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# INFLUENCE OF INTERNAL AUDIT INDEPENDENCE ON INTERNAL AUDIT EFFECTIVENESS IN THE KIRINYAGA COUNTY GOVERNMENT, KENYA

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**Abstract**

*Auditing has become a crucial part of every modern organization positioning itself for excellence in internal control, corporate governance and prudent financial management. To be effective however, internal auditing activity must be independent. The study explored the relationship between internal audit independence and internal audit effectiveness in the Kirinyaga County Government. A descriptive research design was adopted. The target population of the study consisted of all the forty six (46) staff members from the Directorate of Internal Audit of Kirinyaga County Government. Primary data was collected through a self-administered questionnaire composed of closed ended questions. Descriptive and regression analysis were done with the help of SPSS. The findings indicated that the audit function was less than independent in evidence analysed. Regression analysis revealed that internal audit independence had positive and significant effect on internal audit effectiveness at p value ≤ 0.05. The study concluded that internal audit independence was an important predictor of the effectiveness of the audit function in the county government. The study recommended that the* *county government ensure that the county directorate of internal audit is autonomous and freely accesses audit evidence necessary in the course of their audit work. The function should not perform non audit work, freely determine their scope of audit, and always functionally report to county audit committee.*

*Keywords: Internal Audit Effectiveness, Internal Audit Independence, County Governments, Internal Audit, Agency theory, Non-audit Services*

## INTRODUCTION

In recent times, interest in internal audit effectiveness and the factors that affect it have been on the increase worldwide in public and private sectors. This is mainly due to the changing role of internal audit function that has increased its functional coverage enabling and allowing it to provide value adding capabilities to organisational goal achievement. This is a paradigm shift from its traditional role and focus on compliance testing, internal control and safeguarding assets. However, despite the growing and expanded role and profile of internal audit, factors which affect its effectiveness have attracted little attention from scholars in both public and private sectors (Cohen & Sayag, (2010), Shamshuddin & Bharathii, 2014). This is particularly so in developing countries' local governments (Alzeban & Gwilliam, 2014). This lack of interest and research focus on those factors has limited internal audits' potential to contribute the much desired value adding capabilities to organisational goal achievement in developing countries (Sakour & Laila, 2015). It is against this and other evidence below that this study evaluated effect of internal auditors' independence on internal audit effectiveness in Kirinyaga county government, Kenya.

According to Badara and Saidin (2013), the Institute of Internal Auditors Research Foundation, (2014), Al-Shbail and Turki, (2017) and Irodenko, (2017), interest in determinants of internal audit effectiveness has been ignited by multiple dynamics. These include: increasing organisational and regulatory complexity, corporate governance initiatives such as the Sarbane Oxley's Act-U.S.A., the Combined Code 2003, OECD (2004), King II Report- South Africa, advances in technology, professional pronouncements of IFAC, (2006), and IIARF Practice Standards, (2016). Increased awareness among public and corporate executives of the added value that internal audit can build in organisations has accelerated global interest in its operational coverage, effectiveness and factors which affect that effectiveness (Dellai & Omri, 2016). In recent times, accounting scandals in world class organisations (Enron, Parmalat, WorldCom and others), corporate governance failures (General Motors Corporation Bankruptcy

Filing, 2008, Volks Wagen scandal, The Fédération Internationale de Football Association (FIFA), have been on the increase (Chatterjee , Roth & Witzany , 2014). This is without forgetting the recent global economic meltdown. In aggregate, these developments have precipitated global concern on the effectiveness of internal audit and the factors that affect it in organisations. This is because corruption, lack of transparency and accountability are all part of this situation (Shamshuddin & Bharathii, 2014, IIARF, (2014)). This has further enhanced interest in factors that affect internal audit effectiveness for internal audit to effectively play its modern value adding role in organisational goal achievement (Mustika, 2015).

