INTERNAL AUDIT FUNCTION AND ITS INFLUENCE ON ORGANIZATIONAL PERFORMANCE OF SEMI AUTONOMOUS AGENCIES IN THE STATE DEPARTMENT OF ENERGY IN NAKURU COUNTY, KENYA

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DECLARATION

Declaration by the Student

I, the undersigned declare that this research project report is my original work and it has never been submitted to any other college or institution of higher learning for award of any academic grade.

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DEDICATION

I dedicate this research work to my daughter Faith Jepchumba and my son Fabian Kibiwot as an inspiration to grow up as hardworking, determined and successful persons in future.

ABSTRACT

Semi-autonomous government agencies within the state department of energy are critical to the taxpayer and the government for efficiency in public service delivery. Diverse studies have examined the role of internal audit on the organizational performance but do not link internal audit to organizational performance within semi-autonomous state agencies in Energy department. This study sought to fill this gap by targeting semi-autonomous agencies in the State Department of Energy in Nakuru County, Kenya. The study specifically sought to establish the influence of independence of internal audit, professional competencies, internal controls, management support to internal audit functions on organizational performance of semi-autonomous agencies in the state department of energy in Nakuru County, Kenya. The study was guided by agency theory and human capital theory. The study used correlational research design. The target population of the study was 72 individuals who comprised of internal auditors and senior management of the five semi-autonomous agencies in the state department of energy in Nakuru County. This study used census method to study all the population of the study, implying that the sample for the study was 72 respondents. This study used closed ended questionnaires to collect data from the study respondents. To ensure content validity of the research instruments, the researcher constructed the instruments in line with the research objectives of this study. A Cronbach alpha coefficient of a threshold of 0.7 and above was used to imply reliability. The pilot study was carried out in Kenya Power and Lightening Company in Kericho County. Descriptive statistics including frequencies mean and standard deviation were done on the data. For inferential statistics, Pearson correlation and multiple linear regression were used. Findings of the study on independence of internal audit are helpful to various stakeholders including semi-autonomous agencies in the state department of energy in Kenya, employers in state department of energy, directors of state corporations, management teams of corporations and academicians and future researchers in related fields. The study established that the observed values of the performance of semi-autonomous agencies in the state department of energy in Nakuru County were strongly related to the predicted values of the same variable as indicated by an R value of 0.826. The study further established that 68.2% of the variation in the performance of semi-autonomous agencies in the state department of energy in Nakuru County was due to the changes that occur in management support, professional competencies, independence and internal controls of the agencies. This is because of a coefficient of determination of 0.682 (R-Square). The influence of independence of internal audit was found to be statistically significant at 5% significance level due to a $p<0.05$ and t-statistic value of 6.721. The study further found that there is statistically significant influence of internal controls on organizational performance of semi-autonomous agencies in the state department of energy in Nakuru County, Kenya. The study found that there was a statistically significant influence of management support to internal auditing on internal organizational performance of semi-autonomous agencies in the state department of energy in Nakuru County, Kenya. The study faced low response rate due to the nature of work of internal auditors and senior management of semi-autonomous agencies in the state department of energy. This was mitigated through drop and pick method of questionnaire administration.

Key Words: *Internal Audit, Internal Controls, Management Support, Professional Competencies, Semi-autonomous Agencies*

TABLE OF CONTENTS

LIST OF TABLES

LIST OF FIGURES

ABBREVIATIONS & ACRONYMS

ERC: Energy Regulatory Commission

GDC: Geothermal Development Company

IPPs: Independent Power Producers

KENGEN: Kenya Electricity Generating Company

KETRACO: Kenya Electricity Transmission Company

KNEB: Kenya Nuclear Electricity Board

KPLC: Kenya Power and Lighting Company

NACOSTI: National Commission of Science, Technology and Innovation

REA: Rural Electrification Authority

SPSS: Statistical Software for Social Sciences

OPERATIONAL DEFINITION OF TERMS

Internal Audit: Is an independent, objective assurance and consulting activity designed to add value and improve an organization's operations, which helps an organization accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control, and governance processes (Kitolo, 2016). In this study internal audit will be defined as the process of monitoring the performance of semi-autonomous agencies in state department of energy in Kenya to ensure that there is fulfillment of its objectives.

Internal Controls: Is the process of ensuring that an organization meets its objectives by putting in place mechanisms to prevent malpractices in the organizations (Nwannebuike & Nwadialor, 2016). In the current study, internal controls refers to supervision of employees and operations of semi-autonomous agencies in state department of energy in Kenya.

Professional Competencies: Refers to the qualification of internal auditors, which may include the internal auditors being updated on the current audit practices and requirements (Kipng'eno, 2011). In this study, professional competencies will refers to the work experience, academic qualification, auditor's record of accomplishment and membership to professional audit bodies of internal auditors in semi-autonomous agencies in state department of energy in Kenya.

Auditors' Independence: The state of not being influenced by external forces resulting to interference of audit functions in an organization (Hailemariam, 2014). In this study, auditor's independence will refer to ability of internal auditors in semi-autonomous agencies in state department of energy in Kenya to carry out their duties without being compromised.

Management Support: It refers to the management teams of an organization embracing the activities of internal auditors (Baheri, Sudarmanto & Wekke, 2017). In this study, management support to audit refers to level of communication, provision of reliable and relevant information, response to audit queries and recommendations in semi-autonomous agencies in state department of energy in Kenya.

CHAPTER ONE
INTRODUCTION

1.1   Background of the Study

The primary functions of the government is service delivery to its citizens in diverse public utility goods such as education, security, and infrastructure amongst other services. In the government public service delivery, there might be need to form semi-autonomous agencies to perform specific functions with a view of improving efficiency. According to Abang'a, (2017) semi-autonomous government agency refers to public entities delivering public utility goods or services but operate independently from the government with a capacity to generate their own resources (Mugo, 2016). According to Thiel (2009) government form semi-autonomous agencies due to diverse efficiencies that can be achieved in the public goods and services that they provide. In this context, some of the ways in which efficiencies are created include reduction of bureaucracy and political interference associated with government operations, decision flexibility in operational aspects, and operation in more business-like behaviour (Monakedi, 2012). Other ways in which efficiencies is achieved include creation of customer centric environments and flexibility in resources usage. Amongst the tasks undertaken by the semi-autonomous organizations include regulatory aspects of specific industries, policy implementation aspects, and diverse service delivery components (Kibisu, Muturi, & Elijah, 2014).The degree of being autonomous would vary from one organization to another.

Given their importance in public service delivery, the organizational performance of semi-autonomous government agencies is critical to the taxpayer and the government. The organizational performance relates to the ability of an organization to meet its stated objectives over a period of time. These objectives could relate to diverse aspects such as efficiency, effectiveness, and relevancy of the organization in its stated operations. Effectiveness relates to the organizational services ability to meet client's demands while efficiency relates to value for money, time and effort in relation to meeting organizational objectives. On the other hand, organizational relevancy relates to the ability of the firm to respond to changes in its operational environment. Diverse indicators have been used to measure organizational performance including service quality, customer service, product and services innovation, and customer satisfaction. Other aspects   financial management,

procurement performance, employee productivity, technology uptake levels, compliance to regulatory requirements, employee turnover, market share, product relevancy, management turnover, and corporate governance practices.

Challenges in organizational performance has necessitated measures to detect them and to address them as well. Amongst the aspects that are used in this effort include internal audit practices. Unegbu and Kida (2011) indicates that internal audits relates to the measures undertaken by organizational authorities to evaluate the efficiency and effectiveness of controls established by management for smooth running of the organization. On the other hand, Nwannebuike and Nwadialor (2016) indicates that the internal audit are a set of measures undertaken by organization in order to evaluate effectiveness of financial and operations controls, confirm adherence to organizational policies, and verify accuracy of organizational reports. Internal audit has also been noted as an independent and objective assurance designed to add value to the organizational operational activities.

1.1.1 Global Perspective of Internal Audit and Organizational Performance

Scholars around the world have examined the influence of internal audit and organizational performance of government entities. In Nigeria, Unegbu and Kida (2011) noted that internal audit functions face diverse challenges compromising their efficiency levels in addressing organizational performance inadequacies in public sector. These challenges include lack of audit manual in public sectors, use of non-career auditors in auditing purposes, stagnation of career growths for internal auditors, lack of professional independence and increase in scope of work for auditors. These aspects have been found to have an influence on the efficiency levels of internal auditors.

Nwannebuike and Nwadialor (2016) note that most public sector organizations have inadequate organizational performance aspects. In this context, the public sector organizations have failed to deliver on their mandates due to several factors including ineffective resource usage, and corruption practices. To address these challenges amongst others, Nwannebuike and Nwadialor (2016) notes the importance of internal audit as possible solution.

In Ethiopia, the government recognizes the importance of internal audit in contributing to the organizational performance of public sector bodies in the country. This is due to the critical role of the public sector bodies in economic development in the country. Therefore, economic development of the country is dependent on the public sector bodies in Ethiopia amongst other aspects (Hailemariam, 2014). Noting the importance of public sector organizational performance, the Ethiopian government has historically deployed diverse audit practices for the sector. The first initiative was an audit directive by the ministry of finance in 1942 that focused primary on public funds expenditure. Major significant development in audit practices for the public sector was the establishment of the office of the auditor general in 1961 (Hailemariam, 2014). Proclamation 13/1987 indicated that audit must be undertaken in the public sector bodies in relation to the three aspects; proper maintenance and reliability of accounting records, safeguarding of public assets and adherence to laid down processes and procedures.

1.1.2 Local Perspective of Internal Audit and Organizational Performance

In Kenya, organizational performance of semi-autonomous agencies is critical to the government public service delivery and to the Kenyan tax payer and citizens. The organizational performance of these semi-autonomous agencies in Kenya are often wanting. Kitolo (2016) noted that semi-autonomous agencies in Kenya are faced by diverse organizational performance challenges including inefficiencies, and ineffectiveness in service delivery and other operational aspects. Financial irregularities have been noted as a major organizational performance challenge for semi-autonomous government agencies. The importance of the organizational performance in diverse government institutions including the semi-autonomous government agencies is spelt in diverse legal provisions. The constitution of Kenya under article 232 (1) (b) notes that public service must be undertaken in efficient, effective, and economic use of resources (Government of Kenya, 2013). On the other hand article 232 (1) (c) states that public service delivery must be undertaken in a responsive, prompt, effective, impartial, and equitably (Government of Kenya, 2013).

