INFLUENCE OF INTERNAL AUDIT ON GOVERNANCE PROCESSES IN PUBLIC SECTOR: A CASE OF NATIONAL TREASURY IN THE NORTHRIFT, KENYA.

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A RESEARCH PROJECT SUBMITTED TO THE SCHOOL OF BUSINESS IN PARTIAL FULFILLMENT OF THE REQUIREMENTS FOR THE AWARD OF THE DEGREE OF MASTER OF BUSINESS ADMINISTRATION
(FINANCE OPTION)

KOITALEEL SAMOEI UNIVERSITY COLLEGE
(A CONSTITUENT COLLEGE OF UNIVERSITY OF NAIROBI)

2024

DECLARATION

This research project is my original work and has not been presented to any other institution for any award.

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DEDICATION

This research is dedicated to internal auditors in public sector who tirelessly work to ensure they deliver on their mandates.

ACKNOWLEDGEMENT

Firstly, I wish to sincerely thank my supervisors Dr. Loice Koskei and Prof. Josephat Lishenga for their support and mentoring throughout my research project. Secondly are my lectures with whom we engaged on various topical issues. The national treasury internal auditors domiciled at the north rift Kenya for unconditionally responding to my questionnaires on time. I greatly acknowledge and treasure the unconditional support i received from my family who understood and encouraged me even when I felt overwhelmed by the challenges this research and while balancing with work. Last, I would like to acknowledge the support and encouragement from my classmate namely; Mr. Elly Limo with whom we engaged during the research period to this study. Our engagements offered insightful contributions towards the success of this research project. Without all of you maybe I would not have come this far.

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LIST OF ABBREVIATIONS

EACC : Ethic and Anticorruption Commission

GOK : Government of Kenya

H_0 Null hypothesis

IAGD : Internal Auditor General Department

IAFs : Internal Audit Functions

IIAs : Institute of Internal Auditors

IPPF : International Professional Practices Framework

NACOSTI : National Commission for Science, Technology, and Innovation

OAG : Office of the Auditor General

OECD : Organization of Economic Cooperation and Development

PFM Act : Public Finance Management Act 2012

ABSTRACT

The role of internal auditing is vital for strengthening governance processes, yet issues such as poor service delivery, inefficient resource use, project delays, and lack of value for money have raised concerns about the effectiveness of internal auditing in public governance. This research aimed to investigate the impact of internal auditing on governance processes in Kenya's public sector. The research had three key objectives: to assess the effect of internal controls, the risk management framework, and assurance and consulting on improving governance processes within the public sector. The study was grounded on systems and agency theories to explore the relationship between internal auditing and governance. A descriptive and correlational research design was employed, targeting 25 internal auditors in Kenya's North Rift region. A census approach was used to gather data from 23 participants. Data analysis included both descriptive and inferential statistics, utilizing correlation and regression analysis. Descriptive statistics involved calculating mean scores, percentages, and standard deviations, while inferential analysis was conducted using Pearson's product-moment correlation and regression models. Hypothesis testing was performed, and qualitative data was analyzed based on the study's variables. The results, presented through tables and graphs, indicated that all null hypotheses were rejected as the significance levels of F-statistics and Pearson's Product Moment Correlation were found to be less than 0.05 ($p < 0.05$). This suggests a significant positive relationship between the variables. The study concluded that internal controls, risk management frameworks, and assurance and consulting significantly influence governance processes in the National Treasury offices in Kenya's North Rift region as shown by beta coefficients of 0.248, 0.213 and 0.244 respectively. At a 5% significance level and a 95% confidence level, the significance value for internal controls, risk management frameworks, assurance and consulting was 0.000, 0.001 0.002 respectively**.** Key recommendations include the need for departments to integrate internal auditing into their processes to improve risk management. It also suggests that ministries and departments should incorporate internal controls to enhance process efficiency. Additionally, the study recommends that internal auditors develop risk matrices to aid in risk assessment and strategic planning. Lastly, for assurance and consulting, departments should utilize internal audit consultancy services provided by the Internal Auditor General's Department to enhance public trust and improve governance processes. This research was limited to auditors from the National Treasury in the North Rift region. Future research could explore other regions and public sector entities in Kenya to validate these findings and provide broader insights into the role of internal auditing in public governance.

CHAPTER ONE

INTRODUCTION

1.1 Background of the Study

As global economic competition increases, governments are adopting practices that will enhance public service delivery. Their citizens expect them to bear the responsibility of ensuring quality services are provided equitably in an efficient, economic, and effective manner. Among the many practices adopted by governments aimed at enhancing service delivery is internal auditing (Scott, 2018). The internal audit activity should provide assurance that established processes and procedures are adequate to manage risks, ensure effective and efficient service delivery, while organizational goals and objectives are being achieved (IIA, 2024). Public sector auditing is generally receiving more focus due to the growing acknowledgment that an institutions governance processes outcomes affects both its economic performance and its perceive picture in the public (Mordelet, 2019).

Globally in European countries and the United Kingdom vast literature on internal audit focuses on internal audits risk management, controls, internal auditors & other parties within governance processes, Allegrini, Marc, Robert Sarens, & Gerrit (2017), While Leung, Philomena & Cooper,(2019) in their research explains that the Asia-Pacific countries literature profiles internal audit in terms of compliance and use of the global Standards and Professional Practices of Internal Auditing by auditors while carrying out audit activities. They further agree that Australia is the only country in total compliance of the auditing Standards and procedures.

Regionally the African internal auditor's federation is the umbrella body of all the Institutes in member states, it helps create a unified voice for internal auditors in the continent. Locally in Kenya, the Institute of Internal Auditors Kenya (IIA) supports and guides internal auditors in enhancing corporate governance both in

public and in private sectors (IIA, 2024). In the North Rift Region of Kenya counties, ministries and parastatals are guided by the PFM Act 2012 and its regulations on the setup of internal audit departments and committee's .Consequently there has been an increasing attention on effective governance processes with a focus on committees of audits and internal auditors by government institutions. The functions of internal audit has changed over years and recent research shows that internal auditing role has evolved to assurance and consultancy. They are being accepted by management in many institutions as a key driver of corporate governance processes other than risk management and internal controls (Gikonyo, 2020).

The implementation of sound governance processes has been adopted by sub-Saharan African countries with the common governance frameworks in these countries being the transparent of economic policies, sound financial management policies and economic rights, with the aim of outlawing of corruption. More so all these are aimed at strengthening macro-financial legal frameworks and improving information dissemination to the public about their performance in providing services. Moreover, the region of East Africa has established a regional body tasked with promoting good governance. Kenya formally implemented a national corporate governance code as a best practice through the Corporate Sector Foundation (Global Corporate Governance forum 2023).

A well performing internal audit function should enhance the governance processes in any organization, however, resource mismanagement, corruption and fraud cases in public institutions are reasons that have contributed to the continued delivery of poor services to the public thus depicting internal audit as the weak link among other factors. The systems and agency theories were used by the researcher to explore a wide and deep understanding of the concepts of internal auditing and governance processes in organizations.

1.1.1 Concept of Internal Audit

Internal auditing is an impartial, objective consultative process that is intended enrich the operations of an institution and add value. It enables an organization to carry out its mandate in a disciplined approach by assessing and developing the effective controls processes and risk management. Therefore, individuals with a proper understanding of the institutions processes, values and systems should perform internal audits. The internal audit activity should provide assurance that established controls are adequate to manage risks, ensure processes are effective, the organizational goals and objectives are being achieved (IIA, 2024). Therefore internal auditing is process that encompasses the use of procedures to analyze organizational processes or problems and recommending or advising on possible solutions. Internal audit major role is to assure management that organizations controls are effective and adequate. Ackers (2014), indicated that the internal audit is service that adds value to the institution by providing an independent assessment of operations and controls.

Gikonyo, (2020), explains that internal audits units rely on the Standards and guidelines for professional practices for auditors to navigate the world of controls and risk management in governance of an institution. Internal audit in public institutions has been acknowledged as governance approach aimed at achieving efficiency in delivery of its mandates to public due to its known advantages. Therefore government institutions must strive to implement an effective internal audit function is crucial for promoting accountability in operations and ensuring that public resources are allocated and managed wisely.

Globally internal auditing, though not mandatory, exists in most governments, private enterprises and corporate entities (Cai, 2017). In South Africa management of most institutions view the internal audit as a strategic approach for the achievement of management goals (Naomi and Wilkinson (2015). In Nigeria

internal audit process was found to have a direct influence on the organizations operational processes and it impacted the overall performance of the institution, Asaolu et al. (2016). In Kenya internal audit has been entrenched into the governances systems and processes , with the government introducing a policy and guideline document in year 2015 referred to as Mwongozo demonstrating its commitment ensuring that good governance practices are entrenched in management and governance of its state institutions, (Ochieng, 2017). Management should also support the audit unit by financing its operations and ensure that it auditors are adequately trained, Mwongozo (2015).

1.1.2 Concept of Governance Processes

Governance processes are the policies, procedures and guidelines used to steer activities of an organization giving reasonable assurance that quality service delivery is offered and operations are carried out ethically and accountably (IIA, 2024). They are considered as a tools used to achieve strategies and mandates of institutions (Belay, 2017). Public institutions Governance processes involves the implementation of fiscal and financial management policies, as well as robust budgeting frameworks, crucial to ensuring efficient utilization of resources and delivery of services. More so in the public sector specific governance processes are procedures and policies used managing the institution thus ensuring accountability and integrity, they include accounting procedures, procurement processes, communication, and segregation of duties among others (IIA, 2024). Public sector governance issues are receiving heightened attention as a result of the rising recognition that an institutions governance processes affects both its economic performance and its perceive picture in the public (Mordelet, 2019).

The Global Corporate Governance Forum (2023) asserts that the implementation of sound governance's practices has been adopted by sub-Saharan African countries with the common governance frameworks in these countries being the

transparent of economic policies, sound financial management policies and economic rights, with the aim of outlawing of corruption. More so all these are aimed at strengthening macro-financial legal frameworks and improving information dissemination to the public about their performance in providing services

1.1.3 Kenya's Public Sector

The Kenyan public sector departments are created by the Constitution and various laws enacted through parliament and they are publicly funded using public funds on behalf of the people of Kenya. Therefore it is part of government that either directly offers services to all citizens or funds the provision of services by contracting private specialized entities. In light of this, Kenya's public sector offers the services that the private sector cannot manage to provide. It includes the county governments, National government entities and Parastatals.

1.1.4 National Treasury Sub- County Internal Auditor General Department.

The office of the Internal Auditor General Division in the National Treasury supports all Departments, and Agencies accounting officers by evaluating and reporting on the effectiveness of the internal control systems they implement, enabling them to fulfill their mandates effectively. The department has a regional and subcounty offices to aid its operations. The national treasury subcounty internal audit units in the north rift Region fully funded by the exchequer and exists to serve all the departments at the subcounty level. Its key functions include to assist all levels of management in effective delivery of the mandates through factual analysis of risks and making recommendations to mitigate the same, providing audit and assurance services to the accounting officer ensuring smooth running of operations of all departments in terms of ensuring adherence to Government fiscal policies reviewing departmental budgets, review of procurement processes and procedures (IAGD 2024).

1.2 Statement of the Problem

Weak governance processes in Kenya's public institutions stem from the weakness of internal audits eventually resulting in loss of public financial resources (Wangui, 2018). Weak internal controls similarly aids fraud in these institutions, therefore there's need to assess, identify and mitigate risks to control and minimize the impacts of its imminent threats. Recently the government of Kenya Sought to implement the zero vault audit regime 2023, with emphasis on the need to enhance internal auditing department to ensure strict adherence to process of governance in all cadres of public sector to ensure financial reporting quality (GOK, 2023). Government ministries and departments in the north rift region received qualified opinions thus the Auditor-General was unsatisfied with the reliability of some of their expenditures and transactions which could have been flagged by the internal auditors (OAG 2024). Key issues raised by the Auditor-General reports show that most of these institutions in the Northrift region are grabbling with stalled projects, pending bills, serious cash management issues, procurement and unresolved audit queries raised in preceding years.

Studies have been done on the subject matter, however the scope of these studies conducted on internal audit and governance in Kenya focused on effectiveness and efficiency of internal audit function. Gikonyo (2020) sought to examine the efficiency of internal audit and its determinants in the public institutions of Kenya, with focus on the National Treasury and economic planning. The research specifically looked at the effect of top management support organization, auditor's independence, training of auditors, and the use of auditing systems in ensuring internal audit effectiveness in Kenya. However this study only was aligned on the auditors domiciled at the internal auditor general department of the National Treasury in the public sector and did not cover subcounty internal auditors in subcounties. Kirima (2016) studied the various issues aiding the internal audit unit's performance in the Kenyan government ministries a case of the Ministry of

Defense. However the research was limited to the defense ministry whose nature of transactions such as the purchase of weapons is not subject to public security, therefore, cannot be generalized public sector which is subject to continuous scrutiny. Kibwage (2021), examined the role of audit committee in enhancing the delivery of quality public service at the Nairobi County Government in Kenya. The study collected data and information from the general public who had limited knowledge on internal auditing additionally the research focused on the county government in Kenya, the targeted respondents were the general public without auditing knowledge. These studies are among the few documented none of them looked at governance processes and internal auditing specifically. Therefore, this study sought to fill the gap by looking into the influence of internal audit on governance processes in the public sector in Kenya with focus on subcounty treasuries in the north rift, Kenya.

1.3 Objectives of the Study

This section outlines the general and specific objectives

1.3.1 General Research Objectives

To investigate the influence of internal audit on governance processes at the National Treasury in the north rift, Kenya.

1.3.1 Specific Research Objectives

i. To assess the influence of internal controls on governance processes at the National Treasury in the north rift, Kenya.
ii. To establish the influence of risk management framework on governance processes at the National Treasury in the north rift, Kenya.
iii. To determine the influence of assurance and consulting on governance processes at the National Treasury in the north rift, Kenya.