The increased poor organizational risk management, corporate governance failure, economic instability and the significant possibilities of fraudulent behaviour demonstrated above have elevated the importance of internal audit effectiveness to unprecedented new levels. In consequence interest in auditor’s independence as factors that affect it has come to the fore with renewed vigour (Vinary & Skaerbaek, 2014, Tsipouridou & Spathis, 2014). These developments have enhanced and reinforced the role and responsibilities of internal audit in risk management, corporate governance and internal control mechanisms. It is therefore of interest to both public and private sectors that internal auditors independence as a factor that affect internal audit effectiveness be studied, evaluated and appropriately managed for optimal contribution of the function to organizational goal achievement (George, Theofanis & Konstantinos, 2015). While internal auditing is playing its rightful role in developed countries, the pace of its adoption in developing countries has been slow and in some cases non-existent (Dellai & Omri, 2016). In this regard, studies have been conducted on independence as a factor affecting internal audit effectiveness in developed countries and private sector but few in developing countries and public sector. No study on the variable has been carried in Kirinyaga county government in Kenya. The county government has had qualified external audit reports for the last four years. This situation has resulted in growing interest and increasing focus on the question of independence and effectiveness of internal audit in over sighting internal control, risk management and corporate governance in the developing countries public sector and in particular Kirinyaga county government. The recent global financial crisis has accelerated the questioning of effectiveness of the function both in its conventional and its modern role as a significant mechanism of risk, internal control and corporate governance management in both public and the private sector (Alzeban & Gwilliam, 2012).

The Financial Reporting Council, United Kingdom, (2014) observed that internal control, risk management and corporate governance systems are most effective when embedded with a system of checks and balances known as internal audit. The Chartered Institute of Internal Auditors, (2015) and Ackermann, (2015) adds that an effective modern internal audit provides oversight, insight and foresight on the above matters. This has heightened need for expanded operational, strategic role and opportunities of internal audit in organisations today. This is transforming internal auditing from merely a compliance to a broader management oriented service to organisations. The impact and benefits of this growth are, however, yet to be fully appreciated and enjoyed in developing countries public sector, devolved governments in Kenya (Karanja, 2014) . In these countries, internal auditing is either nonexistent or in its formative stages as a profession and academic agenda. Consequently, factors that affect its effectiveness such as independence are yet to be fully identified, evaluated, understood and their impact appreciated in the devolved governments (Alzeban & Gwilliam, 2012).

In majority of world economies, devolved governments are perhaps the most dominant influence in public arena as they control a huge share of public resources (Haimon, 2003). They are key stewards of economic, social and political agenda globally. They engage continuously with their stakeholders in delivery of essential utilities such as water and sewerage, health care, recreational facilities, access roads, shelter, libraries, education, market places and others. Their elected and appointed executives direct vast amounts of public resources. They therefore wield unequalled influence on the quality of life of many global communities. This environment increases the risk of fraud, resource misuse, waste, misappropriation, misallocation, plundering and poor planning. This could lead to less than optimal delivery of service to the public. It is in this kind of environment that an independent effective internal auditing function would be most beneficial to an organisation (Shamsuddin & Bharathii, 2014). Consequently, identification and appropriate management of factors that influence internal audit effectiveness is of paramount importance if the function is to pray its rightful role in devolved governments.

The above awakening has resulted in increased demand by stakeholders for accountability from organisational boards of directors and equivalents, public executives, audit committees and others (The iKUTU Research Team, 2008). However, the team observes that in practice, internal auditors are falling short of expectations in their role of entrenching the practice of transparency, accountability and integrity in organisations. This situation arguments the need for research into independence as a factors that affect internal audit effectiveness not only in devolved Kirinyaga county government but also other organisations. It also calls for appropriate management of any such identified factors. According to Shamsuddin et al (2014), an effective internal audit roots for good corporate governance, prudent financial management, transparency and accountability. The need for internal audit effectiveness therefore brings with it the necessity for organizations to continuously identify, evaluate and appropriately manage the factors that affect it, if it is to serve its modern value adding role.

