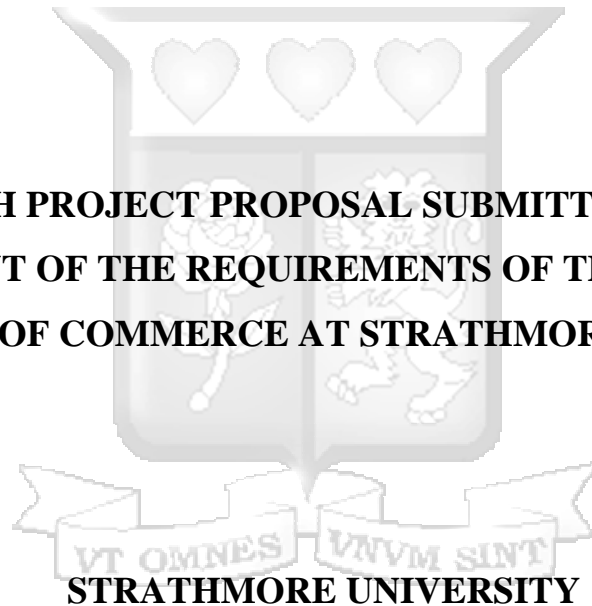


**THE ROLE OF INTERNAL AUDITORS' INDEPENDENCE IN
ENHANCING TRANSPARENCY AND ACCOUNTABILITY IN REAL
ESTATE COMPANIES IN KENYA**

KAHORO SUSAN NJOKI

110782

**A RESEARCH PROJECT PROPOSAL SUBMITTED IN PARTIAL
FULFILMENT OF THE REQUIREMENTS OF THE DEGREE OF
BACHELOR OF COMMERCE AT STRATHMORE UNIVERSITY**



NAIROBI, KENYA

OCTOBER 2020

DECLARATION

I certify that this work has never been submitted or authorized for a degree by this or any other university. The study proposal contains no content previously published or authored by another person, to the best of my knowledge and belief, except when due reference is included in the research project itself.

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Approval

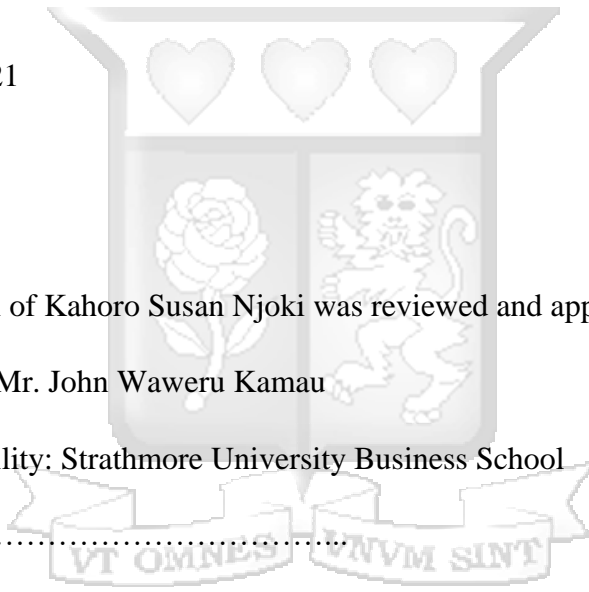
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Date: 27th Feb 2022.....



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God bless you all abundantly.



DEDICATION

This proposal is dedicated to my dear family. They have been my support system throughout the entire school period.



ABSTRACT

The goal of the study was to see how the independence of the internal audit function affects transparency and accountability. Internal audit staff training, the audit committee, and enterprise risk management were used to quantify independence as an independent variable and transparency and accountability as a dependent variable. The study was guided by the agency theory, the theory of inspired confidence, and the institutional theory. A descriptive cross-sectional research design was used in this study. The analysis was based on 356 real estate businesses in Kenya. The study's sample respondents included 188 companies, with each company's chief audit officer and internal audit professionals being counted as a participant. To acquire survey data from the Kenyan real estate enterprises, a quantitative technique was employed, utilizing structured questionnaires. The proposition that the presence of an independent internal audit function in a business is positively associated with transparency and accountability was tested. According to the findings of the study, a total of 169 respondents assisted to confirm that internal audit training, the audit committee, and enterprise risk management all have a positive impact on transparency and accountability within real estate enterprises in Kenya. The audit committee, on the other hand, as part of the recommendations presented in the study, should meet with the head of internal audit at least once a year, without management present, and ensure that the head of internal audit has full access to the board chairman and the audit committee, as well as being held accountable to the audit committee, as these were noted to be lacking in a number of companies. In order to increase transparency and accountability, organizations should also emphasize the need of internal audit independence. Some of the limitations faced included the fact that respondents took an unusually long time to complete and return the questionnaire, some questionnaires had to be discarded because some respondents did not completely fill out the forms, and finally, some respondents did not participate in the data collection procedure because they did not believe the information would be used solely for academic purposes.

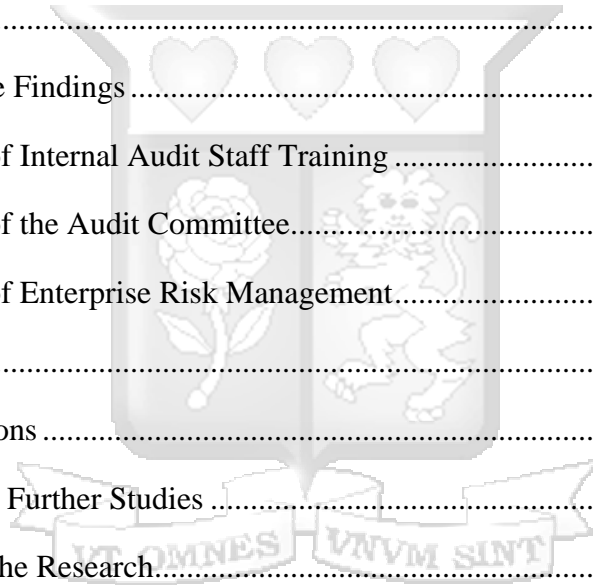
Keywords: Internal Audit Function, Independence, Transparency & Accountability

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LIST OF ABBREVIATIONS

ISPPIA - International Standards for the Professional Practice of Internal Auditing

IIA - Institute of Internal Auditors



CHAPTER 1

INTRODUCTION

1.1 Background

The internal auditing profession and internal auditors both benefit from independence based on the criterion of objectivity (Mutchler, 2003). Internal auditors can't avoid becoming independent and internal auditors should not be put in a position where their independence is called into question or where they are unable to make objective professional decisions (Venasco, 1994). Internal auditors should ideally be free to report items they audit as they are, with no outside influences on their reporting activities (Sawyer & Dittenhofer, 1996). Internal auditor independence is a critical condition for the success of the internal audit function, according to the ISPPIA (ISPPIA; IIA, 2006). Internal auditors are viewed by shareholders and stakeholders as being entrusted with making independent assessments, judgments, and decisions (Mutchler, 2003).

In accordance with the Glossary's definitions to the Institute of Internal Auditors Standards (Institute of Internal Auditors (IIA), 2009), the lack of circumstances that risk objectivity or the impression of objectivity is described as independence. At the individual auditor, engagement, functional, and organizational levels, such obstacles to objectivity must be overcome. Internal auditors, on the other hand, are defined as having an unbiased mental attitude that allows them to complete engagements with confidence in their work output and no significant quality compromises. Internal auditors must maintain objectivity by not deferring to the judgment of others on audit issues. Internal auditing should be independent, and internal auditors should be objective in their job, according to the Internal Auditing Standards Board (ISPPIA, 2017). Internal auditing is an unbiased, objective assurance and consulting activity that attempts to provide value and improve a company's operations (Institute of Internal Auditors (IIA), 1999).

Internal auditors' ability to retain independence is questioned by critics who point to the inevitability of relationships developing over time (Venasco, 1994), which tends to erode internal auditors' independence which in turn makes transparency and accountability impossible. When exploring a broader definition of accountability, it's important to

remember that not only should information be available, but it should also be accurate and accessible, fostering transparency. Stakeholder information should meet, timeliness standards, reliability, comprehensibility, and relevance (Gonçalves, 2011). It is also stated that, because internal auditors are company workers, their behavior can be easily influenced by incentives, as DeZoort & Reisch (2000) found in their study on incentive compensation based on company performance (DeZoort, 2001). Internal auditors are less likely to disclose infractions if their incentives are linked to the company's share price, according to (Schneider, 2003). This supports Vinten's (1999) conclusion that internal auditors' independence cannot be guaranteed because they are paid by the companies they represent (Vinten, 1999). If independence isn't assured in this situation, neither will transparency or accountability. Accountability and transparency are two key parts of good governance, according to (The International Standards of Supreme Audit Institutions, 2010).

Schneider (2010), on the other hand, refuted this view, concluding that wage remuneration is a contentious indicator of independence (Schneider, 2010). Three primary elements heavily influence the independence of an internal audit function: If the audit function reports directly to the audit committee (Holt & DeZoort, 2009; Christopher, et al., 2009; Stewart & Subramaniam 2010) , Second, whether the audit committee is involved in the selection of the Chief Audit Executive (Christopher, et al., 2009; Stewart & Subramaniam, 2010), and third, whether the audit committee is solely responsible for evaluating the internal audit function's performance (Jiang, et al., 2014).

The audit committee is one of the independent variables in this study that pertains to transparency and accountability. The existence of a solid working connection between an internal audit function and the audit committee improves independence and impartiality, both of which are vital in promoting transparency and accountability, according to (Arena & Azzone, 2009; Goodwin & Yeo, 2001; Roussy & Brivot, 2016). Some scholars disagree with this conclusion, arguing that when the head of internal audit reports directly to the audit committee, there is always the risk of unanticipated and negative consequences (Norman, et al., 2010). The necessity for the chief audit executive to protect his career and reputation was blamed for his danger to independence, which was most noticeable in contexts where internal

audit serves as a training ground for future management candidates (Christopher, et al., 2009).