1.4 Hypotheses

i. Ho_1: Internal controls have no significant influence on governance process at the National Treasury in the north rift, Kenya.
ii. Ho_2: Risk management framework have no significant influence on governance process at the National Treasury in the north rift, Kenya.
iii. Ho_3: Assurance and Consulting have no significant influence on governance process at the National Treasury in the north rift, Kenya.

1.5 Significance of the Study

This study provides important information to various interested party among them are: Internal auditors: The study not only assist internal auditors in the North rift region but also in Kenya as they are able to better understand their roles in enhancing governance process in their institutions. Public Sector Management: The research benefits management of counties, parastatals and departments to realize the important role of internal auditing on running of institutions. It also helps them understand the benefits of having a strong internal audit function. Scholars and Academicians: The study contributes to the corporate governance and internal auditing existing literature.

1.6 Scope and Delimitation

The study evaluated the influence of internal audits on governance process in the Kenya's public sector with a particular emphasis on the National Treasury in the north rift region, Kenya. Specifically, the researcher sought to evaluate the influence of internal controls, risk management, Assurance and Consulting on governance processes improvement in the public sector. The study's target population comprised of 25 subcounty internal auditors at the National Treasury in the north rift region, Kenya. Due to the nature of the study's respondent's jobs, the researcher used a structured questionnaire in collecting primary data. The study

used online Google forms and a drop and pick questionnaire. Due to the small sample size, the confidence in the findings may be lower, potentially restricting the applicability of the results to other situations.

1.7 Definition of Terms

Assurance and Consulting: IIA (2023) defines assurance as the provision of an independent assessment of an institutions processes, procedures, management of risks, and controls by an internal auditor after objectively examining of evidence provide to them. Consulting is an objective and facilitative, advisory and training activity aimed at improving governance process, management of risks, and enhance controls.

Governance Processes: OECD (2014) defines governance processes as the combination of procedures and policies used to manage an organization's operations in an ethical and accountable manner thus meet the objectives.

Internal Audit: The PFM Act (2012) defines internal audit as " an independent, objective consultative process that is intended enrich the operations of an institution and add value. It enables an organization to carry out its mandate in a disciplined approach by assessing and developing the effective controls processes and risk management. Individuals with a proper understanding of the institutions processes, values and systems should perform internal audits.

Internal Auditing: The internal audit activity should provide assurance that established controls are adequate to manage risks, ensure processes are effective, the organizational goals and objectives are being achieved (IIA, 2024).

Internal Controls: IIA (2024) defined internal controls as measures adopted by management of an institution aimed at managing risks and make certain that objectives and goals of that institution will be achieved.

Public Sector: It is part of government that either directly offers services to all citizens or funds the provision of services by contracting private specialized entities. The PFM Act (2012) defined Kenya's public sector as the sector offers the services that the private sector cannot manage to provide. It includes the county governments, National government entities and Parastatals.

Risk Management Framework: IIA (2024) defines Risk management framework as a guideline used to identify, minimize, eliminate risk whose fundamental components are risk identification, risk mitigation, and risk governance.

CHAPTER TWO

LITERATURE REVIEW

2.1 Introduction

This chapter summarizes the literature that the researcher has studied, with a particular emphasis on empirical reviews for each objective, theoretical framework, the conceptual framework and knowledge gaps.

2.2Theoretical Framework

2.2.1 The Agency Theory

As coined by Ross and Mitnick (1976) agency theory illustrates agency association as an agreement where one or more individuals agree to perform some tasks on their behalf of the other party, it encompasses entrusting part of the responsibility adjudication to the agent. Ross described the agency as a problem for compensation contracting basically as a motivation problem. While Mitnick brought in the current common understanding that organizations and institutions are formed around the need to solve a need, and they advance to deal with agency motivation problems which are the imperfections of agency associations. The principal pays agents not to make these agency relationships perfect but rather to create an institutions environment that attends to these imperfections through mitigating them, adjusting to them, or accepting them. Therefore, to fully comprehend agency theory, there's need to incorporate both the motivation as well as the institutions structures (Mitnick, 2006).

According to Puersem and Pumphrey (2015), robust governance process are experienced when the interests of management are aligned with those of other stakeholders in the institution, reducing agency expenditures by management and grow the internal audit unit efficiency. Therefore, the internal audit units not only

should be independent but also support the top management. Internal auditors act on behalf of management as they are responsible in assessing the practicality controls and systems on behalf of key stakeholders among them are the board of management, audit committees, Accounting officers and Department heads. Internal auditors must have the requisite professional or academic qualification coupled with relevant experiences to perform their duties in the best way possible (Gikonyo 2020).

The management delegates the internal watchdog responsibility upon the internal auditors. They are expected to act independently and objectively reporting to the management of any risks and provide mitigation measures. They only shortfall of agency theory with regard to internal audit function is where the principal is incapable to monitor activities of the agents thus leaving room for them to have undue influence on organization programs and plans.

2.2.2 System Theory

Subramony et al (2015) claim that the intra- and inter-organizational institutional ties within the organization are explained by the systems theory. Relationships between the several institutions are referred to as inter-relationships, whereas internal institutional arrangements within each institution are referred to as intra-relationships. According to Jackson (2013), systems can be classified into two categories: open systems and closed systems. Closed systems are those that are not impacted by the environment, whereas open systems were heavily impacted by the environment they were in. Chikere et al (2015) criticize this idea, arguing that it lacks a start and finish point and assumes that each component must be steered or managed in order for the system as a whole to perform effectively.

According to Nollet and Bealieu (2005), System theory's main objective is to focus on consciously chosen tactical issues and political factors that affect how well an organization performs its audit function. For a complete outlook, an organization's

internal auditing function is designed by external influences, which should be explained by system theory. System theory is important to this study because it addresses the institutional framework, or system, within which auditing is applied. This application is further enhanced by the existence of numerous divisions, departments, other professional disciplines, units, and institutions that collaborate to achieve success. It promotes the organization's objectivity and independence, which is supposed to help the internal audit department operate smoothly in its independent capacity while also assisting the organization as a whole in maintaining the safe use of its resources.

2.3 Empirical Reviews

This section review previous studies done on the subject matter of the study as detailed below

2.3.1 Internal Controls and Governance Processes

Similar to the human nervous system, the internal control system is disseminated throughout the company delivering commands and responses to management. Internal auditing functions as a crucial managerial control tool, measuring and assessing the effectiveness of organizational controls. It is intricately connected to the organizational structure and overarching business rules (Cai, 2007). The PFM Act of 2012, provides that public sector controls involve every aspect of operations, including management, financial, and operational rules and procedures. Their goals are to protect government assets, guarantee the integrity and dependability of financial data, and foster operational effectiveness.

Munene (2019), investigated the relationship between financial performance and internal control systems in Kenyan technical training institutions. The perceptions of the Control Environment, Internal Audit, and Control Activities were used to examine internal controls. Being a case study research questionnaires were used for

collecting data from respondents who worked in finance and accounting departments at 37 Institutions since they understood the concepts under review. Using Excel software, data collected was evaluated, and presented in form of tables and figures. The results of showed a significant relationship between financial success and internal control systems existed in Kenyan technical training institutions. Additionally it was found out that, the management of Kenyan technical training institutions were committed to maintaining control over the operations and actively participates in their monitoring and supervision. However, the internal audit department lacked enough employees, was unsuccessful, did not regularly carry out audit activities, and did not generate audit reports on a regular basis.

Cyprus (2015), investigated the link between corporate governance and internal control in the commercial banks of Kenya. Within Kenyan commercial banks. Using an informal interview guide and a structured questionnaire, primary data was collected for the study using a descriptive research method. Descriptive statistics and performance comparisons obtained over the course of the years 2009–2011. The study results showed that most banks had conducted the various measures used to assess corporate governance and internal controls. This was supported by the data obtained from the means used to request information about the matter, which revealed that respondents believed their banks had established strong internal control systems and good corporate governance, and that there was a connection between the two.

Njenga (2017), aimed at investigating into how internal controls influenced the Taita-Taveta county National Treasury in Kenya's delivery of service. In this study, a descriptive research design was used. 225 finance staff members of Taita-Taveta county National Treasury were the target population. Stratified random sampling was adopted in order to get a sample size of 144. Questionnaires were used in the data collection process. SPSS Version 21 was used for the data analysis process

with Multiple Regression analysis used to ascertain relationships among variables. Results showed that there was a significant connection between service delivery and internal control systems where internal controls significantly influenced service delivery in Taita-Taveta county national treasury (r = 0.879)

Serem (2016), sought to establish the effectiveness of internal management controls and service delivery in Kenyan commercial banks. The results showed that the effectiveness of provision of services was greatly affected by components such as information, communication, and the control environment; also, monitoring and assessment. Additionally, the study revealed that in order to ensure that Kenyan commercial banks offer their customers high-quality services, internal management control is necessary. Effective internal controls could help the banks provide outstanding customer service, get more referrals, and keep customers. In order to ensure service delivery efficiency, the study recommends establishing internal audit control systems in an integrated manner. In their study, Mohamed et al. (2021) assessed Iraq's internal control systems and how they relate to risk management and governance. Their paper's design centered on a study of the literature from 2012 to 2019 and an analysis of the results. The study reached a conclusion, that without proper risk, control, and governance management, economic unity cannot achieve its objectives and continue to succeed.

Al-Khairu (2012) undertook a study with the objective of evaluating the performance of internal controls by first identifying the components of the system that make internal controls feasible and then enhancing the efficiency of each element by concentrating on areas that needed improvement. The study concluded that the provisions of the company law's articles pertaining to the appointment of executive members to the executive committee, which enables the creation of the assessing and appointments of committees, satisfy the requirements for putting certain corporate governance mechanisms into place.

In addition to acknowledging the positive effects of using an automatic risk assessment method for control threats in economic units to mitigate possible risks and difficulties, Shahid's (2014) study aimed to increase the effectiveness and effectiveness of internal control systems. One of the vital results of the study was the inadequate contribution of internal auditing to the assessment and creation of internal management systems as well as the provision of suggestions for their activation and enhancement. Instructions, legislation, and regulations provide information about the prerequisites for implementing an internal control system. Employees with expertise of the unit's operations may establish an auditing committee.

Lundu and Shale (2015) carried out study on the influence of best practices in financial oversight on Kenyan county governments' performance. The effects of mobilizing income, budgeting and financial planning, internal audit control, and public financial procurement in Garisa County were the main subjects of the study. The study revealed that the effectiveness of Kenyan county governments was significantly impacted by internal controls In addition, findings indicate that county governments may perform better if they made significant investments in efficient internal audit controls.

2.3.2 Risk Management Framework and Governance Processes

Through corporate governance, risk management has evolved to be heavily associated with internal controls, which suggests the acceptable risk level as a means of accountability and as a benchmark for evaluating performance. As a result, risk management is seen as a step in the accountability process that distorts the lines between accountability for risk and solutions to it through risk management systems (Spira et al, 2013).

The Organization of Economic Cooperation and Development (2014) conducted an independent review of the OECD Principles of Corporate Governance and

compiled a report on risk management and corporate governance. A questionnaire involving all participating countries was distributed between December 2012 and June 2013, with a total of 27 jurisdictions being included. They report that risk-taking is an essential aspect of business and entrepreneurship, however the cost of poor risk management practices both internally and externally, including the time required for management to correct the situation was understated. As a result, it advises nations that risk management and communication should be a part of their overall governance framework.

Olweny (2018), looked at the impact of risk management techniques on corporate governance in Kenyan insurance firms. 53 insurance companies were the population under consideration at the time of data collection for this study, which adopted a descriptive research approach. In the study, primary data was collected. Because the data was quantitative, descriptive statistics were used to evaluate it. It was found that Kenyan insurance companies had integrated risk management frameworks into their corporate governance strategies, which involve risk avoidance, acceptance, reduction, and transfer through a rigorous risk assessment process that includes risk identification, evaluation, treatment, and monitoring. The study concluded that corporate governance of insurance companies in Kenya has a significant connection to risk management practices.

In their study, Mutua et al. (2020) sought to determine whether the risk management framework, which includes risk identification, risk planning, risk analysis, and risk control, could be used to accurately determine the operational performance of civil society organizations in Kenya. The findings were meant to help professionals, academics, development workers, and development partners determine whether risk management processes are a factor in effective functional performance. Risk management processes and functional performance are significantly correlated, according to a comprehensive questionnaire that was used to assess 186 nongovernmental organizations. In particular, the results showed that risk

identification is a better indicator of an organization's functional success than any other risk process. The risk management process is recognized in this study as an excellent indicator of NGO functional performance, improving the body of information about NGOs' operational efficacy.

In the study of internal audit's role in enterprise risk management (ERM), Odoyo et al. (2014) used data from Kenyan public sector companies being the nine state parastatals, the study was conducted as a cross-sectional survey. Based on the results, the research came to the conclusion that State Corporation management must foster an atmosphere that would encourage internal auditing in order to fulfill its duty of giving reassurance that institutional risks are appropriately monitored. The study's suggestions include preserving the corporations' confidence, by instituting changes to the internal audit and regulatory compliance certification processes. The intended outcome of this will be their widespread adoption, which will strengthen internal controls and result in operational standardization. They recommend more investigation to determine the ways in which auditors themselves enhance the efficacy of the internal audit function, taking into account variables like qualifications and educational attainment, among others.

Gakiya et al (2019) aimed at determining how enterprise risk management impacted the organizational performance of Kenyan state corporations. They used an explanatory cross-sectional survey design guided by agency theory. Primary data was collected, with 218 state corporations subjected to a survey. Using multiple regression analysis, the research hypotheses were examined. According to the findings, risk management, governance, and process improvements significantly and favorably impacted organizational performance. The study recommends that in order to address risks before they even arise, policy makers in state should anticipate risks by incorporating risk management procedures across all the organization.

Maina (2016) conducted a study on the views of county assembly members about risk management auditing's role in achieving service delivery in the counties. Nairobi, Kiambu, and Kajiado counties were the study's primary target areas. The research's findings showed that risk management auditing and other public financial management techniques had little effect on the counties' ability to provide services.

