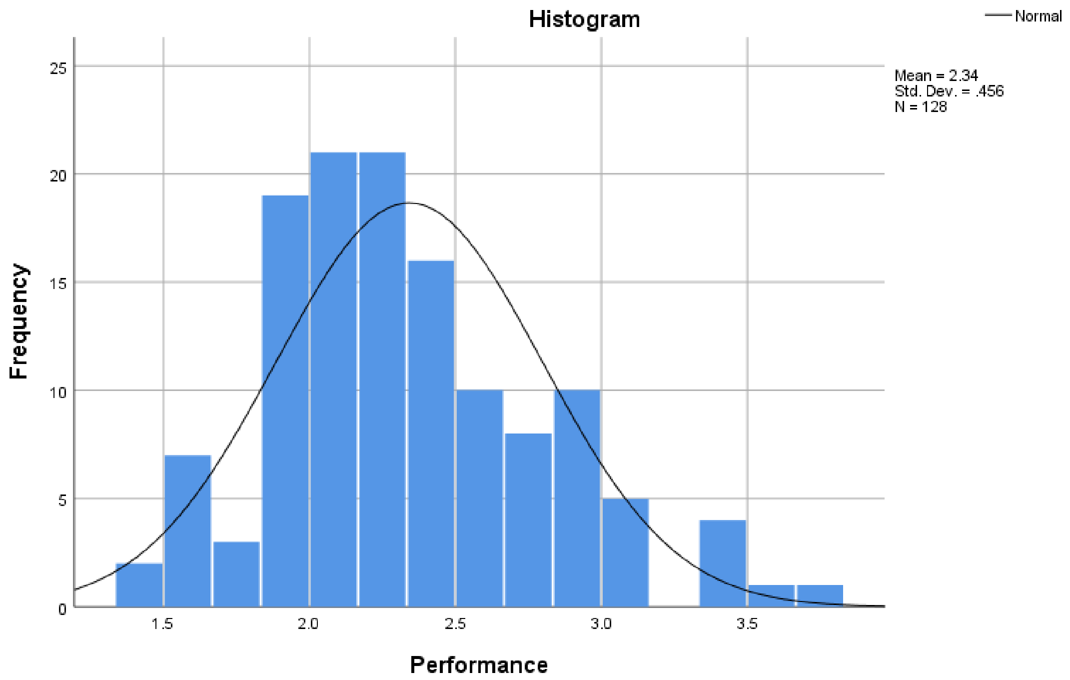


FIGURE 4. 12

Normality Plot for Professional Internal Audits Standards

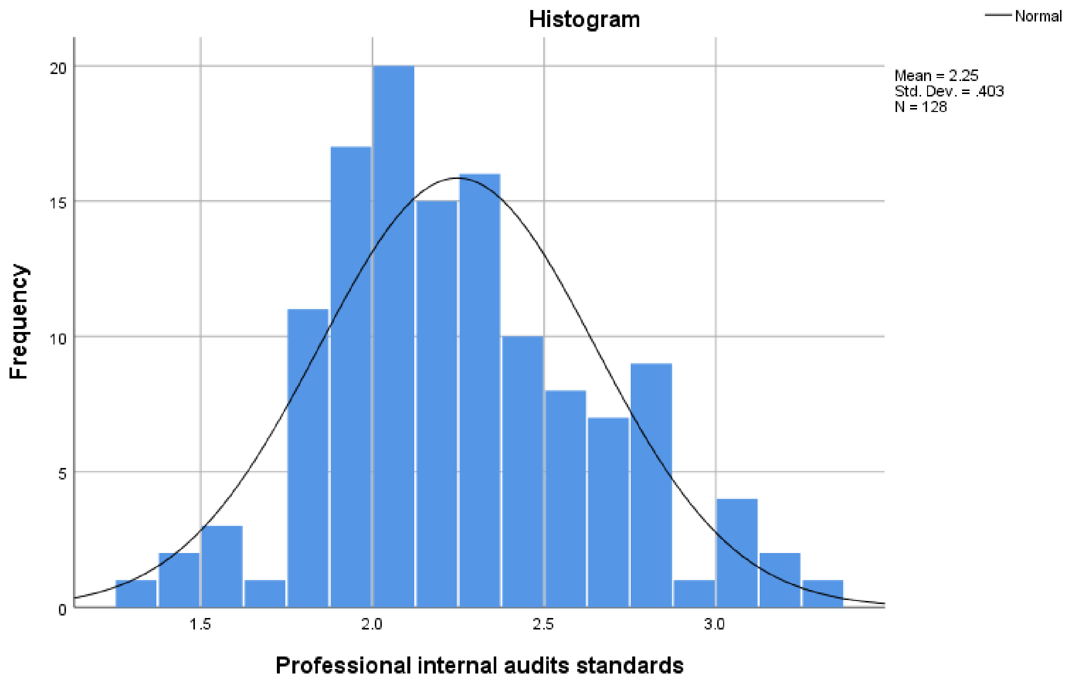


FIGURE 4. 13

Normality Plot for Internal Audit Independence

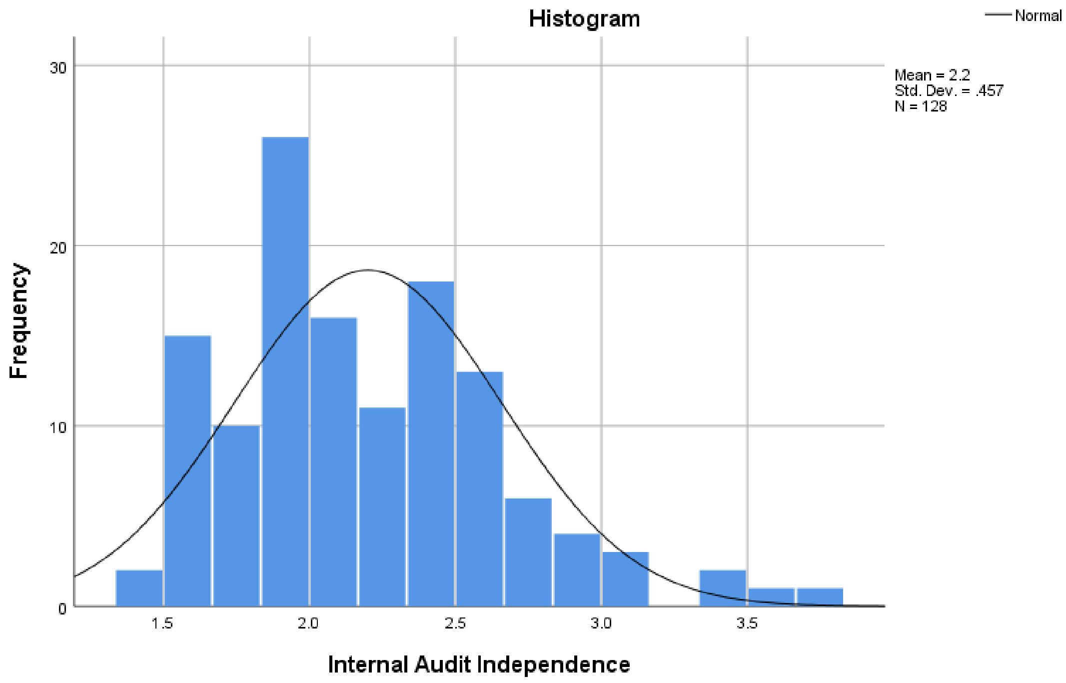


FIGURE 4. 14

Normality Plot for Professional Competence

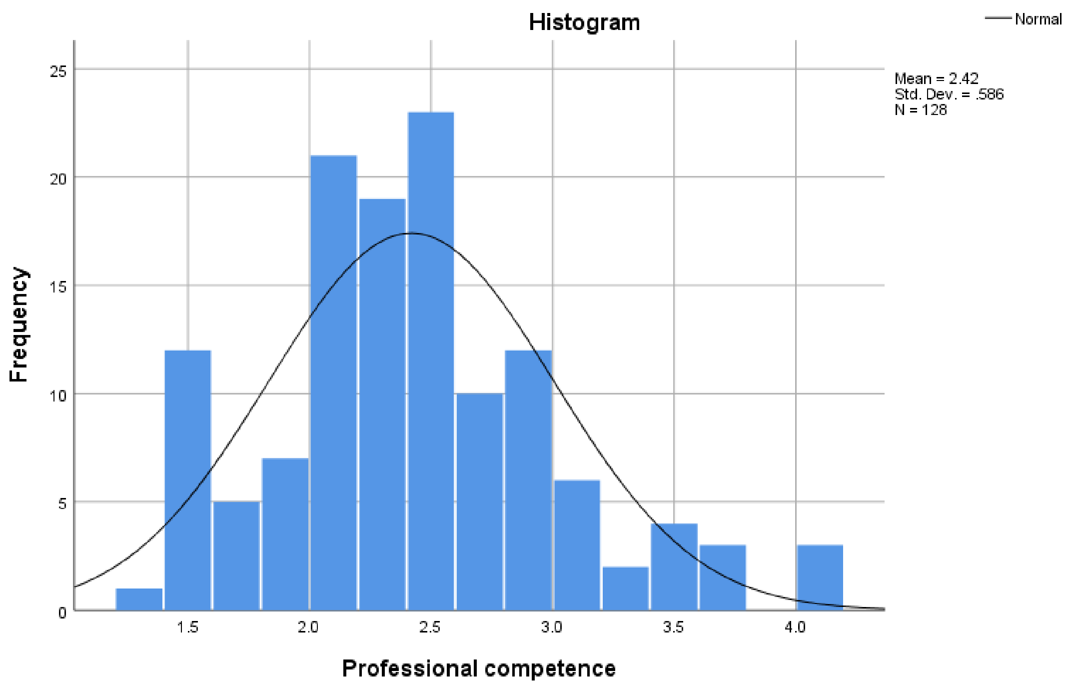
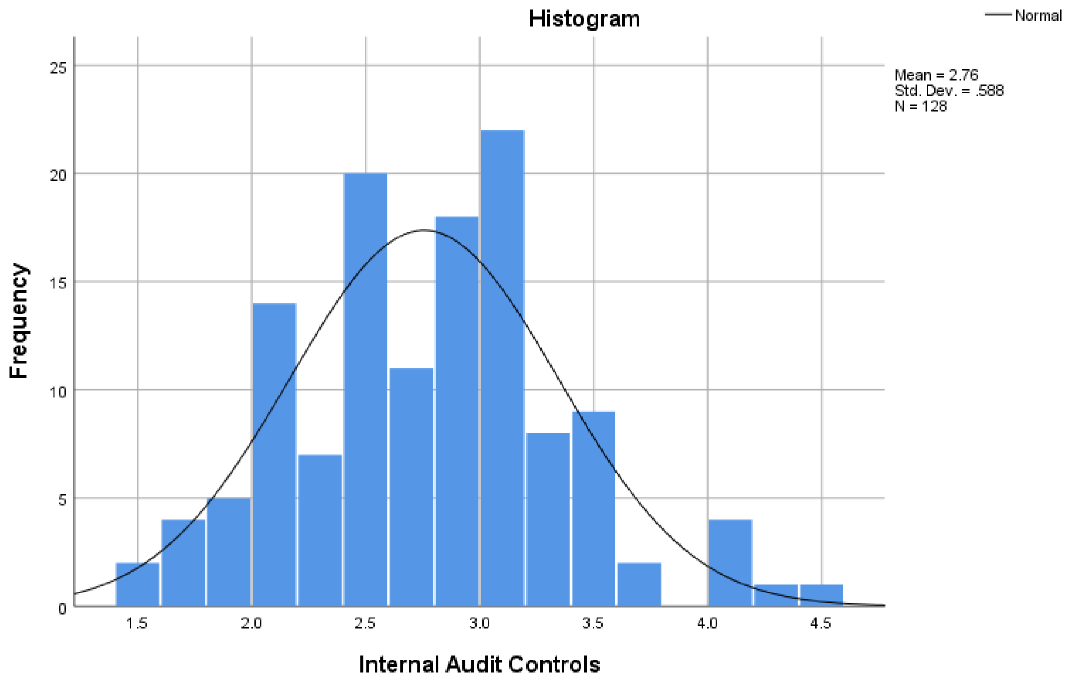


FIGURE 4. 15

Normality Plot For Internal Audit Controls



The null hypothesis states that the data is normally distributed. From Figure 4.11 to Figure 4.15, the normality plots indicated absence of abnormal data distribution.

4.5.3 Multicollinearity

Multicollinearity analysis helps in determining the strength of a linear relationship between two variables. In perfect positive correlation, the two variables are positively related. A value of negative 1 represents a perfect negative correlation and that when the values of one variable increase, the value of the other variable decreases (Taylor, 1990; Schober, Boer & Schwarte, 2018). Multicollinearity was assessed in this study using the variance inflation factors (VIF). VIF values in excess of 10 and tolerance values of less than 0.2 is an indication of the presence of Multicollinearity. Multicollinearity of variables was tested by using the tolerance value with tolerance level of more than 0.2 and variance inflation factor (VIF) with a tolerance level of less than 10 (Miles, 2014).