Risk management is also one of the independent factors in this study that relates to transparency and accountability. Even though risk management is essentially the duty of directors and senior management, internal auditors are valued as advisors and assurance providers on risk management processes and systems. According to the Common Body of Knowledge (CBOK) research (Burnaby, et al., 2007), 67 percent of respondents presently work in risk management, with another 25% expecting to do so within the next three years. Furthermore, nearly 80% of respondents expected risk management audits to rise in the following three years.

Self-review, social pressure, and familiarity all pose substantial challenges to objectivity when engaging in Enterprise Risk Management consulting tasks (Brody & Lowe, 2000; Ahlawat & Lowe, 2004; Plumlee, 1985). Self-review is likely to be required for enterprise risk management processes that require an internal auditor to make decisions, such as deciding on risk procedure setups and establishing risk appetite. “I came in and established a business risk management system, a kind of toolkit that anyone could use, and I instilled reporting and awareness throughout the organization,” an internal auditor was cited as stating in Fraser and Henry's (2007) study (Fraser and Henry, 2007, p. 403). According to Fraser and Henry (2007), such approaches may pose difficulties of independence and a lack of independence leads to the lack of transparency and accountability.

Lastly, staff training as one of the independent variables that relate to transparency and accountability. The Institute of Internal Auditors, as the world's largest professional association of internal auditors, all its members are required to participate in continuous professional development programs (The Institute of Internal Auditors (IIA), 2012). Over and above their basic educational qualifications, audit employees must continue to upgrade their skill and knowledge base through continual professional development (Cohen & Sayag, 2010; Alzeban & Gwilliam, 2014), in order to grasp system advancements and the always changing understanding of business (Mihret, et al., 2010; Endaya & Hanefah, 2013). According to (Mihret, et al., 2010), both technical expertise and ongoing training are required for effective internal auditing. After receiving training, the internal auditor must become

reasonably well informed and professionally competent to examine key aspects of enterprise management, such as objectives and policies, as well as various control and evaluation devices related to work performance, to improve his transparency and accountability as an independent internal auditor.

1.2 Problem Statement

Audits are commonly performed on a regular basis in the real estate industry as a tool for implementing risk management measures and assessing compliance. According to (Cytonn Investments (2021) most people assume that no matter how good a scenario is, auditors will always notice the negative. In today's fast-paced business world, any company that wants to be sustainable and exceptional must invest in a well-run, proactive, and independent internal audit department, as this is the only way to improve transparency and accountability within the organization. Independent Internal auditors are in a unique position to defend businesses from both old and developing threats and offer advice on how to balance opportunities and vulnerabilities, as well as assistance in improving corporate governance by being transparent and accountable. Internal audit plays an important function in establishing and maintaining director and management confidence in the organization.

Internal audit has become a critical function within firms; however, it has received little attention in comparison to external audit. Academics have tended to highlight external auditing as a crucial control function that must be performed, while disregarding the importance of internal auditing, according to Gendron and Bedard (2006). Prior research has also paid little attention to independence in the context of internal audit duties, with the focus being on external audit (Cohen & Sayag, 2010; Mihret, et al., 2010). Most of the scant study on internal audit independence and corporate governance was undertaken in established countries rather than emerging economies, according to the report (Hutchinson & Zain, 2009). A small number of prior research have found a link between internal audit independence and the perceived effectiveness of internal audit functions in influencing management choices within firms (Cohen & Sayag, 2010; Abu-Azza, 2012). None of these studies, however, have directly looked at how the independence of internal audit functions improves real estate companies' transparency and accountability in developing countries. Furthermore, some academics contend that expecting internal auditors to be independent of

the management team they serve is ambiguous (Stewart & Subramaniam, 2010; Al-Shabail & Turki, 2017).

Internal audit departments must discover strategies to stay current and trustworthy to bring value to an organization. This study will add to the body of knowledge by attempting to objectively establish the influence of internal audit function independence on promoting transparency and accountability in real estate enterprises in Kenya, a developing country.

1.3 Research Objectives

1.3.1 General Objective

The overall goal of this research is to determine the role of internal auditors' independence in enhancing transparency and accountability in real estate companies.

1.3.2 Specific Objectives

Specific objectives include:

- i. To assess the influence of internal audit staff training on transparency and accountability in real estate companies.
- ii. To evaluate the influence of an audit committee on transparency and accountability in real estate companies.
- iii. To establish the influence of enterprise risk management on transparency and accountability in real estate companies.

1.4 Research Questions

- i. What is the influence of internal audit staff training on transparency and accountability in real estate companies?
- ii. What is the influence of an audit committee on transparency and accountability in real estate companies?
- iii. What is the influence of enterprise risk management on transparency and accountability in real estate companies?

1.5 Significance of the study

This research will be useful to a variety of people, including:

1.5.1 Internal Auditors

Internal auditors will benefit from this research by better understanding the value of their independence in terms of improving transparency and accountability, and thereby providing value to the organizations in which they work or plan to work.

1.5.2 Universities

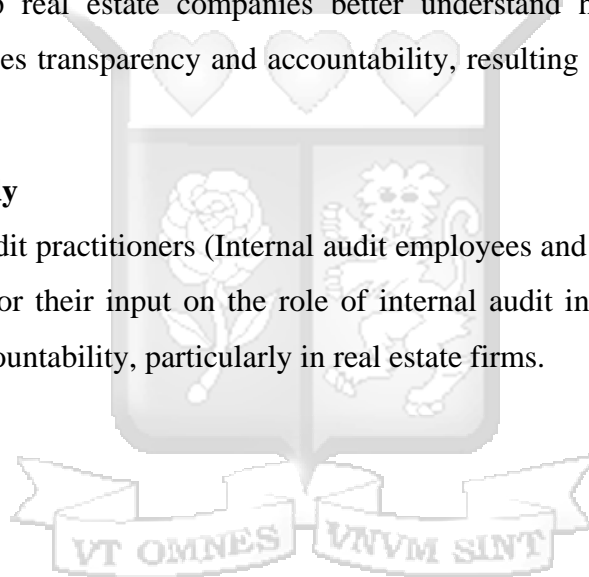
In respect to the variables being researched, this study will aid accounting students in understanding the function of internal auditors' independence in increasing transparency and accountability inside a corporation.

1.5.3 Real Estate Companies

This study will help real estate companies better understand how an internal auditor's independence improves transparency and accountability, resulting in increased value for the company.

1.6 Scope of the study

In Kenya, internal audit practitioners (Internal audit employees and the chief audit executive) will be approached for their input on the role of internal audit independence in increasing transparency and accountability, particularly in real estate firms.



CHAPTER 2

LITERATURE REVIEW

2.1 Introduction

This chapter is essential for presenting the research literature on the research variables. The chapter reviews some theories that underpin the research, empirical investigations, a summary of research gaps and lastly the research's conceptual framework.

2.2 Theoretical Review

Theories are developed to explain, predict, and comprehend phenomena, as well as to question and extend current knowledge within the boundaries of crucial confining assumptions in many cases (Gabriel, 2008). The theoretical framework is the framework that holds or supports a research study's theory as Swanson (2013) documented. The theories used in this case are Agency Theory, Theory of Inspired Confidence, and Institutional Theory.

2.2.1 Agency Theory

Stephen Ross and Barry Mitnick first proposed the agency theory in 1973, and it is characterized by a conflict of interest between principals (owners) and agents (managers), termed as an "agency problem" (Mitnick, 2013). Although Ross saw the agency problem as a matter of incentives and Mitnick saw it as an issue of institutional structure, the essential notion behind both ideas is similar (Mitnick, 2019). Ross recognized the principal-agent dilemma because of the compensation choice and asserted that the problem is not limited to the firm, but also exists in society (Mitnick, 2006). Mitnick's institutional approach aided in the development of the fundamental agency theory's logics, and it was presumably meant to comprehend real-world behavior. His idea asserted that institutions are constructed around agency and evolve to accommodate it (Mitnick, 2019).

Even though agency theory is very practical and popular, it nevertheless has several flaws, as Eisenhardt (1989), Shleifer and Vishny (1997), and Daily, et al. (2003) have documented. The theory is based on a contractual agreement between the principal and agent for a finite or indefinite future period, where the future is unknown. Contracting is supposed to solve the agency problem, however it has a lot of drawbacks in practice, such as knowledge

asymmetry, rationality, fraud, and transaction costs. Shareholders' main interest in the company is to maximize their profit, yet their position in the company is limited. Directors' responsibilities are confined to overseeing managers, and their other responsibilities are unclear. Managers are viewed as opportunistic in this perspective, which ignores their skills.

However, the agency theory has been utilized in a number of empirical investigations to explain why some businesses outsource internal auditing (Caplan & Kirschenheiter, 2000); to define the varied character of internal audit functions and their interactions with management (Van Peurse, 2005); help clarify the moral risks that managers face in the workplace (Evans, 2003; Ekanayake, 2004); and to establish the link between internal audit function features and firm performance (Al-Matari, et al., 2014).

In relevance to this research, the establishment of an independent internal audit function as a tool that fosters transparency and accountability is supported by the agency theory. In terms of objectivity and independence, auditors must be aware of challenges to objectivity and implement appropriate precautions when necessary. Auditors' independence is a crucial trait that shareholders seek for when it comes to fostering confidence. Auditors have a strong motivation to preserve their independence to defend their reputation and, as a result, keep and secure audits.

2.2.2 Theory of Inspired Confidence

Theodore Limperg, a Dutch academic, established this theory of inspired confidence in the late 1920s (Hayes, et al, 1999). Limperg's hypothesis considers both the supply and demand for audit services. The necessity for audit services, according to Limperg, is a direct result of outside stakeholders' involvement in the company. In exchange for their contribution to the organization, these stakeholders demand accountability from management. Financial reports are issued on a regular basis to ensure accountability. However, because the information provided by management may be biased, and outside parties have no direct methods of monitoring the information, an audit is required to ensure its accuracy. (Limperg, 1932) recommends that the auditor should continually endeavor to achieve the requirements for audit assurance.