The government of Kenya recognizes the importance of internal audit on the government organizations' performance. The Government of Kenya as stated by the Public Finance Act of 2012 views internal audit as an independent, objective assurance and consulting activity designed to add value and improve an

3

organization's operations, which helps an organization accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control, and governance processes (Government of Kenya, 2012). Amongst the notable development in internal audits for the government bodies included the treasury circular No. AG3/086/6/ (61) of 8th August 2000 indicated that all government departments and organizations must establish audit committees (Obonyo, 2017). Circular No 15/2005 operationalized the audit committees in government organizations through provision of guidance of the internal auditors role in enhancing oversight, governance, transparency and accountability. Circular No 18/2005 detailed the action management must undertake in response to audit reports (Obonyo, 2017). The Mwongozo code of governance for state corporations indicates that the state corporations should be subjected to an annual governance audit on diverse issues including financial management, and effectiveness of internal control aspects.

In Kenya, the Public Finance Management Act of 2012 sections 73 (3) details the items that should be audited in all public bodies under national government inclusive of semi-autonomous government bodies (Government of Kenya, 2012). These aspects include governance mechanisms to ensure transparency and accountability; risk based, value-for-money and systems' audits to strengthen internal control systems; assets verification aspects; adherence to institutional policies, procedures and good business practices and robustness of decision making in the organizations (Government of Kenya, 2012).

1.1.3 Semi-Autonomous Agencies in State Department of Energy

The ministry of energy is composed of two state departments, that is, state department of energy and petroleum. Within the state department of energy, there are nine semi-autonomous agencies that is Energy Regulatory Commission (ERC), Energy Tribunal, Kenya Power and Lighting Company (KPLC), Kenya Electricity Generating Company (KenGen), and Rural Electrification Authority (REA). Others are Geothermal Development Company (GDC), Kenya Electricity Transmission Company (KETRACO), Kenya Nuclear Electricity Board (KNEB), and Independent Power Producers (IPPs). These semi-autonomous agencies undertake diverse functions. The ERC is a regulatory body charged with formulation, and oversight

activities related to energy sector. The energy tribunal arbitrates disputes within parties in the sector. KPLC is charged with the transmission, distribution and supply of electricity to the consumers while KenGen generates the electricity power for usage. REA is mandated to facilitate electricity transmission within the rural regions while GDC undertakes geothermal energy exploration. The KETRACO undertakes the design, construct, own, operate and maintain new high voltage (132kV and above) electricity transmission grid and regional inter-connectors. On its part, the KNEB is mandated to develop nuclear electricity in the country while IPPs supplement the activities of GDC and KenGen from a private sector perspective.

1.2   Statement of the Problem

Performance of semi-autonomous government agencies is critical for the economic development of the county and in enabling the government to provide public utility goods and services. In this context, the constitution of Kenya under article 232 (1) (b) notes that public service by government organizations such as semi-autonomous government agencies must be undertaken in efficient, effective, and economic use of resources (Government of Kenya, 2013). On the other hand article 232 (1) (c) states that public service delivery must be undertaken in a responsive, prompt, effective, impartial, and equitably (Government of Kenya, 2013). Despite the critical importance of semi-autonomous agencies within the state department of energy in the country's social-economic developments, these agencies are facing diverse organizational performance challenges. These challenges include poor financial performance by Kenya power relative to investments undertaken, integrity concerns touching on top management of both Kenya Power and Pipeline, and poor audit outcomes at Geothermal Development Company.

The Office of the Auditor-General., (2016), noted diverse organizational performance challenges for The Energy Regulatory Commission (ERC) including an increase in liabilities from Ksh. 114,310,500 in the 2014/15 financial year to Ksh. 144,121,971 in the 2015/16 financial years. At GDC, Office of the Auditor General, (2016) noted diverse challenges including noncompliance and adherence to tax laws. The audit report for the 2015/16 financial year indicated outstanding tax liabilities amounting to Ksh 1,656,555,000. GDC had thus incurred a penalty from Kenya Revenue Authority to the tune of Ksh 405,572,000. The report further noted procurement irregularities and contractual obligations that didn't provide value for money for GDC (Office of

the Auditor General, 2016). Similar to GDC, KNEB had challenges in meeting its tax obligations leading to a tax liabilities of Ksh 97,381,954 for the 2015/2016 financial year (Office of the Auditor-General, 2016a).

Internal audit is of importance to organizational performance since it helps in prevention of financial frauds, enhancing adherence to internal controls and organizational regulations, and identification of systematic weaknesses amongst other aspects (Ejoh & Ejom, 2014; Farahsa & Tabrizi, 2015; Yang, Yang, & Chen, 2014). While diverse studies have examined the role of internal audit on the organizational performance such as Bett (2014) and Ejoh and Ejom (2014), these studies don't link internal audit to organizational performance within semi-autonomous state agencies in Energy department. This study therefore sought to examine the influence of internal audit on organizational performance of semi-autonomous agencies in the State Department of Energy in Nakuru County, Kenya.

1.3   Objectives of the Study
1.3.1   General Objective
The general objective of the study was to examine the influence of internal audit on organizational performance of semi-autonomous agencies in the State Department of Energy in Nakuru County, Kenya.

1.3.2   Specific Objectives
The study sought to achieve the following research objectives;

1. To examine the influence of independence of internal audit on organizational performance of semi-autonomous agencies in the state department of energy in Nakuru county, Kenya.

2. To investigate the influence of professional competencies of internal auditors on organizational performance of semi-autonomous agencies in the state department of energy in Nakuru county, Kenya.

3. To examine the influence of internal controls on organizational performance of semi-autonomous agencies in the state department of energy in Nakuru county, Kenya.

4. To assess the influence of management support to internal auditing on organizational performance of semi-autonomous agencies in the state department of energy in Nakuru County, Kenya.

1.4   Research Hypotheses

The study was carried out to test the following research hypothesis.

H_{O1}: There is no statistically significant influence of independence of internal audit on organizational performance of semi-autonomous agencies in the state department of energy in Nakuru County, Kenya.

H_{O2}: There is no statistically significant influence of professional competencies of internal auditors on organizational performance of semi-autonomous agencies in the state department of energy in Nakuru County, Kenya.

H_{O3}: There is no statistically significant influence of internal controls on organizational performance of semi-autonomous agencies in the state department of energy in Nakuru County, Kenya.

H_{O4}: There is no statistically significant influence of management support to internal auditing on internal organizational performance of semi-autonomous agencies in the state department of energy in Nakuru County, Kenya.

1.5   Significance of the Study

The study is important in establishing the influence of independence of internal audit, professional competencies, internal controls, management support to internal audit functions on organizational performance of semi-autonomous agencies in the state department of energy in Nakuru County, Kenya. Findings on independence of internal audit help the semi-autonomous agencies in the state department of energy in Kenya to embrace objective auditing free from internal or external interferences. The findings from this study are crucial to employers in state department of energy in guiding them towards the best skills and competences to seek in the internal audit department of their organization. Established relationship between internal controls and organization performance is of great importance to directors of state agencies in monitoring and evaluating the performance of various departments in the corporation. The findings and recommendations of this study guide the management teams of government agencies in determining their contribution towards success or failure of audit roles their department. The study adds to the available literature on internal audit

and organizational performance which helps academicians and future researchers in related fields to gather literature as basis for their investigations.

1.6   Scope of the Study

The current study was carried out in five semi-autonomous agencies in the state department of energy in that have their presence in Nakuru County in Kenya, namely; The Kenya Power and Lighting Company (KPLC), The Kenya Electricity Generating Company (KenGen), Rural Electrification Authority (REA), Geothermal Development Company (GDC), and Independent Power Producers (IPPs). The content scope was to investigate influence of independence of internal audit, professional competencies, internal controls, management support to internal audit functions on organizational performance. The time scope of this study was six months starting from July 2018. The population scope of the study was 72 individuals who comprised of internal auditors and senior management of the nine semi-autonomous agencies in the state department of energy in Nakuru County.

1.7   Limitations and Delimitations of the Study

The study expected to face some challenges in executing the study but mitigated the challenges through various ways. These limitations included low response rate due to the nature of work of internal auditors and senior management of semi-autonomous agencies in the state department of energy. The study allocated a two weeks period for data collection to allow ample time for the respondents to fill the research questionnaire. This helped increase the study response rate (83.3%). The study sought services of research assistants to help in distributing questions to nine state corporations sampled. This helped to ensure that the study was carried out within the stipulated time.

The study was delimited in scope in diverse ways. There are many internal audit functions that may affect the organizations' performance but in this study, four functions were investigated. These factors were; independence of internal audit, professional competencies, internal controls and management support to internal audit functions. The four variables were selected based on the available literature on internal auditing and organizational performance. There are forty seven counties in Kenya but the current study was carried out in only one county. This was so since all

the semi-autonomous agencies in the state department of energy in Kenya have similar internal audit functions and structure regardless the county of operation and therefore the findings can be generalized to other parts of the county.

CHAPTER TWO
LITERATURE REVIEW

2.1 Introduction

This chapter presents the literature review in the context of internal auditing and organization performance. It gives the theories that are relevant in the context of internal auditing as well as presenting the literature review from empirical studies on internal auditing. From the literature, identifies research gaps that the current study seeks to fill. The chapter concludes by giving the conceptual framework for the study.

2.2 Theoretical Framework

The study was guided by agency theory and human capital theory.

2.2.1 Agency Theory

The proponents of the theory are Jensen and Meckling in the year 1976. The theory was developed to explain the relationship that exists in a work place. Agency theory states that in a work place, one party may assign another party some duties to do. According to the theory, the party giving out the assignment is referred to as principal and the arty that undertakes the assignment is referred to as the agent. This relationship is called principal-agent relationship. However, this relationship faces some challenges due to asymmetry of information resulting into moral hazard problem. Asymmetry of information refers to the situation whereby the agent is more knowledgeable of the roles to be executed. In respect to this, the agent my undertake risks or display unacceptable behaviour since the agent dies not bear the cost of such behaviour. This is refereed to moral hazard problem (Baheri, Sudarmanto & Wekke, 2017).

To prevent principal agent problem, the principal may put in place some measures to ensure that the agent acts to the best of interest of the principal. Such measures maybe internal controls (Gyebi & Quain, 2013). When there are internal controls, the agent will be monitored to ensure that there is no deviation from the deliverables of the assignment. Therefore, the role of agent theory is to solve principal –agent problems as witnessed in a work place. There are however some critique to agency theory in terms of its assumption that the agent works towards a common interest with the principal (Asaolu, Adedokun & Monday, 2016). Agent sometimes may have different

goals from that of the principal and therefore act contrary to the expectations of the agent. However, the theory has been widely used in internal auditing to explain the role of auditing in ensuring the organization attains its goals objective (Brian (2013) and Mutua (2017)).

Agency theory is therefore relevant to this study in guiding on internal auditing aspects such as receipts reconciliation to ensure there are no financial malpractices, setting out ethical code of conduct by employees in the state agencies, regular assessment of risks in the Agency, segregation of roles to discourage unethical practice by employees and close supervision of employees in the state corporation (Matillda, 2013).

This study used the agency theory in guiding the study towards establishing the influence of internal controls and internal audit in general on organizational performance of semi-autonomous agencies in the state department of energy in Nakuru County, Kenya.