2.3.3 Assurance and Consulting/Advisory and Governance Processes

Internal auditors are expected to conduct independent and unbiased reviews of systems and processes in conformity with the international principles on auditing and code of ethics, which are objectivity, integrity, competence, and confidentiality (CIIA, 2020).Within risk-oriented internal auditing it offers assurance and insights into the frameworks and procedures that drive the organization’s efforts toward achieving of its objectives by enhancing corporate governance process, IIA (2024). As risks continue to grow in complexity and scope, the internal audit function is expected to broaden its focus significantly. This includes areas such as risk governance, nurturing a positive organizational culture and behavior, advancing sustainability efforts, and improving various non-financial reporting metrics. Furthermore, internal audit will play a crucial role in ensuring compliance with regulatory standards, assessing the effectiveness of risk management approaches, and facilitating decision-making processes that align with the organization's strategic goals. This shift highlights the critical role of internal audit in addressing the challenges of today’s dynamic business landscape.

Joshi and Archarya's (2022) aim were to determine how internal auditing changed from a traditional assurance provider to an assessor, advisor, and consultants. Based on the data they collected, they established that internal auditors regularly offer advising and consulting services and actively participate in consulting activities. The survey only examined medium-sized and small businesses, excluding the

public sector, however 83.3 percent of respondents believed that internal auditing has changed to provide business advising services.

In South African, Naomi and Philna (2015) carried out research to evaluate the relationship between internal audit assurance and consulting services provided on governance the private sector. The most the relevant literature was used to create a preliminary framework for organizational governance maturity. To gather input on the draft framework from ten leading enterprises that are important players in the private sector, a case study was carried out. The findings showed that the framework made a substantial contribution to the assessment and ongoing observation of governance maturity for internal audits as well as management. They both concur that management's top priority for enhancing the governance framework is consultancy services. A consulting service usually offers guidance on establishing the best governance frameworks, methods, and procedures as well as putting better practices into action.

Walter and Kamau (2015), assessed the degree of compliance by internal auditors to Quality Assurance Standards in Kenyan state-owned enterprises. Information was obtained about the adherence to quality assurance standards by 24 State Owned Corporation Internal Audit Units. The majority of internal assessment departments in state-owned corporations in Kenya, according to the report, often have low compliance rates with quality assurance requirements. Some of the factors that contributed to low compliance were found by the research, and they included the internal audit department's age and experience, a lack of standard awareness, the IPPF's non-adoption, non-membership with the IIA, and a lack of understanding of quality assurance standards.

The influence of internal auditing on the efficiency of an organization at state department of energy's was done by Chepkonga (2018). The outcomes showed that semi-autonomous agencies in Kenya adopt internal audit to make sure they pay

attention to financial policies and regulations, evaluate and control risks, and provide high-quality services. According to the study, semi-autonomous agencies' performance is significantly and positively influenced by internal audit techniques including governance and policy compliance. To guarantee the efficiency of the internal audit process, the study suggested that management of a business should provide adequate support to internal audit units.

Nsiah (2013), conducted a study in Malaysia to assess the effects of internal audit on public service organizations of Malaysia. The study's findings indicated that service quality in Malaysian public organizations was significantly and positively affected by internal audit monitoring and evaluation. The study also demonstrated how internal audit helped organizations to detect risks keep an eye on their financial records and activities, and guarantee their smooth operation.

2.4 Knowledge Gap

Previous studies present various knowledge gaps as summarized in Table 1 below.

Table 2.1: Knowledge Gaps

Author(s)	Title	Findings	Gap(s)
OECD (2014)	Report on Risk Management and Corporate Governances	The study reveals that risk management as a key component that accelerates business and entrepreneurship. It also demonstrates that the internal and external costs of risk and management errors are underestimated. It advices member nations that they should make sure that risks are recognized, controlled or reduced, and promptly notified	The report is too general and not country specific, it reviewed only the results from Norway, Singapore and Switzerland in more detail ignoring other 24 jurisdictions. It also focused on the best performing companies in the specific countries Results were then generalized and recommendations made for all OECD countries. This research will

		through their governance procedures.	be done in Kenya thus a contextual gap
Olweny Linda (2018)	The impact of risk management approaches on corporate governance in Kenyan insurance firms.	The study arrives at the conclusion that corporate governance of insurance companies in Kenya and risk management techniques are closely related.	The research was carried out in the insurance subsector, whereas the suggested study would be carried out in the public sector; hence, the contexts are different.
A.M. Mutua and J.D.B. Ibembe (2020)	The effectiveness of Kenyan NGOs' functional performance is predicted by the risk management framework, which includes planning,	They proved that functional performance and risk management procedures have a strong relationship.	The research focused on NGOs in Kenya, while our study will look at the public sector.

	identification, analysis, and control of risks.		
Odoyo F, Omwono. A & Okinyi .O. (2014)	The function of internal audit in enterprise risk management (ERM) by presenting factual data on public sector companies in Kenya.	The research found that businesses understand the function of internal auditing and how important it is to implementing enterprise risk management.	The research focused on State Corporations in the public sector while this research will consider all public sector players in the Northrift.
Kakiya.G, Jared M &Lucy. R. (2019)	The effect of enterprise risk management on state corporations' organizational	The findings demonstrated that the risk framework, governance, and procedures had a favorable and substantial effect on organizational performance.	The study focused on state corporations while this research will consider all public sector players in the North rift Kenya.

	performance in Kenya		
Munene (2019	The connection between technical training's internal control systems and financial outcomes	The study revealed a significant connection between the internal control system and financial outcomes. According to the study, the management of the institution actively supervises and monitors the activities of Kenya's Technical Training Institutions, prioritizes control systems, and	The study focused on Technical Training Institutions in Kenya and results generalized for the public sector while this research will focus on the Kenya's public sector as a whole,
Cyprus.O. (2015)	The relation between Internal auditing and corporate governance	The results of the research revealed that banks had implemented robust internal control systems and solid corporate governance, and that internal control and corporate	This study uses a structured questionnaire in place of the unstructured interview guide, whereas the study focused on Kenya's private banks, this research

	in Kenyan commercial banks.	governance were strongly correlated.	will examine the country's public sector.
Njenga.A (2017)	The influence of internal controls on the Taita-Taveta National Treasury's provision of services in Kenya	Results revealed that there was a positive correlation (r=0.879) between internal control systems and service delivery.	The study focused on internal auditors and members of the audit committee, whereas the study itself targeted finance employees. This was carried out in the National Treasury of Taita-Taveta County in Kenya, whereas our study would be conducted in the North Rift
Serem .O (2016)	The efficiency of internal management controls and service delivery in	The results demonstrated that a number of elements, including monitoring and assessment, information and communication, and control environments, greatly	the study was done on commercial banks in Kenya this study will be done in Kenyans public sector

	Kenyan commercial banks	influenced how efficiently services were delivered.	
Mohamed A.M Thamer.K, Hakeemh, Hussein A (2021)	Iraq's internal control systems and how they relate to risk management and governance.	The study came to the conclusion that successful risk, control, and governance are necessary for economic integration to succeed and meet its objectives.	Although our study will take place in Kenya, the study was conducted in Iraq.
) Joshi, P L Acharya, Sadiksha (2022.	Internal auditing's evolving function from that of a typical assurance supplier to that of an assessor, advisor, and counseling service provider.	According to the study, 83.3 percent of the participants concurred that internal auditing has evolved to incorporate business advising services.	The study excluded the public sector and solely examined medium-sized and smaller businesses. This research will examine the public sector.

Naomi .P. Wilkinson .W. (2015).	The connection between governance consulting services or internal audit assurance and how to differentiate a case involving the South African corporate sector.	The findings revealed that the framework made significant improvements to the assessment and ongoing observation of governance maturity for internal audits as well as management. They both agreed that management's top priority for enhancing the governance framework is providing consulting services.	A case study was carried out to get input on the draft framework from ten leading businesses that are important players in South Africa's private sector. This researcher will examine Kenya's public sector.
Walter, Bichanga ,Kamau, Charles (2015)	Level of adherence to Quality Assurance Standards by	The study revealed that most state-owned companies in Kenya's internal audit departments generally did a poor job of meeting quality assurance standards.	The study focused on State owned corporations, while this research will focus on the public sector as a whole putting into consideration state corporations.

	Internal auditors employed by state-owned companies in Kenya.		
Chepkonga .F. (2018).	Organizational performance and the influence of the internal audit functions.	The study additionally revealed that the performance of semi-autonomous agencies is positively and significantly impacted by internal audit approaches such as governance and policy compliance. The findings showed that firms employ internal audit to make sure they provide high-quality services, evaluate and manage risks, and adhere to financial norms and regulations.	Focused on Nakuru's state department of energy's partly independent departments. This research will focus on public sector as a whole.

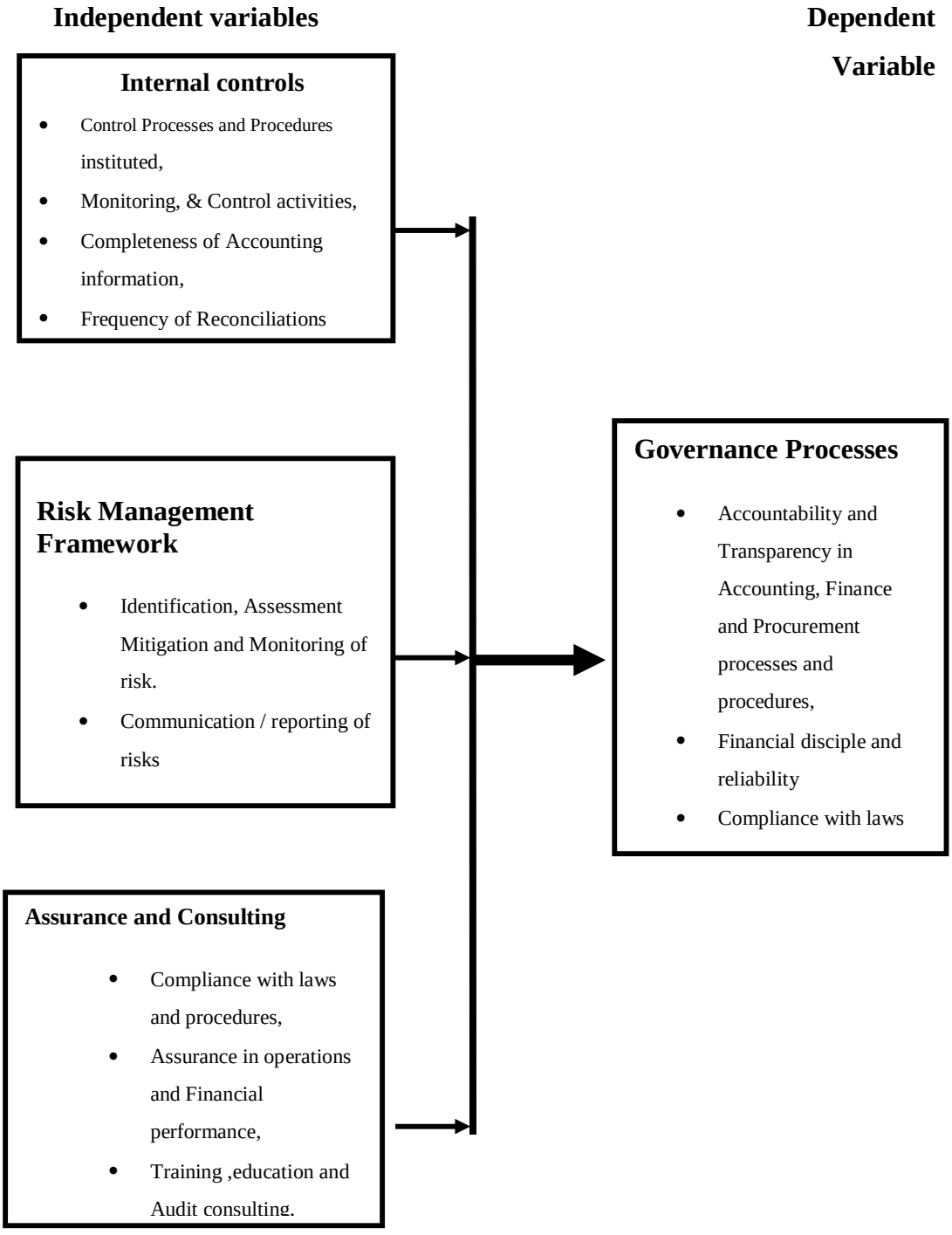
2.5 summary of literature reviews

The intent of this study is to assess how internal auditing influences the governance procesess in Kenya's public sector. While all the studies reviewed concur that internal audit unit plays a vital function in running organizations. There exists a contextual gap with the scope of these studies limited to internal audit and public sector with single organizations and subsectors used and results generalized for the whole sector. Public sector in Kenya which is wide touching many sector and subsectors which have unique characteristics and functions to others and auditors at subcounties review all the activities of the public sector departments . This research will look at public sector in the North rift region as a whole putting into consideration the role played by internal audit in the various departments processes, its results will be generalized to the general public. Studies done looked at service delivery which is an outcome of governance process thus the need to do a comprehensive research on governance processes as a whole.

2.6 Conceptual Framework

Researchers frequently employ conceptual frameworks as a tool to define, generalize, and provide an overview of the subject matter they are studying. As a result of research, it serves as the basis for organizing indicators that will be examined, reviewed, and developed (Kombo and Tromp, 2006). The connection between the governance process and the internal controls, assurance, and consulting, as well as the risk management framework, is shown in the diagram below.

Figure 2.1: Conceptual Framework.



Source: Author (2024)

CHAPTER THREE

RESEARCH METHODOLOGY

3.1 Introduction

This chapter describes the techniques the researcher used to carry out the study; it includes research designs, population sampling strategies, instruments for data collection and analysis procedures.