The notion of inspired confidence explains society's belief in the auditor's ability to improve the trustworthiness of management information, hence creating quality accountability

(Limperg institute, 1985). According to Limperg, “the need for expert and independent inspection, as well as expert and independent opinion, drives the auditor-confidential agent's full societal responsibility.” The function is based on the public's faith in the audit's effectiveness and the accountant's perspective. If the trust is violated, the function will be dissolved as well, as it will be rendered useless thus, this trust is a condition for the function's existence. The theory emphasizes the importance of an auditor being aware of social expectations at all times generated because of a scenario and behaving judiciously to satisfy such expectations to maintain confidence (Carmichael, 2004). Changes in societal expectations necessitate adjustments in the role and approach to work of auditors, which explains the changes in audit function qualities.

In relevance to this study, the theory of inspired confidence supports Internal audit's independence, as a fundamental quality feature of the function. The auditor's job should be carried out in such a way that a sensible outsider's expectations are not violated. As a result, the auditor should do everything possible to meet realistic public expectations, given the capabilities of audit technology.

2.2.3 Institutional Theory

Institutional theory is a study of tradition that can be traced back to seminal publications that addressed how organizational establishment and change were influenced by symbolic activities and external influences rather than functional considerations, as the theory at the time thought (Meyer & Rowan, 1977). Institutional theory discusses how normative influences from both external and internal sources, such as laws and rules, or professions, shape changes in organizational structures and procedures (Zucker, 1987; Mihret, et al., 2010).

Institutional rules must be followed by organizations to gain legitimacy, access to resources, and stability (Meyer & Rowan, 1977). Legitimacy is required, and one method for internal audit to get legitimacy is to demonstrate its effectiveness. Internal auditors, on the other hand, are unable to produce such evidence because their work is unrelated to the company's revenues (Lenz, et al., 2018). Organizations prefer to achieve effectiveness by emulating the characteristics and practices of other businesses in their surroundings since legitimacy does

not always ensure that they run successfully (Al-Twajjry, et al., 2003). Isomorphism can take three forms: coercive, normative, and mimetic (Arena, et al., 2006).

Arena and Azzone (2007) highlighted the following, laws and regulations (coercive isomorphism), the decisions of other organizations (mimetic isomorphism), and consultation or professional bodies (normative isomorphism) are examples of external forces that impact both individuals and organizations. Nevertheless, when internal audit's role is "vague" and there are many incidents of non-compliance with normative guidelines in practice, there is some doubt about the presence of normative isomorphism (Lenz, et al., 2018). Furthermore, according to Abbott's (1988) theory of the professions system, each profession must build its own jurisdiction, which is defined by the characteristic of a profession over which it has total and legal control.

Several prior internal audit studies Mihret, et al. (2010); Arena & Azzone (2007); Al-Twajjry, et al. (2003); Arena, et al. (2006) used an institutional theory. Al-Twajjry, et al. (2003) employed an isomorphic technique to investigate internal audits in Saudi Arabia. On the other hand, the institutional theory was utilized to explain their findings on internal auditing firms and the government's role in supporting their growth. Arena and Azzone (2006) used a multiple case study to look at the growth of internal audit in six Italian companies, focusing on the coercive isomorphism. Their findings confirmed that coercive, mimetic, and normative factors influenced the acceptance and development of internal audit. Arena and Azzone (2007) discovered that isomorphic pressures had a considerable impact on organizations' support of internal audits in a study based on a survey of 364 Italian enterprises.

In relevance to this study, the institutional theory is a valid theory for enhancing transparency and accountability in both developed and developing countries based on the foregoing discussion, as it is a valuable theory that can explain the relationship between some of the study's variables such as audit quality.

2.3 Empirical Review

The empirical review will include a study of the available and relevant empirical literature on internal auditor independence in promoting transparency and accountability, with sections organized sequentially and in line with the research objectives.

2.3.1 The Relationship Between Internal Audit Staff Training on Transparency and Accountability

Employee training entails increasing employees' skills, knowledge, and attitudes for them to become more efficient and productive (Dineshbakshi, 2021). To be successful, internal auditing necessitates continuous training of internal auditors. Internal auditors are experts with a high level of knowledge, capabilities, and skills who adhere to worldwide auditing standards to enable more effective control (McKee, 2006). Fraud detection is tough, and one reason internal auditors have trouble tracing and detecting abnormalities is that they lack experience in spotting faked financial data (Hammersley, et al., 2011).

Zanzig and Flesher (2011) compared the fraud detection circumstances of US and Canadian firms to the desirable conditions in terms of fraud risk management training, knowledge of fraud management procedures, recognition of crucial fraud indicators, and incentives for reporting fraud. They conclude that the most essential business practice that must be implemented is training people to manage fraud risk. Internal auditors must be transparent and accountable to participate in fraud risk management, which is made feasible through training in their risk management programs.

Bierstaker, et al. (2012) investigated the effect of auditor training on fraud detection, which is important because most auditors have little or no direct experience with fraud. As a result, research into the potential effect of indirect experience through training is critical to fraud detection and audit quality which is under transparency and accountability. A comparison study was undertaken, with some auditors attending fraud detection-specific training and others attending generic internal auditing courses. They discovered that auditors who took fraud courses were more likely to detect fraud than those who took more general auditing courses after examining the auditors who took the courses. Attending a fraud detection specialist course improves internal auditors' transparency and accountability by allowing them to identify and report fraud risk elements using specified techniques.

To increase the quality of corporate governance, determines the elements affecting the quality of the internal audit function Eisa (2008). It has been discovered that raising internal auditors' eligibility by increasing their degree of education raises their level of professional experience and improving their level of training and rehabilitation leads to a rise in internal

audit quality. The transparency and accountability of independent internal auditors, which is improved through training, are responsible for the rise in internal audit quality in this context.

The importance of inside audit in Malaysia's public sector was discussed by Ali, et al. (2007) and Ahmad, et al. (2009), who concluded that failing to meet the fundamental requirements, as well as learning, by internal audit staff, has a negative impact on the role of inside audit; they proposed training as a critical need for the development of inward audit in Malaysia. In this scenario, training was proposed to improve independent internal auditors' transparency and accountability so that they might have a beneficial impact on the role of inside audit.

Internal audit staff lack appropriate educational qualifications, according to various studies (Mihret & Yismaw, 2007); these studies show that internal audit staff lack appropriate educational qualifications, and continued professional training is expected to empower them to enhance their abilities and capacities. Internal auditors' transparency and accountability will improve because of training that develops the necessary competencies and capabilities for them to function effectively.

2.3.2 The Relationship Between the Audit Committee and Transparency and Accountability

Internal auditors' prestige, and thus their capacity to stay objective and independent, may be strengthened by Audit Committees, according to studies based on in-depth interviews with internal auditors and Audit Committee members. Turley and Zaman (2007) conducted interviews with a few employees from a large UK financial services firm (one of them was the head of group internal audit, and another was the Audit Committee chair). The authors claim that an Audit Committee can develop a "tone" that permits internal audit to have some effect on the business based on these interviews. As a result, a competent Audit Committee is considered as crucial in enhancing internal audit independence and supporting the internal auditor's perspective. As a result, when internal auditors have the support of a competent audit committee, their independence as internal auditors are strengthened, and they are more transparent and accountable for their choices.

In a similar line, Mat Zain and Subramaniam's (2007) analysis of 11 Malaysian businesses' heads of internal audit highlights the importance of audit committees' influential position in strengthening internal audit objectivity and independence. Internal auditors have a lot of faith

in audit committees to take on the critical questioning role in more formal settings, according to the survey. Internal auditors are obligated in this scenario to provide all relevant information to the audit committee for questioning and to confirm that all appropriate procedures were followed to obtain that information, making them transparent and accountable.

The independence of the internal audit function in a sample of 34 Australian firms was investigated by Christopher, et al. (2009), who looked at the function's connection with both management and the Audit Committee. Internal audit's relationship with the Audit Committee was cited as a source of threats to independence in an e-mail survey of Chief Audit Executives. The chief executive officer or chief financial officer approving the internal audit budget and being involved in the audit plan, the audit committee not having sole responsibility for appointing and dismissing the chief audit executive, not reporting functionally to the audit committee and audit committee members lacking accounting expertise were all identified as threats to independence. Internal auditors in this scenario lack transparency and accountability since the audit committee is not operating as it should, keeping in mind that it reviews internal audit, and thus the independence of internal auditors is jeopardized.

Other studies have investigated whether the strength of the internal audit function's relationship with the Audit Committee is tied to the composition of the Audit Committee. In a survey of US chief internal auditors, Raghunandan, et al. (2001) looked at the impact of Audit Committee independence and expertise on the committee's interaction with internal audit. According to the researchers, independent committees having at least one member who has worked in the accounting field or has financial experience had lengthier sessions and more private discussions with the chief internal auditor. The research also shows that the makeup of the Audit Committee has an impact on oversight operations. In this study, the longer meetings with the chief internal auditor require him to be more transparent and accountable to his conclusions because a member of the audit committee is well-versed in accounting or finance, and he must demonstrate his competence as an independent internal auditor.

The presence of an effective audit committee had minimal impact on internal auditors' evaluations of their readiness to act objectively, according to a study of Australian internal auditors' ethical decision-making O'Leary and Stewart (2007). This demonstrates that the independence of internal auditors, because of their connection with the audit committee, does not result in transparency and accountability.

In a survey of Singapore's chief internal auditors, Goodwin and Yeo (2001) discovered that Audit Committees made up entirely of independent directors met with the chief internal auditor more frequently and in private. The level of engagement between an audit committee and internal audit was found to be higher when the audit committee was made up of independent directors, according to the study. In a study of chief internal auditors from Australia and New Zealand, Goodwin (2003) found similar results. As a result of this study, internal auditors become more transparent and accountable when the audit committee is recognized to be independent, demonstrating that internal auditors' transparency and accountability are dependent on the independent audit committee.

Lastly, James' (2003) study highlights the importance of Audit Committees as potential internal audit support. He looked at bank loan officers' perspectives of how reporting structure affects internal audit's ability to prevent financial statement fraud. Internal audit functions reporting to top management are thought to be less capable of preventing fraudulent reporting than those who report only to the Audit Committee, according to the study. Internal auditors must be transparent and accountable to detect fraudulent conduct, and an audit committee must be present to examine them for them to apply the attributes described effectively.