Similarly, Al-Shbail and Turki, (2017) echoes the necessity for organizations to identify, evaluate and appropriately manage factors which influence internal audit effectiveness in organizations. Their study findings reveal that in recent times, internal auditing has significantly contributed to organizational effectiveness through provision of value added services and consultancy to management. Consequently, it has become an imperative of every modern organization positioning itself for excellence in internal control, corporate governance and prudent financial management (Al-Matari, Al-Swidi & Fadzil, 2014). An effective system of internal audit in devolved governments provide reasonable confidence to stakeholders of smooth operations, accountability, transparency and sound utilization of public resources by both elected and appointed officials (Ahmad, Jusoff & Othmans, 2009). Landsting (2016) adds that an audit is an activity that orgnasationsal owners and management use to check and provide assurance that the assignments delegated to agents are being performed in a responsible and correct manner. To continuously and effectively provide the needed assurance, then, factors which affect internal audit effectiveness should be identified, evaluated and appropriately managed.

The devolved or county government system in Kenya is anchored in the Constitution of Kenya, 2010. The system is mandated to manage and control vast amounts of public resources under their jurisdiction. It is therefore a key player in public sector stewardship of economic, political and social agenda. The constitution allows their elected and appointed officials wide discretion permitting these semi-autonomous governments unequalled influence on the quality of life of the people under their jurisdiction. Under this arrangement, a breach or breakdown in internal control, corporate governance and risk management would therefore lead to resource misuse, over-expenditures, waste, fraud, misappropriation, misallocation, disregard of public interest and poor planning.

In this regard, the Kirinyaga County Government has been issued with qualified external audit reports since inception in year 2013 on basis of the above deficiencies. Identification, evaluation and recommendations for rectification of these challenges fall directly under the jurisdiction of the county directorate of internal audit. The fact of incessant qualified external audit reports is therefore reminiscent of poor internal audit function; one that is ineffective in its oversight, insight, and foresight and reporting mandates. It is reflective of a function that is unable to assist the county executive in their role of developing and protecting public interest. Implemented effectively, internal auditing would have provided the county government with reasonable checks and balances on the efficiency and effectiveness of internal control, risk management and corporate governance to support achievement of county objectives and ward off qualified audit reports. In this regard, the standards for professional practice in internal auditing and the integrated internal control framework identify internal audit work environment, internal audit independence and monitoring of internal audit as key drivers of internal audit effectiveness in organisations. In light of the above, this study sought to evaluate the effect of internal audit independence on internal audit effectiveness Kirinyaga County Government in Kenya.

## LITERATURE REVIEW

### Theoretical framework

The study was guided by agency theory. This theory foremost assumes existence of a two party relationship in an organisation -the owners of capital as the principals and the directors or managers who work for them as agents. In a devolved government, this relationship exists between the executives and the employees, who design, implement and control policy on a day to day basis. This theory assumes information asymmetry that owners of capital are less-informed party in the relationship and need information for monitoring the behaviour of their better-informed party agents- the directors/managers. The theory assumes that the directors have considerable advantage over shareholders. The former are possessive of more and better information about the performance and value of an organisation. In these environment owners of capital can and have been take advantage of. This situation is commonly a source of conflict between the owners of capital and directors as their agents.

The agency model suggests that as a result of probability of information asymmetry and self-interest in a devolved government, executives lack reasons to trust their employees and use internal auditing to resolve their concerns and to align the interests of their employees as agents with theirs. They expect internal auditing to reduce the scope for information asymmetry and opportunistic behaviour by employees as agents (The Institute of chartered Accountants, 2012). In Kenya the Public Financial Management Act, (2012) recognise Internal auditing arrangements as one source of information to the county executives or principals, providing them with independent objective assurance about county performance and value of their devolved unit (Volosin, 2007).

The theory is concerned with resolving problems that may exist in agency relationships; that is, between principals such as county government executives and their employees as agents. The theory addresses two problems. The first is the conflict of interest between a principal and his agent, whereby the principal is unable to verify the actions of his agent. The secondly is the discrepancy between a principal and agent attitude towards risk. The variance in risk tolerance between the two means each may take variant decisions to the detriment of the other. This situation whereby principals lack reasons to trust their agents because of information asymmetry and conflict of interest is critical to understanding the need for internal auditing as a solution to agency problem in organisations governments (Association Chartered Certified Accountants (ACCA), 2015) such as devolved governments. The theory contends that internal auditing helps to maintain cost-efficient contracting between executives and employees. It premises that, an employee as agent may not always act in the best interest of the principal hence the need for an independent check by internal auditor, on the work of the agent. The possibility of agency conflict leads to agency costs but helps to explain the need for existence of internal audit in organisations including in devolved governments. It helps to explain the size and scope of internal audit activities, such as financial versus operational auditing. The internal audit function operated by county government executives must be effective to serve it add value proposition in these semi-autonomous entities.