2.2.2   Human Capital Theory

Human Capital Theory was proposed by Gary Becker in the year 1993. The theory explains how an organization combines its internal competencies in terms of knowledge, skills and experience of employees to gain economic value. According to the proponents of the theory, human resource is the unit of economy for the organization. The theory asserts that an investment in the employees of an organization is measured not according to wage bill of the organization but the performance output of the employees (Juma, 2014). In other words, an organization that has high productivity of its human resource implies high investment on the employees. When there is good performance of employees, the organization attains high internal economic value. The theory adds that the human capital can be divided into cultural capital, social capital, economic capital and symbolic capital. Cultural, social and symbolic capital can be measured in terms of the level an individual contributes to the society. Economic capital refers to the extent in which through their labour, individuals are able to add economic value to an organization. The theory states that the economic capital can be improved through training, education and experience (Githinji, 2013).

11

However, there is some critique to the theory in that some social aspects of Human capital cannot be measured through economic value estimation. In this regard, some employee may be of great importance to the organization but their contribution may not be measurable through economic means (Kipng'eno, 2011). Another critique of the theory is that, not all potential or skills that an employee has will be utilized in then organization. This may be due to underutilization of employees are limiting job specifications according to organization's goals. This theory has however been used in diverse studies to explain the role of employee skills, capabilities and competencies in organization performance (Shamsuddin, Manijegar, Kirupanangtan, Rahman & Selvanathan, 2014).

The Human Capital Theory was relevant to this study in explaining the influence of professional competencies of internal auditors on organizational performance of semi-autonomous agencies in the state department of energy in Nakuru County, Kenya.

2.3 Empirical Review

This section reviewed literature in regard to independence of internal audit, professional competencies, internal controls, management support to internal audit functions.

2.3.1 Independence of Internal Audit and Organizational Performance

The ability of the internal auditors to work independently has been studied by a number of scholars in diverse contexts with its relation to the performance of organizations. Shamsuddin, Manijegar, Kirupanangtan, Rahman, and Selvanathan (2014) carried out a study to examine the factors affecting internal audit in Malaysian public sector. One of the study objectives that the study sought to achieve was to examine the influence of independence of internal auditors on the organizational performance of public sector in Malaysia. In doing so, the study used exploratory research design. The study conducted face to face interviews with eight internal auditors and one external auditor. The study established that it was difficult for internal auditors to attain full independence since they were auditing their colleagues in the same organization. In respect to this, the auditors interviewed cited that they always favour their bosses in their internal audit in order to secure their jobs. Mostly internal auditors performed their work in respect to the directions of their bosses whom they audit. All the auditors interviewed cited that internal audit in public sector

was not independent and objective due to interference of the top management of the public sector organizations.

A study carried out by Kitojo (2014) in a local authority in Shinyanga region of Tanzania, sought to examine the effectiveness of internal audit in addressing financial challenges in public sector organizations. One of the study objectives was to identify factors hindering the efficiency in financial amazement of the public sector organizations. The study used a case study research design with a population of 165 employees from Shinyanga Local government Authority. The target population comprised of internal auditors, finance committee, audit committee, accountants and head of departments. A sample of 62 respondents was determined using a probabilistic sampling formula. Questionnaires were the main data collection tools for the study. The study established that out of the six councils in Shinyanga Local government Authority, four of them had a mean score of less than 2.5 in rating the independence of their internal auditors in a scale of 1=Strongly Disagree and 5=Strongly Agree. It was therefore found out that on average there was no independence internal unit functions in Shinyanga Local government Authority in Tanzania. Using regression analysis, it was found out that auditor's independence was correlated to efficiency of internal audit (correlation coefficient of 0.028) and workplace relationships at a correlation coefficient of 0.366, at 0.05 level of significance.

Ongeri (2011) carried out a study to examine the effect of internal audit on the management of Local Authority Transfer Fund. The study was done in Kisii Municipal Council. The study specifically focused on effectiveness of internal audit in disbursement of Local Authority Transfer Fund of the municipal council of Kisii. Using a descriptive research design, the study targeted 124 employees of the municipal council of Kisii and through sampling 62 employees were picked. To obtain its data, the study used questionnaires. Using a five point Likert scale, the study established that on average, the independence of internal auditing improved the level of service delivery (mean=4.464), financial management (mean= 4.071) and reduced the level of debts (mean=4.464) of the municipal council of Kisii. The study recommended the municipal council of Kisii to make the internal audit unit independent and not to interfere with its operations.

Focusing on Ethiopian public sector offices. a study by Hailemariam (2014) sought to establish the determinates for effective internal audit practices. The study sought to establish whether the independence of internal auditors determines the performance of public sector offices in Ethiopia. The study targeted 72 public sector offices in Ethiopia and from which 15 public sector offices were selected through purposive sampling. Questionnaires were used to collect data for the study. The study established that organizational independency was correlated with the efficiency of audit functions in public sector offices at a correlation coefficient of 0.179. The study further established that a unit increase in the level of auditor's independence, the level of audit efficiency increases by 0. 135 provided that other factors were held constant due to a beta coefficient of 0.135. This influence was found to be statistically significant at 5% significance level.

2.3.2 Professional Competencies of Internal Auditors and Organizational Performance

The performance of an organization has been seen to be affected by the level of competency of its internal auditors. This evidence has been portrayed by a several scholars in different contexts. Shamsuddin, Manijegar, Kirupanangtan, Rahman and Selvanathan (2014) accrued out a study to determine the effectiveness of internal auditing in Malaysian public sectors. One of the factors that Shamsuddin *et al.* (2014) sought to find out is how auditors' competence affects the effectiveness of auditing in public sector in Malaysia. The study established that despite immense training by the government of Malaysia through the treasury, the skills of the internal auditors in public sector offices was low. The internal auditors could not produce a detailed report of the audit. The respondents interviewed agreed that the inadequate knowledge and skills by internal auditors resulted to poor audit practices in the public sector in Malaysia.

Focusing on Kenyan ministries, Kipng'eno (2011) carried out a study to examine the effectiveness of audit committees in addressing audit challenges in public sector. One of the factors that the study focused on is the competency levels the auditors in the audit committees. To achieve its objectives, the study used survey research design and targeted all the ministries in Kenya. The target population for the study comprised of 42 staff working in the department of finance and accounting from all ministries in

Kenya. This formed the sample size for the study. Questionnaires based on a five pint Likert scale were used to collect data. The study established that 55% and 35% of the internal auditors in public sector audit committees were competent in auditing aspects to great and moderate extent respectively. The study further established that the level of competency of auditors determined the quality of audit work in government ministries (mean=4.2) and that the level of knowledge on auditing determined the techniques the auditors used in auditing process of the government ministries (mean=4.5).

Juma (2014) carried out a study to establish the reason for poor performance of auditing in Zanzibar Electricity Corporation. The study adopted cross section survey research design. The total of 100 employees concerned about auditing and accounting aspects for the corporation were targeted and all of them included in the sample of the study. Interviews were conducted on all respondents. The study established that 54.4% of the internal auditors had an undergraduate degree qualification and 23.5% with master's qualification. In regard to experience of auditors in the corporation, the study established that 22.06% of the respondents had an experience of between 1-3 years and 26.47% of them had an experience of between 4-7 years. Majority (33.82%) of the respondents had an experience of 8-11 years and the rest (17.65%) with an experience of 12 years and above. Most of the respondents agreed (27.9%) and strongly agreed (44.1%) that employment of auditors was based on their professional and academic qualification and working experience.

Focusing on Kenya Urban Roads Authority, Githinji (2013) focused on the factors that determined the effectiveness of auditing in state corporations in Kenya. Among the factors the study dealt with was the effect of training of audit committee members on auditing aspects on the performance Kenya Urban Roads Authority. The study used descriptive research design. The target population for the study was 375 which comprised of the top management of the corporation. A sample of 40 respondents was chosen for investigation by the study. Using research questionnaires, the study established that majority of the respondents agreed (strongly agree =42.5%; Agree=45.0%) that training of audit committees enables committee members to understand auditing standards to apply. The study further established that training was source of understanding of incentives and aspects of management deception in

auditing as supported by 35.0% and 47.5% of the respondents who strongly agreed and agreed respectively to the statement.

2.3.3   Internal Controls and Organizational Performance

Previous studies have outlined various links between internal controls and organizational performance. For instance, Matillda (2013) carried out a study to examine the internal controls put in place in regard to cash receipts of the district council of Mkurunga in Tanzania. The study specifically sought to establish the documentation procedure out in place on cash receipts and also the use if ICT in internal controls. The study used a sample of 20 employees from the district council of Mkurunga. Data was collected through the use interviews, questionnaires and observation. The study found out that to a large extent, there was implementation of internal controls on receipts as supported by 93% of the respondents. The study further found out that 80% of the respondents were in agreement that there was proper control of money received by the district council. All (100%) the respondents were in agreement that there were mechanical devices for safeguarding cash and only authorized staff was allowed to access the cash offices. In regard to receipts reconciliation, the study established that on regular basis, the receipts received and deposited slips were reconciled as supported by 66.7% of the respondents.

Focusing on Kenya Revenue Authority, Brian, (2013) sought to establish the effectiveness of internal controls on revenue management. The study adopted case study design and targeted all custodians of the internal control systems. The sample size for the study comprised of 38 employees of KRA. Questionnaires were used to collect data for the study. It was established that there was Accounting and Financial Management System put in place (mean=4.08) as well as laid-down policies, procedures and documentations (mean=2.78) for the purposes of internal control. The study further established that there was segregation of roles (mean=3.21), high integrity values among management team (mean=3.29) and existence of ethical values among staffs (mean=3.11). The study further established that there is close supervision (mean=3.08), corrective action (mean=3.21) and employee rotation on periodic basis (mean=3.05) in order to prevent any unethical practice by employees.

Mutua (2017) carried out a study in commercial state corporations in Kenya to establish the link between internal controls and revenue collection. The research design used by the study was descriptive cross-section design. The study sampled all the 54 commercial state corporations in Kenya. Using correlation analysis, the study established that three was a positive correlation between control environment ($r=0.572$), risk assessment ($r=0.571$), control activities ($r=0.595$), information and communication ($r=0.504$), monitoring ($r=0.557$) and the revenue collection. These correlations were significant at 1% significance level. Upon using the regression analysis, it was revealed that 67.5% of the variation in revenue collection was attributable to control environment (Beta coefficient of 0.215), risk assessment (Beata coefficient of 0.306), control activities (Beta coefficient of 0.241), information and communication (Beta coefficient of 0.376) and monitoring (Beta coefficient of 0.263). This was supported by a R-Square value of 0.675 and $p<0.05$.