2.3.3 The Relationship Between Enterprise Risk Management and Transparency and Accountability

The internal audit profession has become a critical driver of enterprise risk management (ERM), which is defined by the Treadway Commission's Committee of Sponsoring Organizations (COSO)(2004, p. 2) as: A process used by an entity's management, board of directors, and other people across the business and in strategy setting to manage risk to stay within the company's risk appetite, identify probable events that may influence the company and provide reasonable certainty that entity objectives will be met.

The Institute of Internal Auditors and Commission's Committee of Sponsoring Organizations produced a position statement on internal audit's role in enterprise risk management in 2004, recommending strategies for internal auditors to retain objectivity and independence. Management is ultimately responsible for enterprise risk management, according to both Committee of Sponsoring Organizations and the Institute of Internal Auditors.

In 2005, Internal auditors' involvement in enterprise risk management was the subject of a global online survey undertaken by the Institute of Internal Auditors (Gramling and Myers, 2006). 361 Institute of Internal Auditors members responded to the survey. Internal audit was largely responsible for enterprise risk management in 36 percent of the respondents' firms, according to the survey. Internal audit's involvement in core enterprise risk management duties could be expanded, according to the survey, because it is less than the department would want. In this case, some of the functions, such as ensuring that risks are accurately evaluated, increase the transparency and accountability of independent internal auditors by allowing them to review the management of significant risks. Furthermore, the analysis discovered that certain internal auditors were performing tasks that the Institute of Internal Auditors has stated should not be performed by internal auditors.

Fraser and Henry (2007) interviewed the audit committee chair, the finance director and, where applicable, the director of risk management and the head of the internal audit in five significant UK businesses and one audit partner from each Big-4 audit firm. Internal audit, they discovered, plays a significant role in enterprise risk management, notably in risk embedding. They also discovered evidence of internal auditors being responsible for enterprise risk management processes, despite the Committee of Sponsoring Organizations and Institute of Internal Auditors position paper indicating that management must be responsible. For example, in one business, the internal auditor oversaw setting up the system, whereas in another, there were fears that an internal audit function made up primarily of accountants and extensively involved in risk management would miss some issues. Although internal audit played a part in risk management, it is recommended that a distinct risk function be established due to competence and independence concerns. Risk management jeopardizes internal auditor independence, which in turn jeopardizes transparency and accountability.

Internal auditors' involvement in enterprise risk management and their interactions with the audit committee were investigated by de Zwaan, et al. (2009) to see if their professional objectivity and independence was affected by the level of their interactions with the audit committee and their involvement in ERM. An experimental questionnaire survey of 117 qualified internal auditors in Australia was used to compile the data. Internal auditors' involvement in enterprise risk management is likely to have a considerable and unfavorable impact on their objectivity in terms of their propensity to report to the audit committee on risk process breakdowns, according to the findings. Transparency and accountability are lacking in this situation because the internal auditors are incapable of performing their tasks efficiently, such as reporting to the audit committee as required.

To examine how chief audit executives, perceive their current position in risk management, Sarens and de Beelde (2006) interviewed chief audit executives in four US firms and six Belgian companies. According to the study, Internal auditors play a critical role in improving risk assessment and internal control methods in both countries which basically enhances their transparency and accountability. However, differences were discovered between the two jurisdictions, with US companies being heavily influenced by Sarbanes-Oxley's Act (SOX) internal control review requirements, whereas internal auditors in Belgium have been more innovative in building a more organized and transparent risk management system and a greater level of control awareness. Risk management, according to this study, improves the transparency and accountability of independent internal auditors when it comes to identifying, assessing, and managing risks.

Following the tightening of legislation and the increasing relevance of risk management and corporate governance practices in Malaysia, Ernst & Young (2004) conducted another study in Malaysia to gain a better knowledge of the practice of internal audit. The survey was distributed to attendees of the Institute of Internal Auditors Malaysia National Conference in Kuala Lumpur in September 2004. Out of more than 600 people that took part in the survey, 292 responded. Internal audit's major job, according to 87 percent of respondents, is to offer assurance of internal control and risk management processes and systems. In this study, independent internal auditors can only provide assurance if the findings are transparent and

can be accounted for while participating in risk management processes, thus increasing internal auditors' transparency and accountability.

2.4 Research Gap

In addition, previous studies by Zanzig and Flesher (2011), Bierstaker, et al. (2012) have proved that fraud detection specific training enhances transparency and accountability of independent internal auditors whereas the studies carried out by Eisa (2008), Ali, et al. (2007) and Ahmed, et al. (2009), and (Mihret & Yismaw, 2007) do not emphasize on the fraud detection specific training they simply prove that general training enhances transparency and accountability of independent internal auditors. These mixed results therefore necessitate conducting studies to establish the effect of staff training on real estate firms in Kenya.

The study was able to review several past studies based on the study's themes. Previous studies conducted by Turley and Zaman (2007), Mat Zain and Subramaniam's (2007), Raghunandan et al. (2001), Goodwin and Yeo (2001), James' (2003), Goodwin (2003) proved that the audit committee enhances auditor independence which results to transparency and accountability. However, a study carried out by Christopher, et al. (2009) showed that the internal auditors independence is threatened by the audit committee hence no transparency and accountability. On the other hand, a study carried out by O'Leary and Stewart (2007) showed a little impact between the audit committee and transparency and accountability. These mixed results therefore necessitate conducting studies to establish the effect of an audit committee on real estate firms in Kenya.

Moreover, studies carried out by Gramling and Myers, 2006, Sarens and de Beelde (2006), and Ernst & Young (2004) support the fact that enterprise risk management improves the transparency and accountability of internal auditors whereas Fraser and Henry (2007) and de Zwaan, et al. (2009) have concluded that enterprise risk management serves as a threat to the independence of the internal auditor thus serving as a threat to their transparency and accountability. These mixed results therefore necessitate conducting studies to establish the effect of enterprise risk management on real estate firms in Kenya.

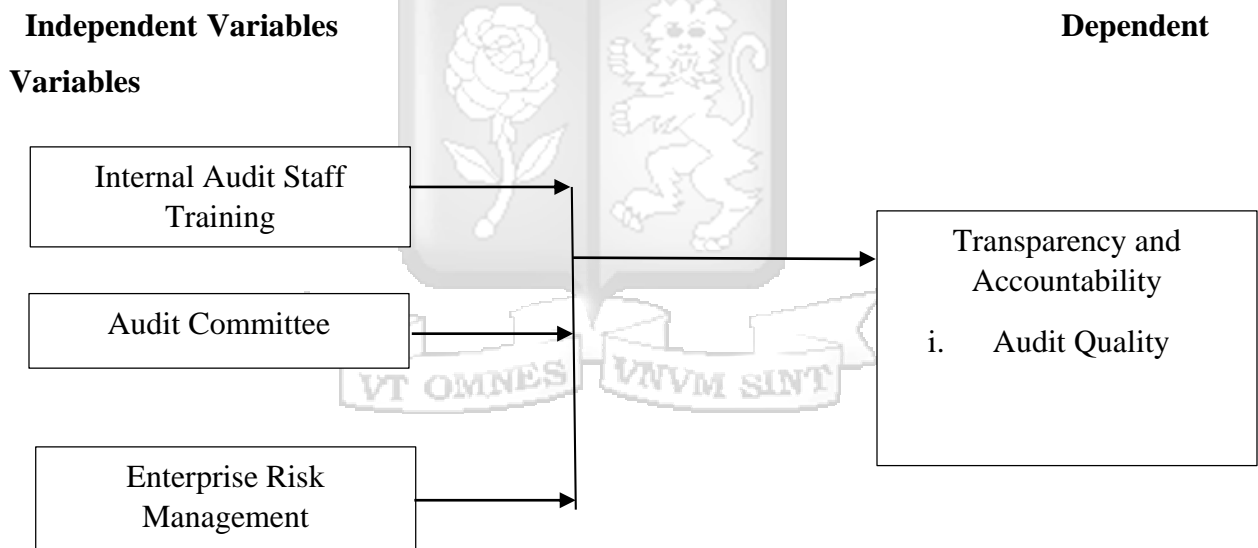
Lastly the studies were carried out in already developed countries that is, United Kingdom (Turley and Zaman (2007) and Fraser and Henry (2007)), Malaysia (Mat Zain and

Subramaniam's (2007), Ali, et al. (2007) and Ahmad, et al. (2009)), United States (Raghunandan, et al. (2001), Sarens and de Beelde (2006) and James' (2003)), Singapore (Goodwin and Yeo (2001)), Australia and New Zealand (Goodwin (2003)), Australia, (Christopher, et al. (2009), Zwaan, et al. (2009) and O'Leary and Stewart (2007)), United States and Canada, (Zanzig & Flesher (2011)). It is necessary to conduct a study on Kenya, which is a developing country.

2.5 Conceptual Framework

Transparency and accountability are the dependent variables in this study, and they are attempted to be explained in terms of their direct relationship with the following independent variables: (1) internal audit staff training, (2) audit committee, and (3) enterprise risk management.

Figure 2.1 Conceptual Framework



Source: Author (2021)

Table 2.1 Operationalization of Variables

Variable	Definition of each Variable	Measurement of Variable	Citation
Internal Audit Staff Training	Staff training entails increasing employees' skills,	Quantitative	Zanzig & Flesher (2011), Bierstaker, et

	knowledge, and attitudes for them to become more efficient and productive (Dineshbakshi, 2021).		al. (2012), Eisa (2008), Ali, et al. (2007), Ahmad, et al. (2009), and (Mihret & Yismaw, 2007)
Audit Committee	An audit committee, responsible for financial reporting and disclosure, is one of the board of directors' primary operating committees (Tuovila, 2020).	Quantitative data	Turley and Zaman (2007), Mat Zain and Subramaniam's (2007), Raghunandan, et al. (2001), Goodwin and Yeo (2001), James (2003), Goodwin (2003), Christopher, et al. (2009) and O'Leary and Stewart (2007)
Enterprise Risk Management	A process used by an entity's management, board of directors, and other people across the business and in strategy setting to manage risk to stay within the company's risk appetite, identify probable events that may influence the company and provide reasonable certainty that entity objectives will be met (COSO) (2004, p. 2).	Quantitative data	Gramling and Myers, (2006), Sarens and de Beelde (2006), Ernst and Young (2004), Fraser and Henry (2007) and de Zwaan et al. (2009)

<p>Transparency and Accountability</p>	<p>Transparency is the duty to inform and make available to the public their situation, duties, strategy, activities, financial management, operations, and performance, as well as audit results and conclusions (ISSAI 20 &ISSAI 21).</p> <p>Accountability refers to the legal and report presentation framework, as well as the structure, strategy, procedures, and actions that help to ensure that Supreme Audit Institutions produce and present the results of their auditing activity through audit reports, as well as assess and follow-up on audit activity management and impact (ISSAI 20 &ISSAI 21).</p>	<p>Quantitative data</p>	<p>Jachi (2019), Akankunda (2019), Kimotho (2014)</p>
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CHAPTER 3

RESEARCH METHODOLOGY

3.1 Introduction

This chapter explained how the data for the research study was collected and analyzed. To be more specific, it investigated the research design, the study's population, the sampling design and sample size employed, data collection techniques/methods, data analysis, validity testing and ethical considerations.