TABLE 4.13

Collinearity Statistics

Variable	**Tolerance**	**VIF**
Professional internal audits standards	0.4890	2.0450
Internal Audit Independence	0.4950	2.0200
Professional competence	0.6230	1.6040
Internal Audit Controls	0.3060	3.2660
Average	**0.4783**	**2.2338**

Source: Research Data (2021)

The results in Table 4.13 present average variance inflation factors results which were established to be **2.2338** which is less than 10 and tolerance of more than 0.2 (**0.4783**). Thus, according to (Miles, 2014) indicates that the problem of Multicollinearity was minimized.

4.5.4 Heteroscedasticity Test

The null hypothesis of this study indicates that the error variance is homoscedastic, thus the null hypothesis is rejected if the error term is found to be varying. If the error variance is not constant, then there is heteroscedasticity in the data. Running a regression model without accounting for heteroscedasticity the error variance would lead to biased parameter estimates in the model estimate (White, 1980). To test for heteroscedasticity, the graphical scatter plot method was used.

FIGURE 4. 16

Graphical P-P Plots

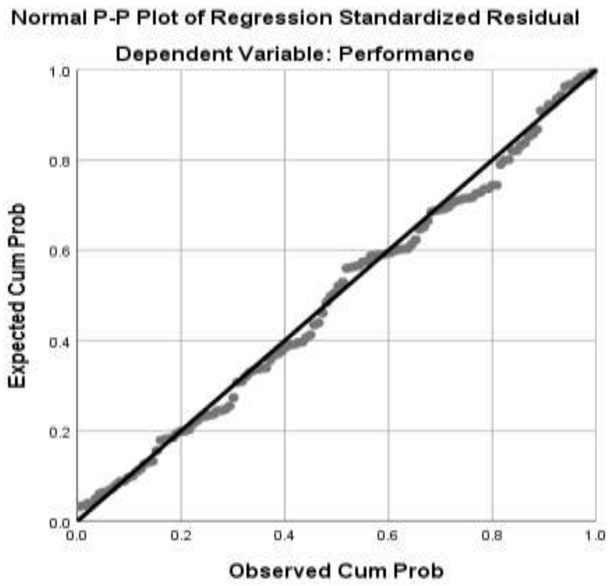
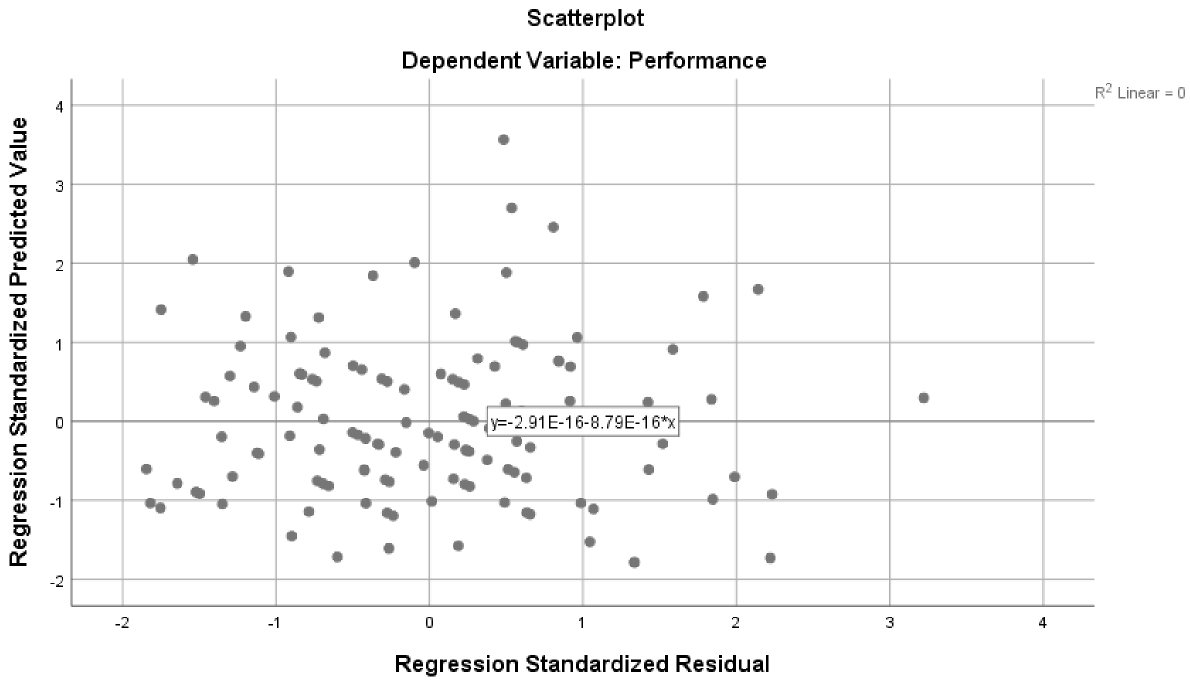


FIGURE 4. 17

Error Variance Of The Residuals



Since, the null hypothesis of this study indicates that the error variance is homoscedastic; the results indicate that there is the no presence of heteroscedasticity in the use of the ordinary least squares (OLS) regression. This is evidenced by the graphical scatter plots which oscillate along the standardized residual regression line.

4.5.5 Test of Autocorrelation

Serial correlation/Auto correlation occurs when the effect of one independent variable on another independent variable travels across time intervals affecting the future levels of the other independent variable. The null hypothesis is that there is no first-order autocorrelation. The Durbin-Watson statistic should range between 1.5 and 2.5 to imply absence of correlation between residual terms (Akter, 2014; White, 1992). The study adopted the Durbin-Watson test to test for autocorrelation.

TABLE 4.14

Test of Autocorrelation

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1	.751a	0.563	0.549	0.306229	**2.338**

a Predictors: (Constant), Internal Audit Controls, Professional competence, Internal Audit Independence, Professional internal audits standards

b Dependent Variable: Performance

From the Table 4.14 the null hypothesis of no serial correlation between residual terms is accepted given that the Durbin Watson statistic was 2.338 and within the acceptable range of 1.5 and 2.5. Therefore, there is no 1st order correlation between residual terms.

4.6 Inferential Statistics

Inferential statistics refers to the techniques that allow a study to make inferences about a population based on the collected data from the respective sample. In essence they allow for the determination of how likely it is to obtain a set of results from a single sample. In the current study inferential statistics were assessed using the Correlation and regression analyses.

4.6.1 Correlation Between Internal Audit and Organizational Performance of the State Corporations in Kenya.

The Pearson correlation coefficient was used to determine the association between the variables which is denotated by **r**. Correlation coefficients (**r**) range from -1 to 1. A *0* signifies that the factor is not associated to one another, but a value of ±*1* shows that the two parameters are in perfect association. The link between the two variables will get weaker, as the value of the **r** goes to *0*. A + sign indicates a positive relationship and a – sign shows a negative link. The direction of the association is represented by the sign of the **r** (Gogtay & Thatte, 2017).