**Empirical Literature Review**

The International Standard for the Professional Practice of Internal Auditing, 1100, (2017) requires that to be effective, internal auditing activity must be independent of organisational stakeholders. The standard defines internal audit independence as freedom from circumstances that could jeopardise internal auditors capacity to impartially execute their mandate or as a condition whereby threats to auditors objectivity are sufficiently avoided. Yee et al. (2008) observed that an internal audit function devoid of independence loses its credibility and capacity to offer organisational management a fresh perspective. Subramaniam and Stewart (2010) observed that the credibility and value or effectiveness of the assurance and consulting services provided by an internal audit function to an organisation is anchored on the basic assumption of functional independence and objectivity. Kaplan Financial Knowledge Bank, (2016) states that auditor independence is compromised where ethical threats-self-interest, self-review, familiarity, intimidation and advocacy are accommodated.

Mustika, (2015) concludes that lack of internal audit independence and objectivity or interference by audit stakeholder's results in bias in evidence collection, evaluation, audit recommendations and reporting. This would tilt the balance of audit opinion unduly in favour of an interested party. Internal auditors should therefore be constantly on alert to and establish safeguards against threats to their independence (Institute of Internal Auditors, 2015). ISPPIA Attribute Standard 1130 (2017) requires the chief audit executive to report any impairment to independence to appropriate authority because of its importance to internal audit effectiveness. Delai and Omri, (2016) and Ebisa, (2015) state that independence and objectivity of internal auditing increases its effectiveness with positive significant effect. Independence, technical competence and qualified internal auditors are key ingredients of to good corporate governance

(Basel Committee, 2012). Alizadeh (2011) identified internal audit independence among five important elements of internal audit effectiveness in Iranian companies.

Al-Akra, Abdel-Qader and Billah (2016) contend that internal auditor's independence and objectivity are major elements of internal audit effectiveness but Swalehi (2016) notes not to the same level of significance as management support and competency of internal audit staff. Similarly, Paape (2007) argued that being employees, the ability of internal auditors to be fully independent of their employer is questionable and this could impact negatively on the functions' effectiveness in practice. In order to maximally impact on internal audit effectiveness, internal auditors must independently determine their functional scope, report to the highest placed authority, enjoy unrestricted access to audit evidence, and not perform executive or non audit services ISPPIA, (2017). Alzeban and Sawan, (2013) posit that it may be achieved through mechanisms such as auditor freedom in scope determination, freedom of access to records, full access to employees, reporting to appropriately senior levels, strict appointment and removal of CAE, internal audit budget approval only by the board and prohibition from performance of non audit work.

It is against the above contrasting empirical evidence that this study sought to evaluate the effect of internal audit independence on internal audit effectiveness in Kirinyaga County Government in Kenya. Existing internal audit literature lacks any previous study on this devolved government. The study used scope of work, level of reporting, extent of access to audit evidence and extent of provision of non audit services to evaluate effect of independence on internal audit effectiveness in the county.

**Scope of work**

Limitations of audit scope exist when an internal audit function, for whatever reason, is prevented from auditing an important aspect of the employer entity because right of access to books, information and or explanations is curtailed (Kamotho 2014). In amplifying the significance of audit scope to independence, IPPF attribute standard 1110.A1, (2017) requires that to be effective, an internal audit function must act freely in determining their functional scope, executing their mandate and reporting results. In case of any interference, the chief audit executive must present the matter to the board highlighting possible implications. The standard identifies impairment to internal auditors' independence and therefore effectiveness in case of limitation of scope. According to Hellman N. (2011) the chief finance officers often sought to influence selection of the scope of internal audit leading to impairment of auditors independence and in turn effectiveness.

