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An Examination of the organizational drivers for internal audit value addition of large firms within Nairobi County, Kenya

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**An Examination of the Organizational Drivers for Internal Audit Value Addition by of
Large Firms within Nairobi County, Kenya**

Gatungo Judith Njeri

**Research thesis Submitted to Strathmore Business School in partial fulfillment of the
requirements for the award of Master of Commerce degree of Strathmore University**



May 2019

DECLARATION

I declare that this work has not been previously submitted and approved for the award of a degree by this or any other University. To the best of my knowledge and belief, the thesis contains no material previously published or written by another person except where due reference is made in the thesis itself. No part of this thesis may be reproduced without the permission of the author and Strathmore University.

Gatungo Judith Njeri

Reg. No. 072867

Sign..... Date.....

APPROVAL

This proposal has been submitted for examination with my recommendations as University supervisor.

Dr. David Mathuva



Sign..... Date.....

Lecturer, Strathmore Business School Strathmore University

DEDICATION

I dedicate this thesis to my husband Charles Francis who has supported me morally. My children Izrael and Zanita who despite the busy schedule understood the noble cause. Your support throughout the preparation of this study inspired me immensely.



ACKNOWLEDGMENT

My gratitude is to the Almighty God for the good health. I also acknowledge the invaluable direction and assistance of my supervisor, Dr. David Mathuva. Sincere gratitude goes out to him for the patience, effort and dedication he put in to ensure I completed this research and providing perceptive remarks and direction.

I wish to express my sincere appreciation to Strathmore University for giving me this wonderful opportunity to undertake this study.

Lastly, to my family, who were always there for me even as I sacrificed their time and happiness for this academic work for providing an enabling environment to undertake this study.



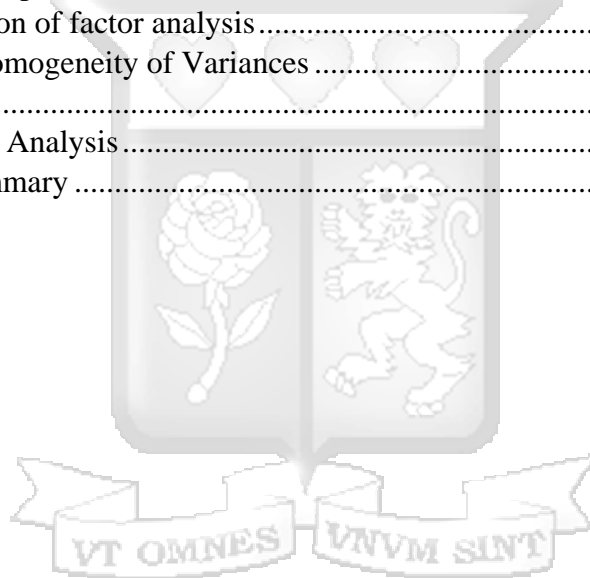
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ABBREVIATIONS AND ACRONYMS

CAE	Chief Audit Executive
IAF	Internal Audit Function
IAVA	Internal Audit Value addition



DEFINITION OF TERMS

Audit: denotes conducting authorized financial or operations inspection of an individuals or accounts belonging to an establishment conducted by an independent body. (Cohen et. al., 2002).

Competence: denotes ability for a person to do something successfully and efficiently in situations that are not specific. (Zain et al., 2004).

Decentralized: denotes the transfer of power and/or authority from a central governing body to a more local government (Rondinelli, 1999).

Effectiveness: refers to the degree in which set objectives are attained and to a successful extent (Mihret and Yismaw, 2007).

Independence: denotes to ability to express ones opinion without the influence of other parties who may have financial interest or ortherwise. (Zelege, 2007).

Internal audit: denotes a self-directed, impartial consulting together with assurance process that has the intention to create value and enhance processes in organizations through efficacy in management of risk. (Tapiwa, 2013).



ABSTRACT

Internal audit has revolved to be a vital function within organizations; many organizations are therefore showing more concern to their internal auditors to give proper guidance and advice at the various levels of management. This is because of the important role that the internal audit plays in the processes ongoing in the organization, the IA is expected to have a value adding component while serving as a vital strategic partner in addition to providing the usual assurance services. This study therefore, sought to explore how various variables create value to the internal audit activities. The study was guided by the following objectives that were applied in the study: - Objectives being; to establish role that management and board support as an influence to the internal audit in adding value to the organization, to establish the contribution of communication on internal audit value addition and to study the importance of competence on internal audit value addition within listed firms in the NSE with an aim of recommending win-win strategies for the stakeholders. The study adopted the descriptive research design characterized by a systematic collection of data from respondents through questionnaires. The collected data was analyzed using factor analysis technique, correlation and regression. 108 questionnaires were distributed to 34 listed companies that represented 80% of the targeted population. The three categories of factors had an influence on internal audit value addition with management support, adequacy of auditor competence and effective communication were found to have a positive significant relationship in the influence of internal audit value addition. This study highlighted the need for listed Kenyan companies to identify organizational drivers that influence internal value addition and put emphasis to them. Findings from this study will help management, internal auditors as well as external auditors on ensuring that they add value to their work.

CHAPTER ONE: INTRODUCTION

1.1. Background

Internal auditing has progressed extraordinarily from 1941 when IIA was formally established in the United States as stated by (Ramamoorti, 2003: 2). Focus has rapidly changed from looking at accountability with a lens on the past but now with a clear emphasis on improving outcomes in the future. (Mihret and Yismaw, 2007:471). The focus of the function of the internal audit, consequently, shifted from an old-style audit focus to a role that adds value in which strategic partnership with the management is now conferred importance (Cooper, Leung and Wong, 2006: 828 and 829; Abdolmohammadi, Burnaby and Hass, 2006: 814; Carcello, Hermanson and Raghunandan, 2005: 69; Van Peurse, 2004: 379; Spira and Page 2003: 657)

The dynamic shifting responsibilities of IAFs has led to the re-definition of internal auditing in 1999 to incorporate the new concept of value add, revision of the description was done in 2009 which defines IA as an autonomous, impartial consulting and assurance function activity intended to add value making a remarkable difference in the entire organisation. The IAF assists the organization to attain its objectives by conveying a methodical, well-organized tactic to assess and enhance efficacy of power, risk management and processes that involve controls ” (IIA, 2009). The notion of adding value is explained as “...issuing imperative prospects that enable an organization accomplish its objectives, ascertaining an improvement in operations and to decrease the exposure the organization by providing consulting and assurance services” (IIA, 2009).

In the last decade, from the re-definition of internal audit, there has been a lot of debate in literature over the value added by IAFs (Mihret and Woldeyohannis, 2008: 587; Sarens and De Beelde, 2006: 220; Kwon and Banks 2004:619; Roth, 2003: 33; Gupta, 2001:56). Effectiveness of internal audit and its quality thereof was given the most emphasis in this studies. (Arena and Azzone, 2009: 44; Gramling and Hermanson, 2009: 37; Sarens 2009: 3; Mihret and Yismaw 2007: 472; Savuk, 2007: 277; Felix, Gramling and Maletta 2005: 41; Gramling, Maletta, Schneider and Church, 2004: 194)

In order to sustain and cultivate its relevance in the organization, it is important for the IAF to consistently add value to its stakeholders. The emphasis by various stakeholders on the expectation of the IAF to have a value adding role has given inspiration to several studies that have endeavored to identify the various factors that enhance the value this function provides for its stakeholders. Cohen and Sayag (2010) recognize additional drivers of value; internal audit independence and the quality of the audit work. In another study by Mihret and Yismaw (2007) a positive association amid effectiveness of IA , having staff who are competent coupled with the many services offered by IA. (D'Onza et al., 2015) in a research done recently suggests that for internal audit value addition to exist there is a significant positive influence of internal audit independence and their objectivity, compliance of the code of ethics in the IIA coupled with influence provided by this function to augment internal control quality and management of risk. These variances in the drivers that are perceived to add value could be construed a pointer to what institutes features that are value adding are very different in terms of contexts, duration, and circumstances within which reference is herein applied and, most likely related to the kind of stakeholders under consideration. Mentioning the range of the factors that enable IA value add, Roth (2000) determines for the creation of value, roles carried out by be tailor-made to the physiognomies surrounding the environment the organization operates, culture and to specific needs of its stakeholders.

The second methodology examines factors perceived to add value, scrutinizing affiliations amid IAF and various participants. Scrutinizing association that exists amid the auditors and masters it serves i.e. management and committee of auditors, researchers (Abbott et al., 2010; Soh and Martinov-Bennie, 2011; Roussy, 2015; Hoos et al., 2014) contend to drivers perceived to add value for management are not the same to those agreed to by the committee. These variances arise by what stakeholders expect to be delivered and what they consider a priority. The audit committee require the auditors in their functions to give an unbiased evaluation of risk universe as well as the strength of the control environment whereas senior managers need the IAF to provide support in giving sound findings from the audit that will benefit in improving the operations of the business, the AC members require the IAF.

Numerous research examined various aspects impacting how external auditors view the effectiveness of the operations of the internal audit. (Gramling, 1999; Felix et al., 2001; Krishnamoorthy, 2002,). The findings suggest when most staff within the IAF have certifications, an array of work experience in accounting practices and use advanced tools to carry out their roles then they are likely to add value, this is in accordance with the external auditor's perception. External auditors decision on the reliance they place on internal auditors work is heavily impacted by studies on the effectiveness of IA coupled with the deliberation on how independent the auditors are when carrying out their respective functions. (Messier, 2011).

Mihret and Yismaw (2007) acknowledged a few drivers with a substantial influence on the quality of internal audit, these findings were conducted as a case study in Ethiopia for a public sector higher educational institution that utilized a prototypical created for the examination. Namely; 1) quality of internal audit ; 2) support received from management; 3) setting of the organization and 4) characteristics linked to the auditees'. Conclusions of this study point out that support given to the IA by management and quality of internal audit are solid influencers of IAVA. By understanding the value added by internal audit researchers recommend a necessity for forthcoming studies to consider other variables as drivers of IAVA..

Yee et al. (2008) scrutinized how managers in Singapore view responsibilities and internal audit efficacy. Information was collected through conducting of interviews that was done in approximately 25 organizations. The respondents of the interviews were managers, they were grouped into four clusters that was dependent on how senior the manager was, level of experience, and autonomy in decision-making. The clusters; 22 head of finance, 18 directors, 20 managers at mid-level , 23 executives , this gave a total of 83 interviews. Conclusions of this research reveal that managers who are at a senior level are in general content with how the auditors are professional in their work, they also show a lot of appreciation for having an oversight function within the organization. The researchers indorse a necessity for the examination and study of how value can be enhanced by the internal audit.

Arena and Azzone (2009), had a desire to comprehend what drivers had an influence in how the IAF worked. And more so with the whole idea that IA has taken a paradigm shift from the old-style way of auditing considering the function it plays for good governance, they used questionnaires in their survey, their sample representation was 153 companies in Italy. Independent variables that were studied: 1) varying features of IA team, 2) activities carried out by IAF 3) relations with the organization. Their results show that efficacy in internal audit is appreciated more by management when: a) the share amongst how internal auditors and employees grow in numbers as a result it is assumed that the CAE is associated to activities of the IIA; b) implementation of techniques for self-assessment of control risk ,and c) involvement of the AC in activities pertaining to internal audit. Further, the authors emphasized the necessity to carry out comprehensive investigation in the desire to determine the impact of auditor adequacies on IAVA..

There have been more studies done on external audit in comparison to internal audit. Strengthened by Gendron and Bedard (2006) noting how most studies have mainly fixated their analysis in external audit being a principal function in the regulatory framework and disregarding completely the role that IA plays in the organsaition. There have been no much studies to find out the various factors that add value to the quality of internal audit. Therefore, the various businesses that have ongoing internal audit department are not operating efficiently, because they are unaware of what can be done to ensure that the quality of internal audit is improved.

Variables that this research intends to evaluate are effective communication amid the internal auditors and the management also the accountants in the organization. The aim is to find out whether effective communication creates value to internal audit. Second parameter to be evaluated is the competency of the auditors, and value created. The competencies are shaped by academic achievements, coupled by experience that auditors have. Auditors should be able to audit various aspects associated with business activities of an organization. Experience of the auditors thus determines whether one can handle the complex task of auditing a large company. There is a possible risk of relegation that faces internal audit (IIA, 2013; PWC, 2013) alternatively IA should take up the test of improving on its processed to improve its

reputation on it being an adding value profession. Empirical threads capable of make a transformation in organizations have been identified by the acknowledged agenda in research, recognition of IA, build on trust and how they are valued, assist professionals in IA on how they can remain unique and not imitable. This study desires to stimulate further examination to discover pioneering research stratagems and review new theories, as well as profit from other studies.

While there are regulations that are related to external audit, which is guided by international standards of accounting, there is a need to evaluate whether some of such recommendations apply for the case of internal audit. While there are, various factors recommended to improve internal audit, there has been no comprehensive studies to find out the extent to which such variables need to be emphasized and implemented by internal audit department. Most of the research that has been done previously that relates to internal audit value addition has mostly paid consideration on the internal audit's capability to design, contrivance and factually communicate valuable discoveries (Xiangdong, 1997; Spraakman, 1997; Dittenhofer, 2001); or opted to take an extensive view and took account of issues surpassing the jurisdiction of stand alone firms (Van Gansberghe, 2005). The study introduces the idea of value addition by various elements that are related to internal audit. There are important values that are key for successful internal audit, and this is why this study seeks to evaluate whether these factors significantly add value to internal audit activities.

1.2. Problem Statement

There has been a disproportion in the present performance of both internal and external audit. The present performance assessment practices are also studied. Through the last decades, technological, political, regulatory, and economic changes that have arisen, have in a substantial way affected the elementary occupations and processes of companies (Burnaby and Hass, 2011). In this esteem, there has been an escalation of business risks, major economic volatility and the substantial rise of financial fraud scandals that have demanded the use of internal audit for companies (Bekiaris et al., 2013; Vinary and Skaerbaek; 2014; Tsipouridou and Spathis, 2014; Gbadago, 2015). Conversely, Hahn (2008) explains that internal auditors

may not solve the financial scandals that are witnessed in various organizations. This is considering that management usually have much control of the auditors.

As compared to external auditors who are independent, internal auditors can be easily compromised by the management. When they engage in tasks that are not recommended by accounting standards such as preparing financial statements, then their value in internal auditing is diminished significantly. Business entities have established internal audit departments because of the various benefits associated with the same (Arena and Azzone, 2009). However, most businesses assign accounting tasks to this department, meaning that it may not be adding much value to the business. There is a need to evaluate what factors would add value to internal audit in companies, hence reduce challenges such as fraud and breach of regulations and standards (Endaya and Hanefah, 2013). In Kenya, more businesses are being listed in Nairobi Stock exchange, but others not yet listed also need audit services. As companies seek to benefit from the internal audit activities, there is a need to find out values that should be upheld as efforts are made to build and effective internal audit department.

1.3. General Objective

The main objective for this study was to examine organizational drivers that influence Internal Audit Value Addition within firms listed in NSE.