A study by Gyebi and Quain (2013) sought to find out the control measures that are put in place in cash collection by the electricity suppling company in Ghana. The study was guided by survey research design. Through random sampling, a sample of 70 employees was selected for the study. Questionnaires were used in data collection. From the study findings, 94.3% of the respondents cited that there are written procedures controlling cash handling in the electricity company. The study further established the company carries background checks for new employees before being assigned any roles in the company as cited by 65.75 of the respondents. Other internal control aspects cited by respondents included issuance of receipts to clients (94.3%), securing cash offices (100%), balancing accounts for every change of operators (100%) and notifying the internal auditors in case of unexpected cash shortage (65.7%).

2.3.4 Management Support to Internal Audit Functions and Organizational Performance

From previous studies conducted by researchers in the context of internal auditing, support of audit functions by the management of an organization results to some benefits. A study done by Asaolu, Adedokun and Monday (2016) sought to describe the status of internal audit in local governments in Malaysia. Out of a target population of 202 bodies which comprised of the state governments, statutory bodies

and local governments, a sample of 54 entities were selected through purposive sampling. Data was obtained by conducting interviews through telephone calls. It was found out that the top management recognizes the roles of internal audit unit in the organization (Agree=77.1%), implements the recommendations by the internal audit (Agree=85.7%) and that the audit unit receives feedback from the organization management on audit queries (Agree=82.9%).

Another study by Baheri, Sudarmanto and Wekke (2017) in public universities sought to find out whether management support has an influence of the effectiveness of audit functions in the universities. The study used a sample of 37 respondents which comprised of auditors from Malang State University. A simple linear regression was used to test the hypothesis that there is no significant influence of management support on the effectiveness of the internal audit practices of public universities. The study was established that there was a positive influence of management support on the internal audit in public universities due to t-statistic greater than the critical value. However, this influence was found to be statistically insignificant due to p-value less than the significance level. This led to the acceptance of the null hypothesis of the study.

Dawuda (2010) carried out a study to examine the effect of internal audit units in promoting good governance in metropolitans in Ghana. To achieve its objectives, the study used descriptive research design and target population of 68 respondents who comprised on auditors and finance offices. A total of 56 employees were sampled. Data collection tools included questionnaires and interviews. The findings of the study were that the top leadership of the metropolitan complied with the laws and regulations (72.4%), supported monitoring of budget implementation (75.9%), offered support in monitoring the use of public resources and also provided funds to protect the resources (89.7%). The leadership was actively involved in assessing any deviations from the ethical guidelines of the metropolitan (79.3%). The study however established that 86.9% of the respondents cited that leadership was reluctant in supporting the audit unit in their examination of productivity of employees.

Hailemariam (2014) carried out a study to examine effectiveness of internal auditing in Ethiopia public offices. One of the study objectives was to identify how management support influences internal audit practices. The study was based on a quantitative approach. Correlations and multiple linear regression were used to tests the research hypotheses. The study established that management support was correlated to effectiveness of internal auditing at a correlation coefficient of 0.339 and significant at 5% significance level. Using regression analysis, it was found out that one unit increase in the level of management support to audit functions, the level of efficiency of internal audit increases by 1.705 units provided that other factors are held constant. This is due to an unstandardized beta coefficient of 1.705. This influence was found to be statistically significant at 1% significance level.

2.4   Knowledge Gap

The study has reviewed literature in respect to internal audit and organization performance. In reviewing the literature from past studies, research gaps have been identified and to which the current study seeks to fill. Shamsuddin, Manijegar, Kirupanangtan, Rahman, and Selvanathan (2014) carried out a study to examine the factors affecting internal audit in Malaysian public sector. However, this study was done outside Kenya and therefore a contextual research gap that the current study seeks to fill. The study was qualitative in nature and therefore could not quantify the effect of internal audit on organizational performance, an aspect that was established by the current study.

Similarly, a study carried out by Kitojo (2014) in a local authority in Shinyanga region of Tanzania, to examine the effectiveness of internal audit in dressing financial challenges in public sector organizations and study by Hailemariam (2014) focusing on Ethiopian public sector offices that sought to establish the determinates for effective internal audit practices were also done outside Kenya. There is therefore a contextual research gap to be filled by the current study. A study by Ongeri (2011) to examine the effect of internal audit on the management of Local Authority Transfer Fund presents a methodological research gap in that it only used descriptive statistics and therefore failed to establish the link between the variables under investigation. The current study used regression analysis to establish the influence of independence of internal audit on organizational performance.

Juma (2014) carried out a study to establish the reason for poor performance of auditing in Zanzibar Electricity Corporation. The study presents both methodological and contextual research gaps. Methodologically, the study analyzed frequencies only and therefore failing to establish the link between the study variables. The current study used regression analysis to show the influence of professional competencies of internal auditors on organizational performance. Contextually, the reviewed study was done in Zanzibar while the current study was done in Kenyan context. Focusing on Kenyan ministries, Kipng'eno (2011) carried out a study to examine the effectiveness of audit committees in addressing audit challenges in public sector while Githinji (2013) focused on the factors that determined the effectiveness of auditing in Kenya Urban Roads Authority. Though on Kenya context, the two studies did not establish the link between professional competencies of internal auditors and organizational performance due to use of frequencies only. The current study filled this methodological gap by use of inferential statistics.

Matillda (2013) carried out a study to examine the internal controls put in place in regard to cash receipts of the district council of Mkurunga in Tanzania while Gyebi and Quain (2013) sought to find out the control measures that are put in place in cash collection by the electricity supplying company in Ghana. The two studies were done outside Kenya and also did not use inferential statistics to establish the relationship between internal controls and organizational performance. The current study filled the contextual gap by carrying out a study in Kenya. The methodological gap was filled by use of regression analysis whereby the influence of internal controls on organizational performance was established. Focusing on Kenya Revenue Authority, Brian (2013) sought to establish the effectiveness of internal controls on revenue management. The study presents contextual gap in that it was done in Kenya Revenue Authority while the current study was done on semi-autonomous agencies in state department of energy. Again, the study by Brian (2013) only utilized descriptive statistics and therefore did not statistically establish the link between the study variables.

A study done by Asaolu, Adedokun and Monday (2016) to describe the status of internal audit in local governments in Malaysia and that by Dawuda (2010) to examine the effect of internal audit units in promoting good governance in

metropolitans in Ghana were done outside Kenya and their data was analyzed using descriptive statistics only. The study current study fills these gaps by carrying out a study in Kenya and analyzed its data by using inferential statistics. Similarly, a study by Baheri, Sudarmanto and Wekke (2017) in Malang State University to find out whether management support has an influence of the effectiveness of audit functions and a study by Hailemariam (2014) to examine the effectiveness of internal auditing in Ethiopia public offices presents a contextual gap to be filled by the current study by establishing the influence of management support to internal auditing on organizational performance.

2.5   Conceptual Framework

The study was important in establishing the influence of independence of internal audit, professional competencies, internal controls, management support to internal audit functions on organizational performance of semi-autonomous agencies in the state department of energy in Nakuru County, Kenya. In so doing, the independent variables of the study were independence of internal audit, professional competencies, internal controls and management support to internal audit functions. The dependent variable of the study was organizational performance of semi-autonomous agencies in the state department of energy in Nakuru County, Kenya. Below is the conceptualization of the study variables.

Independent Variables   **Dependent Variable**

Independence of Internal Audit
• Interference from management
• Conflict of interest with the management
• Favourism towards bosses

Organizational performance
• Service delivery
• Infrastructural developments
• Formulation of policies
• Resolution of disputes
• Utilization of resources

Professional Competencies
• Academic qualification
• Work experience
• Professional qualification

Internal Controls
• Receipts reconciliation
• Assessment of risks
• Supervision of employees

Government Regulations

Management Support
• Resources support
• Implementation of audit recommendations
• Disclosure of information

Figure 2.1: Conceptual Framework   **Moderating Variable**

CHAPTER THREE
RESEARCH METHODOLOGY

3.1   Introduction

This chapter covers the research design, target population, sample and sampling techniques, data collection instruments, validity and reliability of the research instruments, data analysis techniques and presentations and concludes by outlining the ethical considerations of this study.

3.2   Research Design

Research design refers to the methodological framework use in data collection, analysis and presentation of findings (Saunder, Lews, & Thornhill, 2009). This study adopted correlational research design to achieve its objectives. Correlational study design attempts to determine any possible influence between two or more quantitatively measured variables from the same group of respondents (Kombo & Tromp, 2009). The advantage of correlational study design is that it allows a researcher to obtain more data without necessarily performing an experiment. This research design was able to give the strength and direction of influence between the variables being investigated (Keller, 2014). On so doing, the study found out the correlation between the mean scores of independence of internal audit, professional competencies, internal controls, management support to internal audit functions and organizational performance of semi-autonomous agencies in the state department of energy in Nakuru County, Kenya.

3.3   Target Population

Target population refers to group of individuals from which a sample for a study is taken. (Sekaran & Bougie, 2011). It refers to the entire members to which the researcher wants to make generalizations (Upagade & Shende, 2012). This study targeted all internal auditors and senior management from all the five semi-autonomous agencies in the state department of energy in Nakuru County in Kenya. These are Kenya Power and Lighting Company (KPLC), The Kenya Electricity Generating Company (KenGen), Rural Electrification Authority (REA), Geothermal Development Company (GDC, and Independent Power Producers (IPPs). The five semi-autonomous agencies in the state department of energy in Nakuru County were the unit of observation. From each of the state corporation the study targeted all its

internal auditors and senior management team. Auditors are knowledgeable in independence of internal audit, professional competencies of auditors, internal controls in auditing, and management support to internal audit functions. The auditors report to senior management of the state corporations who are all also knowledgeable in all aspects of internal audit and organizational performance. The target population of the study was 72 individuals who comprise of internal auditors of the five semi-autonomous agencies in the State Department of Energy in Nakuru County. The 72 individuals form the unit of analysis.

Table 3.1: Target Population

	Frequencies	Percentages
Internal Auditors	28	39%
Senior Management Team	44	61%
	72	100%

3.4   Sample and Sampling Techniques

According to Shirish (2012), a sample refers to a fraction of a population used for analysis and generalization made to the entire population (Kombo & Tromp, 2009). Sampling techniques are the methods used to determine the sample size to be used in a study. Mugenda (2003) however asserts that a sample should be used in cases where the population is large and beyond the capacity of the study in terms of time and budget scope. The author adds that, in cases where the population is small, the entire population should be used as the sample size for the entire study. In the current study, the entire population was 72 people which was small and manageable by the study in terms of budget and time scope. Therefore, this study used census method to study all the population of the study, implying that the sample for the study was 72 respondents which was equal to the target population.