3.2 Research Design

A research design is a blueprint that lays out how a study will progress from the research purpose/questions to the outcomes, guiding the research process. It is a detailed planning procedure for gathering and analyzing data in order to better comprehend a topic (Jaradat & Abutabenjeh 2018). According to Kothari (2004), the study's research design provides answers to the study's research questions. The determination to answer the study questions determines the research design (Sekaran, 2013). A descriptive cross-sectional survey was used in this study because it allows the researcher to gather information at a specific point in time via questionnaires. Descriptive cross-sectional studies give information about the status of phenomena or relationships between phenomena at a specific point in time (Ihudiebube-Splendor & Chikeme, 2020). One of the most common strategies for acquiring primary data is to conduct a survey (Zikmund, 2010).

3.3 Population and Sampling

3.3.1 Target Population

According to Cooper and Schindler (2008), a population is the whole collection of elements from which a researcher seeks to draw conclusions. The units that the study utilized as references are referred to as the target population (Kothari, 2006). It is from these units that the study's findings were generalized (Dempsey, 2003). The study's participants were real estate enterprises based in Kenya. There are 356 verified real estate agents in Kenya according to BuyRentKenya (2021). The chief audit executive and internal audit personnel of each real estate firm served as the unit of observation. The respondents were chosen because they were deemed to have the necessary knowledge to answer the research problem.

3.3.2 Sample Size

According to Kothari (2004), the sampling frame represents the target population, with units representing prospective sample members. A sample is a portion of the population that represents the whole population under investigation. It's used to make inferences about that group of people (Cooper & Schindler, 2008). Researchers utilize samples, which are subgroups of the population, to obtain information about the population of interest and to draw inferences about the population (Lind, et al., 2008). The Yamane formula was used to compute the sample size for this study.

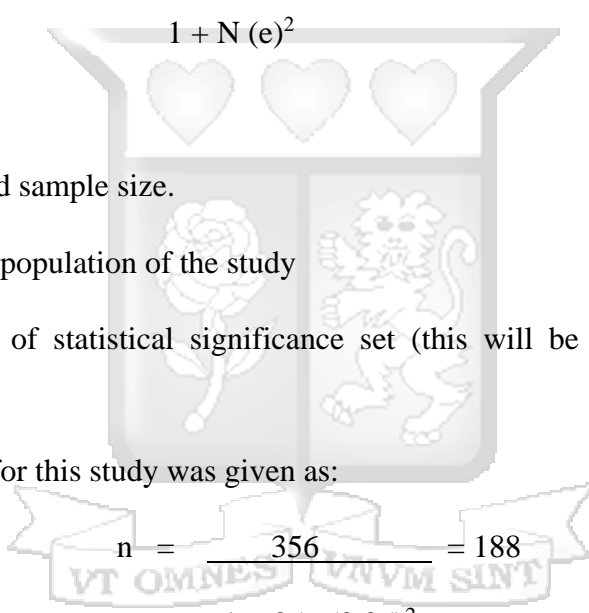
$$n = \frac{N}{1 + N(e)^2}$$

Where: n = the desired sample size.

N = the target population of the study

e = the level of statistical significance set (this will be 0.05, implying the 95% confidence level)

The sample required for this study was given as:


$$n = \frac{356}{1 + 356(0.05)^2} = 188$$

3.3.3 Sampling Technique

According to Cooper and Schindler (2008), sampling design is the process of selecting a precise sample from a population under research. Researchers can save a significant amount of time and money by using samples, and they can gain more precise information that would otherwise be unavailable (Bluman, 2009). Simple random sampling was used in this study as a probability sampling strategy. Probability samples are those that are expected to produce similar outcomes (Kothari, 2012). Simple random sampling entails the researcher selecting a sample at random from the sampling frame using either a manual or computer-based random number table, or an online number generator (Saunders, et al., 2009).

3.4 Data Collection

3.4.1 Data Collection Instruments

Cooper and Schindler (2011) and Mugenda and Mugenda (2008) define data collection instruments as techniques and tools for measuring variables. Anything presented for research inference as a fact, according to Oso and Onen (2011), is data. The information was gathered by having the respondents fill out questionnaires. Structured questionnaires were utilized since it made it easier to obtain research data from the wider group. According to Krishnaswamy, et. al (2006), items in the questionnaire are constructed in such a way that they address certain study objectives, and a questionnaire is anonymous and convenient since it is uniform, allowing data to be collected objectively. The questionnaires had sections consisting of questions on demographic characteristics, staff training, the audit committee, enterprise risk management and transparency and accountability.

3.4.2 Data Collection Procedures

In order to collect data, the research used a drop-and-pick method. The questionnaires were handed out, and in some cases, if permitted, they were left with the employees to pick up at a later agreed-upon time. Questionnaires are useful because they give respondents time to consider their responses and are simple to gather and administer (Kothari, 2011). To improve the efficiency of the data collection procedure, the study also used electronic data collection. However, questionnaires were the main source of primary data collection. The researcher requested for an introductory letter from Strathmore University before collecting the study's data and the respondents had complete freedom to engage or not participate in the study, hence it was entirely up to them.

3.5 Data Analysis

Data analysis is cleansing, manipulating, and modeling data in order to produce the most useful information for decision-making (Mugenda & Mugenda, 2008). Sekaran and Bougie (2010) recommend that data be accurate, full, and suitable for further investigation. The researcher must first collect and organize the data, then use descriptive and inferential statistics or econometrics ideas to explain the data and develop conclusions (Saunders, et al., 2009). Questionnaires were reviewed for mistakes once data collection was completed. For

reader convenience, data was presented and summarized using, tables, pie charts, and graphs. Percentages, and sum values were the emphasis of descriptive statistics.

3.6 Validity Testing

The degree to which a score accurately reflects an idea is known as validity. Simply put, it is the ability of a scale to measure what it is designed to measure and represent the accuracy of a measurement device (Cooper & Emory, 1994; Zikmund, 2000). Content and construct validity were used in the research. The content validity of a measure ensures that it contains a sufficient and representative set of objects to cover a notion. Expert agreement can also be used to ensure content validity (Sekaran, 2003). The questionnaire was put to the test by having it double-checked with the help of the research supervisor. This made it easier to revise and modify the questionnaire as needed, improving its validity. The degree to which a measure/scale verifies a network of connected assumptions created from theory based on the ideas is known as construct validity (Zikmund, 2000). This study ensured the questionnaire's construct validity by using a coherent conceptual framework based on empirical literature evaluation when creating the research instrument.

A pilot study was carried out as well. A pilot test, according to Kothari (2004) and Kombo and Tromp (2009), is a replica and rehearsal of the main survey. The pilot test should be made up of 5% to 10% of the target sample, according to the rule of thumb (Creswell, 2003; Gall and Borg, 2007 and Cooper and Schilder, 2011). A pilot test was conducted by the researcher to pre-test the questionnaire before collecting actual data to ensure that the language and arrangement of the questions were effective in achieving the desired results. Inadequate and unsystematic questionnaire preparation, testing, and evaluation procedures may jeopardize the quality and utility of data (Sekaran & Bougie, 2009).

3.7 Ethical Issues

During the data gathering process, this study ensured that ethical rules were followed. Before collecting data, the study ensured that an ethical review committee permit was received from the university. The Strathmore University Ethics Review Office also granted clearance and consent to the researcher. The researcher made certain that the information gathered was only used for scholarly purposes. The respondents' identity was protected throughout the research, and their approval was obtained ahead of time by the researcher as he attempted to complete

the study. The respondents in this survey were also informed of their free choice to engage in the study and the study also guaranteed that the research data collected was treated with the utmost discretion.



CHAPTER 4

PRESENTATION OF RESEARCH FINDINGS

4.1 Introduction

This chapter offers summaries of the data gathered as well as the study's findings. The findings presented in this part will attempt to establish the role of internal auditor independence in enhancing transparency and accountability in Kenyan real estate firms.

4.2 Sample Representation

According to the sample size, a total of 188 questionnaires were delivered to 188 respondents. A total of 169 questionnaires were successfully completed and returned, with an 89 percent response rate. Pick and drop had the highest response rate, with a 75 percent return rate, while emails had a lower response rate. According to Cooper and Schindler (2008), response rates of more than 50% are acceptable for data analysis and publication, 60% is good, 70% is very good, and more than 80% is exceptional.