1.3.1. Specific Objectives

1. To establish the role of management and board support on Internal audit value addition
2. establish the contribution of communication on internal audit value addition
3. To examine the importance of competence on internal audit value addition

1.4. Research Questions

1. What role the management and board support to influence Internal audit value addition?
2. What value does communication between stakeholders add to the internal audit processes in organizations?
3. How does the competence internal audit staff add value to the audit process?

1.5. Significance of the Study

The conclusions of this study may benefit stakeholders, managers and internal auditors in Kenya to focus on these specific factors to generally improve the internal audit function. There is a clear contrast amid the AC and management in prominence of order of importance of the acknowledged variables that add value to the internal audit process. No arithmetical comparisons in assessments they did were identified. The study is also intended to add value to the existing knowledge on research that has already been done in relation to the factors that add value to internal audit. The study will also provide evidence on the most significant drivers that affect the value of internal audit.

Findings of the study will help the top managers of organizations understand how they should approach audit process. Currently, most companies conduct internal audit activities at a given time in the year. There is less allocation of resources to the internal audit department, because there is less knowledge about its important. This report will seek to encourage top managers to support the internal audit activities, to ensure that it generates maximum value to the company.

1.6. Scope of the study

The targeted population for this study was 37 companies listed in the NSE as at December 2016. These companies represent 8 sectors of the NSE. This will represent a sample of the various large corporations in Kenya. The corporations will mainly be limited to listed companies in the Nairobi Stock Exchange.

CHAPTER TWO: LITERATURE REVIEW

2.1. Introduction

This section will review relevant literature related to value added by the internal audit . The chapter will also critique previous related studies done by other scholars in a bid to identify existing research gaps that needs to be addressed. A review and analysis of theories relating to factors that add value to internal audit will be done. This will be followed by development of testable hypothesis touching on the significance of the independent variables in relation to the dependent variables. Ensuing thereafter will be analysis of all relevant variables under consideration in the study in line with variables adopted by various researchers specializing in the field of internal audit. This will be followed by an analysis of the study's conceptual framework. The guiding yardstick for this chapter will be research objectives as stated in Chapter one.

2.2. Theoretical Review of the Literature

In this case, we shall draw our attention on two theories as the bedrock for this research on the effectiveness of internal auditing. These are the Communication and the institutional theory.

2.2.1. Communication Theory

According to the requirements of the IIA, being the body that regulates internal auditors, numerous studies for instance by Davidson (1991), Quinn and Hargie (2004) and Golen (2008), all concur on the significance and necessity of having proper skills in communication in the entire organization. Previous research that was carried out by Lewis and Graham (1988);Smith (2005) recommended methods in which this skills can be enhanced. Research conducted by Hahn (2008) and Golen (2008) deliberated on barricades to communication, they also looked at ways in which they can be overcome. Simultaneously, quite a lot of preceding studies have devoted their studies done to communication within organizations. The findings of these studies demonstrated, interpersonal relationships and operative communication between the managers and staff of an organization have a positive influence in improving improve profitability, and efficiency; which in most cases tends toward having a higher quality in the services and products provided, and subsequent cost cutting measures. (Clampitt & Downs, 1993). IIA and research done previously agree that that the examination of how

communication is effective in organizations is an essential and crucial element, in order to achieve sound conclusions this study considering the communication theory.

Davidson (1991), argues that with existing communication theory, internal auditors are likely to profit from them, it is important for people who believe that they are in good communication to continuously and consciously work in re-examine themselves to ensure that they continuously improve and apply the skills they possess for the benefit of the organization. The communication theory by Davidsons is grounded on approximately three rudimentary facts regarding communication; (1) having no communication is almost an impossibility (2) communication is an episode that is multilevel and (3) the information sent does not equate the information that is received. In the studies that were done by Lewis and Graham (1988) he stated that, examining the word communication- its origins stretch back after the Latin word written as “communicare” meaning to make something mutual. Consequently, to communicate is an approach that generates mutual understanding between two persons or amid a group. This is to say that for there to be a mutual understanding when communicating, one person can talk, but for communication to be effective there must be another person to speak with. This agrees with Davidson’s communication theory.

Failure in communication effectually may perhaps be connected to unsuitable info or complexities associated to communication. In the studies done by Hahn (2008) he long-established that overflowing information is corrupt the same way as minimal information as this decreases the recipients’ capability in focusing well in the important information passed across. In such a setting, there is a likelihood that the internal audit clients may have new-fangled apprehensions on their confidence that they have in the performance of the internal auditors. Therefore, communicating effectively turns out to be essential in solving communication issues. As a way of getting over such obstacles, Hahn (2008) endorses that participants involved in the process of communication should be attentive and provide information that is only necessary in very simple ways – give sense to messages provided instead of merely passing the information to the next participant, retain the information clearly and modestly for one to comprehend and lastly ask for feedback.

To strengthen internal audit effectiveness, it is critical that within the internal audit function, the internal auditors and their clients and internal auditors and other staff within the organization have sound communication. Agency theory gives an in-depth explanation of the significance of having sound communication between the internal auditors and other staff working in other departments. The significance of good communication goes further to consider the relationship that exists amid internal auditors and auditees, which is given considerable explanation within the communication theory. This study has taken into consideration effective communication as one of the main drivers for internal audit value addition, which has been measured by critically considering the relationship that may exist with internal audit value addition. Nevertheless, there are quite a lot of drivers, which could add to the contribution to the weakness of this relationship such as poor communication between management and the internal auditors or by not communicating with clarity on the recommendations.. To avoid similar pressures, the manner in which this reports are written should be improved.

2.2.2. Institutional Theory

Institutional theory focuses on the profound facets of social structure. DiMaggio and Powell (1983, pp. 148-149) state that several societal forces bring about this resemblance due to the existence of a legislative field from the goings-on of various organizations. The organizational field incorporates key suppliers, competitors, resource and product consumers, and governing agencies. Organizations implement structures and business procedures to accomplish compatibility and homogeneousness since decision-makers obtain suitable replies to distract from disapproval, deliberates the processes by which structures, together with schemes; rules, norms, and routines, become recognized as commanding guiding principle for social behavior. Dissimilar constituents of institutional theory explicate how these elements are formed, diffused, approved, and adapted over space and time; and how they ultimately drop into deterioration and neglect This theory clarifies the way structures in the organization and processes are formed by the changes brought using normative firmness, this includes both internal and external sources for instance regulations and principles, or else by the careers (Zucker, 1987; Mihret et al., 2010). Numerous preceding studies on internal audit have drawn from the institutional theory to support their studies (Al-Twajjry et al., 2003; Arena & Azzone,

2006; Arena & Azzone, 2007; Mihret et al., 2010). Empirical works alluded to from these studies incline to propose that the institutional theory is an effective theory for creation of value for internal audit functions.

Institutional theory focuses on the procedures that establish structures, rules, and routines commanding guiding principle for social behavior. The theory gives an explanation as to why there is existence of some systems, the role played by this systems and how they are able to diffuse in the production of social behavior that comprises of stability and meaning. Within the institutional theory there are various approaches, as a result the theory must be viewed as there exists many different approaches within the institutional theory and it should therefore be viewed as vague multifaceted ideas that are related to each other. The first approach under consideration is the 'rational choice', whereby organizations are considered as rule systems that are institutions are perceived as rule systems that are executed to endorse or guard the interest of individuals. Consequently, parameter and restraints can be acknowledged by individuals on the condition that the objective is to provide a setting whereby internal audit function has a value adding component within organisations which it operates. (Scott, 2004). Organizations are controlled by the institutional setting they operate in and have a tendency to be isomorphic with those occurrences within that context. To adapt to practice and processes that are well spelt out in an institutionalized setting gives rise to validity and continued existence projections for organizations (Meyer and Rowan, 1977).

Pressures that are induced on organizations to create internal audit functions are departments are forcible resemblances. Internal audit functions are created over the mechanism of power, and the supremacy to induce organizations. The similarities occur when these organizations think that the benefits brought by internal audit seem attractive and would be beneficial. This would accelerate the formation of internal audit functions as it may lead to an improvement in the internal controls of the organisation as well its overall operational act. (Al-Twajjry *et al*, 2003) Normative isomorphism is the base of professionalization, which when applied on internal auditing, is brought about from studying internal auditing at University or by qualifying as a CIA. This in most cases adds value to the profile of the internal auditing function and the IIA as an organization. When there are more internal audit professionals there

is a positive influence on the adherence to standards.. (Al-Twaijry *et al*, 2003). The management and the internal audit professionals who have the power and legitimacy are required to evaluate the drivers that create value from the internal audit function. By carrying out this evaluation, this can enable value to be added to the organization after conducting internal.

Following the discussions above, it is apparent that the theory under consideration is legit in the addition of value by the internal audit, it's also a considerably beneficial that explains well relationships amongst variables in the present study, its therefore useful in the inclusion and in the coming up with the conceptual framework of this research.

2.3. Empirical Review of Extent Literature

In this section, both international and local data that is currently accessible that is related to this subject matter so as to show an unfathomable and thorough understanding of the topic and to illustrate the extent to which the subject has been studied by other researchers. The “outside-in” perception point toward a disposition to stakeholders’ dissatisfaction in internal auditing. Internal auditing is one or the other running jeopardy of relegation (IIA, 2013; PWC, 2013) it has the option of accepting to increase its standards for it to be regarded highly as a valuable professional body. The proposed research agenda recognizes empirical research threads that are capable to profit internal auditor practitioners to add value and create a difference in their respective organizations, be acknowledged, valued and trustworthy and profit the internal auditing function in its continued quest of making IA an exclusive distinctiveness. This study sought to inspire other researcher to come up with new inventive strategies that can be used in research and review possible novel theories, also look at possibilities of profiting from alternative studies in research. The drive of this study is to make available an outline of what other literature collected from previous research talks about value add IA, this comes ten years later preceding Bailey *et al*. (2003) who brought to attention prospects in research in internal audit. A proposal is made on how IA can emerge as a valuable adding component by having research questions that may assist in this regard.

2.3.1. Internal audit Value addition

The concept of internal audit value addition having remained studied and expansively examined, as evidenced by studies done previously. (Bou-Raad, 2000; Nagy and Cenker, 2002; Roth, 2003). The description of adding value role as a notion of internal auditing differs from one practitioner to another. What one practitioner will consider to comprise a value adding concept will vary depending on various factors under consideration. The value that will be placed on an internal audit activity will be determined according to how it will be beneficial to the organization.

The usefulness of activities performed by internal audit depends on how the activity is perceived to profit the organization, as confirmed by the Institute of Internal Auditors Research Foundation (IIARF, 2011), this could be determined by several factors like; the characteristics of the organization (Issue 1), the characteristics of the activity's performed by the internal audit function (Issue 2), measurement of the performance of the internal audit function (Issue 3), and the review of activities carried out by internal audit. (Issue 4). Additional factors to this (like laws and guidelines, corporate governance structure, and features of survey respondents) that also need consideration when the worth of internal auditing. (IIARF, 2011). Within the Lexicon of The IIA's International Standards for the Professional Practice of Internal Auditing (Standards), "added value" is described, "Value obtained in refining prospects so as to attain objectives set by the organization, detecting operative enhancement, and/or mitigating the organizations exposure to risk by giving consulting and assurance services. IIA (2009).

The notion of value add can be explained further from the recently re-defined internal auditing that was done by IIA (2007). It is from this definition that internal audit is can be capable to add value by giving services that are independent and objective, providing cohesive auditing practices, being in compliance with the IIA International Professional Practices Framework (IPPF) standards and ethical guidelines, ensuring that staff understand the laws and regulations and they abide to them accordingly, that the IAF provides assurance and consulting services that are capable to advance and advance people, processes, systems and structures within the respective organizations, provide assistance in the analysis and making recommendations in the areas of risk management, controls, and governance processes that can assist the

organizations to strengthen their control environment and consequently attain their objectives. Therefore, when the internal audit function adds value is when recommendations are all implemented and the organization has a more strengthened control environment.

Internal auditing has been described by the Institute of Internal Auditors (IIA) (Na.theiia.org, 2017) as “a self-governing, detached guarantee and consulting activity intended to add value and progress an organization’s operations. The IA assists organizations attain their set goals using a structured , methodical style in assessing and improving how well risk is managed, control environment, and governance processes.” A different definition of internal auditing has been suggested by Soltani. It sets out that internal audit is “an assessment activity set in the interior of an organization as a service. The functions of the IAF include the examination; evaluation; and monitoring the efficiency and effectiveness of the accounting and internal control systems” (Soltani, 2007, p. 621).

The measurement of the value added by the IAFS has been explored by various scholars but Roth (2003: 34) upheld that internal audit functions that added value shared similarities. The notion of the internal audits’ ability to add value that is held by IAFs has a direct importance to how effective the IAF operates; this is because the former helps as a measure of the former. Savcuk (2007: 277) was in agreement with the concept and had a firm belief that the IAF being an essential component of corporate governance was capable of adding value if it was effective. She (2007: 281-282) suggested some of the characteristics for IAF efficacy as: relegation to the AC, professional competence within the internal audit function, experience of the internal audit team, strategy used by the internal audit coupled with their operational roles. Arena and Azzone (2009: 44) associated how effective the IA operates to adequacies and available resources possessed by IA team, accomplishments and practices executed and roles played in the organization.

The IIA Research Foundation carried out a survey (Adding value: The Seven Roads to Success), they had the intention of gathering information concerning practices that are considered top notch in internal auditing value addition (Roth, 2003: 34). He (2003: 35-37) acknowledged five attributes that he considered would add value to the organization;

alignment of organizational, skills and expertise that internal audit staff possess, thorough assessment of the all risks and all audit services summed up together. Dittenhofer (2001:467-468) recommended some attributes that he was of the opinion would make the IAF more efficient and effective and that it would make the IAF practice more useful and more efficient and they would change the managements opinion as to the value they create.; satisfactory IAF collaboration with other functions; core reformation, formation of novel services and procedures and the use of know-how.

In a survey that was steered by Arthur Anderson it was reported in a survey by Cooper, Leung and Matthews (1996: 23-24) reported on a survey conducted by Arthur Anderson to determine what the best global best practices are in existence for internal auditing and they acknowledged a number of attributes: getting to know the client, considering the IAF as a line of service to the company together with concepts to do with quality control , concentrating on existing controls of the business, intensifying responsibilities entrusted to auditors, consistent communication that is effective, use of technological audit tools.