3.5   Data Collection Instruments

Data collection instruments are tools or structures used to obtain data for a given study. This study utilized primary data. This study used closed ended questionnaires to collect primary data from the study respondents (Ondiek, 2008). According to Sekaran (2003), questionnaires enable researchers to collect large amount of data within a short period of time and in the most effective manner. According to Shirish (2012) , data obtained from the questionnaires can be quantitatively measured for the

purpose of analysis using statistical software and therefore the choice of the research instruments. The questionnaires were divided in six sections. The first section captured background information of the respondents. Section two had questions aimed at measuring the independence of internal audit. Section three was on professional competencies of auditors, while section four was on internal controls in auditing. Management support to internal audit function and organizational performance was dealt with in section five and six of the questionnaire respectively. The questions in section two to section six were based on five point Likert scale running from strongly disagree (SD) to strongly agree (SA). The items were scored as follows; Strongly Disagree=1, Disagree=2, Undecided=3, Agree=4 and Strongly Agree=5. A Likert scale is a measuring construct that gives a numerical value to a qualitative statement for the purposes of quantitative data analysis (Mugenda, 2003).

Before collecting the research data, the study first sought permission to collect data from Kabarak University. This was done in form of introduction letter. Then study also sought permission from the National Commission of Science, Technology and Innovation (NACOSTI). After receiving the two permits, the study embarked on data collection exercise in the nine semi-autonomous agencies in the state department of energy in Nakuru County. This was done through issuing questionnaires to the respondents and collecting the questionnaires back after two weeks. During this period, clarification was given to respondents where there was need. This period was allowed in order to increase the response rate of the respondents. At the end of the two week period, the questionnaires were collected back for analysis.

3.6   Validity and Reliability of the Research Instruments

Validity refers to the correctness or accuracy of a measuring tool in represent the true status of the phenomenon under investigations (Orodho, 2003). To ensure content validity of the research instruments, the researcher constructed the instruments in line with the research objectives of this study. Additionally, to ensure face and content validity, the researcher also consulted the research supervisors and lectures in the field of research and those from the School of Business and Economics of Kabarak University to draw out a representative sample of indicators from the major concepts within the study. They assessed and provided feedback on the corrections which were

required. Their input was used to remove any ambiguity in questions, biasedness and wrong wordings.

Reliability on the other hand refers to the degree in which the measuring tool produces results that are consistent in a span of time from the same respondents (Orodho, 2003). To test the reliability of the instruments, the study used Cronbach's alpha test of internal consistency. According to Orodho (2003) a Cronbach's alpha of 0.7 and above confirms the reliability of the instruments. Cronbach's alpha of 0.7 was adopted for this study. The achieved variables include independence of internal audit, professional competencies, internal controls, management support and organizational performance had cronbach alpha coefficients of 0.765, 0.839, 0.708, 0.712, and 0.765 respectively. These cronbach alpha coefficients were found to be above 0.7 and were thus found be reliable.

3.7 Pilot Study

A pilot study refers a small scale study that is carried out prior to the actual study in order to make necessary adjustments to study methodology in preparation to the actual study (Saunder et al., 2009). In this study, a pilot study was done to ascertain the reliability of the research instruments. The sample size for the study was 7 respondents which was a representation of 10% of the sample size for the study. This was in line with the recommendation of Sekaran and Bougie (2011). The pilot study was carried out in Kenya Power and Lighting Company in Kericho County. Kericho was chosen due to its proximity from Nakuru County and because it is within the central rift region of the country as is the case with Nakuru County where the actual study took place. The results obtained from the pilot study were useful in adjusting the research tools that were used in actual data collection.

3.8 Data Analysis Techniques and Presentations

The collected data from the field was checked for completeness and then be coded and entered into Statistical Software for Social Sciences. Sekaran and Bougie (2011) says the software has the capacity to analyze complex data collected from the field. For descriptive statistics, frequencies mean and standard deviation was done on the data. For inferential statistics, Pearson correlation was used to ascertain the possible influence between independent variables and dependent variable. The Pearson correlation was done at 0.05 significant level in order to reduce type I and type II

error. Independent variables showing significant influence with the dependent variable were used in multiple regression analysis as predictors of financial profitability of semi-autonomous agencies in the state department of energy in Nakuru County.

A primary analytical strategy, multiple linear regression analysis was utilized to examine the influence of independence of internal audit, professional competencies, internal controls, and management support to internal audit functions on organizational performance of semi-autonomous agencies in the state department of energy in Nakuru County, Kenya. The following empirical model was used.

$Y = \beta_0 + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + \beta_4 X_4 + \varepsilon$

Whereby;

Y= Organizational Performance

X_1, X_2, X_3, X_4= Independence of Internal Audit, Professional Competencies, Internal Controls, and Management Support to Internal Audit Functions, respectively.

$\beta_0, \beta_1, \beta_2, \beta_3, \beta_4$= Model coefficients

ε = Error term

The entire analysis was presented in form of tables.

3.9   Ethical Considerations

The research endeavoured to explain to the respondents the purpose of the study and the reason they were selected to participate in the study. In addition, the researcher produced a letter of informed consent from the Kabarak University, which also served as an introduction letter. All respondents were assured of confidentiality of the information given in response to the research questionnaires and therefore the research instruments did not contain any identifying information.

CHAPTER FOUR

DATA ANALYSIS, PRESENTATION AND DISCUSSION

4.1 Introduction

This chapter presents, analyzes, and interprets data according to the objectives of the study. The findings from the descriptive and inferential statistics carried out are presented in tables. The chapter is sub-divided into sections that reflect the various aspects of the subject under study.

4.2 Pilot Study Results

The pilot study was undertaken for the purposes of examining the suitability of the questionnaire for the purpose of self-administration. The pilot study revealed that the questionnaires were suitable for administration in the main study.

4.3 Response Rate

The target population of the study was 72 individuals who comprised of internal auditors of the five semi-autonomous agencies in the State Department of Energy in Nakuru County. The census approach was used therefore the study projected to collect data from all the 72 individuals, thus 72 questionnaires were issued to the potential respondents. At the end of the two week period that was given to respondents to complete the questionnaires was over, collection was done where 67 questionnaires were returned. The collected data from the field was checked for completeness, which resulted in 60 completely filled questionnaires. Seven questionnaires were rejected due to missing information in some sections, which would have interfered with analysis. This gave a response rate of 83.3% as presented in Table 4.1. The response rate was deemed sufficient for analysis of data as the threshold of 80.0% had been achieved (Shirish, 2012).

Table 4.1: Response Rate

Distributed Questionnaires	Returned Questionnaires	Rejected Questionnaires	Complete Questionnaires	Response Rate
72	67	7	60	83.3%

4.4 Background Information

The respondents' gender, age, and years of work experience were of interest in determining their background information.

4.4.1 Gender of Respondents

Respondents were requested to indicate their gender on the questionnaire as part of their background information. The results are presented in Table 4.2

Table 4.2: Distribution by Gender of Respondents

Gender	Frequency	Percentage
Male	37	61.7%
Female	23	38.3%
Total	**60**	**100.0%**

The study found that a majority of internal auditors of the five semi-autonomous agencies in the State Department of Energy in Nakuru County were male (61.7%). The female respondents were found to be 38.3%.

4.4.2 Age of Respondents

The study also requested respondents to indicate their age amongst seven categories and results presented in Table 4.3.

Table 4.3: Distribution by Age of Respondents

Age Group	Frequency	Percentage
18-22 years	0	0.0%
23-27 years	2	3.3%
28-32 years	3	5.0%
33-37 years	9	15.0%
38-42 years	16	26.7%
43-47 years	12	20.0%
Above 47 years	18	30.0%
Total	**60**	**100.0%**

From results in Table 4.3, the study established that a majority of internal auditors of the five semi-autonomous agencies in the State Department of Energy in Nakuru County were above 47 years of age. These were followed by those whose ages were in the category 38-42 years (26.7%), 43-47 years (20.0%), 33-37 years (15.0%), 28-32 years (5.0%) and 23-27 years (3.3%). The study found no internal auditor in the five semi-autonomous agencies in the State Department of Energy in Nakuru County aged 18-22 years (0.0%).

4.4.3 Years of Work Experience

The years of work experience of the respondents was also of interest in determining their background information. The results are as shown in Table 4.4.

Table 4.4: Distribution by Years of Work Experience

Years	Frequency	Percentage
Below one Year	1	1.7%
1-3 years	6	10.0%
4-6 years	20	33.3%
Above 6 years	33	55.0%
Total	**60**	**100.0%**

The study results revealed that slightly more than half of the internal auditors of the five semi-autonomous agencies in the State Department of Energy in Nakuru County had worked in internal audit for more than 6 years (55.0%). The internal auditors who had 4-6 years of work experience were 33.3% and 1-3 years of work experience were 10.0%. Only one internal auditor of the five semi-autonomous agencies in the State Department of Energy in Nakuru County had worked for less than one year (1.7% of the respondents).

4.5   Descriptive Statistics

The study used Mean, Frequencies and Standard deviation for descriptive statistics

4.5.1   Independence of Internal Audit and Organizational Performance

The study examined the influence of independence of internal audit on organizational performance of semi-autonomous agencies in the state department of energy in Nakuru County, Kenya using three metrics. These were interference from management, conflict of interest with the management, and favourism towards bosses. Respondents were asked to rate statements based on these metrics on a five-point Likert scale where items were scored as follows; strongly Disagree=1, Disagree=2, Undecided=3, Agree=4 and Strongly Agree=5, and results presented in Table 4.5.

Table 4.5: Independence of Internal Audit

	SD	D	U	A	SA		P
	%	%	%	%	%	χ2	Value
Internal auditors do not seek to favour their bosses in their internal audit report.	1.7	5.0	6.7	75.0	11.7	19.563	0.000
The internal audit decisions are based on the expectations of the personnel being audited	3.3	11.7	10.0	60.0	15.0	13.398	0.021
There is separation of audit roles in the state corporation from the other duties of the state corporation.	8.3	10.0	3.3	65.0	13.3	16.991	0.000
Job security of internal auditors is not based on how their internal audit report favour their bosses	6.7	13.3	1.7	68.3	10.0	18.947	0.000
Internal audit unit does not have conflict of interest with the management of the state corporation.	5.0	8.3	11.7	58.3	16.7	15.895	0.001

In the context of favourism toward bosses, three quarters of the respondents tended to agree (75.0%) that internal auditors do not seek to favour their bosses in their internal audit report. In addition, 11.7% of the respondents tended to strongly agree with the statement. On the other hand, 5.0% of respondents tended to disagree and 1.7% of respondents tended to strongly disagree with the statement. This indicated that cumulatively, 6.7% of the respondents felt that internal auditors seek to favour their bosses in their internal audit report. There were 6.7% of respondents who were not sure whether internal auditors seek to favour their bosses in their internal audit report or not. A Fisher's exact value of 19.563 which was greater than the critical value (5.9915) and a p-value (0.000) less than the significant value implied that internal auditor favourism towards bosses in internal audit report and organizational performance of semi-autonomous agencies in the state department of energy in Nakuru County, Kenya are significantly related. The ability of the internal auditors to work independently has been studied by a number of scholars in diverse contexts with its relation to the performance of organizations.