4.2.1 Respondent's Distribution According to the Length of Operation

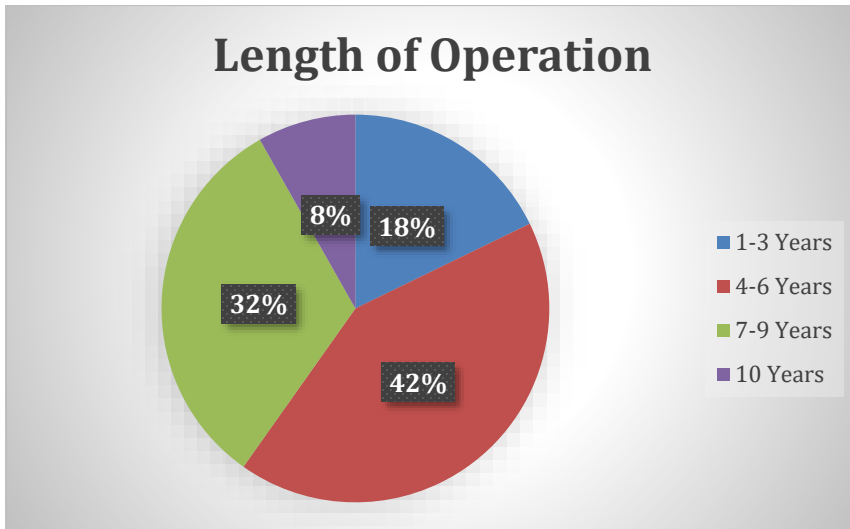
Table 4.1 Respondent's Distribution According to the Length of Operation

Length of operation	Response	Percentage
1-3 years	30	17.8
4-6 years	71	42
7-9 years	54	32
10 years	14	8.2
Total	169	100

Source: Author (2022)

The length of operation of the respondents is depicted in the pie chart below. The majority of respondents 42% were between the years of 4 and 6, while 32% were between the years 7 and 9. The group of 1 to 3 years had a response rate of 17.8%. Finally, the 10-year bracket had the lowest response rate of 8.3 percent.

Figure 4.1 Respondent's Distribution According to the Length of operation



Source: Author (2022)

4.2.2 Respondent's Distribution According to the Level of Education

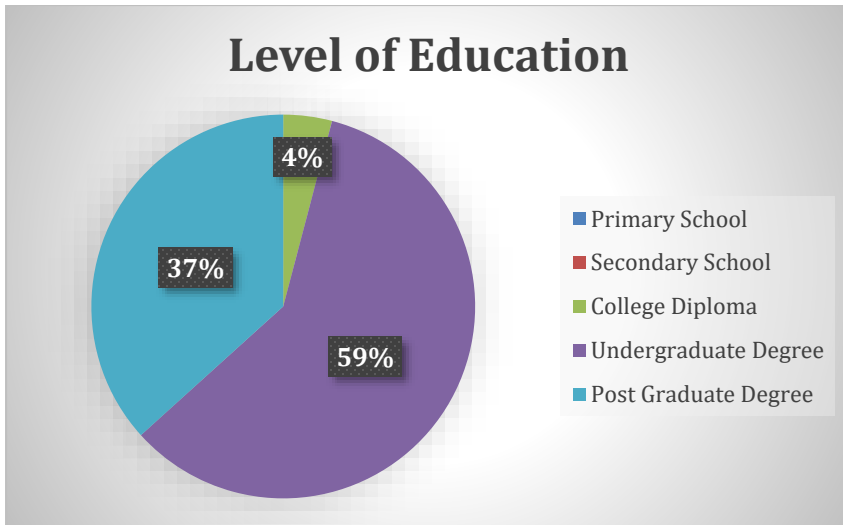
Table 4.2 Respondent's Distribution According to the Level of Education

Level of education	Response	Percentage
Primary School	0	0
Secondary School	0	0
College Diploma	7	4.1
Undergraduate Degree	100	59.2
Post Graduate Degree	62	36.7
Total	169	100

Source: Author (2022)

The level of education of the respondents is depicted in the pie chart below. According to the findings, the majority of respondents 59.2% have completed an undergraduate degree, followed by 36.7 percent who have completed a postgraduate degree, and the least number of respondents 4.1% have completed a college diploma.

Figure 4.2 Respondent's Distribution According to the Level of Education



Source: Author (2022)

4.2.3 Respondent's Distribution According to the Job Title

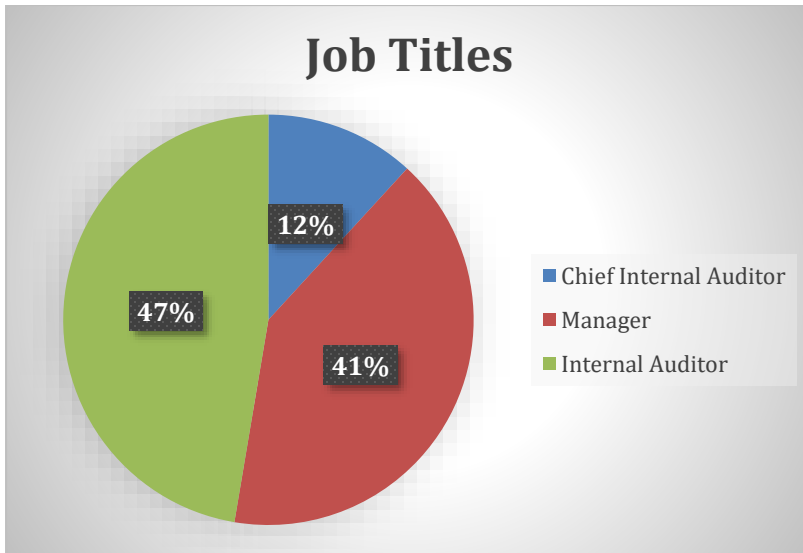
Table 4.3 Respondent's Distribution According to the Job Title

Job Title	Response	Percentage
Chief Internal Auditor	80	11.8
Manager	69	40.8
Internal Auditor	20	47.3

Source: Author (2022)

The job titles of the respondents are depicted in the pie chart below. With a response rate of 47.3 percent, the bulk of the respondents were internal auditors, as seen in the pie chart below. The managers had a response rate of 40.8 percent, with the chief internal auditors accounting for the remaining 11.8 percent.

Figure 4.3 Respondent's Distribution According to the Job Titles



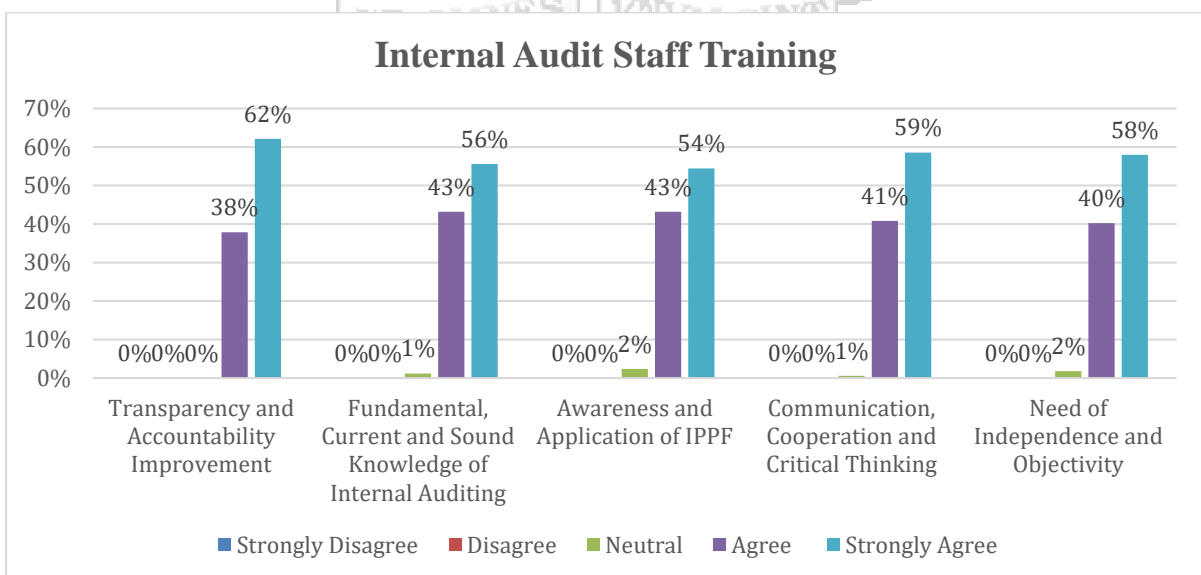
Source: Author (2022)

4.3 Descriptive Analysis

This section examines the outcomes of the study's three research questions about the role of internal auditor independence in enhancing transparency and accountability in real estate companies in Kenya. Out of the 188 questionnaires that were provided, 169 were completed. The following are the results of the analysis based on the questions based on the objectives.

4.3.1 Feedback on Internal Audit Staff Training

Figure 4.4 Feedback on Internal Audit Staff Training



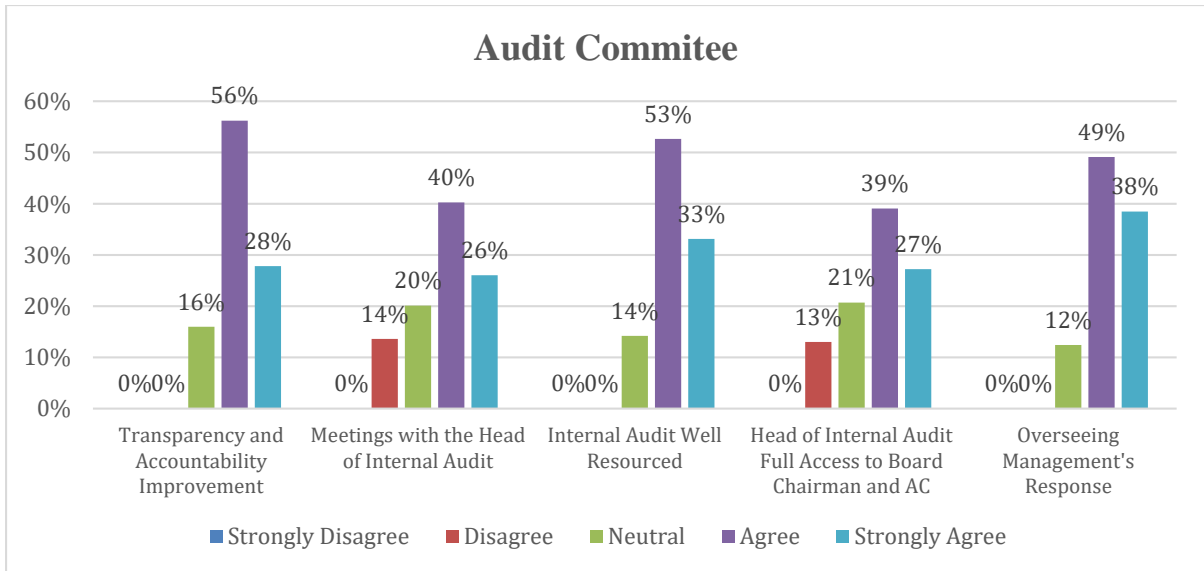
Source: Author (2022)

The response rate of respondents on the impact of internal audit staff training is depicted in the column chart above. Internal audit staff training has improved transparency and accountability, according to majority of the respondents who added up to 105 (62%). This was followed by 64 (38%) of respondents who believed that internal audit staff training would promote transparency and accountability. There were no neutral or disagreeing responses among the respondents. On the question of whether internal audit staff training provides fundamental, current, and scientifically sound knowledge of internal auditing on both a conceptual and practical level, allowing trainees to complete a full audit cycle from the programming of the audit engagement plan to the drafting of the final report, all while building on prior knowledge and experience and focusing on quality improvement. 94 (56%) strongly agreed, while 73 (43%) agreed. A response rate of 2 (1%) yielded a neutral result. None of the people who completed the questionnaires disagreed. Internal audit training assists participants in being aware of and applying the “International Standards for the Professional Practice of Internal Auditing – IPPF” throughout the audit cycle, thus enhancing the internal auditor’s profession, per the 92 (54%) of respondents who strongly agreed, while 73 (43%) agreed. 4(2%) of those who answered the questions were neutral, while none of those who answered the questionnaires disagreed.