Ebisu (2015) roots for enhancement of internal auditors' independence for internal audit effectiveness by allowing internal auditors freedom to decide on the scope of their work, audit time, extent of auditing procedures, inclusion of any significant audit finding in the audit report and direct reporting to audit committee. The Basel Committee (2012) observes that an internal audit functional scope must cut across the entire organisation to enable the board achieve its legal and functional obligations. The function should select its scope or assignments on its own initiative and therefore independently for all aspects of work.

**Level of reporting**

To institutionalise internal auditor’s independence IPPF standard 1110, (2017) requires the chief audit executive to functionally report to the highest hierarchy in his organisation that permits internal audit function to impartially execute its obligations. In addition he should in writing assure the board, preferably annually, of the organizational independence of the internal audit unit. This facilitates internal auditors' achievement of functional independence in terms of approval of audit charter; risk based internal audit plans, internal audit budget and resources, receiving instructions and communication, making inquiries of management and composition of human capital. George, Konstantinos and Theofanis (2015) argue that for a minimum, internal auditors functional reporting should be to a level possessive of adequate authority to promote their independence, to ensure wide functional scope, sufficient thought on engagement communications and sufficient action on audit recommendations.

Delai et al (2016) agrees and argues that to build appropriate level of independence for internal audit effectiveness, the chief audit executive should report administratively to the senior executives and functionally to the board. Soh and Bennie (2014) and Alzeban and Gwilliam (2014) supports the idea as their studies revealed a case of significant and positive association between internal audit level of reporting or organisational status and its effectiveness. Internal audit function must be accorded sufficient authority and status to enable objective execution of their mandate though their employment status could hinder their way (Basel Committee 2012). Salehi, T. (2016) independence and objectivity can enhance audit effectiveness through internal audit reporting administratively to the CEO and functionary to appropriately senior authority in the organization such as the audit committee.

Similarly, Cohen and Sayag, 2010 identified internal audit reporting level as significant criteria in influencing internal audit independence and ultimately internal audit effectiveness. According to Lawrence (2013), in countries where the role of internal audit is highly valued, functional reporting by internal audit has shifted from senior officers in organizations to audit committees’ of the boards. According to Nwaobia, Ogundajo and Theogene (2016) accorded sufficient independence autonomy, functional infrastructure and human capital, internal audit would positively influence audit effectiveness, transparency and accountability of financial management in public sector.

**Extent of Access to audit evidence**

Arens and Loebbecke 2015 states that to ensure sufficient independence and enhanced effectiveness of audit function, it should be accorded right of access to books of account, financial statements, information and explanations at all times. The ISPPIA standard 1111, (2017) requires that to promote independence for internal audit effectiveness, there must be direct interaction or access between internal auditor and the organisational board. The chief audit executive must enjoy free and direct communication and interaction with the board. The standard identifies impairment to internal auditors' independence and therefore effectiveness if there is a restriction on access to records, personnel, properties, and auditing resources**.** Delai and Omri (2016) observes that to be effective, internal audit function should have unlimited access to organisational personnel, records, departments and senior management. Internal auditors should operate free from obstruction and interference (Chartered Institute of Internal Auditors, 2015).

**Extent of Provision of non audit services**

Canning and Gwilliam, (2010) observed that perception of auditors independence and therefore their effectiveness diminished significantly on account of provision of non audit services to clients by audit team members. However, DeFond, Raghunandan and Subramanyam, (2010) opined that evidence available from their study did not support the idea that provision of non audit services impaired the independence of internal audit function. In order to build up sufficient independence for internal audit effectiveness, the Basel Committee, (2012) recommends distancing of internal auditors from provision of non audit services including design, selection or implementation of internal control.