Gupta (2001: 62 - 73) in his studies concluded that the attributes that add value in IAF are; evaluating the intrinsic standard of complexities that are existing, getting to know the clients, the wants of the IAF, developing a strategic direction for the IAF, examining the processes of the IAF, creating an internal business model that can be used within the organization, use information know-how as coming up with a proper internal audit strategic plan to meet the strategic objectives. Prior studies, Mihret and Woldeyohannis (2008: 573) used the basis of characteristics of adding value by IAs, were concluded in a case study done in Ethiopia by Roth (2003) . Their conclusions were; an old-style approach in audit is overriding in organizations that were sampled and resolved that strategies that are taken as well as the risk appetite of the organization will always pave way to attributes that add value in the IAF. In her publication “ The art of adding Value: The manner in which present day audit benefits organizations in the accomplishments of strategic mandates”, Ray (2009: 13) concedes the numerous approaches that are used in measuring if IAFs are adding value within their organsaitions. She (2009:13) examines a prior research done by CBOOK which believed the four attributes most usually applied are: level of extent that recommendations made by the

internal audit function are implemented.; evaluation done by use of surveys done by clients; the degree that the external auditors rely on the work done by IAFs in addition to the frequency of requests received from the management for assurance and consulting services.

Empirical research that has mainly focused on present-day internal audit divulges varied findings. Al-Twaijry et al. (2003) in his studies he recognized that in Saudi Arabian companies there was prevalence of old-style audit. Belgium (2006) undertook a survey in private firms as stated by Allegrini et al. (2006) who was in agreement with the conclusions made. On the contrary, studies by Roth (2000, 2002, 2003), Gupta (2001) and Yee et al. (2007) showed the growing prevalence of internal; audit value addition with an approach that was more consultive. The dissimilarity in empirical findings, this paper contends, brings to the conclusion that even though the internal audit function has made a paradigm shift towards a partnering approach, the variances in the services offered by the internal audit functions may vary depending on the context that are predominant in the various contexts in which the research studies was done. Even so, prior studies conducted where most organizations were predominantly still using the traditional approach left out assessments on whether old style audit had a value adding component. This study sensitizes the necessity to thoroughly examine internal audit practices, to glean a pattern of contexts and situations that would shape the attributes of a value-adding internal audit function.

Public companies must hire external auditors who are independent, to evaluate the accounting process of companies and the preparation of financial statements. This assures the shareholders and other third parties that they can rely on the financial statements as presented. However, an internal auditor is always available in an organization to audit processes and recommend ways of improving reporting process (Pitt, 2014). It is the role of the internal auditors to recommend the best accounting procedures based on the accounting regulations. The internal auditors thus work with the accountants to ensure that any new accounting policies are implemented successfully, based on the activities that an entity engage in. This constant communication between auditors and accountants creates value to the organization. They also evaluate whether the set policies and procedures in accounting are being adhered to, to minimize the risk of having fraudulent activities or errors in accounting.

The internal auditors also recommend internal controls, by evaluating the flow of transactions in the workplace. This helps the organizations that they serve to seal any loopholes that can be exploited by the accountants to steal money from the organization. It means that value of internal audit activities is created if action is taken when information is availed by the internal auditors. They test such internal controls and confirm that it is difficult for the accountants to fool the systems and engage in fraudulent activities (Vallabhaneni, 2005). When recommending the various internal controls and procedures as well as policies, they must cooperate and constantly communicate with both the top management and the accountants in the organization. This ensures that there is support for the recommendations that are presented to organizations by the internal audit department (Paterson, 2015). This means that communication between these stakeholders is very crucial in developing policies and procedures that are respected and help in achieving credibility of financial processes.

The top management needs to appreciate and comprehend clearly the role that is played by internal audit if it's meant to remain of benefit to companies. Most companies hire internal auditors and expect them to perform accountancy roles. It is of importance to distinguish the roles of internal auditors from those of the accountants, hence allocate enough resources for the internal audit department. In addition, there is a need to ensure that the internal audit department is independent, so that its activities are not influenced by the top management (Paterson, 2015). This way, the internal auditors can create value to the organization by recommending policies that protect the integrity of the company, hence bridge the principal agent problem with the shareholders. This means that the internal auditors would not be making decisions that are dictated to them by the top managers, and instead make decisions based on the existing accounting policies and the needs of the companies.

The internal auditors make the work of the external auditors much easier, and this reduces the costs of external audit since it takes less time to audit such companies. This is only possible if the internal auditors are independent, understand the accounting policies and procedures well and have enough resources to perform their functions (Paterson, 2015). The top management thus can make decisions that give assistance that will augment internal audit value addition.

Giving the department the needed resources and allowing the department to operate without much interference creates value for the organizations in question. Otherwise, the external auditors can tell internal audit departments that are not of any help to organizations, hence do not rely on them when making their evaluations about the reliability of the financial statements.

2.3.2 Organizational Drivers that Influence Internal Audit Value Addition

2.3.2.1 Top Management support

The management of various organizations have placed reliance on the internal audit function to ensure that the confidence and trust they have in their control environment and the entire organization is working effectively and efficiently (Mahzan et al., 2012). The IAF displays its findings as observations and recommendations, management has the responsibility to ensure that they strengthen the control environment by identifying the needs for control, coming up with designs for control and how they will be implemented; read-through applications for correctness; upholding and bring up-to-date the systems of control (Pickett, 2011). Internal audit has the responsibility to make an objective assessment of the internal control systems that have been set up by the management IA has the role of making an objective assessment for systems of control whereas managements' responsibility is to create those systems. Therefore, internal auditors as they are more analytical in assessing risks and ensuring that the internal controls are effective; the recommendations that they make could be of benefit to the management to enhance the overall strength of the control environment. (Badara and Saidin, 2013).

Essentially top management have a positive influence on the internal audit function. This influence creates problems to float out mainly because of the managers' influential positions, the power the management have in the audit appointments Consequently, jeopardies inevitably increase the instancee management override the internal control by dealing with it as a managerial tool (Churyk et al., 2008). This is to say that the internal audit function have to ensure that they keep away from (i) the set-up of the risk appetite; (ii) contribute in the risk management processes; (iii) being the central focal point in assuring management that risks will be effectively managed; (iv) take part in the decision making in regard to responses of risk

exposed (v) taking part in responding to risk, these are not responsibilities of the internal audit function but management roles.(Zwaan et al., 2009).

Nevertheless, Mahzan et al. (2012) contended that IA have the capability of effectively undertaking work assigned to them, if they practice utmost independence., in this regard the management stands a better chance to comply and consequently implement with recommendations given.. Internal audit independence is explained in terms of a function unbiased from threats capable of threatening its functional ability to undertake its tasks in an impartial manner (IIA, 2009). Influence from senior management on objectivity has not been studied expansively. (Stewart & Subramaniam, 2010).

To strengthen governance in organizations, it is necessary to have a close relationship amid internal audit function and the AC (ASX, 2010; Cohen et al., 2004; James, 2003; Treadway Commission, 1987). Objectivity and independence of IA needs to be scrutinized whenever IAF has a direct reporting responsibility to the AC as opposed reporting to management in the respective organsaition, (Cohen et al., 2004). In accordance with Gramling et al. (2004, p. 198), with the existence of a tight relationship amid the IA and the audit committee it will help IAF with a suitable work setting and strong back up system in carrying out activities related to governance. The impact of IA can be reinforced by the audit committee by acting independently so that the CAE to bring out issues that have an effect on management at a senior level (Braiotta, 2004; Goodwin,2003; Goodwin and Yeo, 2001).

For full potential to be attained; its important to have communication lines that are open amid IA and audit committee. CAE should engage in consistent and private access to the committee (IIA, 2002) to enable them to discuss matters that are sensitive, most particularly the issues that have effect on management of the organsaistion (Braiotta, 2004). Scarbrough et al. (1998) argues that meetings organized amid CAE and audit committee more that thrice in a year are considered to have greater private access to the committee. Instances whereby the CAE does not meet three or more times a year, access to the audit committee is relatively low. In the findings, a significant association between private access by the Chief audit executive to the audit committee and a review of the IA work program by the audit committee and results is also found (Scarbrough et al., 1998). The findings of the study sensitize the value of having a

sound work relationship amid the audit committee and CAE, that reinforces actual and apparent impartiality and augment internal audit value addition.

Van Peurseem (2004) in his studies believed since the internal audit function work very closely with management there is a high possibility that their independence will be threatened. Sarens and de Beelde (2006) analyzed relationship that existed in companies in Belgium, their conclusion was there lacks objectivity whenever IAFs are operational within a role of support of management ,additionally a weak association with auditing committee is detected The IAF using their consultive role could be of benefit to management enabling the organization evaluate better , implement the risk mitigating methods. (Badara & Saidin, 2013). A manager who is effective is one who will work without fear of the issues identified by the internal audit function. Badara and Saidin (2013) state that with a hands-on policy managers can encourage internal auditors and they should not be weary of issues that will be reported. What is of importance is to show that the recommendations have been implemented. Kaplan et al. (2008) took note of the judgments made by auditors is likely to be negatively affected if managers put there selfish interest first when they provide information .

The support of management has an extensive implication on the effectiveness of IAFs in organizations. For example, Mihret and Yismaw (2007) illustrate the constituents of support from management that consists of; the positive responses made after findings from the audit and management commitment to strength the control environment having a significant impact on how IA will add value. Since internal audit goings-on are done in forever changing management process and an environment full of support, the IAF have an expectation that the IA processes will be supported by senior management as an initiative taken by them. Sarens and Beelde (2006) believe that for the internal auditors to be accepted within the organization will wholly get determined with the kind of sustenance management provides. The internal audit function continuously seeks support from management with resources, their promise to encourage and communicate their added value. It is considered that support from the management is essential for the organization and IA; since all other determining factors of IA effectiveness originate from top management support, certain in the recruitment of proficient IA staff, progressing individual careers for IA staff, and ensuring that IA have independence

when conducting their work are outputs brought about by top management (Cohen & Sayag, 2010).

Sarens and De Beelde (2006a) concluded that when auditing takes a risk based approach, the IAF is highly ranked as they did interviews with CAEs of Belgian companies. Many other academic researchers agree with the critical and crucial impact that management support has on Internal audit value addition. For instance, Halimah et al. (2009) and Mihret and Yismaw (2007) in their research studies in the public sector in Malaysia and Ethiopia. Cohen and Sayag (2010, p. 304) who examined the factors that determine effectiveness of internal audit in organisations in Israel, they concluded that significant factors to be managerial demand-driven organizations. (higher in imperative than the supply-led credentials and working environment of internal audit staff) which is critical in accomplishing IA mandate. Additional drivers of internal audit effectiveness are derived from verdicts made by senior management, i.e. when recruiting qualified and experienced staff, progressing career paths for staff and setting an environment that will provide organizational independence to their work.

Geis (2010) in his study argued that the appreciation of the IAF by management is an important and crucial component as identified from interviews with eight CAEs, looking into how IAFs in a German setting can be profitable. A supervisory board has the mandate to create an audit committee to monitor the processes in accounting, assess the control environment and risk universe and overlook compliance and the audit of the annual financial statements.

(German Corporate Governance Code, 2013, §5.3.2). In the beginning of their research, they propose several pointers that measure IA effectiveness including, the surveys done by the clients, criticality of the IA findings, the effect of audit findings on the Earnings before Interest, Depreciation and Amortization and fluidity, detection of deception, sum of findings that are identified by IA, the duration from the time work in the field begins to time the final report is delivered, the ratio of implemented recommendations by the management (Geis, 2010, p. 95). Remarkably, in the subsequent area of the research it adds up to the studies by Parasuraman et al. (1985), that suggested; a progression that is client service concerned process firstly by getting to know clients, wants of the clients and then find ways to meet their needs. As

suggested by the model, if the expectation gap is narrowed, the clients served by the IA are likely to perceive good performance by the IA.(Geis, 2010, p. 149). Due to the design of the study, the findings are indecisive about those expectations which were not recognized. The study points out that the IA clients may have unclear anticipations, as a possible challenge as well as to the threats to IA independence if the IA maintains a customer focus approach (Geis, 2010, p. 125).

2.3.2.2 Competency of Internal Audit Staff and value addition in audit process

It is well thought-out that an imperative component to internal audit value addition is staff competence. (Al-Twaijry et al. 2003; Alzeban & Gwilliam 2014). The International Standards for the Professional Practice of Internal Auditing (ISPPPIA) emphasizes that significance of IA team who have all the obligatory skills, competencies and know how to engage in their responsibilities. (ISPPPIA, Standard 1210). Agreeably, it is important for internal audit staff to possess the essential education, required professional qualifications, experience and training for the IA to can add value and improve the organization's operations (Mihret & Woldeyohannis 2008; Ali & Owais 2013). In addition, it is necessary that internal auditors have proper interpersonal skills in communication, coaxing, teamwork, and critical thinking to effectually accomplish their duties (Smith 2005; Fanning & Piercey 2014). Additionally. It is important to note that external auditors use competencies as a critical criterion to analyse and evaluate how the IA performs. (Al-Twaijry et al. 2004; Abbass & Aleqab 2013).

The key factors that external auditors assess when doing their audit planning procedure is the level of objectivity and technical skills of the internal audit function. (AU Section 322). Prior studies have been supported by the IIA's claim, competence of internal audit staff has a positive influence to internal audit value addition and the quality of the financial reports. (e.g., Al-Twaijry et al., 2003, Alzeban and Gwilliam, 2014, Lin et al., 2011, Prawitt et al., 2009). Additionally, more studies acknowledge that the competence of the internal auditors as being a key component in improving the operations of the organization. (e.g., Ali and Owais, 2013, Mihret and Woldeyohannis, 2008) or contributing to the success of the organization (e.g., Dittenhofer, 2001). The substitutions for competence in general include education, professional qualifications, experience, and training.

According to the requirements of the IIA, internal auditors a study by Golen (2009), agree on the significance of and the necessity for sound skills of communication in all organizational units. In accordance with IIA Standards and surveys conducted previously , the examination of communication that proves to be effective in internal auditing is essential, and henceforth consideration to apply communication theory for its achievement.

Prior studies have brought to the attention that whenever management perceive that internal auditors lack the required competence and expertise to carry out their responsibilities and thus provide useful recommendations, the management do not take the recommendations seriously hence reducing the value added. (Griffiths, 1999; Van Peurse, 2004). Comprehensive research (Burnaby et al., 2007; Bayley, 2011) done globally concerning profession of internal auditors emphasized the need of having key skills that are technical in nature together with non -methodological skills to add value to their respective organizations. In accordance with the IIA Internal Audit Competency Framework (IIARF, 2013), for the internal audit function to have the ability to make available effective assurance and advisory services, having technical competencies are a vital qualification. As is required, internal auditors should use an array of techniques when engaged in audits, Internal auditors are required to possess technical competencies as it characterizes a vivacious factor to effectually assess and make a difference in corporate governance, management of risk and enhancing the internal control systems (Spencer Pickett, 2004).

2.3.2.3 Effective communication and value of internal audit

Hahn (2008) confirmed in his studies that when communicating, information that is received in bulk is not any better receiving bits of information as this lessens the recipients capability in their focus of the crucial part. Within a setting like this, the users of internal audit are likely to have rising apprehensions of the IAFs performance. Therefore, as a solution to the problem it is found to be necessary the need for sound and effective communication. In order to counter such communication barriers, Hahn (2008) suggests that the participants to the communication should focus on the issue at hand and provide the necessary information using easy and understandable ways- provide basic explanation to the information instead of just conveying

the message to the recipient is also important that the message conveyed is not only brief but it should be conveyed clearly in a manner easy to comprehend, feedback should also be sought.