A majority of respondents tended to agree (60.0%) that the internal audit decisions are based on the expectations of the personnel being audited. Further, 15.0% of the

respondents tended to strongly agree with the statement. Some respondents were undecided (10.0%) on whether the internal audit decisions in their agency are based on the expectations of the personnel being audited. On the other hand, 11.7% of the respondents tended to disagree indicating that the internal audit decisions are not based on the expectations of the personnel being audited. Further, 3.3% strongly felt that the internal audit decisions in their agency are not based on the expectations of the personnel being audited. The study found a Fisher's exact value of 13.398 which was greater than the critical value and a p-value of 0.021 which was less than the significant value (0.05). This implied that organizational performance of semi-autonomous agencies in the state department of energy in Nakuru County, Kenya is significantly related to the expectations of the personnel being audited.

The study established that 65.0% of the respondents agreed that there is separation of audit roles from the other duties of the state corporation, supported by 13.3% who strongly agreed with the statement. On the other hand, 10.0% of the respondents perceived that audit roles and other duties of the state corporation are not separated (Disagree), a perception that was strongly held by 8.3% of the respondents (Strongly disagree). The respondents who neither agreed nor disagreed (undecided) with either statement were 3.3%. The study established that organizational performance of semi-autonomous agencies in the state department of energy in Nakuru County, Kenya is significantly related to separation of audit roles from the other roles of the state corporation. This was because the Fisher's exact value was 16.991 which was greater than the critical value and a p-value of 0.000 which was less than the significant value.

A majority of respondents tended to agree (68.3%) that job security of internal auditors is not based on how their internal audit report favours their bosses. Ten percent of the respondents strongly felt that this was the case in their agency (Strongly Agree=10.0%). However, 13.3% of the respondents tended to disagree with the statement and indicated that job security of internal auditors is based on how their internal audit report favors their bosses, a sentiment that was strongly supported by 6.7% of the respondents who chose "Strongly Disagree". A negligible number of respondents were undecided (1.7%) on whether job security of internal auditors is based on how their internal audit report favour their bosses or not. A Fisher's exact

value of 18.947 and a p-value of 0.000 implied that job security of internal auditors and organizational performance of semi-autonomous agencies in the state department of energy in Nakuru County, Kenya are related.

The study found that internal audit unit does not have conflict of interest with management of the state corporation according to a three quarters of the respondents (Agree=58.3%; Strongly Agree=16.7%) of the respondents who tended to agree with the statement. Some respondents tended to be undecided on the issue (11.7%). On the other hand, there were respondents who perceived that there is conflict of interest between internal audit unit and management of the state corporation. Finally, A Fisher's exact value of 15.895 which was greater than the critical value and a p-value of 0.001 implied that organizational performance of semi-autonomous agencies in the state department of energy in Nakuru County, Kenya and conflict of interest between internal audit unit and management are related. Similar findings were made by Shamsuddin, Manijegar, Kirupanangtan, Rahman, and Selvanathan (2014) in a study in Malaysia where interviewees cited that internal audit in public sector was not independent and objective due to interference of the top management of the public sector organizations.

These findings support those of Shamsuddin, Manijegar, Kirupanangtan, Rahman, and Selvanathan (2014) in a study to examine the factors affecting internal audit in Malaysian public sector. The study established that it was difficult for internal auditors to attain full independence since they were auditing their colleagues in the same organization. In respect to this, the auditors interviewed cited that they always favour their bosses in their internal audit in order to secure their jobs. Mostly internal auditors performed their work in respect to the directions of their bosses whom they audit.

4.5.2 Professional Competencies of Internal Auditors and Organizational Performance

The study investigated the influence of professional competencies of internal auditors on organizational performance of semi-autonomous agencies in the state department of energy in Nakuru County, Kenya using three indicators. These were academic qualification, work experience, and professional qualification. Respondents were

asked to rate statements based on these indicators on a five-point Likert scale where items were scored as follows; strongly Disagree=1, Disagree=2, Undecided=3, Agree=4 and Strongly Agree=5, and results presented in Table 4.6.

Table 4.6: Professional Competencies of Internal Auditors

| | SD | D | U | A | SA | | |
	%	%	%	%	%	χ2	P Value
The internal auditors have a good professional tract record in auditing	5.0	8.3	5.0	66.7	15.0	20.045	0.000
The internal auditors are well experienced in aspects of auditing	0.0	6.7	10.0	63.3	20.0	18.964	0.000
The internal auditors have the CPA (K) qualification for audit work	8.3	10.0	6.7	70.0	5.0	15.631	0.002
The internal auditors are regularly trained in the emerging issues in auditing	1.7	5.0	8.3	73.3	11.7	14.997	0.010
The internal auditors are members of professional audit bodies	3.3	11.7	13.3	55.0	16.7	17.558	0.000

A majority of respondents cited that the internal auditors have a good professional tract record in auditing (Agree=66.7%; Strongly agree=15.0%). On the other hand, some respondent had opinions contrary to the majority opinion indicating that they felt that internal auditors do not have a good professional tract record in auditing (Disagree=8.3%; Strongly Disagree=5.0%). There were also respondents who were undecided (5.0%) as to whether internal auditors have a good professional tract record in auditing or not. The Fisher's exact value of 20.045 (greater than critical value) and a p-value of 0.000 implied that professional record in auditing and organizational performance of semi-autonomous agencies in the state department of energy in Nakuru County, Kenya are related.

In the context of work experience, a majority of the respondents tended to agree (63.3%) that the internal auditors in their agency are well experienced in aspects of auditing. Some respondents strongly felt that this was the case (Strongly Agree=20.0%). However, a few respondents had a contrary opinion and indicated that the internal auditors in their agency are not well experienced in aspects of auditing (Disagree=6.7%), a perception that was not strongly felt by any of the respondents (Strongly Disagree=0.0%). Some respondents did not indicate a particular inclination in support of or disputing the statement (Undecided=6.7%). The Fisher's exact value was 18.964, which was greater than the critical value implying that organizational

performance of semi-autonomous agencies in the state department of energy in Nakuru County, Kenya is related to experience of the internal auditor in auditing. This relationship was found to be significant as the p-value (0.000) was less than the significant value.

Concerning professional qualification, a cumulative majority of respondents (75.0%) perceived that the internal auditors have the CPA (K) qualification for audit work. On the other hand, the internal auditors were perceived not to have the CPA (K) qualification for audit work by a cumulative 18.3% of respondents (Disagree=10.0%; Strongly Disagree=8.3%). A few respondents did not indicate an inclination to support or dispute the statement (Undecided=6.7%). The Fisher's exact value of 15.631 (greater than critical value) and a p-value of 0.002 implied that CPA (K) qualification for internal auditors and organizational performance of semi-autonomous agencies in the state department of energy in Nakuru County, Kenya are significantly related.

Internal auditors are regularly trained in the emerging issues in auditing according to a majority of respondents (Agree=73.3%; Strongly Agree=11.7%). However, differing opinions were indicated by 5.0% of the respondents who tended to disagree and 1.7% of respondents who tended to strongly disagree with the statement. A small number of respondents (8.3%) were undecided as to whether internal auditors in their agency are regularly trained in the emerging issues in auditing. The Fisher's exact value was 14.997, which was greater than the critical value implying that organizational performance of semi-autonomous agencies in the state department of energy in Nakuru County, Kenya is related to training on emerging issues in auditing. This relationship was significant as the p-value (0.010) was less than the significant value of 0.05.

About half of the respondents tended to agree (55.0%) that internal auditors in their agency are members of professional audit bodies. Similarly, 16.7% of the respondents strongly perceived this to be the case in their agency. However, 11.7% (Disagree) and 3.3% (Strongly Disagree) of the respondents had differing opinions indicating that internal auditors in their agency are not members of professional audit bodies. Some respondents (13.3%) tended to be undecided in respect to this statement. A Fisher's

35

exact value of 17.558 and a p-value of 0.000 implied that membership in professional audit bodies and organizational performance of semi-autonomous agencies in the state department of energy in Nakuru County, Kenya are related.

The performance of an organization was also seen to be affected by the level of competency of its internal auditors by Shamsuddin, Manijegar, Kirupanangtan, Rahman and Selvanathan (2014). The study established that despite immense training by the government of Malaysia through the treasury, the skills of the internal auditors in public sector offices was low. The internal auditors could not produce a detailed report of the audit. The respondents interviewed agreed that the inadequate knowledge and skills by internal auditors resulted to poor audit practices in the public sector in Malaysia.

4.5.3 Internal Controls and Organizational Performance

The study examined the influence of internal controls on organizational performance of semi-autonomous agencies in the state department of energy in Nakuru County, Kenya. Receipts reconciliation, assessment of risks, and supervision of employees were used as measures of this influence. Respondents were asked to rate statements based on these metrics on a five-point Likert scale where items were scored as follows; Strongly Disagree=1, Disagree=2, Undecided=3, Agree=4 and Strongly Agree=5, and results presented in Table 4.7.

Table 4.7: Internal Controls

	SD	D	U	A	SA		
	%	%	%	%	%	χ^2	P Value
The state corporation does receipts reconciliation to ensure there are no financial malpractices.	8.3	5.0	1.7	71.7	13.3	18.416	0.000
There is a set out ethical code of conduct by employees in the state corporation.	1.7	6.7	13.3	63.3	15.0	16.761	0.000
There is regular assessment of risks in the state corporation.	5.0	16.7	11.7	56.7	10.0	13.621	0.024
There segregation of roles to discourage unethical practice by employees.	3.3	13.3	8.3	58.3	16.7	7.764	0.036
There is close supervision of employees in the state corporation.	10.0	1.7	6.7	73.3	8.3	12.843	0.030

The state corporation does receipts reconciliation to ensure there are no financial malpractices as cited by almost three quarters of the respondents (Agree=71.7%). These sentiments were also strongly held by 13.3% who tended to strongly agree with the statement. A negligible 1.7% of respondents tended to be undecided. However, opposite sentiments were held by 5.0% of the respondents who chose the "Disagree" prompt and 8.3% of respondents who chose the "Strongly Disagree" prompt. This indicated that a cumulative 13.3% of the respondents felt that their state corporation does not undertake receipts reconciliation to ensure there is no financial malpractice. Reconciliation of receipts to mitigate financial malpractices was found to be significantly related with organizational performance of semi-autonomous agencies in the state department of energy in Nakuru County, Kenya. This was due to a Fisher's exact value of 18.416 which was greater than the critical value (5.9915) and a p-value of 0.000 which was less than the significant value (0.05).