Kamotho, (2014) agrees and argues that performance of non-audit services by internal auditor erode and impair their independence and objectivity and is a recipe for familiarity and self review threats to independence. This is the responsibility of entity executives to avoid self-review threat to independence. According to Chartered Accountants World Wide (2018) to maintain high levels of independence auditors should be prohibited from provision of non audit services. Delai and Omri (2016) argue that to promote internal audit effectiveness through appropriate level of independence internal auditors should not be assigned non audit work. This miminises self-review threat to internal auditors independence. However, based on their study

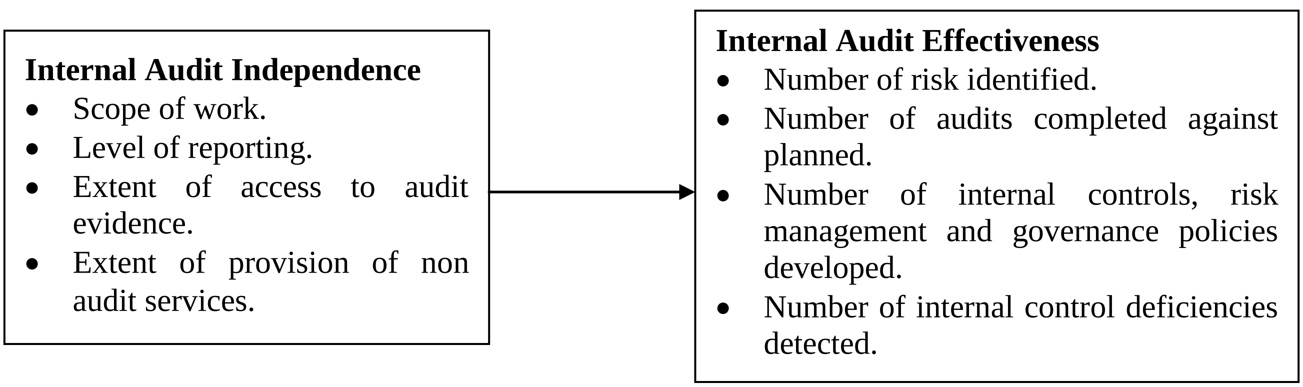
0f Nowegian firms Hay, Holm and Zang (2016) concluded that provision of non audit services by auditors neither leads to loss of independence of mind or that of appearance.

Alzeban and Sawan (2013), Stewart and Subramaniam (2010)) observe that factors affecting intenal audit effectiveness are under researched. They concluded that despite the demonstrated importance of internal audit independence in contributing to internal audit effectiveness, over the years, only scant research exist on internal audit independence. Specifically, non-exist focusing on Kirinyaga county government in Kenya. This study therefore evaluated the relationship between internal audit independence and internal audit effectiveness in Kirinyaga county government to enrich existing literature on the subject.

### Conceptual Framework

The variables in the study are illustrated in Figure 1 along with their indicators as used in the study.

Figure 1. Conceptual Framework




## RESEARCH METHODOLOGY

### Research Design

The current study adopted a descriptive research design to investigate the factors which affect the effectiveness of internal audit function in the Kirinyaga county government. The study focused on Kirinyaga county government on account of it having had the highest number of qualified external audit reports countrywide from year 2013 to 2016. According to Orodho (2003) a descriptive survey design is a method of collecting information by interviewing or administering a questionnaire to a sample of individuals. It is applicable in collecting data about people's attitudes, opinions, habits, education and social issues.

**Target Population**

The target population of the study consisted of all the forty six (46) staff members from the Directorate of Internal Audit of Kirinyaga county government. The study employed a census research method whereby data was to be collected from all members of the target population. Census survey was appropriate for this study since the number of internal audit staff in the county is relatively small and as such sampling will not be necessary(Cooper and Schindler, 2011).

**Research instrument**

Primary data was collected through a self-administered questionnaire which was composed of closed ended questions. The questionnaires were distributed through a drop and pick method whereby the researcher allowed the respondents to answer the questions at their own pace. The data collection instrument was first piloted in the neighbouring Nyeri County with ten selected respondents (for cost and time expediency) in order to detect any unnecessary contents or to add missing but important aspects. To test the reliability of the instrument, the study used test-retest technique. The questionnaire was also reviewed by a statistician who is a professional in data analysis for research, as recommended by Blaxter, Hughes and Tight (2006) in order to ascertain that the questionnaire is designed to measure the specific objectives under study. The pilot study indicated strong internal consistency among measures of variables and that the data collection instrument was reliable and fit for the purposes of the study all item had Cronbach alpha exceeding 0.65 as recommended by Willis (2008).