3.2 Research Design

A research design provides the framework for data collection, measurement, and analysis. Cooper & Schinder (2007) describe research design as the methods that were used to accomplish the goals of the study. For this study, a descriptive and correlational design approach was used. Descriptive research design was used as it involves observation and examination of variables naturally, without intentional manipulation (Abutabenjeh & Jaradat, 2018).

A descriptive research design entailed frequency of the responses, mean of responses and measures of dispersion from the mean (standard deviation) and its percentages. Additionally, correlational research design allows for investigating the causal link between variables. The goal was to gather valuable insights and information, which included data collection, classification, measurement, analysis and interpretation (Siedlecki, 2020). The techniques were selected because they are more exact and accurate in describing occurrences in an organized manner (Babbie, 2004).

3.3 Target Population

As defined by Ngechu (2004), the term "target population" refers to all the participants, instances, or elements to which a researcher hopes to generalize study

findings. The target population of this study were the 25 internal auditors of the National Treasury in the north rift region domiciled in sub counties, as shown in table ii below. This is so because members of internal auditors have the most in-depth knowledge of the study's subject matter. Table ii provides an overview of the target population.

Table 3.1: Target Population

Category	**Population**
National Treasury Internal Auditors in the North Rift Region Kenya.	25
Total population	**25**

Source: (IAGD 2024)

Due to the population size identified, the research used the census method to collect data from all the 25 individuals as highlighted in table one above. A census is a technique where data from the entire population is collected (Hair, et al, 2011). When a research study has a target population that's less than 250, the researcher can select 100 percent of the population to produce satisfactory results (Mugenda and Mugenda, 2003).

3.4 Data Collection Techniques

The researcher intends to gather primary data. Questionnaires having structured questions was the primary tool for collecting data. This allows for consistency in responses to questions .They were shared physically and using google forms via emails and what apps where respondents complete them and submit back. Compared to other instruments, the questionnaire is a quick and effective technique to collect data (Mugenda & Mugenda, 2003). Increased uniformity in question formulation is made possible by questionnaires guaranteeing more consistency in

response formats. For the structured questions, a five-point Likert scale was employed; the idea behind the Likert is that it is easy to create, read, comprehend, and respond to statements on in an appropriate manner for respondents. According to Mugenda and Mugenda (2003), the Likert scale improves the generation of extremely accurate outcomes throughout analysis.

3.5 Pilot Study

3.5.1 Test of Validity

A test study was conducted by the researcher to verify the accuracy of the data that was to be collected through the questionnaire designed. Mugenda & Mugenda (2003) define validity as the degree to which the sample of test reflects the content of the test that is meant to be measured. The study employed content validity to determine how well the information gathered through the specially created questionnaire captures the essence of the topic under investigation. Mugenda & Mugenda (2003) posits that using an expert or professional in a given field or subject is the standard strategy for evaluating content authenticity. The university supervisor's expert advice and guidance was sought to determine validity of the questionnaires ensuring that it was constantly measuring what they were supposed to asses, without significant oscillations or random errors this made reliability essential. When the data collection method is repeated under identical circumstances and gives the same results, it is said be consistent It offers assurance regarding the precision and coherence of the data, (Mugenda & Mugenda, 2003).

3.5.2 Test of Reliability

To verify the dependability of the research tools, the researcher choose a test group of four 4 internal auditors from western region of Kenya. Cronbach's Alpha tests was used to assess the instruments' reliability showed as coefficient of 0.71 implying that the research tools were dependable see table 4.2. The reliability

increases as its value increases, and it ranges from 0 to 1. The According to Mugenda (2003), a coefficient of 0.6–0.7 is generally recognized as a thumb rule that denotes adequate dependability, and 0.8 or higher denotes good reliability. The research as a whole does not incorporate the pilot data.

Assessment for Reliability was done using alpha Cronbach's coefficient for each variable. Table 3.2 shows that each variable considered deemed reliable because they had higher coefficient values more than 0.7 of Cronbach's Alpha is typically regarded as adequate.

Table 3.2 Results on Reliability.

Variables	Units	Cronbach's Alpha Coefficient	Results
Internal Controls	4	0.703	Good
Risk Management Framework	4	0.724	Good
Assurance and Consulting	4	0.712	Good
Governance processes	4	0.731	Good

Source: Researcher, 2024.

3.6 Data Analysis Techniques

Quantitative data analysis methods were adopted in the research. Donald and Delno (2006) explain that data analysis refers to scrutinizing what has been gathered from a survey, interpreting it and making conclusions. Quantitative data analysis involves gathering numeric data from measurements using descriptive and inferential statistics. Lind, Marchal and Wathen (2008) describe descriptive statistical data analysis as collection, organization, summarization, and presentation

of data while inferential statistics is the generalization of samples to populations, performing estimations and hypotheses testing, determining influence of predictor variables, and making predictions. The questionnaire items were assigned responses intended to measure every indicator in which responses typical of a five-level Lickert scale with scores ranging from 1 to 5 rated as; Strongly Agree(SA) = 5, Agree(A) = 4, Neutral(N) = 3, Disagree(D) = 2, Strongly disagree (DS) = 1 were used. Based on summation of all possible responses it was easy to convert scores recorded for all items into numeric data, calculated and presented statistically.

Data collected was verified for validity upon collection so as to ascertain its suitability for analysis. The study's explored themes guided the coding of the data collected. Tables, charts, and figures were utilized for presenting descriptive data, such as percentages, mean scores, and proportions. Quantitative data analysis involved interpreting numerical data through mathematical calculations and statistical tests, descriptively and inferentially statistics. Descriptive analysis was used to present and interpret mean, percentages, frequencies, and standard deviations of the responses. The researcher carried out several diagnostic tests, including a normality test, a linearity test, and a multi-collinearity test, before proceeding with the multiple linear regression analysis on the data. Inferential statistics were employed to examine the relationships between study variables. The Pearson product-moment correlation was used to indicate the correlation between variables. Multiple linear regression analysis was used to further examine the relationships between variables. The regression equation being:

$$Y=\beta_0+\beta_1X_1+\beta_2X_2+\beta_3X_3+\acute{\varepsilon}$$

Where:

Y= Governance Processes in public sector (Compliance with laws and regulations ,Accountability and Transparency of Accounting, Finance and Procurement

process in public sector , Quality service delivery , Value for money , Public confidence and Social responsibility).

$\boldsymbol{\beta_0}$ = Constant Term

$\boldsymbol{\beta_1}$, $\boldsymbol{\beta_2}$, and $\boldsymbol{\beta_3}$, = Beta coefficients.

$\mathbf{X_1}$= Internal Controls (Procedures & Processes in place, Monitoring and Control activities, Completeness of accounting information & frequency of reconciliations segregation of duties).

$\mathbf{X_2}$= Risk Management Framework (Identification, Assessment, Mitigation and Monitoring of risks, risk reporting and communication).

$\mathbf{X_3}$= Assurance and Consulting (Compliance to laws and procedure, reporting Fraudulent activities, assurance of operational and financial performance, Training, education, and audit consulting, Internal audit recommendation and discussions).

$\boldsymbol{\varepsilon}$ = Error term.

Null hypotheses (H_0) was analyzed at $\alpha = 0.05$ significance level and tested using *p*-value method. Null hypothesis was rejected if p-value was more than 0.05 or otherwise no rejected.

3.7 Operationalization of variables

This is illustrated in Table 3.2,

Objective	Variable	Indicator	Measurement	Scale	Research approach	Type of analysis
To assess the influence of internal controls on governance processes in the public sector in Kenya.	Internal controls	Number of Control Processes and Procedures in place. Number of Monitoring, &Control activities Number of Reconciliations.	Frequency	Ordinal	Quantitative; Qualitative	Inferential ; descriptive
To establish the influence of risk management framework on governance processes in	Risk Management Framework	Number of risks identified, Number of risks assessed	Frequency	ordinal	Quantitative; Qualitative	Inferential descriptive

the public sector in Kenya.		Number of risks Mitigated, Number of risks Monitored Number of risks Communicated / reported				
To determine the influence of assurance and consulting on governance processes in the public sector in Kenya.	Assurance and Consulting	Number of reports generated. Number of meeting held Number of recommendations made. Number of trainings done	frequency	ordinal	quantitative; qualitative	inferential; descriptive

Table 3.2 Operationalization of Variables

Source: Researcher (2024)

3.8 Ethical Considerations

A researcher should observe fundamental ethical issues including discretion, confidentiality, and anonymity of the respondent, and cultural diversity (Cohen et al., 2007). The researcher explained and clarified the aim of the study to respondents. Applied for university authorization to carry out the study and NACOSTI licensing. This assisted in boosting respondent's confidence, improving the response rate because internal auditing challenges and governance in the public sector may be delicate subjects. The researcher maintains confidentiality; respondents' identities shall remain anonymous; all information sources were recognized appropriately to prevent plagiarism; and the reporting of the study's results maintains objectivity and honesty.

CHAPTER FOUR

DATA ANALYSIS, DISCUSSION AND PRESENTATION

4.1 Introduction

This chapter presents data collected, analysis, research findings and interpretation of the results, it also presents the discussion on each objective on the influence of internal audit on governance processes in Kenya.

4.2 Respondents Characteristics

4.2.1 Response Rate

The researcher sent a total 25 questionnaires to internal auditors of the National Treasury in the North rift, Kenya using Google forms. 23 questionnaires were filled and returned as shown in Table 4.1 giving a response rate of 92%. This response rate is considered strong and representative of the target population. According to Cooper and Schindler (2013), a response rate greater than 30% of the total sample size is sufficient for generating data that can generalize the characteristics of a study issue based on the perspectives of a small subset of respondents within the target population. Furthermore, Sekaran (2010) asserts that a response rate above 40% is considered acceptable for data analysis.

Table 4.1: Response rate.

Questionnaires	No of questionnaires	Percentages %
Response	23	92
Non response	2	8
Total	**25**	**100**

Source: Researcher, 2024.

4.3 Demographic Characteristics of the Respondents

The demographic data consisted of sex/gender, seniority position and years of experience in Internal Audit Department of the National Treasury categories in years.

4.3.1 Gender of the Respondents

From the research finding, majority 78.2% of the respondents were males while 21.8% were Females as depicted in the table 4.2 below. This implies that majority of the auditors in the National Treasuries North rift, Kenya were males.

Gender	**Frequency (f)**	**Percentages%**
Females	5	21.8
Males	18	78.2
Total	**23**	**100**

Table 4.2: Gender of the Respondents.

Source: Researcher, 2024.

4.3.2 Position in the Department

The participants were asked to indicate their position in the National Treasury internal audit department in North rift, Kenya and seniority level in the department as shown in Table 4.3. The study established that majority (52.1%) of the participants were of the level of senior internal auditor followed by those who were associate internal auditor levels (26.9%). Those who were of the level of principal internal auditors were the least (6%). This indicates that most participants possessed ample knowledge and experience in internal auditing, allowing them to effectively and accurately provide the information needed for the study.

Table 4.3: Position in the Department.

Gender	**Frequency (f)**	**Percentages**
Principal Internal Auditor	4	17.4
Senior Internal Auditor	12	52.1
Associate Internal Auditor	7	26.9
Total	**23**	**100**

Source: Researcher, 2024.

4.3.3 Years Worked in the Internal Audit Department

Participants were asked to specify their years of experience working in the internal audit department of the National Treasury in North Rift, Kenya, as detailed in Table 4.4. The findings revealed that the majority of respondents (43.5%) had between 7 to 13 years of experience, while 39.1% had worked for 1 to 6 years. The smallest group consisted of those with 14 to 20 years of experience, accounting for 17.4%. This distribution indicates that most participants possessed ample experience within the internal auditing department, enabling them to effectively and accurately provide the information required for this study.

Table 4.4: Working Experience in the Internal Audit Department.

Years Worked	**Frequency (f)**	**Percentages**
1 to 6 years	9	39.1
7 to 13 years	10	43.5
14 -20 years	4	17.4
Total	**23**	**100**

Source: Researcher, 2024

4.4 Descriptive Analysis

Descriptive analysis is primarily concerned with detailing the fundamental characteristics of the data collected in a study (Cooper & Schindler, 2013). This section utilizes descriptive analysis to summarize the data pertaining to the impact of the internal risk management framework and assurance and consulting on governance processes within the public sector, specifically in the National Treasuries of North Rift, Kenya.

4.4.1 Influence of Internal Controls on Governance Processes.

The first objective was to establish the influence of internal controls on governance processes in National Treasuries in North rift, Kenya.

4.4.1.1 Risks Faced by Departments

To better understand the need for internal controls, the researcher sought find out some of the risks facing the departments as assessed by internal auditors and ranked them as shown in table 4.5 below, It was evident that compliance risk and operational risk are ranked as very high risks, while litigation risk are ranked high, technology risk were ranked medium risks thus the need to institute strong internal controls to mitigate the possibility of a loss.

Table 4.5 Risks Faced by the Department

Risk faced	**Frequency (f)**	**Percentage (%)**	Rank of risks
Operational risk	23	100	Very high
Litigation risk	17	73.9	High
Compliance risk	23	100	Very high
Technology risk	12	52.1	Medium

4.4.1.2 Influence of Internal Controls on Governance Processes of National Treasuries in North rift, Kenya.

As illustrated in Table 4.6, respondents expressed agreement that the internal audit department plays a crucial role in assisting other departments with the development and implementation of the risk management framework, reflected by a mean score of 3.6521 and a standard deviation of 0.7375. Furthermore, respondents strongly affirmed that the audit department conducts regular reviews of individuals, systems, and processes within the departments, as indicated by a mean score of 4.1304 and a standard deviation of 0.9292.Additionally, a substantial number of respondents agreed that the internal audit department provides advice on financial controls to be implemented by departments, demonstrated by a mean score of 3.5652 and a standard deviation of 0.6133. There was also significant agreement that internal audit reviews managerial and operational policy controls in the departments, with a mean score of 3.5217 and a standard deviation of 0.6101**.**

Moreover, the majority of respondents strongly supported the notion that internal auditors conduct regular independent verifications of transactions to preserve decision-making integrity, as shown by a mean score of 4.1304 and a standard deviation of 1.0674**.** Respondents also agreed that internal auditors perform independent reconciliations of all departmental balances on a regular basis, reflected by a mean score of 3.7826 and a standard deviation of 0.7355**.**

A significant majority strongly agreed that the department advises management on managing physical and financial assets, evidenced by a mean score of 4.000 and a standard deviation of 0.9464**.** Lastly, the respondents overwhelmingly supported the assertion that internal auditors comply with the standards and guidelines for reporting to departmental management, indicated by a mean score of 4.3478 and a standard deviation of 1.4163**.**

The overall composite rating of the statements regarding the influence of internal controls on governance processes within the national treasuries in North Rift, Kenya, resulted in a mean score of 3.8913 and a standard deviation of 0.8820. Consequently, the majority of respondents agreed that internal controls significantly influence governance processes in the national treasuries of North Rift, Kenya.