According to requirements of the IIA, in a study by Golen (2009), agree on the significance of and the need for communication skills that are effective in all organizational units. In accordance with IIA Standards and studies done previously, research done on communication effectiveness in internal auditing is essential, and henceforth communication theory should be considered for its achievement.

Numerous studies emphasized the significance of communication being efficient to enable organizational units to meet set goals. (Lewis & Graham, 1988; Davidson, 1991; Seng, 2004; Quinn & Hargie, 2004; Smith, 2005; Robson & Tourish, 2005; Golen, 2008; Bambacas & Patrickson, 2008; Schneider, 2008). Likewise, ISA 610 (2009), issued by IFAC required external auditors by assessing the effective communication that is used during the work performed by internal audit function. Mihret and Yismaw (2007), argues that as an integral part of internal audit value addition it is essential to have effective communication, this is considerably one of the robust variables influencing internal audit value addition.

Anderson (2012) argues that communication skills allow auditors to connect and rapport with organizational members thereby ensuring realization of effective audit functions. A good auditor recognizes the whole essence of face to face interaction and makes it the primary mode of communication ensuring that other modes of communication are secondary in realizing the effect of bonding amid the internal audit function, organization staff and top management.

Van Gansberghe (2005) emphasized that a crucial measure of internal audit value addition is the number of recommendations that are implemented by management. This is well agreed to by Arena and Azzone (2009) who concluded in their study that the ratio of implemented recommendations can be used to assess the level of internal audit value addition is ideal. Spraakman (1997) confirmed recommendations from internal audit findings are vital to the management of an organizations. Similarly, Mihret and Yismaw (2007) stated that audit

findings and recommendations would not be beneficial to an organization unless the management are committed to implementing them.

2.4. Summary of the Literature/ Critique of the Literature

The crucial part of any research is the literature review. It enables the researcher to avoid coming up with new findings and results of studies. The focus is on literature that has been studied in the past and has been classified in varying perspectives. The analysis and contrasting of the past literature enables the researcher to narrow down the research topic and make available a basis for deciding on a research topic which will be beneficial. The outcome of the literature review will provide direction for future research. Literature enhances reality, it does not simply describe it. It improves the necessary competencies that daily life needs and brings; and in this respect, it waters the deserts that our lives have already become.

2.5. Research Gap

After a review of literature that was related (Mihret and Yismaw, 2007; Cohen & Sayag, 2010; Arena and Azzone) to be specific, relationships of how management is perceived to support IA, independence of internal audit, adequacy of IA staff , having a charter for internal audit are crucial in the achievement of internal audit value addition. Concerning the approaches used in the evaluation of internal audit performance, the survey (Ernst & Young, 2007) indicated that; the utmost used approaches for the measure of the internal audit value addition audit is represented by the number of audits that are completed in each period as compared to the internal audit workplan and the duration that is taken to resolve the audit findings.as a vital metric, and use support of key business ingenuities. The findings of a survey by Ernst & Young the following year (Ernst & Young, 2008) argued that other than the approaches (identified in 2007 survey) that were utilized in the measure of the performance of the internal audit, the number of audits completed as compared to the workplan of the internal audit and duration that is taken before issuance of the final report and one that is oftenly used namely the results from the surveys from clients. This was in accordance to a survey that was carried out by (Ernst & Young, 2008).

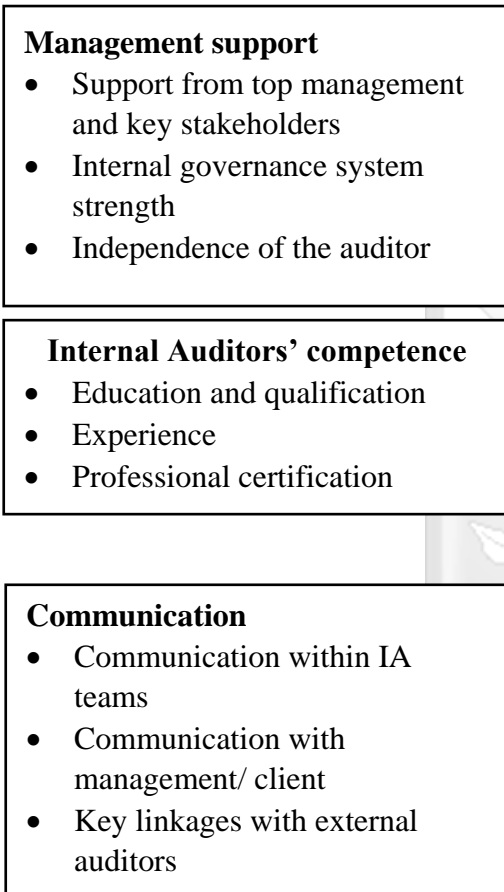
From the look of the literature that exists, there has been no much attention that has been given on drivers that influence internal audit value addition. Most organizations have no clear knowledge of drivers that would enhance added value by IAF to the organizations. In addition, no studies have been done in the local context of Kenya, to find out what drivers influence internal audit value addition in organizations. Therefore, this paper sought to fill in this gap by conducting a primary research. Prior studies used varied methods to examine the internal audit process. However, there is no much literature about how the various components of an organization enables the internal audit to add value. For that reason, it gives the motivation to study the drivers that influence internal audit value addition.



2.6. Conceptual Framework

In order to form a base of how the research design and analysis of the study is done, the conceptual framework is prepared. Independent variables explained by the framework include; Management support, Adequacy of Internal Audit and communication and the dependent variable which is Internal audit value addition.

Independent variables



Dependent variable

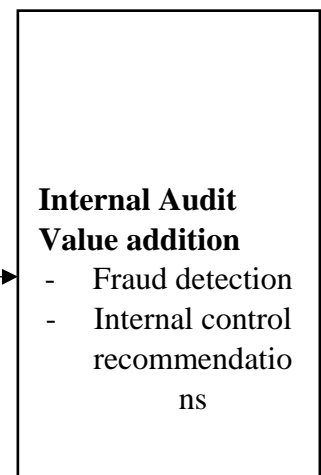


Figure 2.1: Conceptual Framework

Conceptualization of effects of identifying the Performance of Organizational Drivers value created in internal Audit process: The independent variables in this study are the variables which have been earlier explained and the usefulness they have. The intervening variables include the government policies as well as the organizational policy which every organization has to satisfy before it can commence its operation. The dependent variable revolves around the general objective which is the main reason for conducting this study.

2.6.1: Operationalization of the variables

Table 2.1 shows how the variables will be measured.

Table 2.1: Operationalization of the variables

Concept	Variables	Indicator	Measurement
Internal audit value addition	Management support	Support from top management and key stakeholders Internal governance system strength Independence of the auditor	A Likert scale of five was used where; 1-strongly disagree, 2- disagree, 3somew agree, 4agree & 5-strongly agree.
	Internal Auditors' experience and competence	Education and qualification Experience Professional certification.	A Likert scale of five was used where; 1-strongly disagree, 2- disagree, 3somew agree, 4agree & 5-strongly agree.
	Communication	Communication within IA teams Communication with management/ client Key linkages with external auditors	A Likert scale of five was used where; 1-strongly disagree, 2- disagree, 3somew agree, 4agree & 5-strongly agree.
	Internal Audit Value addition.	Ability to detect and prevent fraud	A Likert scale of five was used where; 1-strongly disagree, 2- disagree, 3somew agree, 4agree & 5-strongly agree.

Operationalization facilitates the reduction of the abstract notion of constructs into observable characteristics so that they can be measured using indicators. A scale ranging from 1=strongly disagree to 5=strongly agree will be used to measure both the dependent and independent variables. The indicators that were used in the studies are summarized in the below table.

2.7. Summary of the Chapter

This chapter defines major theories that are used in the elaboration of how the internal audit functions as well as what other authors say about the value of various aspects that are crucial in internal audit. It also goes to details to explain each variable and its usefulness in this study.



CHAPTER THREE: RESEARCH METHODOLOGY

3.1 Introduction

In this section, the methodology that will be used to meet the objectives of the study is presented. It covers; research design, population targeted, sample and procedures of sampling, methods and tools of data collection, methods of data analysis as well as Ethical considerations.

3.2 Research Philosophy

This research adopted positivism research philosophy. This implies that the study assumes that only factual knowledge is trustworthy (Bajpai, 2011). Saunders, Lewis and Thornhill (2009) assert that through positivism the researcher is concerned with facts and not impressions. Research findings generated from positivistic research are observable and statistically quantifiable (Wilson, 2014). Positivism approach relies on theory to develop hypothesis to be tested during the research process (Easterby, Thorpe & Jackson, 2008).

The positivism approach allows the use of quantifiable measures of the variables under study (Olrlikowski & Baroudi, 1991) to test the theories adopted. Quantitative research methods flow from the positivist theory and serve to test theory (Friedman, 1953). Highly structured studies, large samples and quantitative measurement characterize the positivism philosophy. This research will adopt these characteristics of positivism to analyze the impact of administrative ethos on technology adoption; in a bid to identify associations amid the variables in an inferential manner from existing theories.

3.3 Research Design

Conferring to Kothari (2004), a research design is the road map and plan towards getting responses to the study questions. Research can either be qualitative, quantitative or a mixture of the two methods (Creswell, 2008; Cohen et al., Gliner et al., 2009; Kothari, 2004). This study used both descriptive survey and explanatory designs that investigated the organization drivers that influence internal audit value addition in firms listed in the NSE. According to Creswell, (2008), descriptive survey design is ideal for gathering information about people's perception and attitude, opinions, habits and variety of social issues. It also enables details to be obtained

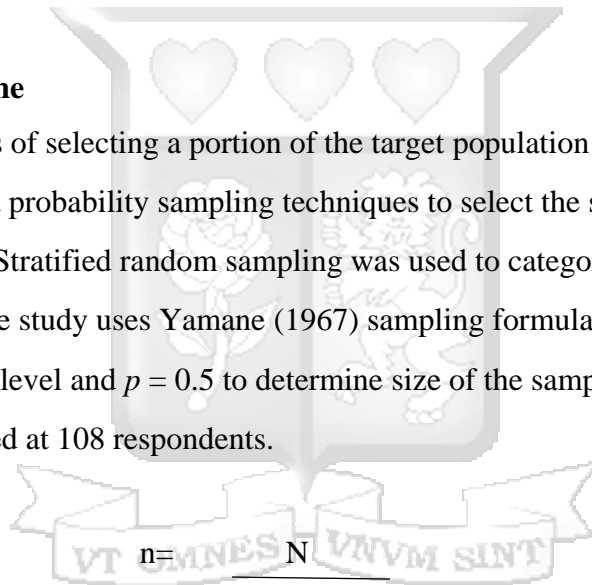
from various sources of information and the evidence to be verified through in-depth probing. The motive of this study was to identify organizational drivers that influence internal audit value addition and being a qualitative study, it was better to rely on descriptive narrative for data analysis as showed in (Gunnel, 2016).

3.4 Population

According to Kothari, (2004), population means all items in a field under the study. The target population for this study was 37 firms listed in the Nairobi Securities Exchange as of 2016. Various departments including Internal Audit departments and senior management in these firms will be purposively targeted and respondents randomly selected to inform the study.

3.5 Sampling Frame

Sampling is the process of selecting a portion of the target population to be interviewed in a study. The study used probability sampling techniques to select the sample and identify the size of the sample. Stratified random sampling was used to categorize the population into different strata. The study uses Yamane (1967) sampling formula; where the formula uses a 95% confidence level and $p = 0.5$ to determine size of the sample for the study. The sample study established at 108 respondents.



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

$$n = \frac{148}{1 + 148(0.05)^2}$$

Simple random sampling was used select respondents from the selected firms. In each of the firms to be visited, the study targeted four respondents as follows (one from senior management, another from internal audit department, finance department and from operations or any other department within the company).

3.6 Sample and Sampling Technique

There are several guidelines that are proposed on the selection of the correct sample sizes. Creswell (2008) and Goes (2012) support sample sizes of 20-30 participants. Kothari (2004) contends that data inundation is likely to happen if the researcher feels that extra participants are represented in the already existing categories and themes. The sample size in this study was 108 respondents since a higher number of responses would represent a true reflection of the population but at the same time avoid inundation. A sample design is the method or plan that the researcher uses to acquire a sample, given a population. This encompasses the selection of items from a population. The sample design should be suitable and dependable (Kothari, 2004). The study used simple random sampling technique.

3.7 Data Collection Instruments and Procedures

The study collected primary data through semi-structured questionnaire that contained open and close ended questions. The use of close ended questions reduces the possibility of biasness from the respondents who may disregard some questions and also limit the number of responses to precisely what is relevant for the study. Open ended questions assist in getting an in depth understanding and explanation. Primary data was used because it is thought to be original (Kronenberger, Castellanos, & Pisoni, 2018). Structured questions included a likert scale that was used to measure different aspects of the variables under study. Unstructured questions was included to provide the respondents with the freedom to capture any other important dimension of the variables that they feel is missing (Ahlstrom & Westbrook, 1999).

Questionnaires were administered in person to the employees of these companies who work in the various departments including Internal Audit department and senior management. Questionnaires were supplied to those that agreed to participate in the study. Questionnaires that were used in the study were slightly modified as borrowed from previous studies conducted and reviewed literature (Cohen & Sayag, 2010), this being a method that is endorsed particularly when studies are of similar kind in operational literature.(Bryman and Bell, 2007) the questionnaires used the method of Likeret-Scale category (revealing how the respondents agreed or disagreed) the lowest scale represents a strong disagreement while the highest scale represents a strong agreement this was done by constructing into five point scale (Likert, 1932). The questionnaires that were distributed to the respondents were prearranged in two

parts; the first part comprised the demographic questions regarding the respondents, and the second part contains items relating to organizational drivers that influence internal audit value addition.

3.8 Data Processing and Analysis

Data analysis involves the systematic application of statistical tools to process data into meaningful information (Lewis-Beck, 1995). Data collected was sorted per the categories presented in the questionnaire. To check for completeness and consistency the completed questionnaires were reviewed. Data collected from the primary and secondary data were first checked for errors, outliers, normality, linearity, multicollinearity and homoscedasticity before being analyzed further. To carry out the normality test, Kolmogorov-Smirnov and Shapiro-Wilk test was used where significance value greater than 0.05 depicted that the data was normally distributed. Homoscedasticity was tested using Test Glejser with the null hypothesis of no presence of homoscedasticity being accepted when the P-value was greater than 0.05 and otherwise. Linearity of data was tested using scatter plots and Deviation from Linearity test.

Descriptive statistics was used to describe the sample. Mean, mode, frequencies and standard deviation were applied, Spearman's rho correlation analysis and regression analysis will then be conducted in that order. Spearman's rho correlation analysis will be conducted to determine whether there is a relationship between the dependent and the independent variables and the strength of the relationship if present (Winter, Gosling, & Potter, 2016). The correlation coefficient value from this analysis will determine the measure of linear association between two variables where the coefficient should always be between -1 and +1 (Cooper & Schindler, 2014). A coefficient of -1 means that variables are perfectly related in a negative linear sense, 0 means that there is no relationship between the variables and +1 indicates that the variables are perfectly related in a positive linear sense (Cooper & Schindler, 2014).