TABLE 4.15

Correlation Analysis Between Internal Audit On Organizational Performance of the State Corporations in Kenya.

Correlations		Performance	Professional internal audits standards	Internal Audit Independence	Professional competence	Internal Audit Controls
Performance	Pearson Correlation	1				
	Sig. (2-tailed)					
Professional internal audits standards	Pearson Correlation	.640**	1			
	Sig. (2-tailed)	0.000				
Internal Audit Independence	Pearson Correlation	.538**	.613**	1		
	Sig. (2-tailed)	0.000	0.000			
Professional competence	Pearson Correlation	.519**	.259**	.285**	1	
	Sig. (2-tailed)	0.000	0.003	0.001		
Internal Audit Controls	Pearson Correlation	.539**	.379**	.403**	.590**	1
	Sig. (2-tailed)	0.000	0.000	0.000	0.000	

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

The results in table 4.15 above show that there is a positive and significant association between internal audit standards and organizational performance of state corporations in Kenya. The strong r value of 0.640 indicates a value of greater than 0 which implies that internal audit standards as a linear variable has a positive association with organizational performance of state corporations in Kenya. These findings agree with Mihret (2010) and Ondieki (2013).

Likewise, the table shows that there is a positive and significant association between written internal audit independence and organizational performance of state corporations in Kenya (r=0.538**, p=0.000). The strong r value of 0.538 indicates a value of greater than 0 which implies that written internal audit independence as a linear variable has a positive association with organizational performance of state corporations in Kenya. These findings corroborate those of Mebratu (2015) and Asaolu (2016).

Likewise, the table shows that there is a positive and significant association between internal audit professional competency and organizational performance of state corporations in Kenya (r=0.519**, p=0.000). The strong r value of 0.519 indicates a value of greater than 0 which implies that internal audit professional competency as a linear variable has a positive association with organizational performance of state corporations in Kenya. These findings corroborate those of Rahahle (2017) and Alzeban and Gwilliam (2012).

The results further show that there is a positive and significant association between internal audit controls and organizational performance of state corporations in Kenya (r=0. 539**, p=0.000). The strong **r** value of 0. 539 indicates a value of greater than 0 which implies that internal audit controls as a linear variable has a positive association with organizational performance of state corporations in Kenya. These findings agree with Rahmatika (2014), Makori (2016) and Barasa (2015).

4.6.2 Regression Between Internal Audit and Organizational Performance of the State Corporations in Kenya

The study also sought to investigate the causal effect of the independent variables on the dependent variable. The findings represent the model of fitness, ANOVA tests and the regression of coefficients.

TABLE 4.16

Model of Fitness for Internal Audit and Organizational Performance

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.757a	0.574	0.560	0.302629182

a Dependent Variable: Financial performance

b Predictors: (Constant), Internal Audit Controls, Professional competence, Internal Audit Independence, Professional internal audits standards

Table 4.16 indicates that internal audit standards, internal audit independence, internal audit professional competency and internal audit controls affects organizational performance of state corporations in Kenya. This is evident, as shown by the R square value which 0.574. This implies that 57.4% of organizational performance of state corporations in Kenya can be explained by internal audit standards, internal audit independence, internal audit professional competency and internal audit controls whereas 42.6% can be explained by other variables which are not included in this model.

TABLE 4.17

ANOVA for Internal Audit and Organizational Performance

	Sum of Squares	Df	Mean Square	F	Sig.
Regression	15.156	4	3.789	41.371	.000b
Residual	11.265	123	0.092		
Total	26.42	127			

a Dependent Variable: Financial performance

b Predictors: (Constant), internal audit controls, professional competence, internal audit independence, professional internal audits standards

The results in Table 4.17 show that the model was statistically significant implying that internal audit standards, internal audit independence, internal audit professional competency and internal audit controls are good and significant predictors of organizational performance of state corporations in Kenya ($p = 0.000$). This is further supported by the F statistic 41.371 where the value was greater than the critical value at 0.05 significance level, $F_{statistic} = 41.371 > F_{critical} = 2.436$ (4, 123).

TABLE 4.18

Regression of Coefficients for Internal Audit and Organizational Performance

Variables	Unstandardized Coefficients β	Std. Error	Standardized Coefficients Beta	t	Sig.
(Constant)	0.102	0.177	–	0.580	0.563
Professional internal audits standards	0.482	0.086	0.425	5.605	0.000
Internal Audit Independence	0.134	0.077	0.134	1.748	0.083
Professional competence	0.214	0.057	0.275	3.761	0.000
Internal Audit Controls	0.125	0.060	0.162	2.088	0.039

a Dependent Variable: Financial performance

Table 4.18 revealed that internal audit standards have a positive and significant effect on organizational performance of state corporations in Kenya (**β** = 0.482, p=0.000). This implies that improvement in 1 unit of internal audit standards leads to an improvement in organizational performance of state corporations in Kenya by 0.482 units (vice versa is also true). These findings agree with Ondieki (2013) and Mihret (2010).

The table further revealed that internal audit independence has a positive and an insignificant effect on organizational performance of state corporations in Kenya (**β**= 0.134, p=0.083). This implies that improvement in 1 unit of internal audit independence leads to an improvement in organizational performance of state corporations in Kenya by 0.134 units. However, due to insignificance of the relationship, the results imply that the current data points under observation cannot scientifically justify the relationship between internal audit independence and organizational performance of state corporations in Kenya. This calls for more data incorporation to establish significance. These findings are thus, not in agreement with Asaolu (2016) and Wanyama (2018).

The table also indicated that internal audit professional competency has a positive and significant effect on organizational performance of state corporations in Kenya (**β**= 0.214, p=0.000). This implies that improvement in 1 unit of internal audit professional competency leads to an improvement in organizational performance of state corporations in Kenya by 0.214 units (vice versa is also true). The findings are consistent with Jachi and Yona (2019) as well as Sawan and Alzeban (2013).

The table also indicated that internal audit controls have a positive and significant effect on organizational performance of state corporations in Kenya (**β**= 0.125, p=0.039). This implies that improvement in 1 unit of internal audit controls leads to an improvement in organizational performance of state corporations in Kenya by 0.125 units (vice versa is also true). The findings are consistent with Rahmatika (2014), Makori (2016) and Barasa (2015). The following model shows the actual representation:

$$Y=0.102 + 0.482X_1 + 0.214X_2 + 0.125X_3$$

Where; Y= Organizational performance

X_1 = Professional internal audits standards

X_2 = Internal audit professional competency

X_3= Internal audit controls

e = error term that is other variables not included in the model that may affect organizational.