A majority of respondents perceived that there is a set out ethical code of conduct by employees in the state corporation (Agree=63.3%; Strongly Agree=15.0%). On the other hand, some respondents indicated that employees in the state corporation have no set ethical code of conduct (Disagree=6.7%; Strongly Disagree=1.7%). Some respondents were undecided on whether there is a set out ethical code of conduct by employees in the state corporation (13.3%). A Fisher's exact value of 16.761 and a p-value of 0.000 implied that ethical code of conduct by employees and organizational performance of semi-autonomous agencies in the state department of energy in Nakuru County, Kenya are related.

Slightly more than half of the respondents tended to agree (56.7%) that there is regular assessment of risks in the state corporation. This perception was strongly supported by 10.0% of the respondents who chose "Strongly Agree". On the other hand, 16.7% of the respondents chose "Disagree" and 5.0% chose "Strongly Disagree" indicating that they perceived and strongly perceived that assessment of risks in the state corporation is not regular. Some respondents were undecided (11.7%) on the issue. Organizational performance of semi-autonomous agencies in the state department of energy in Nakuru County, Kenya was found to have a statistically significant relationship with assessment of risks due to a Fisher's exact value of 13.621 and p-value of 0.024.

Above half of the respondents tended to agree (58.3%) and 16.7% of respondents tended to strongly agree that there their agency segregates roles to discourage unethical practice by employees. However, 13.3% (Disagree) and 3.3% (Strongly Disagree) indicated that segregation roles to discourage unethical practice by employees is not done in their agency. A few respondents tended to be undecided on the statement (8.3%). A Fisher's exact value of 7.764 which was less than the critical value and a p-value of 0.000 implied that segregation of roles and organizational performance of semi-autonomous agencies in the state department of energy in Nakuru County, Kenya are related.

A majority of respondents cited that employees in the state corporation are closely supervised (Agree=73.3%; Strongly Agree=8.3%). Some respondents were undecided while others disagreed (1.7%) and strongly disagreed (10.0%) with the statement. A cumulative 11.7% of respondents therefore cited that employees are not closely monitored in the state corporation. Supervision of employees was found to be significantly related with organizational performance of semi-autonomous agencies in the state department of energy in Nakuru County, Kenya. This was due to a Fisher's exact value of 12.843 which was greater than the critical value (5.9915) and a p-value of 0.030 which was less than the significant value (0.05).

These findings are in line with the findings Brian, (2013) who established that there was segregation of roles high integrity values among management team and existence of ethical values among staffs The study further established that there is close supervision corrective action and employee rotation on periodic basis in order to prevent any unethical practice by employees.

4.5.4 Management Support to Internal Auditing and Organizational Performance

The study assessed the influence of management support to internal auditing on organizational performance of semi-autonomous agencies in the state department of energy in Nakuru County, Kenya. Resources support, implementation of audit recommendations, and disclosure of information were used as the metrics for management support to internal auditing. Respondents were asked to rate statements

based on these metrics on a five-point Likert scale where items were scored as follows; strongly Disagree=1, Disagree=2, Undecided=3, Agree=4 and Strongly Agree=5, and results presented in Table 4.8.

Table 4.8: Management Support to Internal Auditing

	SD	D	U	A	SA		
	%	%	%	%	%	χ2	P Value
The management team allocates adequate resources to the audit department in the state corporation.	6.7	13.3	5.0	61.7	13.3	14.369	0.005
The leadership provides all information that the internal auditors ask for	1.7	10.0	3.3	63.3	21.7	16.250	0.000
The management implements all audit recommendations	5.0	6.7	1.7	68.3	18.3	13.233	0.024
The management team responds to all audit queries raised by internal auditors	0.0	8.3	11.7	70.0	10.0	11.454	0.025
The management recognizes the roles of internal audit unit in the corporation	8.3	13.3	0.0	58.3	20.0	9.351	0.027

A majority of the respondents indicated that the management team allocates adequate resources to the audit department in the state corporation (Agree=61.7%; Strongly Agree=13.3%). On the other hand, some respondents were of opposite opinions indicating that allocation of adequate resources to the audit department in the state corporation is not done by the management team (Disagree=13.3%; Strongly Disagree=6.7%). Some other respondents were undecided (5.0%) on whether allocation of adequate resources to the audit department in the state corporation is by the management team. The study found that organizational performance of semi-autonomous agencies in the state department of energy in Nakuru County, Kenya is significantly related to allocation of resources to the audit department due to A fisher's exact value of 14.369 (greater than critical value) and p-value of 0.005 (<0.05).

The leadership provides all information that the internal auditors ask for as perceived by majority of the respondents (Agree=63.3%). Some respondents also strongly perceived this to be true (Strongly agree=21.7%). However, 10.0% of respondents who disagreed and 1.7% who strongly disagreed indicated the opposite. A few respondents (3.3%) were undecided on the matter. Provision of information by leadership and performance of semi-autonomous agencies in the state department of

energy in Nakuru County, Kenya have a significant relationship due to a Fishers exact value of 16.250 and p-value (0.000) less than the significant value.

A few respondents tended to be undecided (1.7%) on whether the management of the state agency implements all audit recommendations. A majority of respondents tended to agree (68.3%) and strongly agree (18.3%) that management of their state agency implements all audit recommendations. However, this statement was disputed by 6.7% of respondents who chose "Disagree" and 5.0% of respondents who chose "Strongly Disagree". The study found that implementation of all audit recommendations and performance of semi-autonomous agencies in the state department of energy in Nakuru County, Kenya have a significant relationship. This was due to a Fishers exact value of 13.233 and p-value (0.024) which was less than 0.05 (significant value).

While none of the respondents strongly indicated that all audit queries raised by internal auditors are not responded to by the management team (Strongly Disagree=0.0%), 8.3% of the respondents tended to be of that opinion. On the other hand, 70.0% of the respondents tended to agree and 10.0% tended to strongly agree that the management team responds to all audit queries raised by internal auditors. Some respondents were undecided on the issue (11.7%). The study established that performance of semi-autonomous agencies in the state department of energy in Nakuru County, Kenya has a significant relationship with management team response to audit queries raised by internal auditors. This was because the Fisher's exact value (11.454) was more than the critical value and the p-value was less than the significant value. (0.025< 0.05).

The management recognizes the roles of internal audit unit in the corporation as perceived by a majority of the respondents (Agree=58.3%; Strongly Agree=20.0%). ON the other hand, 13.3% and 8.3% of the respondents tended to disagree and strongly disagree with the statement, respectively. No respondent was undecided in respect to recognition of the roles of internal audit unit in the corporation by management (Undecided=0.0%). The study found that performance of semi-autonomous agencies in the state department of energy in Nakuru County, Kenya has a significant relationship with management recognition of roles of internal audit unit.

This was because the Fisher's exact value (9.351) was more than the critical value and the p-value was less than the significant value. (0.027< 0.05).

These findings are in line with those by Dawuda (2010) who found out that the top leadership of the metropolitan complied with the laws and regulations, supported monitoring of budget implementation, offered support in monitoring the use of public resources and also provided funds to protect the resources. Dawuda (2010) further established the leadership was actively involved in assessing any deviations from the ethical guidelines of the metropolitan.

4.5.5 Organizational Performance of Semi-Autonomous Agencies in the State Department of Energy in Nakuru County

The organizational performance of semi-autonomous agencies in the state department of energy in Nakuru County, Kenya was measured using five metrics. These were service delivery, infrastructural developments, formulation of policies, resolution of disputes, and utilization of resources. Respondents were asked to rate statements based on these metrics on a five-point Likert scale where items were scored as follows; strongly Disagree=1, Disagree=2, Undecided=3, Agree=4 and Strongly Agree=5, and results presented in Table 4.7.

Table 4.9: Organizational Performance

	SD	D	U	A	SA
	%	%	%	%	%
There is improvement in service delivery in my agency	1.7	8.3	3.3	73.3	13.3
There is infrastructural developments in my agency	5.0	13.3	6.7	55.0	20.0
There is proper formulation of policies in my agency	3.3	11.7	5.0	65.0	15.0
There is amicable resolution of disputes in my agency	0.0	15.0	13.3	63.3	8.3
There is proper utilization of resources in my agency	6.7	5.0	10.0	61.7	16.7

A majority of respondents tended to agree (73.3%) that service delivery in their agency has improved. This was supported by 13.3% of the respondents who strongly agreed that service delivery in their agency has improved. However, 1.7% and 8.3% held a contrary opinion by strongly disagreeing and disagreeing with the statement. A few respondents were undecided on the issue (3.3%).

In the context of infrastructure, slightly more than half of the respondents tended to agree (55.0%) that there are infrastructural developments in their agency with 20.0% of the respondents strongly agreeing on the same. Some respondents were undecided (6.7%) while others felt that there are no infrastructural developments in their agency (Disagree=13.3%; Strongly disagree=5.0%).

In the context of policy formulation, a majority of respondents tended to agree (65.0%) that proper formulation of policies is done in their agency. In addition, 15.0% of the respondents tended to strongly agree with the statement. On the other hand, 11.7% and 3.3% of the respondents tended to disagree and strongly disagree with the statement, respectively indicating that formulation of policies is not properly done in their agency. Some respondent tended to be undecided on the issue (5.0%).

In regards to dispute resolution, 63.3% of the respondents tended to agree and 8.3% of the respondents tended to strongly agree that resolution of disputes in their agency is amicably done. However, 15.0% of the respondents tended to disagree indicating that disputes in their agency are not amicably resolved. No respondent chose the "Strongly Disagree" prompt (0.0%). Some respondents were undecided on whether there is amicable resolution of disputes in their agency.

In regards to resources utilization, a majority of respondents tended to agree (61.7%) that resources are properly utilized in their agency. Further, 16.7% of the respondents strongly perceived this to be the case in their agency. On the other hand, 5.0% of the respondents tended to disagree and 6.7% tended to strongly disagree with the statement. Ten percent of the respondents were undecided whether resources are properly utilized in their agency or not.

4.6   Inferential Statistics

The study used correlation and regression analysis for inferential statistics.

4.6.1   Correlation Analysis

The study sought to establish whether or not the study variables were related. This was done by use of Pearson Correlation. Pearson Correction is used to indicate the nature and strength of relationship between two study variables. The nature implies whether the relationship is towards the negative or towards the positive. Positive

relation refers to an increase in one of the variables cause an increase in the other variable and vice versa. A negative relationship on the other hand implies an increase in one of the variable causes a decrease in the other variable and vice versa. The strength of the relationship refers to the closeness in which the two variables are related and is measured using the correction coefficient. In regard to this, a correlation coefficient in the range of 0.001 to 0.199 implies a very weak relationship, 0.200 to 0.399 implies a weak relationship, 0.400 to 0.699 implies a moderate relationship, 0.700 to 0.899 implies a strong relationship while a correlation coefficient of 0.900 to 0.999 implies a very strong relationship.