Factor analysis has been found suitable for studies that involve a few or hundreds of variables from questionnaires. In factor analysis, the factor loadings represent the strength of the correlation between the variable and the factor (Young & Pearce, 2013). The primary data

collected from the questionnaires was analyzed using confirmatory factor analysis. Factor analysis technique in SPSS software version 20 was used to summarize the data for easy interpretation, understanding of relationships and patterns.

A multi-variate regression analysis will then be carried out. In this a model of relationship is hypothesized in the form $Y = \beta_0 + \beta_1 X + \varepsilon$ where β_0 and β_1 are model parameters and ε is a probabilistic error term that accounts for any variability in Y that cannot be explained by the linear relationship with X (Cooper & Schindler, 2014). Independent variables of IAVA will be regressed against the dependent variables of communication, governance and Internal Auditors' competencies. The equation is as shown below:

$$\text{IAVA} = \beta_0 + \beta_1 \text{Comm.} + \beta_2 \text{Gov.} + \beta_3 \text{IAComp.} + \varepsilon_i$$

Where;

IAVA – Internal Audit Value Addition

Comm. – Communication attribute

Gov – Management support and governance

IAComp. – Internal Auditors' competency

$\beta_1, \beta_2, \beta_3$ = coefficients for which we are trying to predict the value of Y.

β_0 = constant.

ε_i – Error term

3.9 Research Quality

To guarantee internal validity, before the questionnaires were issued to the respective respondents, a pilot data collection was done. This resulted to editing the questionnaire to suit the research objectives. Objectivity was enhanced by ensuring there is no bias in data analysis, interpretation or in any other aspect of the research.

3.10 Ethical Consideration

Kothari (2004) contends that ethical considerations are of extreme importance, predominantly when research involves people. Saunders (2009) argues that ethics in research is the most appropriate behavior of research comparative to societal norms. In this study, informed consent was sought from respondents before any engagement. Those interviewed were assured that

data collected was purely for research purposes and that no information would be traced to the respondent. Respondent were also assured that their responses would be treated with strict confidentiality. Approval to carry out research was sought from Strathmore University Board of Postgraduate Studies and was duly granted.



CHAPTER FOUR: DATA ANALYSIS AND INTEPRETATION

4.1 Introduction

This study sought to look at the organizational drivers that influence internal audit value addition. This chapter discussed findings from the analysis of primary data collected from the administered questionnaires to management accountants, internal auditors, and chief audit executives. Presentation of data is systematized in order of definite objectives. Results on other essential information are also presented. The objectives of the study were examined within the questions shared in the questionnaire.

4.2 Sample representation

A sample that is representative should reflect the population in which it was drawn from (Cherry 2017). The population in this study was relatively big, under the circumstances of time constraint and limited resources it was not possible to reach every member. Random sampling was therefore used which gave every member of the population a chance of being selected. Diverse guidelines provide adequate sample sizes for qualitative studies and authors have wide-ranging propositions on sample sizes. While Morse (1994) recommends 30–50, Creswell (1998) contends that 20–30 is a valid sample size. Qualitative sample size is best determined by the time prearranged, available resources, and study objectives (Kothari, 2004). This explains the sample size of 108 based on the population in this study. Out of the 108 questionnaires that were issued, 70 questionnaires were returned with 6 having incomplete information thus accounting for 65% response rate. In preparation for coding once the questionnaires were collected they were cleaned then edited. After coding the data obtained was run through SPSS to analyse the data.

Table 4.1: Sample Representation

	Firms		Questionnaires	
	N	%	N	%
Agriculture	5	14%	19	30%
Automobile & Accessories	2	5%	3	5%
Commercial & Service	9	24%	11	17%
Construction & Allied	5	14%	5	8%
Energy & Petroleum	4	11%	6	9%
Investment Sector	4	11%	4	6%
Telecommunication	1	3%	2	3%
Manufacturing & Allied	7	19%	14	22%
Total	37	100%	64	100%

4.3 Descriptive Statistics

This section discusses the descriptive statistics for both the dependent and independent variables for firms that are listed in the Nairobi Securities Exchange.

4.3.1 Descriptive statistics on significant variables

Table 4.1 illustrates the summary of results on descriptive analysis of the variables under study. These variables include: support from management, adequacy of audit staff and effective communication. Largely, the findings showed that the average rate of management support for listed companies stood at 27.6%. This meant that on average listed firms, management support had a relatively low influence in internal audit value addition as compared to other drivers. When it came to auditors' adequacy and competency, listed companies on average reported an average rate of 45.5% implying that most of the internal auditors had the required skill and knowledge to influence internal audit value addition. The proportion of effective communication stood at an average of 20.8%. Since the median is greater than the mean it shows that there is skewness which also indicates that the data is not normally distributed as it is not zero or unimodal.

Table 4.1: Descriptive characteristics

		Internal Audit Value Addition	Management Support	Auditor's Adequacy and Competence	Communicati on
N	Valid	132	132	132	132
	Missing	0	0	0	0
Mean		20.7348	27.6439	45.5000	20.8182
Median		21.0000	28.0000	45.0000	21.0000
Std. Deviation		1.84043	1.25481	1.36756	1.27703
Variance		3.387	1.575	1.870	1.631
Minimum		17.00	24.00	43.00	18.00
Maximum		25.00	31.00	49.00	23.00

4.3.2 Demographic Characteristics

Results obtained from the questionnaires documented males at 60% N= 42 while 40% N= 28 were female. The results show that the men are slightly more than women. The findings of the level of education, results showed that 83.3% N=90 had a bachelor's degree, 22.7 % N=28 held Master's degree and 1.5% N=2 had a PhD. These findings show the respondents possessed knowledge to easily understand and fill in the questionnaire. On years of experience, 34% of all the respondents worked for their organization for a period of 3-5 years, 46% of the respondents had worked for the organization for a period of 6-8 years, 11% of all the respondents worked for their organization for a period of 9-10 years and 9% of all the respondents worked for their organization for a period of over 10 years. This results show that majority of the respondents had work experience of more than 5 years adequate to understand challenges that affect the quality of their work. For the audit committees, 92.4% N= 120 of the firms had audit committees whereas 7.6% N=10, the results show that since most firms have audit committees most of the firms' effectiveness is improved. The findings are as shown in table 4.2 below.

Table 4.2: Demographic characteristics

		<i>Frequency</i>	<i>Percent</i>
Gender	Female	42	60%
	Male	28	40%
Age	19-35	40	56.8%
	36-50	21	30.3%
	> 50	9	12.9%
	Not answered		
Level of education	Certificate	0	-
	Diploma	6	9.1%
	Degree	58	83.3%
	Masters	4	22.7%
	PhD	1	1.5%
Work experience	3-5 Years	24	34%
	6-8 years	32	46%
	9-10 years	8	11%
	> 10	6	9%
Audit Committee	Yes	64	92%
	No	12	8%

4.3.3 Management and support as a driver of internal audit value addition

The study sought to look into role played management and board on IA value addition. The respondents to the questionnaires were requested to express their opinion as to whether they were in agreement on whether they receive management support in their organisations. A scale of strongly disagree, disagree, neutral, agree and strongly agree. Respondents to the questionnaires were requested to express the extent management support had an influence in internal audit value addition. Majority (57.6%) of them categorically indicated that management support had an influence in internal audit value addition. 48.5% indicated that internal auditors had free and unconditional access to the documents that they required. 27% of them indicated that Internal auditors in your organization are allocated adequate resources

to carry out their work as planned, 22% of them indicated that management at the senior level and the AC members are very satisfied with the performance of the head of internal audit in your organization. 8% respondent indicated that The Management Facilitates IA employees to participate in training and development programs to maintain their skills and keep up to date in the field.41% believed Audit goals are well aligned across all levels in the organization and 39% of the respondents indicated that Internal auditors suggest solutions that solve problems in your organization.

The results in Table 4.3 agree with literature in management that offers sufficient evidence for the important and crucial role that senior management play in the achievement of almost all programs and processes within an organization. The support of senior management and their commitment towards the changes play a critical role in the renewal of the organization as managers are capable to mobilize the significant supporters required for quality as an important aspect in programs for improvement. It henceforth does not come as a surprise that the managements' appreciation of, and support for, the Internal Audit Function has long been important to the success of internal audit value addition. Numerous studies conducted previously have acknowledged management support as an important determinant of value addition, receiving of funds to support IA is a measure to analyze how effective the support is. When it comes to recruitment of staff it is with adequate resources that IA can obtain the right quality of staff. to keep up-to-date in training and development, to acquire and maintain physical resources like computers, and so on.

The results on Table 4.3 show that relationship amid staff in IA and management is evidently critical when finding out about their independence, objectivity and therefore the value created to the organization, the support from top management toward IA is thus important both in the intangible and providing adequate resources to enable IAF to run its operations. The findings are as presented in table 4.3 below.

Table 4.3: Result on Management support

Aspect	Strongly Disagree		Disagree		Neutral		Agree		Strongly Agree	
	N	%	N	%	N	%	N	%	N	%
Management supports the effort of internal auditors in your organization	2	3.0%	4	6%	11	15.2%	13	18.2%	40	57.6%
Internal auditors have free and unconditional access to offices, files and documents required	1	2%	6	8%	9	12.5%	20	30.3%	34	48.5%
Internal auditors in your organization are allocated adequate resources to carry out their work as planned	4	3%	6	4%	30	21%	22	15%	38	27%
Senior management and the Audit Committee members are very satisfied with the performance of the head of internal audit in your organization	3	2%	4	3%	33	23%	32	22%	28	22%
The management Facilitates IA employees to participate in training and development programs to maintain their skills and keep up to date in the field.	18	13%	12	8%	22	15%	36	25%	12	8%
Audit goals are well aligned across all levels in the organization.	3	2%	7	5%	20	14%	12	8%	58	41%
Internal auditors suggest solutions that solve problems in your organization	1	1%	4	3%	25	18%	15	11%	55	39%

4.3.4 Effective communication as a driver of Internal audit value addition

Golen (2009), acknowledge that skills in communication that are considered effective in every organizations are valuable. IIA Standards and previous studies concur that research on communication and how effective it is in internal auditing is essential. The findings of this study reveal that for internal audit to add value effective communication is a key element. Respondents were asked to rate their firms in terms of how effective communication contribution had an influence in Internal audit value addition.

55% respondents agreed strongly that communication amongst internal audit members is efficient, 25% agreed communication is efficient, whereas 20% were neutral as to whether communication was efficient. 60% respondents strongly agree that internal audit has developed a good cooperation between auditors and auditees, 18% agreed that internal audit had developed good cooperation, 12% were neutral, 5% disagreed and 5% strongly disagreed. 40% of the participants agreed strongly that communication between IA and external audit is efficient, 25% respondents agreed and 25% respondents were neutral as to communication that exists amid the internal audit and external audit, 5% of the respondents disagreed whereas 5% strongly disagreed.

46% respondents were in a strong agreement that communication between IA and management is efficient, 24% of the respondents agreed, 25% of the respondents were neutral on the communication that exists amid internal audit and its management, and 5% of the respondents disagreed. 50% respondents strongly agreed they consider that internal audit work is realized with responsibility, 30% agreed that internal audit work is realized with responsibility, 12% of the respondents were neutral while 8% disagreed. The table below shows that communication is considered relatively important for the internal audit function to add value.

Table 4.4 Results on effective communication

Aspect	Strongly Disagree		Disagree		Neutral		Agree		Strongly Agree	
	Z	%	Z	%	Z	%	Z	%	Z	%
Communication amongst internal audit team is efficient	0	0%	0	0%	14	20%	18	25%	39	55%
The internal audit has developed a good cooperation between auditors and auditees	4	5%	4	5%	8	12%	13	18%	42	60%
Communication between internal audit and external audit is efficient	4	5%	4	5%	18	25%	18	25%	18	40%
Communication between internal audit and management is efficient	0	0%	7	5%	32	25%	17	24%	11	46%
I consider that internal audit work is realized with responsibility	0	0%	6	8%	9	12%	20	30%	34	50%

4.3.5 Competence of internal audit staff

This section sought to examine what consequence adequacy of audit staff has on internal audit value added by IA. The participants were required to express the extent to which they agreed with the statements that were tied to competence in a gage of disagree strongly and strongly agree. The analysis of the findings are tabulated in Table 4.5

Table 4.5: Results of Competency of internal audit staff

Aspect	Strongly Disagree		Disagree		Neutral		Agree		Strongly Agree	
	Z	%	Z	%	Z	%	Z	%	Z	%
I appreciate that internal audit teamwork has proven that has necessary knowledge in audited area	4	5%	4	5%	14	20%	15	22%	34	48%
The internal auditors are professionals	0	0%	0	0%	14	20%	18	25%	39	55%
It is the responsibility of IA in ensuring that activities they undertake are in compliance with set policies, set procedures, laws and regulations	4	5%	4	5%	8	12%	13	18%	42	60%
Expertise capable of addressing corporate risk is available within IAF	0	0%	0	0%	18	25%	18	35%	18	40%
I appreciate that internal audit team is very proactive	4	5%	7	10%	32	45%	17	24%	11	16%
Most IA staff have professional certification in IA and most staff have sufficient skills required.	0	0%	12	8%	22	12%	36	12%	12	68%
Timing of procedures carried out by IAF together with collection of evidence is within stipulated time.	0	0%	0	0%	14	20%	14	20%	42	60%
The work of internal audit is performed with modern technology that uses computerized data	0	0%	0	0%	14	20%	14	20%	42	60%

tools and specific IA software										
The internal have the expertise to detect non compliance of activities and have the confidence to issue audit reports.	0	0%	0	0%	0	0%	21	30%	49	70%
I appreciate that audit work is efficiently performed according to planning period	0	0%	0	0%	0	0%	28	40%	42	60%
The internal audit team is focused on essential elements	0	0%	0	0%	0	0%	28	40%	42	60%

48% of the participants of the questionnaires strongly agreed that IA teamwork has proven that has necessary knowledge in audited area, 22% agreed, 20% of the respondents were neutral, 10% disagreed. 55% respondents were in strong agreement that internal auditor staff are professionals, 25% agreed and 20% were neutral. 60% respondents strongly agreed to internal audit ensures activity performed are in compliance with established guidelines, regulations and principles, , 18% agreed, 12% were neutral whereas 5% disagreed. 40 % participants were in strong agreement Expertise capable of addressing corporate risk is available within IAF, 35% agreed that internal auditors had the expertise while 25% were neutral.16 % respondents agreed strongly and appreciated that IA team is very proactive, 24% respondents agreed, 45% were indifferent as to whether internal auditors are proactive while 10% of the respondents disagreed. 68% of the participants agreed strongly that their office had sufficient skilled internal auditors, 12 % of the respondents agreed, 12 % of the respondents were indifferent while 8% disagreed as to whether they had skilled internal audit staff in their offices. 60% respondents agreed strongly procedures carried by auditors and collection of evidence was completed on time, since enough and skilled internal auditors are available or employed, 20% of the respondents agreed while 20% were neutral. 60% strongly agreed that computerized audit techniques were used, 20% agreed whereas 20% were neutral. 70% strongly agreed that confidence in issuing reports in cases of non-compliance., 30% of the respondents agreed. 55% respondents agreed strongly that audit work is efficiently performed according to planning

period while 45% agreed. 40 % of participants strongly agreed that IA team only focuses on essential elements, 30% of the respondents agreed while 30% were neutral. 60% respondents strongly agreed that internal auditors are thorough and they don't miss obvious errors or fraud while 40% of the respondents agreed. This as depicted in Table 4.5 shows that with well experienced and skilled internal audit staff are key drivers to internal audit value addition.

