



2nd RESEARCH CONFERENCE ON **ACCOUNTANCY**

Theme:

**BUILDING A RESILIENT ACCOUNTANCY PROFESSION
AND ECONOMY IN A DISRUPTIVE ENVIRONMENT**

DATES

**7th-8th
Dec 2021**

VENUE

**Kenya School of
Government - Nairobi**



[Financial Management and Auditing]

[Contributions of Audit plans on the performance of Internal Auditors in Government Ministries in Kenya]

Dr. Jephitha Kirimi, Meru County Investment & Development Corporation

Background



In Kenya there have been many scandals involving misuse and absolute loot of public resources by those entrusted with the responsibility of ensuring that the said resources are safeguarded, resulting to inefficiency of internal audit function

A survey by Awiti and Scott (2016) found out that 50% of youth believe it does not matter how one makes money as long as one does not end up in jail, 47% admire those who make money through hook or crook and 30% believe corruption is profitable.

A key component to corporate governance is the internal auditor whose primary role is monitoring the efficiency, effectiveness and reliability of the processes that handle information in the organization, by examining, evaluating and reporting on the adequacy of internal controls.

The internal auditor assists in identifying potential risk areas and recommending improvement where necessary. The management of an organization appoints the internal auditor.

The effectiveness of work performed by the internal auditor depends on the quality of the information

they possess for evaluation purposes

Background



In Kenya, The Public Financial Management Act of 2012 provides the set-up of the internal audit function and the Public financial management regulations of 2015

Several authors have examined several traits on what constitutes an efficient internal audit function (Abbort, Parker & Peters, 2012). For instance, Feng, Li, Macvay and Skaife (2015) did a study on the contributions of internal audits on the quality of financial reporting and established that it will depend on the competence of the auditors and the size of the organization.

Equally, they established that internal auditors would perform better if they were accorded the right support from the top management (Drogalas, Karagiorgos & Arampatzis, 2015). Most government auditors are independent of management influence and are free to determine the content and output of the audit plans (Drogalas et al., 2015).

Background



. Government internal auditors do not require endorsement from the management although they might summon responsible authority as a matter of compliance to various audit assignments.

This level of independence guarantees them an impartial understanding of institutions in order to produce reliable internal audit reports.

Internal auditors need to prepare audit plans two months before the beginning of the financial year.

Therefore, there is a need to establish whether audit plans have been effective in enhancing the performance of the internal audit. And this marks the main objective of the study

Problem Statement



Mismanagement of public funds has made Kenya lose opportunities to other countries in the region and the world at large.

This has worked negatively on the economy by denying Kenyans a chance to create wealth by use of public resources (Mohamed & Awuondo, 2013).

A cortege of reports has emerged pointing fingers at Governments ministries for mismanaging public resources.

A case in point is the 2019/2020 Auditor-General's report which revealed misappropriation of funds, wastage, pilferage, procurement irregularities, expenses not supported by documentation and official disregard for due process of law and procedures irrespective of the existence of internal audit function.

Problem Statement



Several studies on internal audits have been conducted over the years. For instance, a study by Ahmad (2013) found that internal audit processes were important in the management of public funds.

Equally, Jordaan (2013) established that public finance management forms an integral element in national development and growth but the study failed to show the association between internal auditing and performance.

Though these studies have discussed various attributes of internal audit, there is a need to conduct a study on the contribution of audit plans on the performance of internal auditors in Government Ministries in Kenya

Objectives



The specific objective of these study was to determine the contribution of audit plans on the performance of internal auditors in Government Ministries in Kenya

Findings



Findings on Audit Plan and Performance of Internal Auditors.

The study analysed the extent to which audit plans influenced the performance of internal auditors in Government ministries in Kenya. The quantitative analyses result revealed that audit plans influenced the performance of internal auditors

	R	R Square	Adjusted R Square	Std. Error of the Estimate
	0.683 ^a	0.466	0.199	0.17213

Findings



The results in table 4.1 revealed that the R-squared for the relationship between audits plans (X_1) and performance of internal auditors was .466.

This indicated that audit plans could explain 46.6% of the dependent variable (performance of internal auditors) variation.

It explained that 46.6% of the variation in the performance of internal auditors could be explained by a unit change in audit plans, while the remaining 53.4% could be explained by other variables not necessarily included in the study.

Findings



ANOVA for Audit Plan and Performance of Internal Auditors

		Sum of Squares	Df	Mean Square	F
	Regression	0.155	1	0.052	5.744
	Residual	0.178	40	.0.030	
	Total	0.333	41		

Findings



The significance of the regression model as shown in Table 4.2 with a P-value of 0.00, which was less than 0.05.

This indicated that the regression model was statistically significant in predicting the effect of audit plans on the performance of internal auditors in government ministries in Kenya.

The ANOVA results shown in table 4.2 depict that; the F-critical (1, 40) was 4.09 while the F-calculated 5.744.

This demonstrated that the F-calculated was greater than the F-critical hence there was a linear relationship between the two variables variable (audit plans and performance of internal auditors).

Findings



Regression Coefficients for Audit Plan and Performance of Internal Auditors

	Unstandardized Coefficients		Standardized Coefficient	t	Sig.
	B	Std. Error	Beta		
(Constant)	.340	.338		13.007	.005
Audit plans	.520	.127	1.297	14.728	.005

Findings



From Table 4.3, it was evident that at a 95% confidence level, the variable produces statistically significant values for this study (high t-values, $p < 0.05$). Positive effect was reported the independent variable ($\beta_0 = 0.340$, $\beta_1 = 0.520$, $\beta_2 = 0$). The equation for the regression model is expressed as:

$$Y_i = \beta_0 + \beta_1 X_1 + \varepsilon$$

$$Y = 0.340 + 0.520$$

Where;

Y_i = Performance Measurement

X_1 = Audit plans

β_0 = constant term of the model

β_1 = co-efficient of the model

ε = error term

Constant = 0.340 shows that if Audit Plans were all rated zero, the Performance Measurement would be 34.0%.

Conclusion



The research sought to establish the contribution of audit plans on the performance measurement of internal auditors in the government ministries.

A strong positive relation ($R = 0.683$) between the variables was found. The study also revealed that 46.6% of performance measurements of internal auditors could be explained by Audit Plans.

From this study, it is evident that at a 95% confidence level, the variables produce statistically significant values and can be relied on to explain the contribution of audit plans on the performance measurement of internal auditors in the government ministries although they were used moderately.

Conclusion



Government ministries should embrace annual audit plans in the audit assignment as failure to do this may render internal audit functions ineffective and inefficient.

From the analysis, implementation of annual audit plans was not captured adequately enough on government audit assignment contrary to what is the norm in the private sector wherein every audit engagement audit plans are used objectively.

In addition, audit plans play a critical role in aligning organization objective to performance capabilities and therefore government ministries can use audit plans to reduce exposure levels which in turn reduces risks associated with weak internal controls and fraud.

.