Internal Controls and Governance Processes	Mean	Std. Deviation
Internal audit department helps in developing and implementing risk management framework for other departments.	3.6521	0.7375
The department does reviews of individuals, systems and processes in the departments regularly.	4.1304	0.9292
Internal audit advises on financial controls to be instituted by departments.	3.5652	0.6133
Internal audit advice and reviews managerial, and operational policy controls in the departments.	3.5217	0.6101
Internal audit does a regular independent verification of transactions to preserve decision-making integrity	4.1304	1.0674
Internal audit performs independent reconciliation of all balances in all departments regularly.	3.7826	0.7355
The department advises management on managing physical and financial assets.	4.000	0.9464
Auditors comply with the standards and guidelines on reporting to departmental management.	4.3478	1.4163
Composite Mean and Standard Deviation	**3.8913**	**0.8820**

Table 4.7 Influence of Internal Controls on Governance Processes

Source: Researcher, 2024.

4.4.2 Influence of Risk Management Framework on Governance Processes

The second objective was to establish the influence of risk management framework on governance processes in national treasuries in North rift, Kenya.

4.4.2.1 Frequency of Risk Assessments

The researcher sought to establish the frequency of risk assessment by the auditors, it was established that the auditors in department did risk assessment for departments on annually and semiannually basis as how in table 4.8 below. This is in line with the IAGD guideline that requires auditors to do risk assessment at the beginning of the financial year and review them at mid of the financial year, However the IPPF provides for continuous risk assessment.

Table 4.8 Frequency of Risk Assessments.

Risk Assessments	Frequency (f)	Percentage (%)
Daily	0	0
Weekly	0	0
Monthly	0	0
Semi-annually	23	100
Annually	23	100

4.4.2.2 Influence of Risk Management Framework on Governance Processes in National Treasuries in North rift, Kenya.

This section outlines the results concerning the extent to which respondents believe that the risk management framework influences governance processes within the national treasuries in North Rift, Kenya. The responses were collected using a 5-point Likert scale. The findings indicate that a majority of respondents agreed that

risk management guidelines effectively define acceptable risks as a form of accountability for all departments, reflected by a mean score of 3.3043 and a standard deviation of 0.4868. When asked about the presence of a comprehensive risk assessment guide that includes risk identification, evaluation, treatment, and monitoring, respondents again showed agreement, with a mean score of 3.3043 and a standard deviation of 0.4868**.** Regarding whether the risk management framework suggests mitigation measures for every identified risk, most respondents expressed agreement, as indicated by a mean score of 3.6521 and a standard deviation of 0.6985. However, responses were more neutral when asked if the risk management guidelines provide specific risk management strategies, resulting in a mean score of 2.8695 and a standard deviation of 0.3004**.**Additionally, when inquiring whether the risk management framework allows for unplanned and informal assessments of additional risks, the majority of respondents agreed, as shown by a mean score of 3.6521 and a standard deviation of 0.4915. The study also examined whether auditors collect field data on various risks facing the organization, analyze it, and report their findings. Here, most respondents strongly agreed, reflected by a mean score of 3.9565 and a standard deviation of 1.0630.

Finally, when asked whether auditors participate in random checks of organizational systems and document their observations, the mean score of 4.2608 and a standard deviation of 1.2262 indicated strong agreement among respondents. Overall, the composite rating of statements regarding the influence of the risk management framework on governance processes within the national treasuries in North Rift, Kenya, resulted in a mean score of 3.5108 and a standard deviation of 0.6627. This suggests that respondents collectively agreed that the risk management framework positively impacts governance processes in this context.

Table 4.9: Risk Management Framework and Governance Processes

Risk Management Framework and Governance Processes	Mean	Std. Dev
Our risk management guideline defines the risks that are acceptable as a form of accountability by all departments.	3.3043	0.4868
Our risk management guideline ensures that all risks are understood by all departments.	3.3043	0.4868
There's a rigorous risk assessment guide which involves risk identification, risk evaluation, risk treatment and risk monitoring in all departments.	3.6521	0.6985
Our risk management framework suggest risk mitigation measures on every risk identified.	2.8695	0.3004
Our risk management guideline suggests risk management strategies.	3.3913	0.5483
Our risk management framework provides for unplanned and informal assessments of additional risks.	3.3478	0.4915
Auditors collect data in the field on different risks facing the organization and analyses and reports them.	3.9565	1.0630
Auditors take part in random checks of organizational systems and documents them.	4.2608	1.2262
Composite Mean and Standard Deviation	**3.5108**	**0.6627**

Source: Researcher, 2024.

4.4.3 Influence of Assurance and Consulting on Governance Processes

The second objective was to establish the extent to which assurance and consulting influences governance processes in the national treasuries in North rift, Kenya.

4.4.3.1 Assurance practices carried out at the Department.

The researcher sought to establish the assurance practices performed by the auditors and ranked the as shown in table 4.10 below. All the respondents indicated that they performed inspections recalculations, and confirmations while 67.7% did re-performance only 63% offered training services.

Table 4.10: Assurance Practices Performed

Assurance Practices	Frequency (f)	Percentage (%)
Inspection	23	100
Recalculation	23	100
Confirmation	23	100
Re-performance	15	67.7
Trainings	14	63.2
N	23	

4.4.3.2 Influence of Assurance and Consulting on Governance Processes in the National Treasuries in North rift, Kenya.

Table 4.11: Effects of Assurance and Consulting on Governance Processes

Assurance and consulting on Governance process	Mean	Std. Dev.
Internal audit departments is consulted by management of departments regularly.	3.2173	0.5320
Internal auditors verify that risks are being managed properly.	3.6521	0.6931
Internal audit verifies that public spending remains within budget allocations and votes.	3.7391	0.7774
Internal audit ensures that there's compliance with specified procedures for departmental disbursements.	3.5217	0.6248
Internal audit ensures that there's timely reconciliation of accounts.	3.5217	0.7741

Internal audit report about any fraudulent activities or irregularities and documents them.	3.8695	0.8805
Internal audits assess the effectiveness and efficiency of operations.	4.2173	1.0206
Internal auditor assess the reliability and integrity of financial and operational information and advises management	4.1304	0.9292
Internal audit advices management on the source of major frauds and irregularities.	4.0000	0.9039
The audit department does assessments of the agreement framework and compliance matters.	3.9565	0.8671
Composite Mean and Standard Deviation	**3.8130**	**0.8003**

Source: Researcher, 2024.

The findings presented in Table 4.11 indicate that participants generally agreed with the statement regarding the regular consultation of internal audit departments by management, evidenced by a mean score of 3.2173 and a standard deviation of 0.5320, which shows minimal variability around the mean. For the second statement, which assessed whether internal auditors verify that risks are being managed properly, the mean score was 3.6521 with a standard deviation of 0.6931. This result suggests that participants also agreed with this assertion. The third statement examined Internal audit verified that public spending remains within budget allocations, The findings yielded a mean score of 3.7391 and a standard deviation of 0.777, indicating a general agreement among participants. The third statement examined whether internal audit reports document any fraudulent activities or irregularities. The findings yielded a mean score of 3.7391 and a standard deviation of 0.777, indicating a general agreement among participants. The fourth statement investigated whether internal audits ensure compliance with specified procedures for departmental disbursements. The mean score of 3.5217

and a standard deviation of 1.0206 reflect strong agreement among participants regarding this assertion.

The fifth statement explored the timely reconciliation of accounts. Findings showed a mean score of 3.8695**,** indicating participant agreement, with a standard deviation of 0.9292, suggesting limited variability in responses. The sixth statement again focused on timely reconciliation, yielding a mean score of 4.2173 and a standard deviation of 0.9039, indicating strong agreement among participants. The seventh statement addressed whether internal audit reports document any fraudulent activities or irregularities, resulting in a mean score of 4.000 and a standard deviation of 0.964, which implies a strong consensus on this point. In the eighth statement, which assessed whether internal audits evaluate the effectiveness and efficiency of operations, the mean score was 3.9565, demonstrating strong agreement with a standard deviation of 0.8671**.** Overall, the composite rating for the statements regarding the influence of assurance and consulting on governance processes at the national treasuries in North Rift, Kenya, yielded a mean score of 3.8130 and a standard deviation of 0.8003. These findings indicate that respondents believe assurance and consulting significantly enhance governance processes in this region.

4.4.4 Governance Processes Outcomes

This section provides the results on rating of governance processes outcomes national treasuries in North rift, Kenya on the likert scale.

Table 4.12: Governance Processes Outcomes

Governance Processes Outcomes	Mean	Std. Dev.
Procurement and treasury processes are better managed by departments	3.1739	0.3806
Internal audit has improved service delivery in various departments	4.3478	1.0380
Internal audit has enhanced compliance levels on various laws and regulations in departments.	4.6521	1.2837
Financial discipline has improved as a result of intern audit reports and recommendations.	4.4347	1.0666
Internal audit operational Independence has been enhanced.	4.1739	0.8023
Internal audit has ensured that there's accountability of public resources.	3.3043	0.4661
Decision in departments are more transparent and within the law.	4.1739	0.8168
There's improved reliability of financial reports by various departments.	4.2608	0.8737
There's improved utility of Public resources in an economic, transparent and efficient manner thus value for money.	4.1739	0.8023
Frauds and errors are detected early enough in all department	3.7826	0.6340

Composite Mean and Standard Deviation	**4.4975**	**0.90717**

Source: Researcher, 2024.

The findings in Table 4.12 reveal that the mean score for the statement regarding the management of procurement and treasury processes by departments was 3.1739**,** indicating general agreement among participants. The standard deviation was minimal, showing variation of no more than **0.06** from the mean. For the second statement, which addressed whether internal audit has improved service delivery across various departments, participants strongly agreed, as evidenced by a mean score of 4.3478 and a standard deviation of 0.09. The third statement focused on whether internal audit has enhanced compliance with laws and regulations, resulting in a mean score of 4.6521 and a standard deviation of 1.12, indicating significant agreement. The fourth statement aimed to assess improvements in financial discipline due to internal audit reports and recommendations, yielding a mean score of 4.4347 and a standard deviation of 0.480, reflecting strong consensus among participants. The fifth statement investigated whether the operational independence of internal audit has been strengthened, with results showing a mean score of 4.1739 and a standard deviation of 0.8023, suggesting strong agreement. For the sixth statement, which inquired if internal audit has ensured accountability of public resources, the findings indicated a mean score of 4.2608 and a standard deviation of 0.964, again showing strong agreement among respondents. The seventh statement examined the transparency of departmental decisions, resulting in a mean score of 3.7826 and a standard deviation of 0.964, indicating strong agreement with the statement. In the eighth statement, participants were asked about the reliability of financial reports from various departments, which yielded a mean score of 4.1739 with a standard deviation reflecting minimal variation. Another statement sought to determine whether there was improved utility of public resources in an economic, transparent, and efficient manner, resulting in a mean of 3.7826, also indicating strong

agreement. Overall, the composite rating for statements regarding governance process outcomes as a result of internal audit at the national treasuries in North Rift, Kenya, showed a mean score of 3.8130 and a standard deviation of 0.8003. Respondents strongly agreed that internal audit activities have enhanced governance process outcomes in this region.

4.5 Inferential Statistics

The researcher utilized a general linear model to evaluate the predictive power of the independent variables on governance processes in the national treasuries of North Rift, Kenya. To examine the relationship between these independent variables; Internal Controls, Risk Management Framework, and Assurance & Consulting and the dependent variable, governance processes. The researcher performed inferential examination, which comprised the coefficient of correlation, the coefficient of determination, multiple regression analysis, and ANOVA tests.

Prior to performing the regression analysis, it was essential to conduct diagnostic tests to ensure that the assumptions of multiple linear regression were satisfied, as violations could lead to inaccurate results. As a result, the researcher carried out several diagnostic tests, including a normality test, a linearity test, and a multi-collinearity test, before proceeding with the multiple linear regression analysis on the data.

4.5.1 Normality Test

According to Shapiro and Wilk (1965), a normality test is performed to evaluate whether the data being analyzed conforms to a normal distribution and to ensure that the assumptions of normality are upheld. In this study, the normality test was also assessed by examining the skewness and kurtosis values. The results of test are shown below in Table 4.13

Table 4.13: Shapiro-Wilk Test on Normal Distribution

		Shapiro-Wilk	
Variable	**Df**	**Statistic**	**Sig.**
Internal Controls	23	0.97190	0.000
Risk Management Framework	23	0.98160	0.000
Assurance and Consulting	23	0.97684	0.000

a. Lilliefors Significance

Source: Researcher, 2024.

The test shows that all variables; had $p < 0.05$ implying that they did not violate the assumption of normal distribution. Consequently, the null hypothesis, which posited that the data was sourced from a population lacked a normal distribution, is rejected.

4.5.2 Linearity Test

The test was conducted to evaluate whether the variables align along a straight line and to identify any deviations from the line of best fit. The linearity test was performed graphically using normal predicted probability. The linearity coefficient was determined to be 0.456, as shown in Table 4.14**,** indicating that the assumption of linearity in the analyses has been met. A coefficient of determination of 0.456 suggests that approximately 45.6% of the variation in governance processes can be explained by the independent variables, which include the risk management framework, internal controls, and assurance & consulting. Additionally, Table 4.16 demonstrates that the regression standardized residuals are normally distributed, with observed and expected values closely aligned along the line, showing no significant deviations. This confirms that the assumption regarding normally distributed errors has been satisfied.