**Data analysis**

The collected data was cleaned and edited to ensure completeness and consistency. The data was tabulated and analyzed using descriptive and inferential statistics with the help of statistical package for social sciences (SPSS version 20) which is a tool among others for data analysis. Multiple regression analysis was used to determine whether the identified factors in aggregation have significant effect on the effectiveness of internal audit function, and to answer the research questions.

The results were presented in form of tables, frequency distributions, graphs and charts. This method conserves space, reduces explanatory and descriptive narratives. It also facilitates the process of comparison.

## FINDINGS

### Response Rate

Data that was analyzed was obtained from forty one (41) respondents out of the targeted forty six (46) staff member working in internal audit department of the Kirinyaga county government. Thus the response rate achieved was 89.1%. This is a response rate of above 80% which is referred to as very good according to (Mugenda & Mugenda, 2003).

### Descriptive Analysis of Study Variables

As shown in Table 1, Internal audit function has unhindered access to audit evidence was rated highest with a mean score of 2.90 (SD=1.24) followed by internal auditors function perform duties other than auditing with a mean score 2.76 (SD=1.24).

Internal audit function work and report findings directly to the audit committee had a mean score of 2.73 (SD= 1.36) while management determines the scope of internal audit work had a mean score of 2.61 (SD= 1.36).

Table 1. Descriptive Analysis of Internal audit independence

| Internal audit independence | N | Mean | Std. Error | Std. Deviation |
|---|---|---|---|---|
| Management determines the scope of internal audit work. | 41 | 2.6098 | .21207 | 1.35790 |
| Internal audit function work and report findings directly to the audit committee. | 41 | 2.7317 | .21249 | 1.36060 |
| Internal audit function has unhindered access to audit evidence. | 41 | 2.9024 | .19382 | 1.24107 |
| Internal auditors function performs duties other than auditing. | 41 | 2.7561 | .19375 | 1.24057 |
| Valid N (listwise) | 41 | | | |

As shown in Table 2, corporate governance, internal control and risk management deficiencies detected have increased under current internal auditing was rated highest with a mean score of 3.07 (SD=1.13) followed by Internal control, risk management and governance policies have increased under current internal auditing with a mean score 3.02 (SD=1.06). Number of internal audits completed has increased under current internal auditing regime had a mean score of 2.78 (SD= 1.13) while number of risks identified have been increasing had a mean score of 2.22 (SD= 0.96).

Table 2. Descriptive Analysis of Internal audit effectiveness

| Internal audit effectiveness | N | Mean | Std. Error | Std. Deviation |
|---|---|---|---|---|
| Number of risks identified has been increasing. | 41 | 2.2195 | .15025 | .96209 |
| Number of internal audits completed has increased under current internal auditing regime. | 41 | 2.7805 | .17639 | 1.12943 |
| Internal control, risk management and governance policies have increased under current internal auditing. | 41 | 3.0244 | .16560 | 1.06037 |
| Corporate governance, internal control and risk management deficiencies detected have increased under current internal auditing. | 41 | 3.0732 | .17597 | 1.12673 |
| Valid N (listwise) | 41 | | | |

**Regression Analysis**

Bivariate linear regression analysis was done to determine the effect of each factor of internal audit independence and effectiveness of internal audit. The analysis indicate positive and significant relationship between scope of audit, level of reporting , extent of access to audit evidence and extent of provision of non audit services and internal audit effectiveness in Kirinyaga county government. The R value was 0.398 indicating that there is a relationship between internal audit independence and effectiveness of internal audit in Kirinyaga County Government. The R squared (R2) value of 0.158 shows that 15.8 percent of the effectiveness of internal audit in the Kirinyaga county government is explained by internal audit independence. The remaining 84.2 percent is explained by other factors not in the model. The model was significant with the F ratio = 7.325 at p value 0.010 < 0.05. This is an indication that internal audit independence when considered singly has significant effect on effectiveness of internal audit. Multiple linear regression indicated that Internal audit independence had positive and significant effect on effectiveness of internal audit in the Kirinyaga county government with β = 0.589 at p value 0.010 which is less than 0.05. The indication was that as the Internal audit independence is enhanced by one unit, 1nternal audit effectiveness increases by 0.589.