4.3.6 Internal Audit Value Addition

To analyze eminence in relationship amid organizational drivers and internal audit value addition, respondents were asked to express their opinion in regard to how they would agree or be in disagreement using the five-level Likert scale reported in table 4.6. Respondents strongly agreed that 80% that audit results are integrated to inform on decision making, 16% of the results agreed whereas 4% were nonaligned as to whether the audit results are used to inform on the decision making. 70% of the participants agreed strongly that Internal Audit process is consistent and repeatable to yield results while 30% agreed on the audit process being consistent and could be repeated to yield results. The issue of management having confidence in IA staff, 60% of the respondents strongly agreed while 40 % agreed. 80% strongly agreed that IA reports are highly considered for decision making and internal controls by the management while 20% of the respondents agreed.

As to whether the respondents appreciate that findings are correctly argued and justified, 70% agreed strongly, 20 % were in agreement while 10% were indifferent. 40% agreed strongly, 60% agreed that audit recommendations are significant and easy to implement. 30% strongly agree that internal audit reports are issued in a useful time,60% of the respondents agree while 10% of the respondents are neutral. 50% of the respondents strongly agreed that internal audit report is clear and logical while 50% of the respondents agreed.

Table 4.6 Internal Audit Value Addition

	Strongly Disagree	Disagree	Neutral	Agree	Strongly Agree

Aspect										
	N	%	N	%	N	%	N	%	N	%
The Internal Audit results are integrated to inform on decision making	0	0%	0	0%	3	4%	11	16%	56	80%
The Internal Audit process is consistent and can be repeated to yield results	0	0%	0	0%	0	0%	21	30%	49	70%
Management have confidence in the IAF	0	0%	0	0%	0	0%	24	40%	42	60%
The internal auditor reports are highly considered for decision making and internal controls by the management	0	0%	0	0%	0	0%	14	20%	56	80%
I appreciate that findings are correctly argued and justified	0	0%	0	0%	7	10%	14	20%	49	70%
I appreciate that internal audit recommendations are significant and easy to implement	0	0%	0	0%	0	0%	42	60%	28	40%
I consider that internal audit reports are issued in a useful time	0	0%	0	0%	7	10%	42	60%	21	30%
I consider that internal audit report is clear and logical	0	0%	0	0%	0	0%	35	50%	35	50%

In general, findings reveal that most CAEs observe positive affiliation amid internal audit value addition and organizational drivers in the organizations in which they work .Majority respondents indicated "Agree" or "Strongly Agree" for most of the questions. A high percentage of respondents 'are of the opinion that " The internal auditor reports are highly considered for decision making and internal controls by the management " (80%), " The Internal Audit process is consistent and can be repeated to yield results " (70%) and " I appreciate that findings are correctly argued and justified " (70%). A percent recorded that was lower than 50% was in regard to the question of whether reports issued bu IA are issued in good time. (30%).

4.4 Diagnostic tests

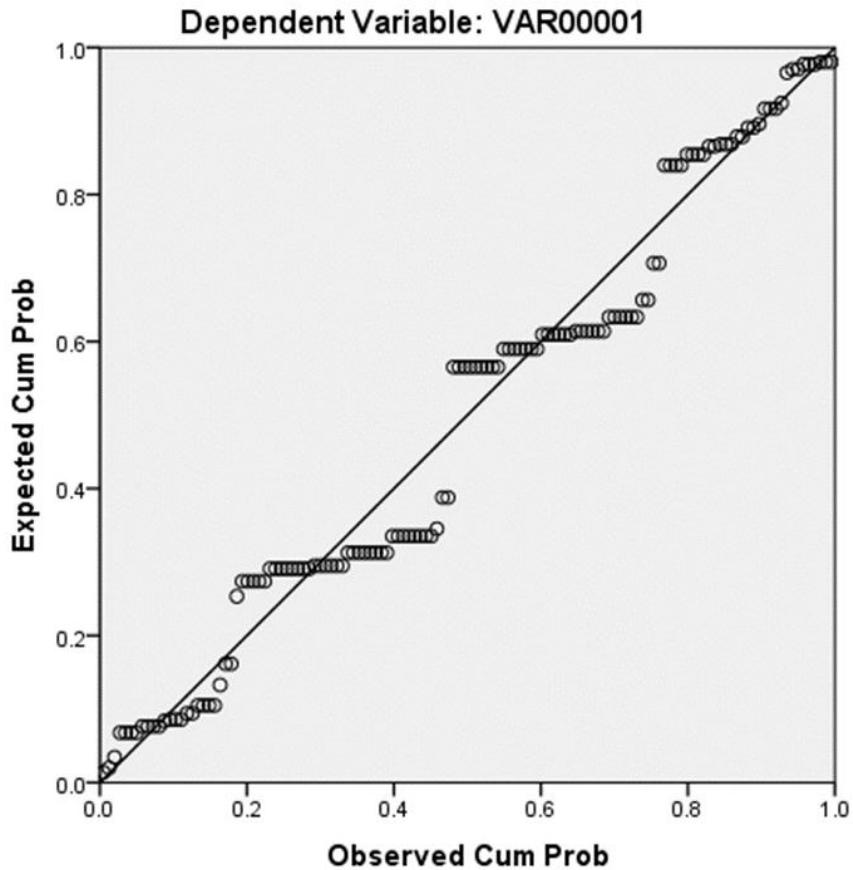
This section comprises the diagnosis tests that were carried out before regression analysis was conducted. The tests were conducted to test the appropriateness of the model.

4.4.1 Tests for normality

Normality tests are in most cases presumed resulting to misrepresentative, misapprehension and untrustworthy inferences (Park 2006). According to Ghesani & Zahediatsl (2012) the violation of normality should not cause any problems if the data is large. ($n > 30$ or 40) but nonetheless this study took into consideration normality test. The normality test that were conducted used P-P plot and histogram which are descriptive statistics Zhang (2008). The histogram was well curved but had spikes. The P-P plot (Figure 4.4) exhibited some points laying outside the straight line.

Figure 4.1 P-P Plot.

Normal P-P Plot of Regression Standardized Residual



To test for normality, the Kolmogorov-Smirnov and Shapiro-Wilk test were also used in testing the alternative hypothesis that the data in consideration was non-normal. The alternative hypothesis was accepted where the significance level was less than 0.05 and was rejected if otherwise (Sekaran et al., 2010). As illustrated in table 4.7 below, both the Kolmogorov-Smirnov and Shapiro Wilk-test provided significant values of less than 0.05 for all variables under consideration thus leading to the acceptance of the alternative hypothesis of non-normality of data. The findings are consistent with previous research where the data was not normally distributed (Swai & Mbogela, 2016). Brooks (2014) states that it is not obvious what should be done where evidence of non-normality is found. He explains that it is better to stick with OLS which is well researched as opposed to using other methods since this would be difficult to implement. Furthermore, for data that is large enough, the assumption of normality is of little consequence (Brooks, 2012; Ghasemi & Zahediasl, 2012). An effort to

transform the variables did not improve the overall normality of the data set in question hence the decision to use all the study variables in their original form as was done by Zainudin & Hashim (2016). According to the central limit theorem, data with large sample size, greater than 30, have the tendency of being normally distribution regardless of the distribution of its population.

Table 4.7: Tests of Normality

	Kolmogorov-Smirnov ^a			Shapiro-Wilk		
	Statistic	df	Sig.	Statistic	df	Sig.
Internal Audit Value Addition	.110	132	.000	.966	132	.002
Management Support	.166	132	.000	.943	132	.000
Auditor's Adequacy and Competence	.150	132	.000	.945	132	.000
Communication	.185	132	.000	.923	132	.000



4.4.2 Tests for Linearity

The aim of this test was to determine whether a linear relationship existed between the dependent and independent variable. For there to be linearity in any data set, a straight-line pattern needs to be observed across incremental predictor values. Linearity is important when performing multivariate analysis since its absence might lead to the underestimation of coefficient values in the regression. This study tested linearity using both scatter plots between dependent and independent variables and using Deviation from Linearity test. Appendix III shows a straight-line pattern in the scatter plot for the study variables hence depicting presence of linearity in the data set under consideration.

4.4.3 Test for Multicollinearity

Conferring to Wooldridge (2016), multi collinearity is a delinquent which is brought about by variables that are independent and correlated highly. To test whether the presence of multi collinearity was statistically significant VIF (variance Inflation factor) was used. VIF values which are between 1 and 10 indicate that there is presence of multi collinearity.

Tests for multi-collinearity were carried out before any regression model was run. This was done separately for all the regression models that were used. Multi-collinearity refers to when the explanatory variables are very highly correlated with each other (Brooks, 2014). Practically, the degree of correlation between explanatory variables will be non-zero and a small degree of correlation is acceptable. To test for multi-collinearity, the correlation matrix and the Variance Inflation Factor (VIF) were used.

The correlation coefficients suggested that no significant multi-collinearity problem existed as the coefficients were less than 1. The highest coefficient observed was 1. While checking for multi-collinearity using VIF and tolerance, there is high degree of multi-collinearity if VIF exceeds 10 and tolerance is less than 0.1. As illustrated in table 4.8, the highest VIF is 1.009 while the lowest tolerance is 0.991. This was acceptable that no significant multi-collinearity problem existed between the explanatory variables (Gujarati & Porter, 1999).

Consequently, diagnostic test results (tolerance and VIF) in table 4.8 show there is no multi collinearity.

Table 4.8: Test for multi-collinearity.

Model	Coefficients ^a						
	Unstandardized Coefficients		Standardized Coefficients	t	Sig.	Collinearity Statistics	
	B	Std. Error	Beta			Tolerance	VIF
1	(Constant)	13.364	.931		14.357	.000	
	VAR00015	2.106	.263	.574	8.000	.000	1.000 1.000
2	(Constant)	10.091	.848		11.906	.000	
	VAR00015	2.106	.213	.574	9.901	.000	1.000 1.000
	VAR00008	1.091	.130	.486	8.375	.000	1.000 1.000
3	(Constant)	7.235	1.630		4.440	.000	
	VAR00001	2.137	.211	.583	10.143	.000	.995 1.005
	VAR00002	1.075	.129	.479	8.343	.000	.997 1.003
	VAR00003	.679	.332	.118	2.043	.043	.991 1.009

a. Dependent Variable: VAR00001

All the independent variables are significant with alpha less than 0.05.

There's no multicollinearity since Tolerance is less than 1 and VIF less than 10

4.4.5 Test for Homoscedasticity

This test was used in determining whether there exists a difference between residual variance of observations from one period to another. This study adopted the use of Test Glejser (Mathuva, 2016) in testing for the presence of homoscedasticity. This test rejected the hypothesis of no presence of homoscedasticity if the P-value was greater than 0.05 and otherwise. Given that the significance value was greater than 0.05, we concluded that there were no heteroscedasticity problem hence residual values in the regression showed homoscedasticity for the variables depicted in Table 4.8.

4.5 Factor analysis

Factor analysis is a statistical procedure which tests previously correlated multiple variables with an aim of describing variability among them (Sweet & Martin, 2014). This is necessary because respondents often give similar answers to associated variables. A factor is the

dimension which tries to show differences in the variables (Frederick H.Long, 2013). The factors are usually as many as the variables, and each individual factor captures some amount of the overall variance.

The study applied factor analysis to examine organizational drivers that influence internal audit value addition in firms listed in the NSE. Factor analysis operates on the notation that it retains the character and nature of variables, by reducing their numbers and hence simplifying the multivariate analysis (Yong & Pearce, 2013). Bartlett test was done and showed that the variables are significantly correlated (0.000, $p < 0.05$) which provided a reasonable basis for factor analysis. From Table 4.9c amounts of variance in the original variances which are accounted for by each component are presented. The percentage of variance column shows ratio of the variance accounted for by each component to the total variance expressed as a percentage while the cumulative percentage column presents that percentage of variance accounted for by the first n components (Yong & Pearce, 2013). The first factor shows 48.025% variance, second 25.347%, third 18.376% and fourth 8.253%. Scree plot presentation (figure 4.2) was used to determine how many factors should be retained. Eigenvalues are measures of variance that the factors explain (Frederick H.Long, 2013). Two factors were retained as they had Eigenvalue of more than 1. The component matrix shows extraction values and those with higher loadings are selected.

Table 4.9a: Results of Factor Analysis: Total Variance explained

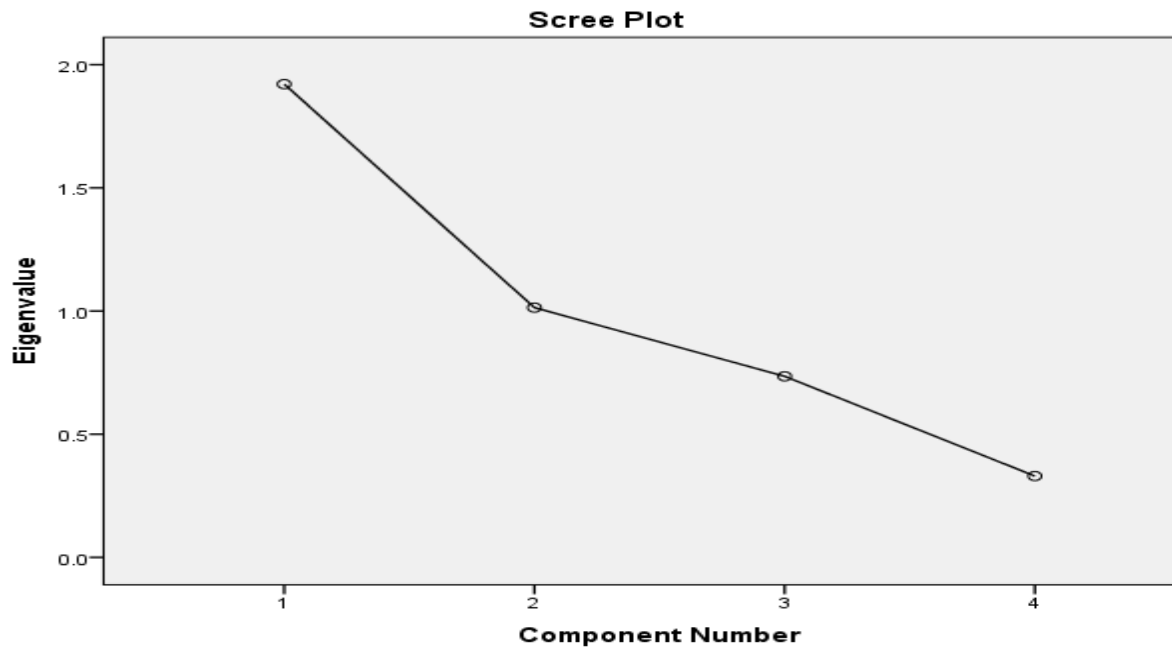
Component	Initial Eigenvalues			Extraction Sums of Squared Loadings			Rotation Sums of Squared Loadings
	Total	% of Variance	Cumulative %	Total	% of Variance	Cumulative %	Total
1	1.921	48.025	48.025	1.921	48.025	48.025	1.921
2	1.014	25.347	73.372	1.014	25.347	73.372	1.014
3	.735	18.376	91.747				
4	.330	8.253	100.000				

Extraction Method: Principal Component Analysis.

a. When components are correlated, sums of squared loadings cannot be added to obtain a total variance.