4.5.3 Multicollinearity Test

A multicollinearity test was conducted to determine whether the independent variables are indeed independent, as a lack of independence among these variables would violate the assumptions of linear regression. To assess multicollinearity, both the Variance Inflation Factor (VIF) and correlation analysis were performed. Table 4.15 indicates that all VIF values were below 10**,** suggesting that there is no multicollinearity present, and therefore, none of the variables needed to be excluded for lacking independence.

Table 4.15 Multicollinearity Test

Multicollinearity Test Model	**Collinearity Statistics**
Tolerance	**VIF**
1	(Constant)
Internal Controls .971	1.007
Internal Audit Controls .981	1.016
Practices	
Assurance and .976	1.042
Consulting	

Source: Researcher, 2024

4.5.4 Correlation Analysis

To evaluate the correlation strength between the study variables, the researcher employed Karl Pearson's coefficient of correlation (r). The results displayed in Table 4.16 reveal a positive correlation of 0.583 between governance processes and internal controls within the national treasuries of North Rift, Kenya. Additionally, there is a positive correlation of 0.514 between corporate governance and the risk management framework. Furthermore, a correlation coefficient of 0.461 indicates a positive relationship between governance processes and assurance & consulting.

These findings demonstrate positive correlations among governance processes, the risk management framework, internal controls, and assurance & consulting.

Table 4.16: Coefficient of Correlation.

		Governance Processes	Internal Controls	Risk Management	Assurance and Consulting.
Governance processes	Pearson's Correlation	1			
	Sig. (2-tailed)				
Internal Controls	Pearson's Correlation	.583	1		
	Sig. (2-tailed)	.002			
Risk Management	Pearson's Correlation	.514	.393	1	
	Sig. (2-tailed)	.002	.002		
Assurance and Consulting.	Pearson's Correlation	.461	.353	.323	1
	Sig. (2-tailed)	.003	.002	.002	

Source: Researcher, 2024.

4.5.5 Model Summary

The coefficient of determination (R^2) indicates the extent to which changes in the dependent variable can be attributed to changes in the independent variables. Specifically, it represents the percentage of variation in the dependent variable (Governance Processes) that is explained by the three independent variables: Internal Controls, Risk Management Framework, and Assurance & Consulting.

Table 4.17 Overall Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	. 712a	.508	.397	. 002

a. Predictors: (Constant), Internal Controls, Risk Management Framework and Assurance and Consulting.

Source: Researcher, 2024

The study found that the three independent variables explained 50.8% of the variance in governance processes at the national treasuries in North Rift, Kenya, as indicated by the R^2 value. This suggests that 49.2% of the variation in governance processes is influenced by other factors not covered in this research. Therefore, further studies are needed to explore the additional factors that affect governance processes in these national treasuries.

4.5.6 ANOVA Test

The study also evaluated the significance of the model using the Analysis of Variance (ANOVA) technique, with the results presented in Table 4.18. The analysis revealed a significance level of 0.01% ($p = 0.001$), indicating that the data was appropriate for making inferences about the population parameters. Since the p-value was below the 5% threshold, the model was deemed statistically significant for the analysis.

Table 4.18: ANOVA of Regression

Model	Sum of Squares	Df	Mean Square	F	Sig.
Regression	0.909	3	.303	2.5129	.001b
Residual	17.514	23	.7614		
Total	18.423	26			

a. **Dependent Variable: Governance Processes**

b. Predictors: (Constant), Internal controls, Risk Management Framework and Assurance and Consulting.

Source: Researcher, 2024.

The significance value is 0.001 which is less than 0.05 thus the model is statistically significant in predicting how internal controls, risk management framework and assurance & consulting influences governance processes of national treasuries in North rift, Kenya. The F critical value at a 5% significance level was 2.5129. Because the calculated F value is greater than this threshold, it demonstrates that the overall model is significant.

4.5.7 Multiple Regression Analysis

To assess the individual impact of each independent variable on governance processes, multiple regression analysis was performed. The results, as shown in Table 4.19**,** demonstrate that all independent variables were significant predictors of governance processes, with a significance level of $p < 0.05$. This reinforces the idea that internal controls, the risk management framework, and assurance & consulting all play a critical role in shaping governance processes in the region.

Table 4.19: Coefficients of Multiple Regression Analysis

Model		Unstandardized Coefficients		Standardized Coefficients		
		B	Std. Error	Beta	**T**	Sig.
1	(Constant)	1.399	0.078		4.549	0.000
	Internal Controls	0.248	0.039	0.209	3.223	0.000
	Risk Management Framework	0.213	0.065	0.178	2.936	0.001
	Assurance and Consulting	0.244	0.075	0.169	2.247	0.002

Source: Researcher, (2024)

From table 4.18 above, the study established the following regression equation.

$(Y = \beta 0 + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + \varepsilon)$ becomes:

$(Y= 1.399+ 0.248\ X_1+0.213\ X_2+ 0.244X_3+\varepsilon)$.

Holding other factors constant, governance processes at the national treasuries in North Rift, Kenya, are estimated to be 1.399. The analysis indicates that a unit change in internal controls enhances governance processes by 0.248**.** Additionally, a unit change in the risk management framework results in a 0.243 improvement in governance processes, while the implementation of assurance and consultin**g** leads to a 0.214 increase. At a 5% significance level and a 95% confidence level, the significance values for these three factors were found to be 0.000 for internal

controls**,** 0.001 for the risk management framework, and 0.002 for assurance and consulting. These results suggest that the most influential internal audit factors on governance processes in the national treasuries, in order of significance, are internal controls, the risk management framework, and assurance and consulting.

The study further tested the hypothesis that internal controls do not significantly influence governance processes in the sub-county national treasuries. The findings revealed a $\beta = 0.248$**,** $t = 3.223$**,** and a p-value of 0.000**.** These results indicate that internal controls significantly and positively influence governance processes, leading to the rejection of the null hypothesis and confirming a significant relationship.

In a similar vein, the hypothesis that the risk management framework has no significant influence on governance processes was examined. The results showed a $\beta = 0.243$**,** $t = 2.936$**,** and a p-value of 0.000**.** This evidence confirms that the risk management framework significantly and positively impacts governance processes, resulting in the rejection of the null hypothesis.

Lastly, the study assessed the hypothesis that assurance and consulting have no significant influence on governance processes. The analysis produced a $\beta = 0.214$**,** $t = 2.247$, and a p-value of 0.000. These findings illustrate that assurance and consulting have a significant and positive effect on governance processes, thus leading to the rejection of the null hypothesis.

In conclusion, the study established that internal controls, the risk management framework, and assurance and consulting all significantly and positively influence the governance processes of the sub-county national treasuries in North Rift, Kenya.

4.6 Discussion of Findings

The researcher discusses the findings overall and for each objective below. From the study findings its evident that study had a good response rate of 92%. Most of the respondents in the study were males with a representation of 62% while the female gender were only 38% of the total participants. In addition, the respondents proved to have had sufficient knowledge and understanding to respond to the questions as shown by respondents by the percentage of respondent's years of working experiences and majority being of the senior level as auditors in the department.

Descriptive statistics among them mean and standard deviations were used to summarize data regarding the influence of internal controls, risk management framework and assurance & consulting on governance processes in the public sector in National Treasuries in North rift, Kenya. Diagnostic tests among them normality test, test for linearity, Multi-collinearity test were done before conducting regression analysis to minimize any violation of the assumption of the multi-linear regression leading to wrong output. The test shows that all variables; had $p < 0.05$ implying that they did not violate the assumption of normal distribution. A multicollinearity test was done to establish whether internal controls, risk management framework and assurance & consulting were indeed independent, thus avoid any violation of the assumptions of linear. All the null hypotheses were tested and subsequently overruled since the levels of significance of *F* statistics and Pearson's Product Moment Correlation considered at $p < 0.05$ where internal controls $p= 0.000$ risk management framework $p= 0.000$ and assurance & consulting $p= 0.001$.

The study found that all the three independent variables; internal controls , risk management framework, assurance & consulting explained 50.8% of the variance in governance processes at the national treasuries in North Rift, Kenya, as indicated by the R^2 value. This suggests that 49.2% of the variation in governance processes

is influenced by other factors not covered in this research. Ackers (2014), indicated that the internal audit is among the services that adds value to the institution by providing an independent assessment of operations and controls. While Gikonyo, (2020), explains that internal audit in public institutions is governance approach aimed at achieving efficiency in delivery of its mandates to public due to its known advantages. Therefore, further studies are needed to explore the additional factors that affect governance processes in these national treasuries. Descriptive statistics and inferential statistics summaries are discussed for each objective below.

4.6.1 Internal Controls and Governance Processes

The researcher sought to assess the risks faced by internal auditors and the department and It was evident that compliance risk and operational risks were major risks, while litigation risks were ranked high, technology risk were ranked medium risks thus the need to institute strong internal controls to mitigate the possibility of a loss. This is supported by Walter and Kamau (2015) assessed the degree of compliance by internal auditors to Quality Assurance Standards in Kenyan state-owned enterprises. The majority of departments in state-owned corporations in Kenya, according to the report, often have low compliance rates with quality assurance requirements. Some of the factors that contributed to low compliance were found by the research, and they included the internal audit department's age and experience, a lack of standard awareness, the IPPF's non-adoption, non-membership with the IIA, and a lack of understanding of quality assurance standards.

The composite of rating of statements on whether internal controls influences governance processes of national treasuries in North rift, Kenya had a mean of 3.8913 and Std. Dev. of 0.8820. Respondents therefore agreed that internal controls influences governance processes of national treasuries in North rift, Kenya. This implies that internal controls had a reasonable influence on governance processes. Internal audit department helps other department in developing and implementing financial controls, physical controls on assets, reviews of systems and processes.

This is done by performing independent reconciliations a regular basis and performing independent verification of transactions ensuring the integrity of the decision-making processes. The correlation statistics shown in table 4.14 indicate internal controls has a positive correlation with governance processes ($r = 0.583$, $p = 0.03$). This implies that there was a positive correlation on of 0.583 between internal controls and governance processes in North rift, Kenya. Additionally regression analysis was done to establish the extent to which internal controls influences governance processes of national treasuries in North rift, Kenya it was concluded that unit change in internal controls enhances governance processes by 0.248.

Several studies done among them Linda&Shale, 2015; Otieno, 2019 and Serem, 2016 concurred with this findings an when they affirmed that internal controls were crucial functions of governance processes that significantly and positively influence the management of public and private entities, through the establishment of physical and safety controls, segregation of duties, strict authorization channel of activities, verifying and reviewing actions of staff in the organization. Juma (2017) was in agreement when he found out that internal audit controls positively influences operations at the organizations under investigation. Their study further specified that segregation of duties reduced conflicts in the organization. They recommended the establishment and implementation of effective internal audit controls units.

The PFM Act of 2012, provides that public sector controls should involve every aspect of operations, including management, financial, and operational rules and procedures. Their goals are to protect government assets, guarantee the integrity and dependability of financial data, and foster operational effectiveness. The cost of poor risk management practices both internally and externally in the organization, including the time required for management to take corrective action of the situation should not be understated

The effectiveness of Kenyan county governments was significantly impacted by internal controls In addition, findings indicate that county governments may perform better. In their study, Mohamed et al. (2021) assessed Iraq's internal control systems and how they relate to risk management and governance if they made significant investments in efficient internal audit controls.

Therefore in the national treasuries in North rift, Kenya internal audit department helps department in developing and implementing financial controls, physical controls on assets and reviews of systems and processes. This is done by performing independent reconciliations a regular basis and performing independent verification of transactions ensuring the integrity of the decision-making processes.

4.6.2 Risk Management Framework and Governance Processes

The researcher sought to assess the frequency of risk assessment for departments and it was established that the auditors in department did risk assessment for departments on annually and semiannually. This is in line with the IAGD guideline that requires auditors to do risk assessment at the beginning of the financial year and review them at mid of the financial year, However the IPPF provides for continuous risk assessment.

The composite of rating of statements on whether risk management framework influences governance processes of national treasuries in North rift, Kenya had a mean of 3.5108 and Std. Dev. of 0.6627. Respondents therefore agreed risk management framework affects governance processes of national treasuries in North rift, Kenya. This implies that risk management framework had a moderate influence on governance. It was established that there was a moderate positive correlation between governance processes and risk management framework with a correlation of 0.514. At 5% level of significance and 95% level of confidence, the significance values for risk management framework was p =0.001. Further regression analysis was conducted to determine the extent to which a risk

management framework influences governance processes of national treasuries in North rift, Kenya it was established that a unit change a risk management framework will lead to 0.243 enhances on governance processes. Several studies done among them by Deng (2018), Kinyua (2016), Maina (2016), and Njoki (2018) all conclude that internal audit risk management practices such as the identification, analysis, and classification of risks—have a significant positive impact on the operations of organizations. These studies reinforce the idea that a well-structured internal audit and risk management framework can minimize agency problems such as moral hazard and information asymmetry by enhancing transparency and ensuring that risks are properly managed, thereby benefiting both principals and agents These findings support agency theory**,** as proposed by Jensen and Meckling (1976**)** who argued that since managers act on behalf of the shareholders and stakeholders, organizations may not achieve their intended purposes due to the risk of conflicts of self-interests among others thus the need to have a risk management framework in place that guides a carry out internal audits on risk assessments. The theory suggests that internal controls, like internal audits, are crucial in reducing these conflicts by aligning the interests of both parties and managing risks effectively.

The findings are also consistent with Kibwage (2021)**,** who examined the influence of internal audit risk management on the quality of services delivered by the Nairobi County Government. His study found that internal audit risk management had a significant positive effect on service delivery, as it improved accountability, enhanced record tracking, and ensured efficient monitoring of the county's operations. Kibwage concluded that risk management positively impacts organizational performance. Policymakers should proactively incorporate risk management procedures throughout the organization to address potential risks before they arise. Strengthening internal audit processes and regulatory compliance will increase confidence, leading to stronger internal controls and more standardized operations.