Table 3. Regression Output

| Model | | Unstandardized Coefficients | | Standardized Coefficients | | |
|---|---|---|---|---|---|---|
| | | B | Std. Error | Beta | t | Sig. |
| 1 | (Constant) | .367 | .714 | | .514 | .610 |
| | Internal audit independence | .589 | .218 | .398 | 2.707 | .010 |
| R= 0.398, $R^2$= 0.158, Adjusted $R^2$= 0.137, Std Error = 1.289, F =7.325 and Sig =0.01 | | | | | | |

a. Dependent Variable: Internal audit effectiveness

## DISCUSSION

The study explored the relationship between internal audit independence and internal audit effectiveness in the Kirinyaga county government. The finding of the study revealed that there could be elements of restricted access by internal audit to audit evidence. This indicates the function is less than independent in evidence collection. The results indicate a situation where internal auditor staffs were assigned duties other than auditing which may adversely affect their scope and impair independence. Internal audit independence had positive and significant effect on effectiveness of internal audit in the Kirinyaga county government with $\beta = 0.589$ at p value 0.010 which is less than 0.05. The finding that internal audit independence is a factor that effect effectiveness of internal audit in the Kirinyaga county government supports International Standards for the Professional Practice of Internal Auditing, 1100, (2017). This standard demand that, to be effective, internal auditing activity must be independent and internal auditors must be objective in performing their work.

According to Mustika (2015), internal auditors' independence essentially means freedom from interference by stakeholders that could lead to bias while gathering evidence, reporting and when making recommendations for organizational improvement. The Chartered Institute of Internal Auditors, United Kingdom (2015) opined that the role of internal auditing is to provide independent assurance to executives that an organization's risk management, governance, internal control, ethical processes and strategic orientations are being operated effectively. According to the Institute of Internal Auditor -Australia (2014) organizations should establish an independent internal audit function to provide continuous review of the effectiveness of risk management, control, and governance processes. Kaplan Financial Knowledge Bank (2012) argues that auditor's independence is a major factor in internal audit effectiveness as it positions the function to work without bias and/or favouritism. MacRae and Gils (2014) noted that independence allows internal audit to conduct work without interference by the entity under audit thereby contributing to the accuracy of auditors work and the management ability to rely on the reported results. Therefore county government should ensure that internal audit department has autonomous in its operations.

## CONCLUSION

This study concludes that county governments should ensure that the county directorate of internal audit is autonomous. It should enjoy freedom of access to audit evidence which they deem necessary in the course of their audit work. In addition, the internal audit staff should not be assigned duties other than auditing which may affect their scope and impair independence of internal audit activity. The county government should develop and implement an internal audit framework and carry out countywide sustained education championing the role and status of internal audit.

## RECOMMENDATIONS

The finding revealed that that internal audit independence had positive and significant effect on internal audit effectiveness in Kirinyaga County government. Following this finding, this study recommends that County government should come up with policy to ensure that auditing staff can access relevant information they deem necessary without restriction and should be autonomous. The county directorate of internal audit should be adequately resourced with a budget passed directly by the board. An annual internal audit independence conference needs consideration and passing of a county internal audit law with provisions specifically reinforcing independence. The county directorate of internal audit should continuously document threats to independence and recommend safeguards.

## WAY FORWARD

The study was carried in Kirinyaga County Government in Kenya. The researcher suggests further studies focusing on other factors that affect internal audit effectiveness in the County to be carried out. Similar studies should be carried out in all the other County governments in Kenya to find out any similarities and differences with results of this study. Also, a similar study on national government ministries in Kenya should be put into consideration to enrich existing literature on these factors to build up congruence on them.

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