CHAPTER FIVE

SUMMARY, CONCLUSIONS AND RECOMMENDATIONS

5.1 Introduction

This chapter puts together the findings of the study while drawing comparisons from previous similar studies to find areas of agreement and areas in which the research differs with those carried out by other researchers. This chapter also includes conclusions and recommendations as well as limitations that the researcher incurred, and areas proposed for further research in the field.

5.2 Summary of the Study

5.2.1 Internal Audit Standards and Organizational Performance of State Corporations in Kenya.

The correlation findings show that there is a positive and significant association between internal audit standards and organizational performance of State Corporations in Kenya. The strong **r** value implies that internal audit standards as a linear variable has a positive association with organizational performance of state corporations in Kenya. The regression findings also revealed that internal audit standards have a positive and significant effect on organizational performance of state corporations in Kenya (**β** = 0.482, p=0.000). This implies that improvement in 1 unit of internal audit standards leads to an improvement in organizational performance of state corporations in Kenya by 0.482 units (vice versa is also true).

5.2.2 Internal Audit Independence and Organizational Performance of State Corporations in Kenya

The correlation findings indicate that there is a positive and significant association between written internal audit independence and organizational performance of state corporations in Kenya (r=0.538**, p=0.000). The strong **r** value of 0.538 indicates a value of greater than 0 which implies that written internal audit independence as a linear variable has a positive association with organizational performance of state corporations in Kenya. The regression findings also revealed that internal audit independence has a positive and an insignificant effect on organizational performance of state corporations in Kenya (**β**= 0.134, p=0.083). This implies that improvement in 1 unit of internal audit independence leads to an improvement in organizational performance of state corporations in Kenya by 0.134 units. However, due to insignificance of the relationship, the results imply that the current data points under observation cannot scientifically justify the relationship between internal audit independence and organizational performance of state corporations in Kenya. This calls for more data incorporation to establish significance

5.2.3 Internal Audit Professional Competency and Organizational Performance of State Corporations in Kenya

The correlation findings indicate that there is a positive and significant association between internal audit professional competency and organizational performance of state corporations in Kenya (r=0.519**, p=0.000). The strong r value of 0.519 indicates a value of greater than 0 which implies that internal audit professional competency as a linear variable has a positive association with organizational performance of state corporations in Kenya. The regression findings also indicated that internal audit professional competency has a positive and significant effect on organizational performance of state corporations in Kenya (**β**= 0.214, p=0.000). This implies that improvement in 1 unit of internal audit professional competency leads to an improvement in organizational performance of state corporations in Kenya by 0.214 units (vice versa is also true).

5.2.4 Internal Audit Controls and Organizational Performance of State Corporations in Kenya

The results further show that there is a positive and significant association between internal audit controls and organizational performance of state corporations in Kenya (r=0. 539**, p=0.000). The strong **r** value of 0. 539 indicates a value of greater than 0 which implies that internal audit controls as a linear variable has a positive association with organizational performance of state corporations in Kenya. The regression findings also indicated that internal audit controls have a positive and significant effect on organizational performance of state corporations in Kenya (**β**= 0.125, p=0.039). This implies that improvement in 1 unit of internal audit controls leads to an improvement in organizational performance of state corporations in Kenya by 0.125 units (vice versa is also true).

5.3 Conclusions of the Study

The study therefore, concludes that internal audit standards, internal audit independence, internal audit professional competency and internal audit controls have a significant and positive effect on the organizational performance of state corporations in Kenya.

This is based on the findings that showed that Professional internal audit standard and compliance with professional standards is important to conduct of internal audit; thus, conducting internal audit activity according to professional internal auditing standards contributes significantly to effectiveness of internal audit department. The study affirms that the presence of approved audit charter, approved annual work plan can it indicate compliance. In addition, the study concludes that the implementation of internal audit work plan may stimulate innovation within an organisation, contribute to the improvement of risk management, control and governance in the state corporations and help an organization achieve customer satisfaction, improved internal process, innovation and improved financial management hence overall organizational performance.

Furthermore, the study comes to a conclusion that there is a key role played by the autonomy of the internal auditors. In essence, the autonomy of the audit committee must be independent for better organizational performance; the integrity of the auditor’s opinions, conclusions and recommendations depends on level of independence of the internal audit function and thus, the internal audit independence is necessary for the effective achievement of the function and objective of internal audit function. However, due to insignificance of the relationship, the results imply that the current data points under observation cannot scientifically justify the relationship between internal audit independence and organizational performance of state corporations in Kenya. This calls for more data incorporation to establish significance.

The study also concludes that the internal auditors’ competence and professionalism is a key factor to be considered for good performance of an organization. Therefore, a competent internal auditor and chairperson can prevent financial malpractices and boost organizational performance. Through the recruitment of professional staff in the audit department, frauds can easily be detected by the internal audit function and only a professional competent internal audit can detect and deter it. Internal audit needs multi-skills thus, frequent trainings to maintain professional competence hence effective performance of audit activity is necessary.

Finally, the study concludes that effective internal audit function has a significant positive relation to strong internal audit control. This implies that errors and inaccuracy in financial statement reflect weak internal audit control system. In addition, the lack of segregation of accounting and custodian functions hinders detection of financial malpractice and it implies weak internal controls. The study also concludes that effective internal audit control helps to reduce /eliminate fraudulent activities and corruption in state corporations. Furthermore, internal audit function can help state corporations improve internal control and organizational performance

5.4 Recommendations of the Study

The researcher, based on the literature and subsequent responses from the study has a number of recommendations.

To the policy makers, the study recommends a close attention to be paid on the internal audit, especially in monitoring and evaluation of processes to ensure quality standards in the management and performance of state corporations in Kenya. Likewise, the policy makers can look into the existing policies and regulations regarding internal audits of state corporations in Kenya, to seek and identify areas of improvement to alleviate the problem of poor quality service delivery of the state corporations in Kenya.

The study recommends consistent and professional internal monitoring and evaluation of the audit department for transparency and accountability. This is based on the fact that the study has established that professional internal audits standards have the strongest contribution to organizational performance.

Likewise, for improved performance of the auditors and their professional competence, the study recommends frequent on and off-job training of the internal audit staff. This helps to build up their skills and expertise on matters internal auditing. Likewise, to ensure continuity of professionally performing internal audit department, the study recommends training and equipping young staff into the filed for sustenance of improved performance of the internal audit department.

According to the research findings, risk analysis should be prompted at the level of individual firms and across the entire spectrum of activities and supplements of the established organization. This involves assessing risks to identify which are under the state corporation's control and which are not. This can be achieved in a variety of ways.

5.5 Areas for Further Research

The general objective of the study was to examine the effect of internal audit on organizational performance of the State Corporations in Kenya. Therefore; the study recommends that further research can be extrapolated to other firms like social enterprises, commercial banks and other financial institutions. This can offer an avenue for other future scholars to benchmark on the current findings and conduct further studies to provide a comparison approach to the findings.