Organizations should integrate risk management frameworks into their corporate governance strategies, including risk avoidance, acceptance, reduction, and transfer. These strategies should be supported by comprehensive risk assessments, covering identification, evaluation, treatment, and continuous monitoring of risks. This approach helps mitigate risks early and enhances overall organizational performance.

Therefore the researcher concludes that internal audit function, in the national treasuries plays an essential role in recognizing risks and creating solutions to mitigate them. The risk management guidelines involve risk identification, risk evaluation, risk treatment and risk monitoring in all departments making it easy for the auditor to advice. Additionally it defines the risks that are acceptable as a form of accountability by all departments, it also allows for random checks of organizational systems and documents thus keeping department heads on toes.

4.6.3 Assurance & Consulting and Governance Processes

The researcher sought to establish the assurance practices performed by the auditors and ranked them it was evident that inspections, recalculations, and confirmations were done by all respondents while while 67.7% did re-performance , 63% offered training services. This is in line with CIIA, (2020) who posits that internal auditors are expected to conduct independent and unbiased reviews of systems and processes in conformity with the international principles on auditing and code of ethics, which are objectivity, integrity, competence, and confidentiality. To support the evolving role of internal audit Joshi and Archarya's (2022) did a study to determine how internal auditing changed from a traditional assurance provider to an assessor, advisor, and consultants. Based on the data they collected, they established that internal auditors regularly offer advising and consulting services and actively participate in consulting activities.

The composite of rating of statements on whether assurance and consulting influences governance processes in the North rift, Kenya had a mean of 3.8130 and Std. Dev. of 0.8003. Respondents therefore agreed assurance and consulting influences governance processes of national treasuries in North rift, Kenya. This implies that assurance and consulting had a reasonable influence on governance processes. The researcher found a weak but positive correlation between governance processes and internal audit functions, such as assurance and consulting, with a correlation value of 0.461**.** This indicates that governance processes and assurance & consulting are positively related. At a 5% significance level and a 95% confidence level, the significance value for assurance and consulting was p = 0.002**.** Regression analysis revealed that a unit increase in assurance and consulting results in a 0.214 improvement in governance processes within the national treasuries in North Rift, Kenya.

Several studies, including those by Sarat (2018), Chepkonga (2018), Deng (2018), Elizabeth (2017), and Nsiah (2015)**,** support these findings. They demonstrated that internal audit assurance and consulting practices—such as evaluating technical capabilities and financial implication have a positive and significant impact on managing both public and private organizations.

These results are consistent with Roe (2014)**,** who concluded that the assurance function of internal auditing serves as a critical defense against deficiencies in financial reporting and corporate governance. Internal auditing also ensures operational efficiency, the reliability of financial and operational information, and helps detect fraud and errors. In line with these findings, Gramling and Myers (2013) reported that internal audit functions in assurance and consulting enhance corporate governance by reviewing codes of conduct and ethical policies to ensure they are current and effectively communicated. Their study also noted improvements in transparency, accountability, discipline, independence, responsibility, and fairness in government departments. As risks evolve and

become more complex, the role of internal auditing is expected to grow, particularly in areas such as risk governance, organizational culture, sustainability, and non-financial reporting. Lastly Chepkonga (2018) in his study showed that semi-autonomous agencies in Kenya had adopted internal audit to make sure they paid attention to financial policies and regulations, evaluate and control risks, and provide high-quality services. In their study, semi-autonomous agencies' performance was significantly and positively influenced by internal audit techniques including assurance and consulting. Therefore to guarantee the efficiency of the internal audit process, management of a business should provide adequate support to internal audit units.

For the national treasuries in North Rift, Kenya, the audit department plays a crucial role in reviewing compliance frameworks, identifying major fraud risks, and advising management on corrective actions. Internal audits help ensure the reliability and integrity of financial and operational data, verify that disbursements comply with procedures, keep public spending within budget, and confirm that risks are being effectively managed.

CHAPTER FIVE

SUMMARY OF FINDINGS, CONCLUSIONS AND RECOMMENDATIONS

5.1 Introduction

This chapter presents summary of findings, conclusions and recommendations were guided by the research objectives.

5.2 Summary of Findings

The study utilized descriptive analysis to examine the various variables, calculating percentages for the relevant statements. The overall composite rating concerning governance process outcomes attributable to internal audits at the National Treasuries in North Rift, Kenya, yielded a mean score of 3.8130 and a standard deviation of 0.8003. Respondents strongly agreed that internal audit activities positively influence governance process outcomes in the region. All null hypotheses were tested and subsequently rejected, as the significance levels for F statistics and Pearson's Product Moment Correlation were determined to be $p < 0.05$. Consequently, it was concluded that a significant positive relationship exists among the variables.

To assess the correlation between the study variables, the research employed the Karl Pearson's coefficient of Correlation (r). The findings revealed a moderate positive correlation between governance processes and the following variables: internal controls (0.583), risk management framework (0.514), and assurance & consulting (0.461). These three independent variables accounted for 50.8% of the governance processes within the National Treasuries in North Rift, Kenya, as indicated by the R^2 value. This suggests that other unexamined factors account for 49.2% of governance processes. Therefore, further research is warranted to identify

these additional factors influencing governance processes at the National Treasuries in North Rift, Kenya.

A multiple regression analysis was conducted to evaluate the extent to which each independent variable impacts governance processes. The established regression equation from Table 4.18 is as follows:

($Y= 1.399+ 0.248 X_1+0.213 X_2+ 0.244X_3+\varepsilon$).

Assuming all other factors are held constant, the baseline governance process value would be 1.399. A unit change in internal controls leads to an increase of 0.248 in governance processes, while a unit change in the risk management framework results in a 0.243 increase. Furthermore, implementing assurance and consulting contributes to a 0.214 increase in governance processes. At a 5% significance level and 95% confidence level, the significance values for the three factors were as follows: Internal Controls (0.000), Risk Management Framework (0.001), and Assurance and Consulting (0.002). These values highlight that internal controls, risk management frameworks, and assurance and consulting are significant contributors to governance processes in North Rift, Kenya.

The significance of the model was further assessed using the Analysis of Variance (ANOVA) technique. The significance value was 0.000, which is below 0.05, confirming that the model is statistically significant in predicting how internal controls, risk management frameworks, and assurance & consulting influence governance processes at the National Treasuries in North Rift, Kenya. The critical F value at a 5% significance level was 2.5129. Since the calculated F value exceeded the critical F value, it indicated that the overall model was significant.

5.3 Conclusions of the Study

The study sought to establish the influence of internal audit on governance processes at the National Treasury in the north rift, Kenya. The study concludes as enumerated below;

The first objective sought to establish the influence of internal controls on governance processes. The study concluded that internal controls moderately influence governance processes ($\beta = 0.248$, $t = 3.223$, p-value = 0.00). Thus, the hypothesis asserting that internal controls do not significantly impact governance processes in North Rift, Kenya, was rejected.

The second objective aimed to determine whether the risk management framework influences governance processes in North Rift, Kenya. The study found that the risk management framework significantly impacts governance processes at the National Treasuries in North Rift, Kenya ($\beta = 0.243$, $t = 2.936$, p-value = 0.00). Therefore, the hypothesis suggesting that the risk management framework does not influence governance processes was rejected.

The third objective focused on assessing the extent to which assurance and consulting influence governance processes in North Rift, Kenya. The findings indicated that assurance and consulting significant affect governance processes in the region ($\beta = 0.214$, $t = 2.247$, p-value = 0.00). Consequently, the hypothesis asserting that assurance and consulting do not impact governance processes was rejected.

The study underscores the critical role of internal auditing in enhancing public sector governance processes, which encompass the implementation of fiscal and financial management policies as well as robust budgeting frameworks essential for efficient resource utilization and service delivery. Public sector governance processes consist of the procedures and policies that govern the institution, ensuring

accountability and integrity through practices such as accounting procedures, procurement processes, communication, and segregation of duties. With the rollout of the zero vault audit regime in 2023, there is an increased emphasis on strengthening internal audit departments to ensure adherence to governance processes across all levels of the public sector, thereby enhancing the quality of financial reporting.

5.4 Recommendations of the Study

The study recommends that to enhance the government's operational efficiency and service delivery, recognizing the value of internal auditing is crucial. Therefore to improve governance processes, the study recommends that government departments incorporate internal auditing into their operations to effectively address and mitigate risks.

Regarding the influence of internal controls on governance processes, it is advised that all ministries integrate internal controls into their operations to ensure effective processes. For instance, authorization activities should involve proper segregation of duties and adequate physical controls. Additionally, the establishment of integrated internal audit control systems is crucial for enhancing service delivery efficiency.

In relation to the influence of the risk management framework on governance processes, it is suggested that internal auditors develop risk matrices for all departments to facilitate comprehensive risk assessments and better planning. Moreover, internal auditors should conduct continuous risk assessments, including identification, analysis, and classification, in accordance with internal auditing standards.

On the influence of assurance and consulting on governance processes, it is recommended that departments utilize the internal consultancy services offered by

the National Treasury's internal audit department to enhance their processes and build public trust among citizens. To ensure the effectiveness of the internal audit process, management must provide adequate support to internal audit units.

5.5 Suggestion for Further Research

This research focused on internal auditors at the National Treasury in the North Rift region. Future studies could explore similar research in other regions of Kenya and across various public sector entities to validate these findings. Additionally, further research should investigate other underlying factors affecting governance processes in the public sector beyond internal audit functions.

Lastly, research on the influence of internal audits on governance processes within private institutions could provide a comparative analysis of governance in both public and private sector organizations.

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APPENDICIES

Appendix i: Questionnaires

Instructions: Please provide accurate answers possible to the following questions. Tick / select the appropriate box next to the questions if needed. The given information will be handled with the highest degree of privacy.

Section I: Demographic Features

Please answer all questions by inserting a tick (√) or selecting where appropriate, in the space provided.

1. Indicate your Gender:

   Male ( )

   Female ( )

2. Indicate your Position in the organization.

   Principal internal auditor ( )

   Senior Internal Auditor ( )

   Internal Auditor ( )

   Others ( ) specify…….

3. Indicate your Years of experience in the position

   1-6 ( )

   7-13 ( )

   14-20 ( )

   21 and Above ( )

Section II: Internal Controls and Governance Processes

4. Please identify some of the risks facing your organization

Operational risk ( )

Litigation risk ( )

Compliance risk ( )

Technology risk ( )

Any other risks …….

5. To what extent to do you concur with the following statements regarding the influence of internal control practices on governance processes? Please tick (√) as appropriate. Where: Strongly Disagree=1 Disagree=2, Neutral=3, Agree=4 and strongly agree=5 respectively.

Internal Controls and Governance Process	**1**	**2**	**3**	**4**	**5**
Internal audit department helps in developing and implementing risk management framework for other departments.					
The department does reviews of individuals, systems and processes in the departments regularly.					
Internal audit advises on financial controls to be instituted by departments.					
Internal audit advice and reviews managerial, and operational policy controls in the departments.					
Internal audit does a regular independent verification of transactions to ensure the integrity of the decision-making processes.					
Internal audit performs independent reconciliation of all balances in all departments regularly.					
The department advises management on the effective systems for managing and accounting for physical and financial assets.					
Auditors comply with the standards and guidelines on reporting to departmental management					

Section III: Risk Management Framework and Governance Processes

6. How often do you carry out risk assessments?

Daily ( )

Weekly ( )

Monthly ( )

Semi-annually ( )

Annually ( )

7. To what extent to do you concur with the following statements regarding the influence risk management practices on governance processes? Please tick (√) as appropriate. Where: Strongly Disagree=1 Disagree=2, Neutral=3, Agree=4 and strongly agree=5 respectively.

Risk Management Framework	**1**	**2,**	**3,**	**4**	**5**
Our risk management guideline defines the risks that are acceptable as a form of accountability by all departments.					
Our risk management guideline ensures that all risks are understood by all departments.					
There's a rigorous risk assessment guide which involves risk identification, risk evaluation, risk treatment and risk monitoring in all departments.					
Our risk management framework suggest risk mitigation measures on every risk identified.					
Our risk management guideline suggests risk management strategies.					
Our risk management framework provides for unplanned and informal reviews of other areas of concern, including unacceptable levels of risk.					
Auditors collect data in the field on different risks facing the organization and analyses and reports them.					
Auditors take part in random checks of organizational systems and documents them.					

Section IV: Assurance and Consulting on Governance Processes

8. To what extent to do you concur with the following statements regarding the influence of assurance& consulting on governance processes? Please tick (√) as appropriate. Where: Strongly Disagree=1 Disagree=2, Neutral=3, Agree=4 and strongly agree=5 respectively.

Assurance and consulting on Governance process	**1**	**2**	**3**	**4**	**5**
Internal audit departments is consulted by management of departments regularly.					
Internal auditor provide assurance that the risks are being appropriately managed.					
Internal audit assures that public spending is within budgetary provisions/votes.					
Internal audit ensures that disbursements comply with specified procedures.					
Internal audit ensures that there's timely reconciliation of accounts.					
Internal audit report about any fraudulent activities or irregularities and documents them.					
Internal audits assess the effectiveness and efficiency of operations.					
Internal auditor assess the reliability and integrity of financial and operational information and advises management					
Internal audit advices management on the source of major frauds and irregularities.					
The audit department does reviews of the agreement framework and specific compliance issues.					

Section V: Governance Process Outcomes

9. To what extent to do you concur with the following statements on governance processes outcomes as a result of internal audit function? Please tick (√) as appropriate. Where: Strongly Disagree=1 Disagree=2, Neutral=3, Agree=4 and strongly agree=5 respectively.