When asked if internal audit training helps participants build communication, cooperation, and critical thinking abilities, 99 (59%) strongly agreed, while 69 (41%) agreed. Only 1 (1%) of the respondents was neutral. None of the respondents disagreed. Finally, when asked if the necessity for internal audit independence and objectivity is explained to trainees throughout internal audit training through the International Standards for the Professional Practice of Internal Auditing, 98 (58%) strongly agreed, while 68 (40%) agreed. There were 3 (2%) who were neutral, and none who disagreed.

4.3.2 Feedback on the Audit Committee

Figure 4.5 Feedback on the Audit Committee



Source: Author (2022)

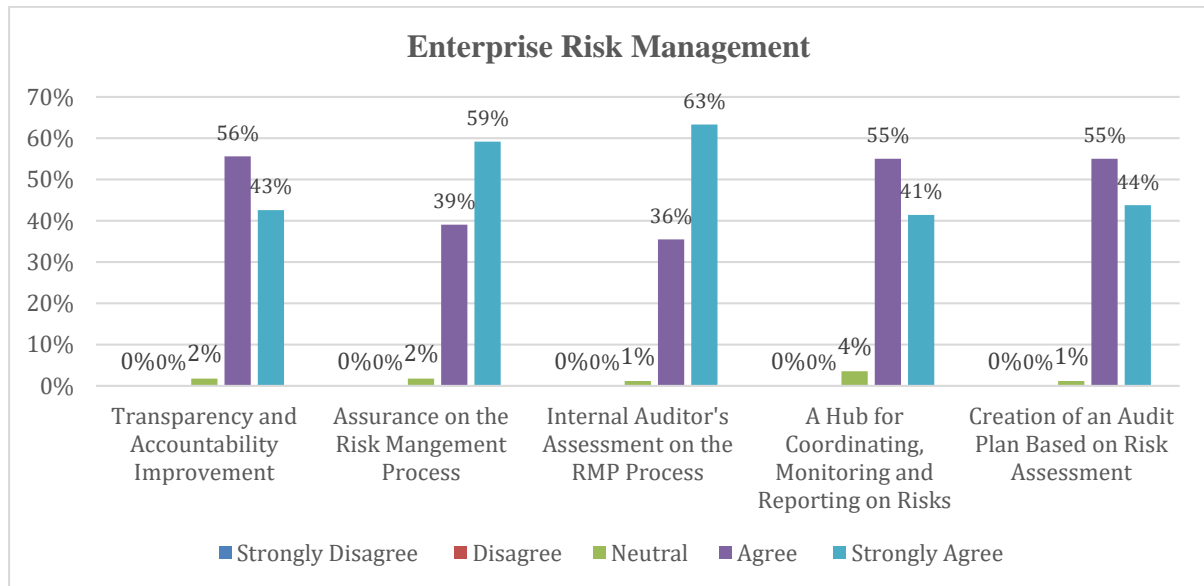
The column chart above shows the response rate of respondents on the audit committee. According to the majority of respondents 95(56%) who agreed, the audit Committee has enhanced transparency and accountability. This was followed by 47 (28%) of the respondents who strongly agreed. There were 27 (16%) neutral responses and no disagreements among the respondents. On whether the audit committee meets with the head of internal audit at least once a year without management present, 68 (40%) agreed, whereas 44 (26%) strongly agreed. 34 (20%) were neutral, while 23(14%) disagreed. None of the responses were under the strongly disagree bracket. In terms of internal audit, the audit committee ensured that it is properly allocated and resourced, as well as having sufficient power and standing to carry out its obligations effectively. 89 (53%) of respondents agreed, with 56 (33%) strongly agreeing. 24 (14%), on the other hand, were neutral. None of the respondents disagreed or strongly disagreed with the statement.

When asked if the audit committee guarantees that the head of internal audit has full access to the board chairman and the audit committee and is held accountable to them, 66 (39%) agreed, while 46 (27%) strongly agreed. Exactly 35 (21%) of those questioned said it was neutral. 22(13%) disagreed to the audit committee ensuring that the head of internal audit has full access to the board chairman and to the audit committee and is held to account to the audit committee. None of the respondents strongly disagreed. Finally, when asked if

the audit committee reviews and oversees management’s response to the internal auditor’s findings and recommendations, 83 (49%) agreed, with 65 (39%) strongly agreeing. There were 21 people (12%) who said it was neutral. None of the respondents disagreed or strongly disagreed with the statement.

4.3.3 Feedback on Enterprise Risk Management

Figure 4.6 Feedback on Enterprise Risk Management



Source: Author (2022)

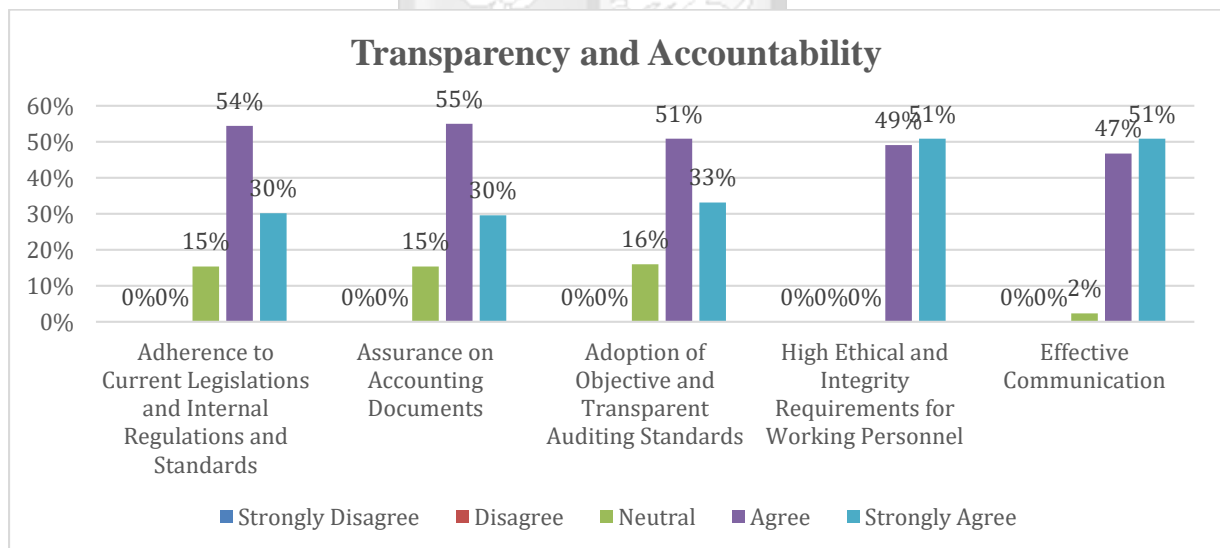
The response rate of enterprise risk management is depicted in the column chart above. Transparency and accountability have been improved through enterprise risk management, according to the majority of respondents 94 (56%) who agreed. 72 (43 percent) of the respondents strongly agreed with this statement. There were 3 (2%) neutral responses, and there were no disagreements among the responses. 100 (59%) strongly agreed that internal auditors give assurance on the risk management process and ensure that risks are effectively analyzed through enterprise risk management, whereas 66 (39%) agreed. 3 (2%), on the other hand, stated that it was neutral, they neither agreed nor disagreed. None of the replies fell into the "strongly disagree" or "agree" categories. Internal auditors assessing the risk management process and reporting of significant risks utilizing enterprise risk management was strongly agreed upon by 107 (63%) of respondents, with 60 (36%) agreeing. On the

other hand, 2 (1%) of people were undecided. The assertion was not disagreed or strongly disagreed with by any of the responders.

When asked if it acts as a hub for organizing, monitoring, and reporting on risks, as well as supporting management in selecting the best strategy to mitigate a risk, 93 (55%) agreed, with 70 (41%) strongly agreeing. It was described as neutral by exactly 6 (4%) of those questioned. None of the respondents disagreed or strongly disagreed with the statement. Finally, when asked if enterprise risk management aids in the design of an audit plan based on risk assessment for an internal audit unit to function successfully, the majority agreed 93 (55%), with 74 (44%) strongly agreeing. There were only 2 participants (1%) who said it was neutral. None of the people who took part in the survey disagreed or strongly disagreed with the assertion.

4.3.4 Feedback on Transparency and Accountability

Figure 4.7 Feedback on Transparency and Accountability



Source: Author (2022)

The column chart above shows the transparency and accountability response rate. According to the majority of respondents 92 (54%), transparency and accountability are demonstrated by conformity to existing legislation as well as internal regulations and standards within the organization. This statement was strongly agreed upon by 51 (30%) of the respondents.

There were 26 (15%) neutral responses, and none of the responses were contradictory. 93 (55%) agreed while 55 (30%) strongly agreed that the company provides assurance on the credibility, trustworthiness, and usefulness of accounting papers demonstrating transparency and accountability. On the other hand, 26 (15 percent) said it was neutral, meaning they didn't agree or disagree with the statement. None of the responses was classified under "strongly disagree" or "agree." The majority of respondents 86 (51%) agreed and 56 (33%) strongly agreed that their organization has implemented objective and transparent auditing standards, processes, and methods. 27 (16%) gave a neutral response while none were in the disagree or strongly disagree categories.