5.6 Limitations of the Study

The study was limited to state owned corporations in Kenya. Some of the states owned corporations were reluctant to provide information needed for the study because of the fear that the sought information may be used in intimidating them or showing a bad image about the company. This was mitigated through having a letter of introduction from the University stating the study objective and giving an assurance that the provided information was to be treated with confidentiality and would purely be used for academic purposes. Secondly, there was likelihood of delay response attributed to the busy schedule of employees. This was mitigated by scheduling meetings with the senior managers where they were encouraged to provide financial statements for the study. This study was also limited to the selected sample of state-owned corporations. The study mainly focused on top management and thus the data seemed to be narrowed and responses might fall prey of bias and representativeness. The study recommends future studies to incorporate the lower-level employees for an increased scope of study.

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APPENDICES

Appendix I: List of State Corporations

	Name	Government of Kenya Shareholding		Profit/Loss for Year 2019/20
		Direct (%)	Indirect (%)	Kshs
1	Kenya Broadcasting Corporation	100		(9,790,194,000)
2	Kenya Power &Lighting Company Ltd	100		(3,378,975,000)
3	Nzoia Sugar Company	98	1	(3,012,792,000)
4	East African Portland Cement Company Ltd	25	27	(2,525,459,000)
5	Kenyatta National Referral Hospital	100		(2,047,910,000)
6	Kenya National Bureau Of Statistics	100		(1,845,831,591)
7	National Oil Corporation Of Kenya	100		(1,467,089,000)
8	Kenya Post Office Savings Bank	100		(1,400,244,912)
9	Postal Corporation Of Kenya	100		(1,243,859,896)
10	National Cereals And Produce Board	100		(1,050,850,760)
11	Kenya Forest Service	100		(1,019,944,068)
12	Kenya Electricity Transmission Company	100		(963,219,000)
13	Kenya Wildlife Service	100		(856,207,000)
14	Mohoroni Sugar Company Ltd	83		(794,928,000)
15	Tana and Athi Rivers Development Authority	100		(604,199,526)

16	Chemelil Sugar Company Limited	98	2	(577,778,407)
17	Athi River Water Services Board	100		(566,465,127)
18	National Drought Management Authority	100		(474,833,303)
19	National Government Constituencies Development Fund Board	100		(449,811,205)
20	Pharmacy And Poison Board	100		(412,005,123)
21	Lake Victoria North Water Services Board	100		(372,676,479)
22	National Transport & Safety Authority	100		(335,681,008)
23	Agro-Chemical And Food Company	44	56	(313,426,232)
24	Tana Water Services Board	100		(291,107,492)
25	Kenya Trade Network Agency	100		(278,054,549)
26	South Nyanza Sugar Company Limited	99	1	(255,516,000)
27	National Youth Council	100		(245,500,577)
28	National Council for Persons With Disabilities	100		(200,602,904)
29	Kenya Ordinance And Factories Corporation	100		(190,298,379)
30	Kenya Agricultural And Livestock Research Organization	100		(177,766,000)
31	Lake Basin Development Authority	100		(175,146,091)
32	Agricultural, Fisheries And Food Authority	100		(161,768,000)
33	Child welfare Society Of Kenya	100		(150,703,595)
34	Retirement Benefits Authority	100		(128,868,494)
35	Water Services Regulatory Board	100		(124,251,138)
36	Kerio Valley Development Authority	100		(121,420,932)
37	Kenya Petroleum Refineries Limited	100		(116,605,892)

38	Lands Limited		100	(111,205,266)
39	Kenya Ferry Services	80	20	(108,290,000)
40	Kenya Marine & Fisheries Research Institute	100		(102,105,701)
41	Kenya Meat Commission	100		(100,874,191)
42	Privatization Commission	100		(89,873,759)
43	Agricultural Development Corporation	100		(78,875,000)

44	Bomas Of Kenya	100		(65,034,170)
45	National Water Conservation And Pipeline Corporation	100		(63,665,218)
46	Kenya Bureau Of Standards	100		(62,660,477)
47	Kenya Water Towers Agency	100		(58,895,248)
48	Tourism Finance Corporation	100		(55,997,981)
49	Council Of Governors	100		(54,359,031)
50	Export Processing Zones Authority	100		(50,095,160)
51	Kenya National Shipping Line	100		(47,917,040)
52	Kenya Revenue Authority	100		(42,025,000)
53	Public Procurement Oversight Authority	100		(32,363,635)
54	School Equipment Production Unit	100		(30,813,401)
55	Kenya Scouts Association	100		(26,493,792)
56	National Commission For Science, Technology And Innovation	100		(26,378,127)
57	Kenya National Assurance Corporation (2001)	100		(23,227,000)
58	Kipchabo Tea Factory Ltd		100	(18,510,052)
59	Kenya Academy Of Sports	100		(13,023,054)

60	Kenya Plant Health Inspectorate Services	100		(11,000,000)
61	Kenya Tsetse & Tyrpanosomiasis Eradication Council	100		(9,847,079)
62	National Crime Research Centre	100		(9,783,995)
63	Sunset Hotel Ltd	100		(9,761,439)
64	Kenya Anti-Doping Agency	100		(9,082,799)
65	Numerical Machining Complex	100		(8,884,375)
66	Kenya Tourism Board	100		(8,739,558)
67	Kabarnet Hotel	100		(7,809,261)
68	Kenya ICT Authority	100		(7,744,000)
69	Golf Hotel Limited	100		(7,635,425)
70	Western Kenya Rice Mill Ltd		60	(7,550,228)
71	Kenya National Convention Bureau	100		(6,539,542)
72	Kenya Veterinary Board	100		(4,830,467)
73	National Aids Control Council	100		(4,093,130)
74	Nairobi Centre For International Arbitration	100		(4,093,130)
75	Northern Water Services Board/Northern Water Works Development Agency	100		(3,502,702)
76	Kenya Medical Laboratory Technician And Technologists Board	100		(3,016,486)
77	Kenya National Accreditation Service	100		(2,683,752)
78	Kenya Citizens And Foreign Nationals Management Service	100		(1,660,000)
79	Kenya Cultural Centre	100		(1,032,292)
80	Water Resources Management Authority	100		(950,459)
81	Kenya Copyright Board	100		(294,630)