Governance Processes Outcomes	**1**	**2**	**3**	**4**	**5**
Procurement and treasury processes are better managed by departments					
Internal audit has improved service delivery in various departments					

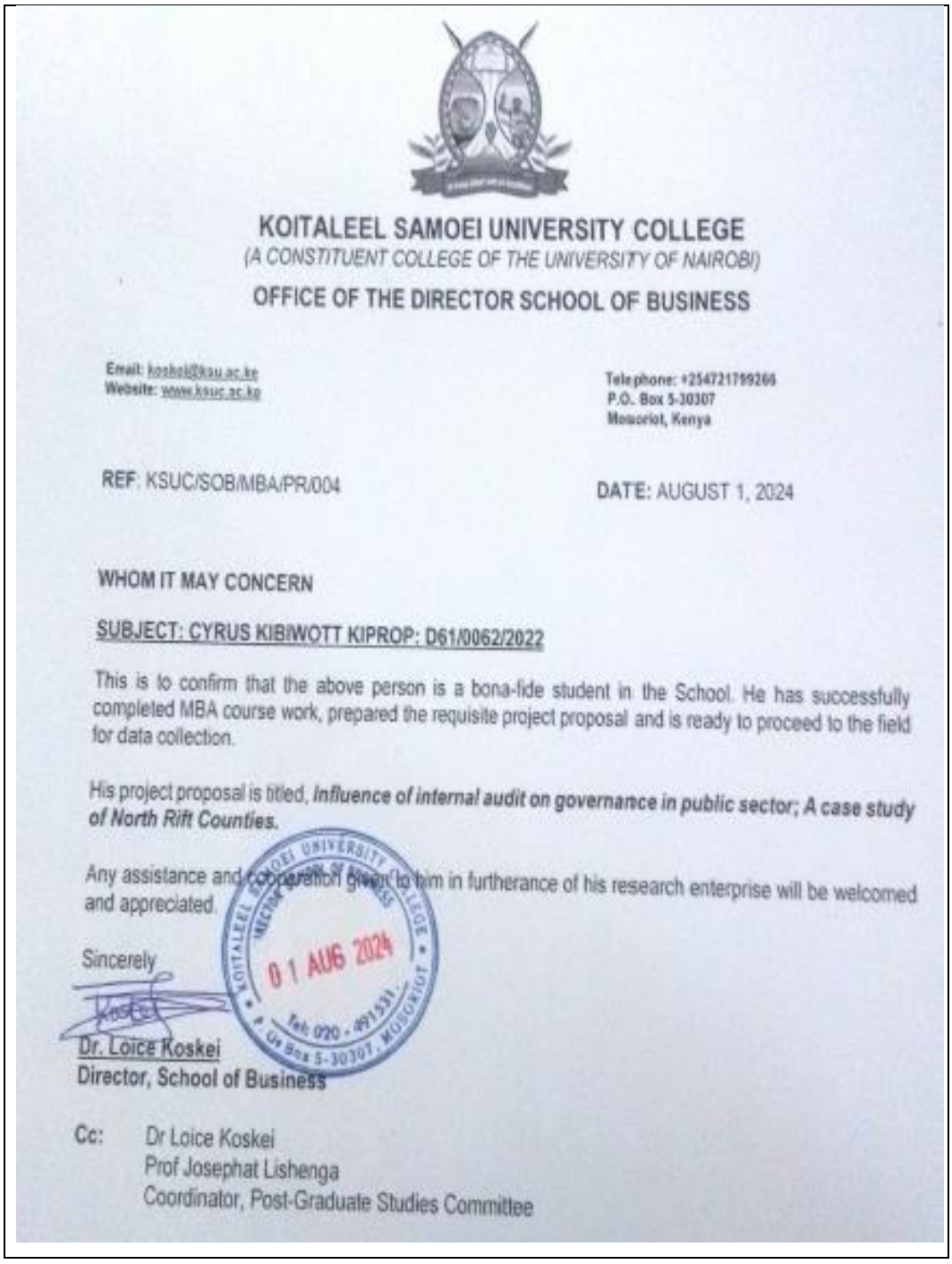
Internal audit has enhanced compliance levels on various laws and regulations in departments.					
Financial discipline has improved as a result of intern audit reports and recommendations					
Internal audit operational Independence has been enhanced					
Internal audit has ensured that there's accountability of public resources.					
Decision in departments are more transparent and within the law.					
There's improved reliability of financial reports by various departments.					
There's improved utility of Public resources in an economic, transparent and efficient manner thus value for money.					
Frauds and errors are detected early enough in all department					

THANK YOU.

Appendix ii: List of Sub counties with Internal Auditors in the North Rift Region of Kenya (Source IAGD National Treasury 2024).

1	Regional Internal Auditor office
2	Chesumei Subcounty
3	Nandi Central Subcounty
4	Nandi South Subcounty
5	Nandi East Subcounty
6	Nandi North Subcounty
7	Eldoret East Subcounty
8	Eldoret West Subcounty
9	Kesess Subcounty
10	Ainabkoi Subcounty
11	Soy Subcounty
12	Keiyo South Subcounty
13	Keiyo North Subcounty
14	Marakwet East Subcounty
15	Marakwet West Subcounty
16	Baringo North Subcounty
17	Baringo West Subcounty
18	Baringo Central Subcounty
19	Baringo South Subcounty
20	Pokot Central Subcounty
21	Pokot North Subcounty
22	Turkana Central Subcounty
23	Turkana West Subcounty
24	Tranzoia central subcounty
25	Entebes subcounty

Appendix III: University Introduction Letter



KOITALEEL SAMOEI UNIVERSITY COLLEGE
(A CONSTITUENT COLLEGE OF THE UNIVERSITY OF NAIROBI)
OFFICE OF THE DIRECTOR SCHOOL OF BUSINESS

Email: koskei@ksu.ac.ke
Website: www.ksuc.ac.ke

Telephone: +254721799266
P.O. Box 5-30307
Mosoriot, Kenya

REF: KSUC/SOB/MBA/PR/004

DATE: AUGUST 1, 2024

WHOM IT MAY CONCERN

SUBJECT: CYRUS KIBIWOTT KIPROP: D61/0062/2022

This is to confirm that the above person is a bona-fide student in the School. He has successfully completed MBA course work, prepared the requisite project proposal and is ready to proceed to the field for data collection.

His project proposal is titled, ***Influence of internal audit on governance in public sector; A case study of North Rift Counties.***

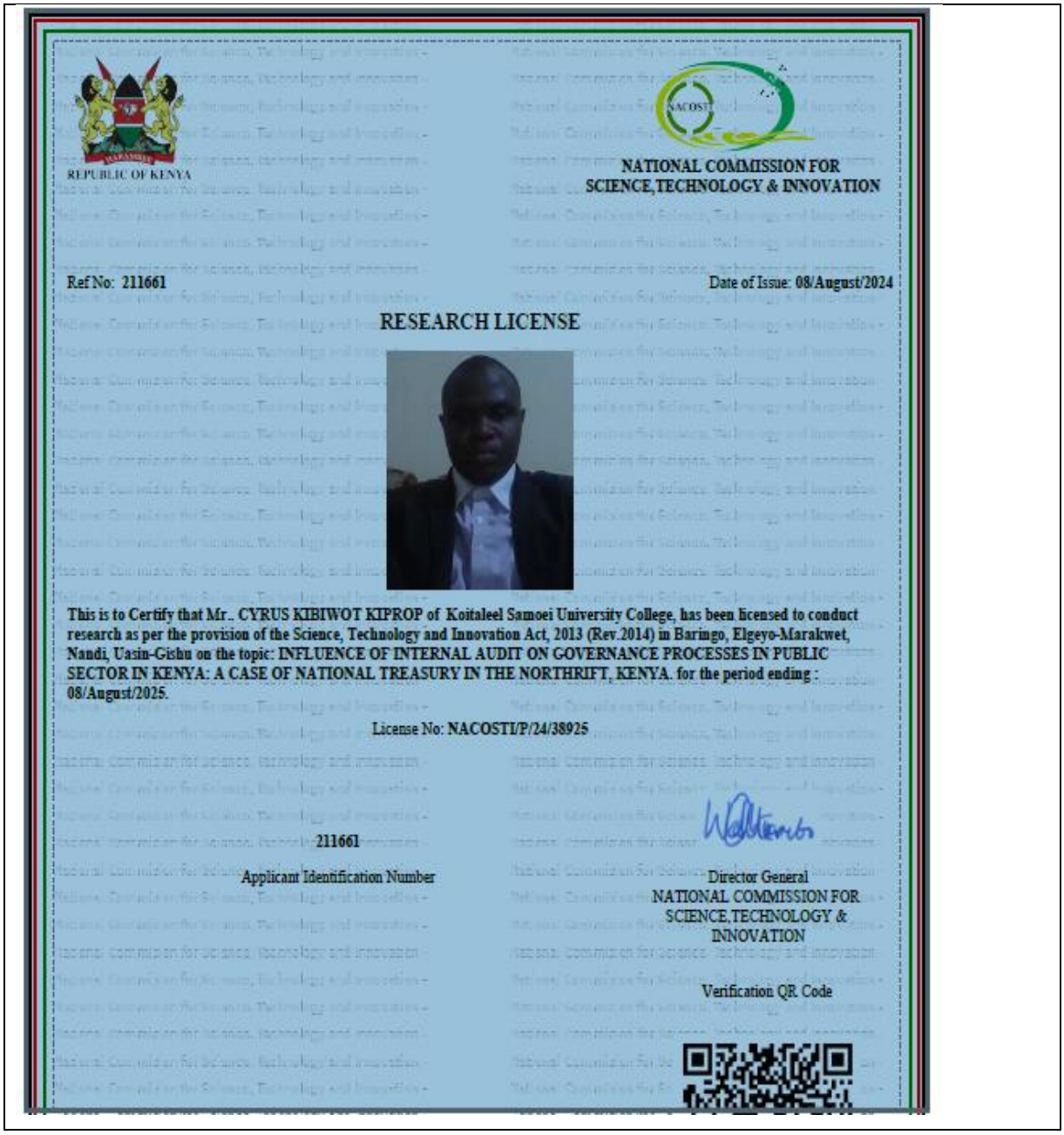
Any assistance and cooperation given to him in furtherance of his research enterprise will be welcomed and appreciated.

Sincerely

Dr. Loice Koskei
Director, School of Business

Cc: Dr Loice Koskei
Prof Josephat Lishenga
Coordinator, Post-Graduate Studies Committee

Appendix IV: Nacosti Licence



REPUBLIC OF KENYA

NATIONAL COMMISSION FOR SCIENCE,TECHNOLOGY & INNOVATION

Ref No: 211661

Date of Issue: 08/August/2024

RESEARCH LICENSE

This is to Certify that Mr.. CYRUS KIBIWOT KIPROP of Koitaleel Samoei University College, has been licensed to conduct research as per the provision of the Science, Technology and Innovation Act, 2013 (Rev.2014) in Baringo, Elgeyo-Marakwet, Nandi, Uasin-Gishu on the topic: INFLUENCE OF INTERNAL AUDIT ON GOVERNANCE PROCESSES IN PUBLIC SECTOR IN KENYA: A CASE OF NATIONAL TREASURY IN THE NORTHRIFT, KENYA. for the period ending : 08/August/2025.

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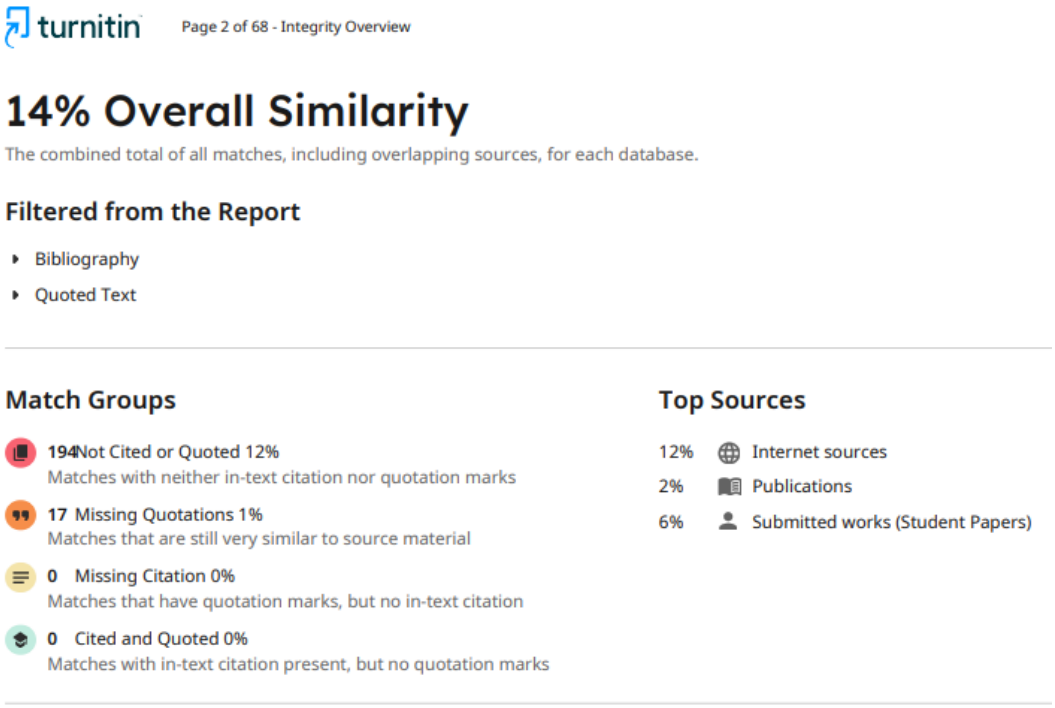
211661

Applicant Identification Number

Director General
NATIONAL COMMISSION FOR SCIENCE,TECHNOLOGY & INNOVATION

Verification QR Code

Appendix V: PLAGIARISM REPORT



turnitin Page 2 of 68 - Integrity Overview

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17 Missing Quotations 1%
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0 Cited and Quoted 0%
Matches with in-text citation present, but no quotation marks

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12% Internet sources
2% Publications
6% Submitted works (Student Papers)