Moreover, 86 (51%) strongly agreed, with 83 (49 percent) agreeing, that high ethical and integrity requirements for all levels of staff within the firm are required to demonstrate transparency and accountability inside the corporation. There were no respondents who fell into the neutral, disagree, or strongly disagree categories. Finally, when asked if the company had good communication to demonstrate transparency and accountability, 86 (51%) strongly agreed, while 79 (47%) agreed. Exactly four people (2%) said it was neutral. None of the participants disagreed or strongly disagreed with the statement.

4.4 Summary of Findings

The goal was to establish the role of internal auditor independence in enhancing transparency and accountability in Kenyan real estate firms. Companies that have been in existence for 4 to 6 years made up the majority of the respondents, accounting for 42% of the total. In terms of educational attainment, undergraduates accounted for 59% of the total which was the majority, followed by postgraduates accounting for 37%. Internal auditors made up the majority of the respondents, accounting for 47%. Because the majority of the participants fell into the strongly agree group, the findings of the descriptive analysis on internal staff training revealed a significant impact on the enhancement of transparency and accountability. When it came to the audit committee, the majority of respondents agreed, indicating that it also had a role in improving transparency and accountability. Finally, when it came to the last objective, enterprise risk management, the majority of respondents fell into the agree or strongly agree category depending on the question asked, indicating that it too had an impact on improving transparency and accountability.

CHAPTER 5

DISCUSSIONS, CONCLUSIONS AND RECOMMENDATIONS

5.1 Introduction

This chapter contains a summary of the study's findings and conclusions. This chapter also offers study recommendations, suggestions for further research, and study limitations.

5.2 Summary of the Findings

This section summarizes the findings from the study's three objectives on the role of internal auditors' independence in enhancing transparency and accountability in Kenyan real estate firms.

5.2.1 Summary of Internal Audit Staff Training

The goal was to see how internal audit staff training improves transparency and accountability. When asked directly if transparency and accountability had increased as a result of internal audit staff training, the majority of the replies fell into the strongly agree category, accounting for 62% of the total. According to Mihret and Yismaw (2007), internal audit staff lack sufficient educational qualifications, and continuing professional training is expected to empower them to increase their talents and capacities. Given the large number of strongly agree responses to the questions posed under internal audit staff training, it is safe to conclude that successful internal auditing necessitates ongoing training of internal auditors. The rise in internal audit quality can also be attributed to independent internal auditors' increased transparency and accountability, which can be improved through training. When it comes to improving transparency and accountability, the study's findings clearly suggest that internal audit staff training is critical.

5.2.2 Summary of the Audit Committee

The objective was to determine how the audit committee has enhanced transparency and accountability. When asked directly if the audit committee has strengthened transparency and accountability, the majority of the responses agreed, accounting for 56 percent of the total. This is in line with James' (2003) study, which emphasizes the value of Audit Committees as potential internal audit support. Given the unanimous agreement on the audit committee's

responses to the issues given, it is safe to conclude that it plays a significant role in enhancing transparency and accountability.

5.2.3 Summary of Enterprise Risk Management

The goal was to see how enterprise risk management has improved transparency and accountability in the workplace. When asked if enterprise risk management had improved transparency and accountability, the majority of respondents agreed, accounting for 56 percent of all responses. The study results confirm the applicability of the Theory of Inspired Confidence as independent internal audit functions are capable of providing an expected level of assurance to stakeholders Carmichael (2004), by reducing the inherent risk that information provided by management about the affairs of the organization might not accurately represent the state of affairs, which also confirms results established by (Holt & DeZoort, 2009). Given the overwhelming consensus among enterprise risk management on strongly agreed responses to the issues raised concerning Internal Auditors within the questionnaires, it's safe to assume that enterprise risk management plays a substantial role.

5.3 Conclusions

Internal audit training, the audit committee, and enterprise risk management were all used to analyze the extent to which internal audit can influence transparency and accountability. According to the findings of the study, all have a beneficial impact on transparency and accountability inside real estate firms in Kenya.

Internal audit staff training provided a foundational, contemporary, and scientifically sound understanding of internal auditing on both a conceptual and practical level, all while building on past knowledge and experience and focusing on quality improvement. Throughout the audit cycle, participants were assisted in becoming aware of and using the "International Standards for the Professional Practice of Internal Auditing - IPPF." Participants' communication, teamwork, and critical thinking skills were all improved and the need for internal audit independence and objectivity were discussed.

When it came to internal audit, the audit committee made sure that it was appropriately assigned and resourced, as well as having enough authority and standing to carry out its responsibilities effectively. It also guaranteed that management's response to the internal auditor's findings and suggestions was examined and overseen.

Finally, there's enterprise risk management. Internal auditors checked the risk management process and ensured that risks were correctly analyzed through enterprise risk management. It acted as a central point for risk coordination, monitoring, and reporting, as well as supporting management in deciding the best way to mitigate a risk.

5.4 Recommendations

Organizations should place a greater emphasis on the need of internal audit independence in order to improve transparency and accountability. When it comes to the audit committee, it should meet with the head of internal audit at least once a year, without management present, according to the research, because 14% of respondents indicated that it did not happen. Because 135% reported that this, too, did not happen, the audit committee should ensure that the head of internal audit has full access to the board chairman and the audit committee, and that he or she is held accountable to the audit committee.

5.5 Suggestions for Further Studies

The study did not go into great detail about how to enhance and improve the independence of internal audit functions, thus it suggests that more research be done on how to promote internal audit function independence in Kenyan real estate companies. Internal audit training, the audit committee, and business risk management were the only three variables studied. To determine the extent to which internal audit might influence transparency and accountability, more research should be conducted using various variables.

5.6 Limitations of the Research

A limitation was defined as a circumstance that made gathering information from the responder difficult or impossible. Some of the respondents took an unusually lengthy time to complete and return the questionnaire. Because some responders didn't fill out the forms completely, some questionnaires had to be discarded. Finally, some respondents did not participate in the data collection procedure because they did not feel the information would be used simply for academic purposes.

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APPENDICES

Appendix 1: Questionnaire

Dear Participant,

The purpose of this survey is to gather information on the role of internal auditors' independence in enhancing transparency and accountability in Kenyan real estate enterprises.

Your participation in this study is entirely voluntary, and the information you provide will be used solely for academic purposes. I respectfully request that all participants answer the questions honestly and to their best abilities. Select your answer by placing a check mark (✓) in the box next to it.

Thank you for taking part in this study.

RESPONDENT'S CONSENT:

I agree to participate in this research:

Yes

No

Part A: General Information

1. How long has your organization been working within the real estate industry?
 - 1-3 years
 - 4-6 years
 - 7-9 years
 - Over 10 years
2. What is your highest level of education attained?
 - Primary School
 - Secondary School
 - College Diploma
 - Undergraduate Degree
 - Post Graduate Degree
3. Select your exact job Title

- Chief Internal Auditor
- Manager
- Internal Auditor

PART B: Internal Audit Staff Training

Kindly indicate in the table with a tick (√) on the level of agreement.

5= strongly agree 4= Agree 3= Moderately Agree 2= Disagree 1= Strongly Disagree

No.	Internal Audit Staff Training	5	4	3	2	1	
1	Through internal audit staff training transparency and accountability has been improved.						
2	Internal audit staff training provides fundamental, current, and scientifically sound knowledge of internal auditing on both a conceptual and practical level, allowing trainees to complete a full audit cycle from the programming of the audit engagement plan to the drafting of the final report, all while building on prior knowledge and experience and focusing on quality improvement.						
3	Internal audit assists participants in being aware of and applying the "International Standards for the Professional Practice of Internal Auditing - IPPF" throughout the audit cycle, hence enhancing the internal auditor's profession.						
4	Internal audit aids in the development of communication, cooperation, and critical thinking skills among participants.						

5	The need of internal audit independence and objectivity is explained to trainees through the International Standards for the Professional Practice of Internal Auditing.						
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PART C: Audit Committee

Kindly indicate in the table with a tick (√) on the level of agreement.

5= strongly agree 4= Agree 3= Moderately Agree 2= Disagree 1= Strongly Disagree

No.	Audit Committee	5	4	3	2	1
1	Through the audit committee transparency and accountability has been enhanced.					
2	At least once a year, without management present, the audit committee meets with the head of internal audit.					
3	The audit committee ensures that internal audit is properly assigned and resourced, as well as having adequate authority and standing to efficiently carry out its duties.					
4	The audit committee ensures that the head of internal audit has full access to the board chairman and to the audit committee and is held to account to the audit committee.					
5	The audit committee examines and oversees management's response to the findings and recommendations of the internal auditor.					

PART D: Enterprise Risk Management

Kindly indicate in the table with a tick (√) on the level of agreement.

5= strongly agree 4= Agree 3= Moderately Agree 2= Disagree 1= Strongly Disagree

No.	Enterprise Risk Management	5	4	3	2	1
1	Through enterprise risk management transparency and accountability has been enhanced					
2	Internal auditors provide assurance on the risk management process and ensure that risks are properly analyzed through enterprise risk management.					
3	Internal auditors assess the risk management process and the reporting of important risks using enterprise risk management.					
4	It serves as a hub for coordinating, monitoring, and reporting on risks, as well as assisting management in determining the best method to reduce a risk.					
5	Enterprise risk management assists in the creation of an audit plan based on risk assessment for an internal audit unit to function effectively.					

PART E: Transparency and Accountability

Kindly indicate in the table with a tick (√) on the level of agreement.

5= strongly agree 4= Agree 3= Moderately Agree 2= Disagree 1= Strongly Disagree

No.	Transparency and Accountability	5	4	3	2	1
1	Adherence to current legislation as well as internal regulations and standards.					
2	Assurance on the credibility, trustworthiness, and usefulness of accounting documents.					

3	Adoption of objective and transparent auditing standards, processes, and methods.					
4	High ethical and integrity requirements for all levels of personnel within the organization.					
5	Effective communication within the organization.					

Thank you for your time