82	University Of Nairobi Press		100	(269,638)
83	National Environmental Complaint Committee	100		(233,614)
84	National Fund For Disabled Of Kenya	100		-
85	Rivatex EA Ltd		100	-
86	Similaw Seeds Company Ltd		100	-
87	Agriculture And Food Authority	100		-
88	Kenyatta International Convention Centre	100		-
89	Miwani Sugar Company Ltd	100		-
90	Mount Elgon Hotel	100		-
91	Rural Electrification Scheme	100		-
92	State Corporations Appeal Tribunal	100		-
93	Tanathi Water Services Board	100		-
94	Auctioneers Licensing Board	100		1,041
95	Kenya Investment Authority	100		4,028
96	Kenya Film Classification Board	100		177,959
97	Kenya Animal Genetics Resource Center	100		293,802
98	Kenya Dairy Board	100		502,555
99	Kenya Year Book Editorial Board	100		523,207
100	Coast Development Authority	100		640,149
101	Konza Technopolis Authority	100		841,767
102	Tourism Regulatory Authority	100		972,608
103	Pest Control Products Board	100		1,183,399

104	Unclaimed Financial Assets Authority	100		1,403,516
105	National Council For Population And Development	100		1,867,828
106	National Authority For The Campaign Against Alcohol And Drug Abuse	100		2,003,468
107	Nursing Council Of Kenya	100		2,094,586
108	Sports Kenya	100		3,573,051
109	National Environmental Management Authority	100		3,598,000
110	National Council For Law Reporting	100		3,603,953
111	Competition Authority Of Kenya	100		4,047,167
112	Saving And Credit Societies Regulatory Authority	100		4,680,794
113	Registration Of Certified Public Secretaries Board	100		5,205,803
114	Anti-Female Genital Mutilation Board	100		5,885,072
115	Kenya Industrial Estates.	100		6,311,000
116	Brand Kenya Board/Kenya Export Promotion& Branding Agency	100		8,978,526
117	Regional Centre On Ground Water Resources Education Training	100		9,371,145
118	Public Sector Accounting Standards Board	100		11,360,368
119	National Quality Control Laboratories	100		14,140,825
120	Ewaso Ng'iro South Development Authority	100		14,564,824
121	Nyayo Tea Zones Development Corporation	100		16,133,190
122	Kenya National Innovation Agency	100		17,645,355
123	National Communication Secretariat	100		17,797,836
124	Micro And Small Enterprises Authority	100		18,808,764
125	Kenya Safari Lodges & Hotels	100		21,517,000

126	Kenya Leather Development Council	100		22,337,680
127	Anti-Counterfeit Agency	100		24,773,958
128	New Partnership For African Development(Nepad)	100		24,828,306
129	National Cohesion & Integration	100		25,937,907
130	Industrial Development Bank		100	26,505,000
131	Presidential Award Kenya	100		28,538,297
132	Mwea Rice Millers Ltd		55	29,542,002
133	New Kenya Co-Operative Creameries	100		30,578,928
134	Assets Recovery Agency	100		32,650,890
135	Kenya National Commission For Unesco	100		33,078,703
136	Energy Regulatory Commission	100		40,769,684
137	Media Council Of Kenya	100		41,225,468
138	Kenya Law Reform Commission	100		48,215,704
139	Medical Practioners And Dentists Board	100		48,920,760
140	Kenya Space Agency	100		51,660,324
141	Tourism Research Institute & Monitoring Mechanism	100		52,047,184
142	National Biosafety Authority	100		52,840,261
143	Business Services Registration Board	100		55,793,219
144	Kenya National Qualifications Authority	100		59,085,577
145	Business Registration Services-Official Receiver	100		60,927,955
146	National Employment Authority	100		65,017,796
147	Kenya Vision 2030 Delivery Secretariat	100		71,197,840

148	Centre For Mathematics, Science And Technology In Africa	100		75,035,058
149	Rift Valley Water Services Board	100		76,789,215
150	Capital Markets Authority	100		77,840,000
151	Jomo Kenyatta Foundation	100		84,129,000
152	Lapset Corridor Development Authority	100		86,202,455
153	Council Of Legal Education	100		86,515,484
154	Engineers Registration Board Of Kenya	100		93,644,312
155	Kenya Seed Company Limited		53	94,372,000
156	Veterinary Medicine Directorate	100		98,982,247
157	Financial Reporting Centre	100		106,572,188
158	Kenya Film Commission	100		123,950,249
159	National Irrigation Board	100		132,338,132
160	Moi Teaching And Referral Hospital	100		142,542,839
161	Kenya Literature Bureau	100		147,119,855
162	Public Trustee Of Kenya	100		165,255,000
163	National Museums Of Kenya	100		165,953,191
164	Kenya Civil Aviation Authority	100		177,023,480
165	Insurance Regulatory Authority	100		220,902,851
166	Ngo Co-Ordination Board	100		232,451,371
167	Kenya Nuclear Board	100		240,663,521
168	Kenya Airports Authority	100		280,195,000
169	Water Services Trust Fund	100		282,468,423

170	Agricultural Finance Corporation	100		288,866,000
171	National Construction Authority	100		331,396,983
172	Coast Water Services Board	100		344,123,185
173	Kenya Roads Board	100		350,602,000
174	Lake Victoria South Water Services Board	100		403,655,629
175	Communications Authority Of Kenya	100		508,454,000
176	National Housing Corporation	100		556,468,326
177	Higher Education Loans Board	100		720,573,549
178	Kenya Maritime Authority	100		761,422,469
179	Ewaso Ng'iro North Development Authority	100		764,039,596
180	Industrial & Commercial Development Corporation	100		1,046,871,654
181	Development Bank Of Kenya		89	1,080,733,000
182	Kenya Urban Roads Authority	100		1,148,683,270
183	Kenyatta Universities Teaching And Referral And Research Hospital	100		1,225,905,637
184	Geothermal Development Company	100		1,576,260,000
185	Kenya Medical Supplies Authority	100		1,663,483,465
186	Consolidated Bank Of Kenya	49	51	3,537,798,000
187	Kenya Reinsurance Corporation	60		3,787,256,000
188	Kenya Rural Roads Authority	100		3,942,649,000
189	Kenya National Highway Authority	100		4,098,844,038
190	Kenya Ports Authority	100		4,119,888,000
191	Rural Electrification Authority	100		5,399,883,000

192	Kenya Pipeline Company	100		5,926,636,108
193	Kenya Electricity Generating Company	70		10,543,244,000
194	Kenya Deposits Insurance Corporation	100		17,042,641,000
195	Central Bank Of Kenya	100		41,530,000,000
196	Kenya Railways Corporation	100		60,186,741,225

Source: Un-audited consolidated financial statement for SC& SAGAs 2019/2020

Appendix II: Questionnaire

I am a student at KCA University carrying out research on effect of internal audit on organizational performance of the state corporations in Kenya as a partial fulfilment of the Master's degree award in finance and investment. Information given will be purely used for academic purpose and would not be used for any other purpose and will be treated confidentiality. The respondents are highly encouraged to respond to questionnaire in utmost good faith. Your participation in facilitating this study will be highly appreciated.