This model shows that two factors with Eigenvalue of greater than 1 explained 73.372 of total variations in the variable. Factors less than 1.00 were ruled out since they account for less that variation explained by a single variable. As eigenvalue approaches zero, presence of a near collinearity among original explanatory variables.

Figure 4.2: Results on factor analysis: organizational drivers' scree plot



Scree plot presentation above was used to determine how many factors should be retained. Two factors were retained as they have Eigenvalue of more than 1.

Table 4.9b: Results of Factor Analysis

Bartlett's test of sphericity tests the hypothesis that the correlation matrix is an identity matrix, which would indicate that the variables are unrelated and therefore unsuitable for structure detection. Small values (less than 0.05) of the significance level indicate that a factor analysis may be useful with the data. The Bartlett 's test showed a significant level and hence the instrument was accepted for further study. This table tests the significance of the correlation. Given the P-Value is less than 0.05, there is correlation between the variables

KMO and Bartlett's Test

Kaiser-Meyer-Olkin Measure of Sampling Adequacy.		.553
Bartlett's Test of Sphericity	Approx. Chi-Square	96.568
	df	6
	Sig.	.000

This table tests the significance of the correlation. Given the P-Value is less than 0.05, there is correlation between the variables.

Table 4.9c: Rotated Component Matrix

	Component		
	1	2	
VAR00001	.751		.223
VAR00002	-.135		.962
VAR00003	.734		-.171
VAR00004	.895		.098

Extraction Method: Principal Component Analysis.

a. 2 components extracted.

Rotated Component Matrix

	Component		
	1	2	
VAR00001	.772		.132
VAR00002	-.020		.971
VAR00003	.708		-.257
VAR00004	.900		-.009

Extraction Method: Principal Component Analysis.

Rotation Method: Varimax with Kaiser Normalization.

a. Rotation converged in 3 iterations.

From Table 4.9c, Bartlett tests showed that the variables are significantly correlated at 0.001, $p < 0.05$, and rotated component matrix show correlation to activity levels. Rotation transforms complicated matrices into simpler factors that can easily be explained. The loading factors get

redistributed whereas the cumulative explained variance remains unchanged. 2 factors were found to be significant in explaining variations in the variables. Factor 1 is made up of 3 variables with factor loading of more than 0.5. Factor 2 only has one variable with factor greater than 0.5. These factors are discussed below;

Table 4.9d: Interpretation of factor analysis

Factor	Variables	Summary
1	Internal Audit Value Addition	} Auditor competency
	Auditor's Adequacy and Competence	
	Communication	
2	Management Support	} Management

Table 4.9c shows the factors/variables that influence internal audit value addition extracted from the principal component analysis. The variables under study were; management support with a factor loading of 0.971, effective communication with a factor loading of 0.900 and competence of internal audit staff with a factor loading of 0.708. The factor analysis process, therefore, lead the study to identify the leading sub-factors that influence internal audit value addition.

4.6 Test for homogeneity of variance

There are several statistical tests that can be used to test for homogeneity of variance, for this study the Levene’s test was used as it the most common test used. The Levene’s test uses F test to test the hypothesis that the variance is equal across groups. A *p* value that is less than 0.05 indicates a violation of the assumption. The results of this test are illustrated in Table 4.10

Table 4.10a: Test of Homogeneity of Variances

Test of Homogeneity of Variances				
	Levene Statistic	df1	df2	Sig.
Management Support	1.395	8	123	.205
Auditor's Adequacy and Competence	2.864	8	123	.006
Communication	2.012	8	123	.050

Since alpha is less than 0.05 then there is no heterogeneity

Test of Homogeneity of Variances

	Levene Statistic	df1	df2	Sig.
VAR00015	41.197	8	123	0.000
VAR00008	4.712	8	123	0.000
VAR00014	5.548	8	123	0.000

4.7 Analysis of variance

In assessing the statistical significance of the result, it is necessary to look in the table labeled ANOVA. This tests the null hypothesis that multiple R in the population equals 0. (Tabachnick and Fidell, 2001) If the Sig. value is less than 0.05 (0.01, 0.0001, etc.), then the variable is making a significant unique contribution to the prediction of the dependent variable. If greater than 0.05, then you can conclude that variable is not making a significant unique contribution to the prediction of your dependent variable. (Tabachnick and Fidell, 2001). The finding from the assessment of the statistical significance of the result indicated in table 4.11) labeled ANOVA. This tests the null hypothesis that multiple R in the population equals 0. The model in this example reaches statistical significance (Sig = 0.000, this really means $p < .0005$)

The ANOVA results illustrates the F-Statistics value being 63.993 with a significance of 0.000, since p-value is less than 0.05 it therefore suggests that the test is statistically significant.

Table 4.11: ANOVA

		ANOVA ^a				
Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	146.371	1	146.371	63.993	.000 ^b
	Residual	297.348	130	2.287		
	Total	443.720	131			
2	Regression	251.098	2	125.549	84.081	.000 ^c
	Residual	192.621	129	1.493		
	Total	443.720	131			
3	Regression	257.181	3	85.727	58.825	.000 ^d
	Residual	186.538	128	1.457		

Total	443.720	131
a. Dependent Variable: VAR00001		
b. Predictors: (Constant), VAR00002		
c. Predictors: (Constant), VAR00002, VAR00003		
d. Predictors: (Constant), VAR00002, VAR00003, VAR00004		

Model is significant with alpha less than 0.05 and F test greater than 10

4.8 Correlation Analysis

Pearson's matrix correlation, a parametric test, was used to examine the correlation of the coefficients. The results of the correlation indicate a positive correlation amid organizational drivers and internal audit value addition. The findings show that correlation coefficients between IAVA and management support was weak, negative and significant (coefficient= -0.11, p=0.000). This implies that there is some relationship between management support and IAVA. Table 4.12 shows findings of correlation between predictor variables and the dependent variable as measured by Pearson's correlation. The results showed that there was correlation among all the study variables. Two variables were found to have had significant correlations with internal audit value addition. These variables are management support and effective communication. There exists a significant relationship that is linear amid the organizational drivers and internal audit value addition. We can use the regression line to model the linear relationship between x and y in the population.

Table 4.12: Correlation Analysis

		Correlations			
		Internal Audit Value Addition	Management Support	Auditor's Adequacy and Competence	Communication
Pearson Correlation	Internal Audit Value Addition	1.000	-.011	.244	
	Management Support	-.011	1.000	-.113	
	Auditor's Adequacy and Competence	.244	-.113	1.000	
	Communication	.570	-.056	.533	
Sig. (1-tailed)	Internal Audit Value Addition	.	.448	.002	
	Management Support	.448	.	.098	

N	Auditor's Adequacy and Competence	.002	.098	.
	Communication	.000	.341	.000
	Internal Audit Value Addition	132	132	132
	Management Support	132	132	132
	Auditor's Adequacy and Competence	132	132	132
	Communication	132	132	132

The conclusions of the reveal that all variables relationship was strong, that effective communication and auditors adequacy and competence revealed a positive relationship that was strong, coefficient being 0.533. The P value being less than 0.05 meant that the test done was statistically significant. The results reveal that the connotation between management support and internal audit value addition was positive and strong having a coefficient of 0.448, test proved to be statistically significant. Existence of a relationship amid the independent and dependent variables revealed positive and strong, all constants were superior to 0.50, the p values were less than 0.05 which meant tests were statistically significant.

4.9: Regression results for Internal Audit Value Addition

The regression result explores the necessary organizational drivers that influence internal audit value addition this is made possible by using identified variables from regression model. The results are illustrated in Table 4.13, An exploration of the suitable pointers of the variable made useful to detect the organizational drivers that influence internal audit value were explored. To determine the level of variance exists in the dependent variable which in our case is IAVA, the value of R square is used. The model is at its best when the value of R square is larger. Therefore the degree to which the management will offer support, adequacy of internal audit competency and effective communication that influence internal audit value addition accounted for 57% ($R^2 = 0.57$) of the variation in the IAVA, the rest 43% are other variables not included in this study.

Table 4.13: Model Summary

Model Summary^d

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Change Statistics				
					R Change	Square F	df1	df2	Sig.
1	.574 ^a	.330	.325	1.51238	.330	63.993	1	130	.000
2	.752 ^b	.566	.559	1.22196	.236	70.137	1	129	.000
3	.761 ^c	.580	.570	1.20720	.014	4.174	1	128	.043

a. Predictors: (Constant), VAR0002

b. Predictors: (Constant), VAR0002, VAR00003

c. Predictors: (Constant), VAR0002, VAR00003, VAR0004

d. Dependent Variable: VAR00001

Where;

VAR0001 represents Internal Audit Value Addition

VAR0002 represents Management Support

VAR0003 represents Auditor’s Adequacy and Competence

VAR0004 represents Communication

Model explains 57% of variation in Internal Audit value addition as measured by R squared. The overall model 3 is also significant

The equation is as shown below:

$$IAVA = \beta_0 + \beta_1 Comm. + \beta_2 Gov. + \beta_3 IAComp. + \epsilon_i$$

Where;

IAVA – Internal Audit Value Addition

Comm. – Communication attribute

Gov – Management support and governance

IAComp. – Internal Auditors’ competency

$\beta_1, \beta_2, \beta_3$ = coefficients for which we are trying to predict the value of Y.

β_0 = constant.

ϵ_i – Error term

When we replace the values of beta we obtain:

$$Y = 13.364 + 2.106X_1 + 1.091X_2 + 0.679X_3$$

The conclusions in the study reveal that if there's a change in unit in the support by top management in the responses they give of the findings from the audit and their commitment to make the control system mechanism strong will cause a change of 2.106 to the dependent variable which is internal audit value addition. The results of the regression further mean that if competence of staff change by a unit, it will affect IAVA by 1.091 . Additionally, a unit change of in effective communication will create a 0.679 move in value added by internal audit. This brings us to the conclusion that change in unit in staff adequacy in terms of the kind of technical skills they possess gives rise to a 0.190 difference in how IA is effective.

4.10 Chapter Summary

This chapter discussed findings from primary data that was used as the main source of data, the data was collected using questionnaires. The study begun by discussing the descriptive statistics on selected organizational drivers as adopted in the conceptual framework. Thereafter, findings from questionnaires were discussed under; demographic characteristics and descriptive results. Under descriptive results, findings on specific research questions as highlighted in the questionnaires were discussed. Diagnostic tests were conducted on selected significant variables. These tests included; Normality test, Linearity test, multi collinearity tests, tests for homoscedasticity. Test for Homogeneity and ANOVA. The significant variables were then regressed using a multi-variate regression analysis in order to determine the final set of variables considered to be significant to determine internal audit value addition.

CHAPTER FIVE: SUMMARY, CONCLUSIONS AND RECOMMENDATIONS

5.1 Introduction

This section sought to provide a summary of the research findings and the inferences. The conclusions of the study were summarized per objectives of the research that were outlined in chapter one of the study. This chapter also provided recommendations and propositions on areas that could be used for further research on internal audit value addition.

5.2 Summary of the findings

This study intended to identifying organizational drivers that influence internal audit value addition. The study objectives; to establish the role of management and board support on Internal audit value addition, to establish the contribution of communication on internal audit value addition and to examine the importance of competence on internal audit value addition within listed firms in the NSE. The relationship was analyzed using multi- variate regression analysis. Questionnaires were distributed to industry players were used to obtain perspectives of industry players. The findings are discussed per the objectives of the study. From the 108 questionnaires that were administered, the research received 70 completed ones which represents a 64% response rate.

5.2.1 Management Support and Internal Audit value addition

The study sought to establish the role of management and board support on internal audit value addition within listed firms in the NSE. 57.5% of the respondents believe that management supports the effort of internal auditors in their various organization. The study further established that internal auditors have unlimited and unconditional admission to offices, files and forms required this was accounted for by 48.5% of the respondents, 42% of the respondents supported that IA were allocated resources that were adequate to carry out their work as planned, it was also established that 33% of the respondents were indifferent as to whether management and the Audit Committee members are very satisfied with the performance of the internal audit head within the various firms. 33% of the respondents supported that the management facilitates IA employees to participate in training and development programs to maintain their skills and keep up to date in the field, 41% of the respondents believed that audit

goals are well aligned across all levels in the organization. Finally, 50% supported that internal auditors suggest solutions that solve problems in your organization.

These findings are in support of the literature that if management believe that internal audit functions are ineffective, then their recommendations will carry little value from the side of decision makers (Burton, Emmett, Simon & Wood, 2012).

5.2.2 Competency of Internal Audit Staff and value addition in audit process

The study sought to determine competency of internal audit staff as an organizational driver that can influence internal audit value addition. It was revealed from responses received from the distributed questionnaires, that most firms have internal auditors that have the necessary knowledge required to perform audit in any area, this was accounted by 70% of the respondents. This finding are in agreement with prior research that also concluded that having competence is a critical component when considering internal audit value addition and that having experience in a particular task can enable the auditor make a better finding (Carpenter et al., 2002; Chung and Monroe, 2000). 55% of most firms had a high percent of internal audit staff that were professionals and ensured that activities performed followed well-known policies, measures, decrees and regulations. 75% of the respondents had a certification in auditing. Conclusions were also established that IAF staff have the experience and expertise to address corporate risk management problems within the organization,

These findings agree in the literature that a contribution to how value is added by internal is brought about by degree of adequacy (e.g., Al-Twaijry et al., 2003, Alzeban and Gwilliam, 2014, Lin et al., 2011, Prawitt et al., 2009). As a matter of fact it is apparent that internal auditors that have more experience perform exceptionally well as compared to auditors at an entry level, (Bonner and Lewis, 1990), highly experienced use their expertise and judgement to come up with factual inaccuracies. (Choo and Trotman, 1991), the experienced auditors use their expertise to acquire information that is relevant to come up with sound findings as compared to what is acquired by the less experienced auditors (Bierstaker and Thibodeau, 2006).The studies that concur with the definition of knowledge as years of audit experience are in agreement with our studies. (Wright and Wright, 1997; Prawitt et al., 2008) or the proper training environment as well as years of audit experience (Carpenter et al., 2002),

5.2.3 Effective communication and value of internal audit

This research sought after the contribution of communication on internal audit value addition. Revealed from questionnaire that were distributed, 55% of the participants believed communication amongst IA team is efficient and has a positive influence in internal audit value addition. 60% of the respondents believed effective communication in the organization is of importance as it shows the association amid internal auditors and clients. This finding agrees with Anderson (2012) who argues that communication skills allow auditors to connect and rapport with organizational members thereby ensuring realization of effective audit functions. 46% strongly agreed that communication between IA and management is efficient while 24% agreed that communication was efficient. 50% considered that work done by internal audit is realized with responsibility.

The findings are in support of the literature by (Anderson, 2012; Kisoka, 2012; Hahn, 2008; Golen, 2008 and IIA standards) effective communication will lead to the realization of the other attributes of internal auditors like honesty, affiliation building, partnering, communications, collaboration, variety and continuous learning.

5.4 Conclusion

From the study findings, the conclusions made herein give indication that management support, competence of IA team and effective communication all contribute to internal audit value addition. Our findings also emphasize on competence of internal audit as the key organizational driver for internal audit value addition. Support was received by the various descriptive and inferential statistics to come up with the conclusions.

5.5 Recommendations

To have a value adding component to the work of internal audit, a desire that has been on the increase, there is even greater necessity to give more attention to the work of IAFs as an enabler to meet expectations. All the stakeholders involved should be content ensuring that they are incorporated in the operations. IA has therefore a responsibility to ensure that they operate

within best practices, they remain integral as they work having sound ethical standing and portray a view that they impact positively.

5.6 Limitations of the study

Several limitations should be considered when inferring the conclusions of this study. The limited number of respondents could act as a serious impediment when generalizing the results this is consistent with general trends in questionnaire-based research, making it a necessity to carefully interpret our findings. It is also important to note that this study considers the views of IAFs and management within the context of Kenya and considers unique features of organization in Kenya which may have an impact on the conclusions. Similar to the research which examined organizational drivers that influence internal audit value addition from the perspective on the supply-side, the organizational drivers measures that influence internal audit value addition are showing the views of individuals who issue services in internal auditing . Fourthly, similar to other prior studies, management and internal auditors could have varying views contrary to what is practical or they may have over board self-evaluation' (Lenz & Sarens, 2012, p. 537). Lastly, there is a possibility that this study only looked at few variables and may not have analyzed entire organizational drivers that impact internal audit value addition.

5.7 Suggestions for Future Research

An expansive look on possible of organizational drivers to identify their potential impact on the internal audit value addition can be considered by researchers. With the same aim, with the increased studies being done on how the IA can bring in an added value component may help researchers to identify further potential value drivers to test empirically. An area of interest would be on a study to examine what the perception of external auditors or other parties in the ability that IA has to have an added value component. Thus, other variables that would be useful could be realized. Additionally, other independent variables could be modelled. It may also be necessary for researcher to explore interviews to substitute the questionnaires in the examination of organizational drivers that influence internal audit value addition.



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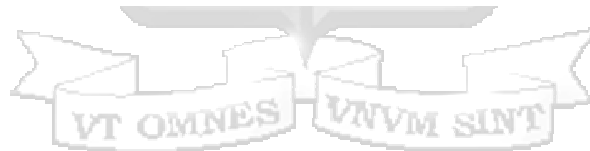
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APPENDICES

APPENDIX I : QUESTIONNAIRE

Instructions :

The data collection tool for this study is a questionnaire. “An examination of organizational drivers of Internal Audit value addition within firms listed in the NSE..”

Answer all questions in the questionnaire by ticking (√) in the appropriate box, or writing in the space provided.

Confidentiality

All the information collected will be treated with utmost confidentiality and for academic purposes only. In addition, no reference shall be made to any company or respondent.

SECTION A: DEMOGRAPHIC INFORMATION

Name of respondent (optional)

Name of Company

1. What is your age?

1. 18 – 35 years [] 2. 36- 50 years [] 3. Above 50 years []

2. Gender of respondent

1. Male [] 2. Female []

3. What is the highest level of education you have attained?

1. Certificate [] 2. Diploma [] 3. Degree [] 4. Masters [] 5. PhD []

4. Which department do you work in?

1. Management [] 2. Internal Audit [] 3. Other []

5. For how long have you been working in this department?

1. 0 -2 years [] 2. 3 – 5 years [] 3. 6 – 8 years [] 4. 9 – 10 years [] 5. Above 10 years []

6. Is there existence of audit committee within your organization?

1. Yes [], 2. No []

7. Do you think Internal Audit activities add value in your company/organization?

1. Strongly disagree [] 2. Disagree [] 3. Neutral [] 4. Agree [] 5. Strongly agree []

SECTION B: INTERNAL AUDIT VALUE ADDITION

The following statements relate to organizational culture. State the extent to which you agree with the following statements with regards to organizational culture in your corporation (where 1-strongly disagree, 2-diasagree, 3-neutral, 4agree, and 5-strongly agree).

Statement		SD	D	Neutral	A	SA
		1	2	3	4	5
8.	Internal Audit Value Addition					
	i. The Internal Audit results are integrated to inform on decision making					
	ii. The Internal Audit process is consistent and can be repeated to yield results					
	iii. The management has confidence in internal audit staff					
	iv. The internal auditor reports are highly considered for decision making and internal controls by the management					
	v. I appreciate that findings are correctly argued and justified					
	vi. I appreciate that internal audit recommendations are significant and easy to implement					
	vii. I consider that internal audit reports are issued in a useful time					
	viii. I consider that internal audit report is clear and logical					
9.	Management support					
	i. Management supports the effort of internal auditors in your organization					
	ii. Internal auditors have free and unconditional access to offices, files and documents required					

	iii. Internal auditors in your organization are allocated adequate resources to carry out their work as planned					
	iv. Senior management and the Audit Committee members are very satisfied with the performance of the head of internal audit in your organization					
	v. The management Facilitates IA employees to participate in training and development programs in order to maintain their skills and keep up to date in the field.					
	vi. Audit goals are well aligned across all levels in the organization.					
	vii. Internal auditors suggest solutions that solve problems in your organization					
10. Auditors' adequacy and competence						
	i. I appreciate that internal audit teamwork has proven that has necessary knowledge in audited area					
	ii. The internal auditors are professionals					
	iii. Activities performed are in compliance with established policies, procedures, laws and regulations					
	iv. Internal auditors possess technical skills and have the experience to analyse risk					
	v. I appreciate that internal audit team is very proactive					
	vi. My office/sector has sufficient skilled internal auditors. Most of them have certification in auditing.					
	vii. The audit procedures and evidence collections are completed on time, since enough and skilled internal auditors are available or employed.					

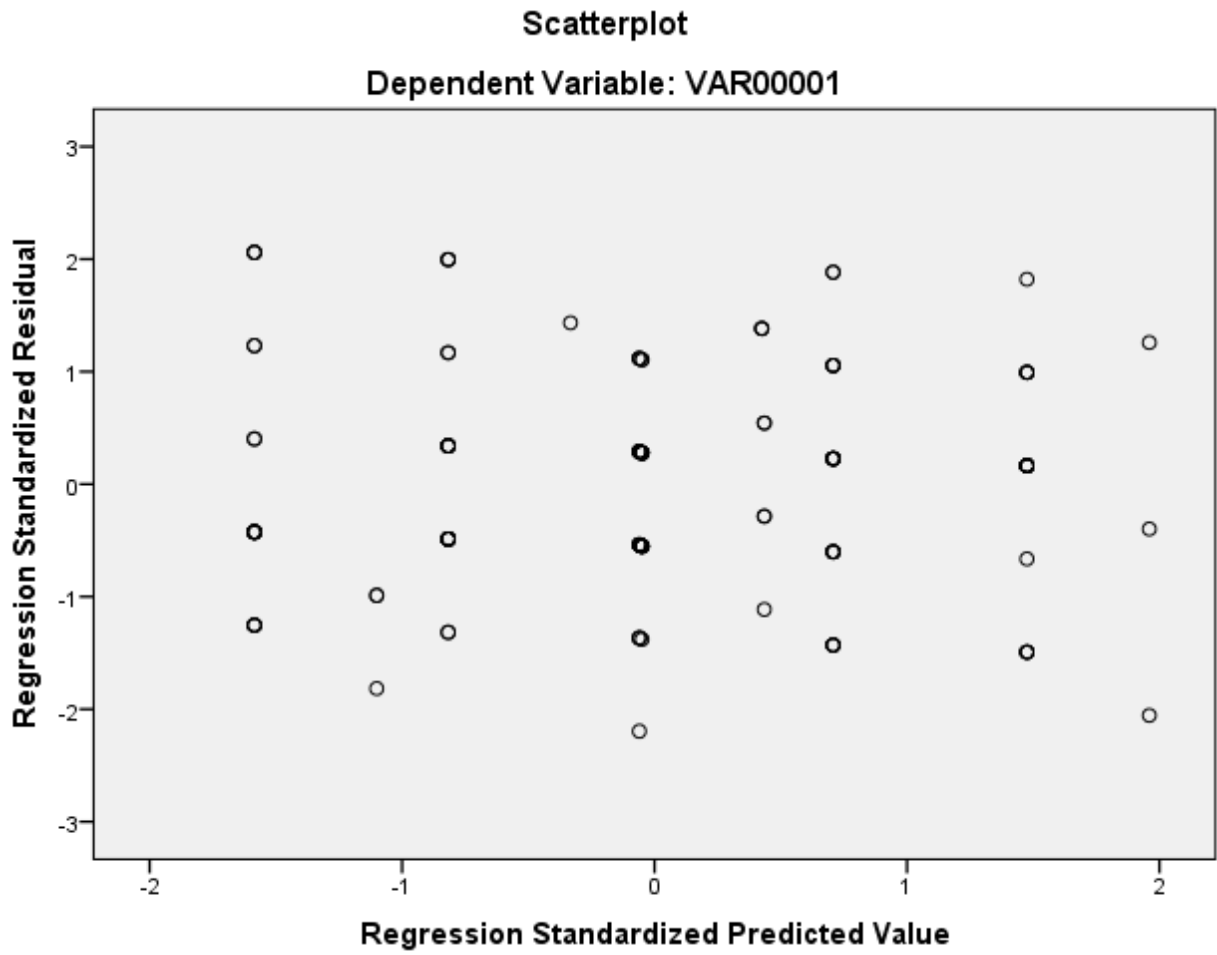
	viii. The work of internal audit is performed with modern technology that uses computerized data tools and specific IA software					
	ix. The internal auditors have the expertise to detect noncompliance and thus have confidence to issue audit report.					
	x. I appreciate that audit work is efficiently performed according to planning period					
	xi. The internal audit team is focused on essential elements					
	xii. Internal auditors are thorough and they don't miss obvious errors or fraud					
11. Communication						
	i. Communication amongst internal audit team is efficient					
	ii. The internal audit has developed a good cooperation between auditors and auditees					
	iii. Communication between internal audit and external audit is efficient					
	iv. Communication between internal audit and management is efficient					
	v. I consider that internal audit work is realized with responsibility					

12. In your own opinion, kindly indicate how effectiveness of Internal Audit in your company can be improved

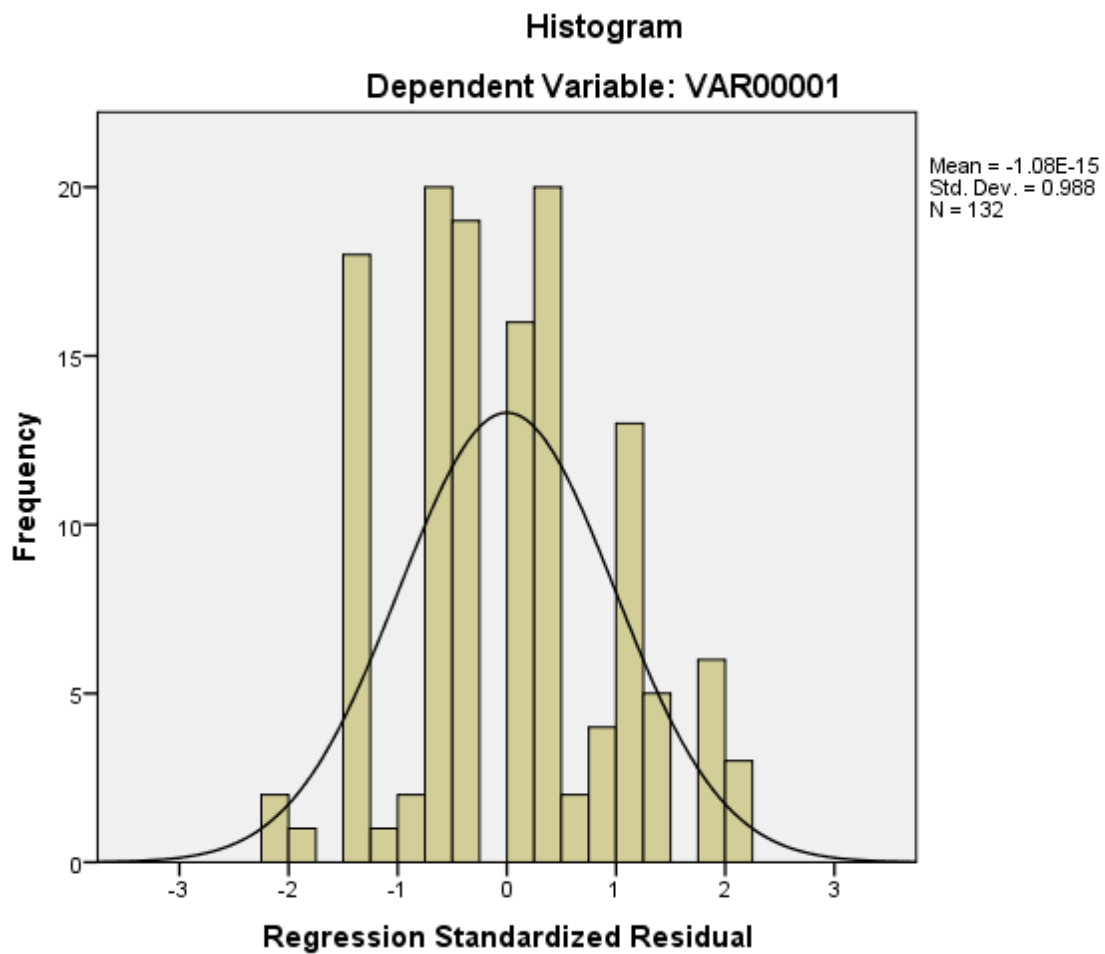
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Your participation is very much appreciated. Thank you!

APPENDIX III: Scatterplot on variables



APPENDIX IV: Histogram for Normality test



APPENDIX V: Normal Probability

Normal P-P Plot of Regression Standardized Residual

Dependent Variable: VAR00001