Part A: General Information (Tick where applicable)

1. Gender:

Male	[ ]	Female	[ ]

2. Age (Years):

18-28	[ ]	29-38	[ ]
39-48	[ ]	49-58	[ ]
Above 59	[ ]		

3. level of education:

Secondary level	[ ]	Diploma level	[ ]
Bachelor's degree level	[ ]	Master's Degree level	[ ]
PhD level	[ ]	Others	………….

4. Professional qualification

CPA	[ ]	CIA	[ ]
CISA	[ ]	CFE	[ ]
ACCA	[ ]	Others	……..

5. How long have you worked in the organization internal audit function?

1-3	[ ]	4-6	[ ]
7-9	[ ]	Above 10	[ ]

Part B: Professional internal audits standards (Tick where applicable)

1. To what extent do professional internal audits standard affect organizational performance of state corporations in Kenya?

Very great extent	[ ]
Great extent	[ ]
Moderate extent	[ ]
Low extent	[ ]
Very Low extent	[ ]

2. What is your level of agreement with the following statements that relate to internal audit standards and organizational performance of the state corporations in Kenya? (5-strongly agree, 4- agree, 3-neutral, 2-disagree, 1 - strongly disagree)

Statement	**1**	**2**	**3**	**4**	**5**
Professional internal audit standard is important to conduct of internal audit.					
Conducting internal audit activity according to professional internal auditing standards contributes significantly to effectiveness of internal audit department.					
Complying with professional standards is the most important contributor to internal audit's added value.					
Presence of approved audit charter, approved annual work plan can it indicate compliance.					
Professional internal audit standards recognize that internal auditors also provide other services that improve internal					

business process.					
Full implementation of internal audit work plan may stimulate innovation within an organisation.					
Internal audit conducted in line with professional audit standard contribute to the improvement of risk management, control and governance in the state corporations					
Professional internal audit standard has positive impact on performance of the state corporations.					
Generally internal audit conducted within professional standard help an organization achieve customer satisfaction, improved internal process, innovation and improved financial management hence overall organizational performance.					

Part C: Internal Audit Independence (Tick where applicable)

3. To what extent do Internal Audit Independence of affect the organisational performance of the state corporations in Kenya?

Very great extent [ ]

Great extent [ ]

Moderate extent [ ]

Low extent [ ]

Very Low extent [ ]

4. What is your level of agreement with the following statements that relate to Internal Audit Independence and organizational performance of the state corporations in Kenya? (5- strongly agree, 4- agree, 3-neutral, 2-disagree, 1 - strongly disagree)

Statement	**1**	**2**	**3**	**4**	**5**
internal audit independence is importance for good improved internal processes.					
Chief internal auditor and other audit staff must be independent of the operational activities of an organization.					
Chairperson of the audit committee must be independent for better organizational performance.					
The integrity of the auditor's opinions, conclusions and recommendations depends on level of independence of the internal audit function.					
Internal audit independence is necessary for the effective achievement of the function and objective of internal audit function					
The internal audit department in the state corporations must be independent from the activities which it controls and must likewise be independent from the day-to-day internal control processes.					
Every state corporation should have audit charter and approved work plan to achieve effectiveness of the audit function and independence.					
Generally internal audit conducted by independent internal audit function can help an organization achieve customer satisfaction, improved internal process, innovation and improved financial management hence overall organizational performance.					

Part D: Professional competence (Tick where applicable)

5. To what extent do professional competence of chief internal auditor and internal audit affect organizational performance of the state corporations in Kenya?

Very great extent [ ]

Great extent [ ]

Moderate extent [ ]

Low extent [ ]

Very Low extent [ ]

6. To what extent does professional competence of audit committee chairperson affect organizational performance of the state corporations in Kenya?

Very great extent [ ]

Great extent [ ]

Moderate extent [ ]

Low extent [ ]

Very Low extent [ ]

7. What is the level of agreement with the following statements that relate to professional competence of chief internal auditor, audit staff and chairperson of audit committee and organizational performance of the state corporations in Kenya? (5-strongly agree, 4- agree, 3-neutral, 2-disagree, 1 - strongly disagree)

Statement	**1**	**2**	**3**	**4**	**5**
Professional competence of internal auditor can be reflected by CPD hours earned					
A competent internal auditor and chairperson can prevent financial malpractices and boost organizational performance.					
Competent internal auditor and chairperson can help improve financial reporting.					
Frauds are detected by the internal audit function and only a professional competent internal audit can detect and deter it.					
Internal audit needs multi-skills thus frequent trainings to maintain professional competence hence effective performance of audit activity is necessary.					
The auditors in the state corporations are professionally qualified to undertake audit function					
Generally internal audit conducted by professionally qualified and competent staff help an organization achieve customer satisfaction, improved internal process, innovation and improved financial management hence overall organizational performance.					

Part E: Internal Audit Controls (Tick where applicable)

8. To what extent do internal audit controls affect organizational performance of the state corporations in Kenya?

Very great extent [ ]

Great extent [ ]

Moderate extent [ ]

Low extent [ ]

Very Low extent [ ]

9. What is your level of agreement with the following statements that relate to internal audit controls and organizational performance of the state corporations in Kenya? (5-strongly agree, 4- agree, 3-neutral, 2-disagree, 1 - strongly disagree)

Statement	**1**	**2**	**3**	**4**	**5**
Effective internal audit function has a significant positive relation to strong internal audit control					
Errors and inaccuracy in financial statement reflect weak internal audit control system.					
The lack of segregation of accounting and custodian functions hinders detection of financial malpractice and it implies weak internal controls					
Organization that discloses an internal audit control problem experience a significant effect in organizational performance.					
Effective internal audit control can reduce /eliminate fraudulent activities and corruption in state corporations.					
Internal audit function can help state corporation improve internal control and organizational					

performance.					
Generally frequent review of internal audit controls helps an organization achieve customer satisfaction, improved internal process, innovation and improved financial management hence overall organizational performance.					

Part F: Organizational Performance of the State Corporations in Kenya (Tick where applicable)

10. What is your level of agreement with the following statements that relate to organizational performance of the state corporations in Kenya? (5-strongly agree, 4- agree, 3-neutral, 2-disagree, 1 - strongly disagree)

Statement	**1**	**2**	**3**	**4**	**5**
The institution internal process has been improving courtesy of the internal audit measures					
The institution has seen increased innovation due to frequent review and recommendation by internal audit.					
The institution has improved competitiveness in amidst the other players in the industry.					
Level of transparency in corporation has improved and thus the public has faith in the institution					
The delivery of services is reliable and of the specified standards					
There is low turnover of employees in the institution					
The institution has promoted high ethical standards among procurement personnel.					

Thank you