The significance of a relationship is measured using the p-values. A p-value less than the significance level chosen by a study implies that the relationship is significant and did not occur by chance while a p-value equal or greater than the significance level implies that the relationship is not significant and it only occurs by chance. This study used significance level of 5%, which is equivalent to 0.005. This study sought to establish whether management support, professional competencies, independence and internal controls were related. The results of the Pearson correlation is as shown in Table 4.10.

This study establish that independence of the internal audit was positively and moderately related to professional competencies (r=0.447), internal controls (r=0.591) and management support (r=0.449). The study found that the independence of the internal audit was strongly and positively related to organizational performance due to a correlation coefficient of 0.827. The relationship was found to be significant at 5% significance level. This implies than an increase independence of the internal audit would result into an increase in professional competencies of internal auditors, internal controls, management Support and performance of semi-autonomous agencies in the state department of energy in Nakuru County and vice versa.

Table 4.10: Correlations

		Independence	Professional Competencies	Internal Controls	Management Support	Organizational Performance
Independence	Pearson Correlation	1				
	Sig. (2-tailed)					
	N	60				
Professional Competencies	Pearson Correlation	0.447*	1			
	Sig. (2-tailed)	0.000				
	N	60	60			
Internal Controls	Pearson Correlation	0.591*	0.544*	1		
	Sig. (2-tailed)	0.000	0.000			
	N	60	60	60		
Management Support	Pearson Correlation	0.449*	0.443*	0.528*	1	
	Sig. (2-tailed)	0.000	0.000	0.000		
	N	60	60	60	60	
Organizational Performance	Pearson Correlation	0.827**	0.765**	0.751**	0.843**	1
	Sig. (2-tailed)	0.000	0.000	0.000	0.000	
	N	60	60	60	60	60

*. Correlation is significant at the 0.05 level (2-tailed).

**. Correlation is significant at the 0.01 level (2-tailed).

On the other hand, professional competencies of internal auditors had a moderate and positive relationship with internal controls (r=0.544) and management support (r=0.443). In respect to its relationship with organizational performance, the study established that there was a strong and positive relationship (r=0.765) between professional competencies of internal auditors and performance of semi-autonomous agencies in the state department of energy in Nakuru County. This relationship was found to be significant at 0.005 significance level. An increase in professional competencies of internal auditors would lead to an increase in internal controls, management support and the performance of semi-autonomous agencies in the state department of energy in Nakuru County and vice versa.

Internal controls was related to both management support (r=0.528) and organizational performance (r=0.751). This relationship was positive and significant at 0.05 significance level. This therefore implies that when internal control measures

increase, the level of management support and performance of semi-autonomous agencies in the state department of energy in Nakuru County also increases and vice versa. Management Support had a strong positive relationship with performance of semi-autonomous agencies in the state department of energy in Nakuru County, Kenya as supported by a correlation coefficient of 0.843.

The correlation analysis implies that performance of semi-autonomous agencies in the state department of energy in Nakuru County was strongly and positively related to management support (r=0.751), professional competencies (r=0.765), independence (r=0.827) and internal controls (r=0.765). This implies that an increase in one of the independent variables would result into an increase in performance of semi-autonomous agencies in the state department of energy in Nakuru County and vice versa. The findings in this study further concur with those by Mutua (2017) who found out that study there was a positive correlation between management support, control activities, skills of the employees and as well as their independence in executing their duties. These correlations were significant at 1% significance level.

4.6.2   Multiple Linear Regression

Multiple linear regression was used to establish the influence of that performance of management support, professional competencies, independence and internal controls on the performance of semi-autonomous agencies in the state department of energy in Nakuru County. Table 4.11 shows the summary of the regression model.

Table 4.11: Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	0.826[a]	0.682	0.658	0.13433

a. Predictors: (Constant), Management Support, Professional Competencies, Independence, Internal Controls

From the summary, the study established that the observed values of the performance of semi-autonomous agencies in the state department of energy in Nakuru County were strongly related to the predicted values of the same variable as indicated by an R value of 0.826. The study further established that 65.8% of the variation in the performance of semi-autonomous agencies in the state department of energy in

Nakuru County was due to the changes that occur in management support, professional competencies, independence and internal controls of the agencies. This is because of a coefficient of determination of 0.658 (R-Square).

Table 4.12: ANOVA[a]

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	2.125	4	0.531	29.439	0.000[b]
	Residual	0.992	55	0.018		
	Total	3.117	59			

a. Dependent Variable: Organizational Performance
b. Predictors: (Constant), Management Support, Professional Competencies, Independence, Internal Controls

The standard error of the estimate obtained in this study was 0.13433 implying the model provides an accurate prediction. This is because the standard error of the estimate of below 1.0. The study further sought to establish whether or not the regression model is significant in its prediction. This was done using F-test and whose results are shown in Table 4.12.

The results were; $F_{(4,55)}=29.939$, $P<0.05$ which is an indication that the regression model a significant predictive capacity. This led to the rejection of F-test null hypothesis stating that there regression model does not have predictive capacity at 5% significance level. This therefore implies that this regression model can significantly predict the level of performance of semi-autonomous agencies in the state department of energy in Nakuru County using management support, professional competencies, independence and internal controls as its predictor variables. Using Beta Coefficients, the study sought to establish the level of contribution of each of the predictor variable to the variation of the predicted variable as shown in Table 4.13.

Table 4.13: Coefficients[a]

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.	Collinearity Statistics	
	B	Std. Error	Beta			Tolerance	VIF
(Constant)	0.218	0.341		0.639	0.526		
Independence	0.258	0.038	0.514	6.721	0.000	0.989	1.011
Professional Competencies	0.251	0.051	0.373	4.895	0.000	0.994	1.006
Internal Controls	0.165	0.043	0.293	3.809	0.000	0.976	1.025
Management Support	0.269	0.040	0.516	6.715	0.000	0.979	1.021

a. Dependent Variable: Organizational Performance

The study sought first to establish whether the independent variables were highly correlated. When the independent variables are highly correlated, beta coefficients are inflated to falsely imply high variability of the dependent variable with very unit change in independent variables. This was tested using Variance Inflation Factor (VIF). A VIF less than 10 is recommended as adherence to the assumption pf a multiple linear regression that the independent variables are not high correlated among themselves (Shirish, 2012). The VIF values (1.011, 1.006, 1.025 and 1.021) for all the independent variables were less than 10 and therefore the absence of multicollinearity problem was assumed.

Beta coefficients shows the extent of influence of each of then predictor variables on the predicted variable when the rest of factors are held constant. The following beta coefficients were obtained; beta coefficient of 0.258 for independence of internal audit, beta coefficient of 0.251 for professional competencies of internal auditors, beta coefficient of 0.165 for internal controls, beta coefficient of 0.269 for management support 0.269.

This implies that one unit increase in independence of internal audit would lead an increase of 0.258 units in performance of semi-autonomous agencies in the state department of energy when other factors are held constant. These findings collaborate those made by Hailemariam (2014) that established that a unit increase in the level of auditor's independence, the level of audit efficiency increases by 0. 135 provided that other factors were held constant due to a beta coefficient of 0.135. This influence was found to be statistically significant at 5% significance level. The independence of internal auditing improves level of service delivery, financial management, and reduces the level of debts of organisations (Ongeri, 2011).

Similarly, an increase of one unit in professional competencies of internal auditors would lead to an increase of 0.251 units in organizational performance with other factors held constant. An increase in internal controls by one unit would lead to an increase of 0.165 units in the level of performance of semi-autonomous agencies in the state department of energy with the rest of factors held constant. In regard to management support, the study established that a unit increase in the level of management support would lead to an increase in organizational performance by

47

0.269 units with other factors held constant. Management support had the largest influence of performance of the agencies, followed by independence of internal audit, then professional competencies of internal auditors and lastly internal controls.

T-statistic and its associated P-values were used to establish whether or not the influence of the predictor variables on the predicted variable was statistically significant. P-values less than the significant level (0.05) will lead to rejection of the null hypothesis of the study. The first null hypothesis of the study stated that there is no statistically significant influence of independence of internal audit on organizational performance of semi-autonomous agencies in the state department of energy in Nakuru County, Kenya. The influence of independence of internal audit was found to be statistically significant at 5% significance level due to a $p<0.05$ and t-statistic value of 6.721. Therefore the first null hypothesis of the study was rejected and its alternative hypothesis accepted. This implies that there is statistically significant influence of independence of internal audit on organizational performance of semi-autonomous agencies in the state department of energy in Nakuru County, Kenya.

The second hypothesis of the study stated that there is no statistically significant influence of professional competencies of internal auditors on organizational performance of semi-autonomous agencies in the state department of energy in Nakuru County, Kenya. A p-value less than 0.05 and a t-statistic of 4.895 was obtained in regard to the influence of professional competencies of internal auditors on the performance of the studied agencies. This led to the rejection of the null hypothesis and therefore it was established that there is statistically significant influence of professional competencies of internal auditors on organizational performance of semi-autonomous agencies in the state department of energy in Nakuru County, Kenya.

The study also sought to test the hypothesis that there is no statistically significant influence of internal controls on organizational performance of semi-autonomous agencies in the state department of energy in Nakuru County, Kenya. In regard to this cause-effect relationship, the study rejected the null hypothesis due to a $p<0.05$ and t=3.809. It was therefore established that there is statistically significant influence of

internal controls on organizational performance of semi-autonomous agencies in the state department of energy in Nakuru County, Kenya.

The last hypothesis of the study stated that there is no statistically significant influence of management support to internal auditing on internal organizational performance of semi-autonomous agencies in the state department of energy in Nakuru County, Kenya. This hypothesis was tested and rejected at 5% significance level due to a p-value less than 0.05 and t-statistic value of 6.715. It was therefore found put that there is statistically significant influence of management support to internal auditing on internal organizational performance of semi-autonomous agencies in the state department of energy in Nakuru County, Kenya.

Since the regression model was found to be statistically significant and that all the predictor variables were significant, the following equation was developed;

The following empirical model was used.

$Y = 0.218 + 0.258X_1 + 0.251X_2 + 0.165X_3 + 0.269X_4 + 0.13433$

Whereby;

Y= Organizational Performance

X_1, X_2, X_3, X_4= Independence of Internal Audit, Professional Competencies, Internal Controls, and Management Support to Internal Audit Functions, respectively.

$\beta_0, \beta_1, \beta_2, \beta_3, \beta_4$= Model coefficients

ε = Error term

These findings are in line with those by Mutua (2017) who found out 67.5% of the variation in revenue collection was attributable to independence of internal audit, professional competencies, internal controls, and management support.

CHAPTER FIVE
SUMMARY OF FINDINGS, CONCLUSIONS AND RECOMMENDATIONS

5.1 Introduction

This chapter gives the summary of the findings that were obtained from this study, the conclusions as well as the recommendations given by the study. This section concludes by suggesting possible studies that can be undertaken in future to bridge some research gaps that emerged from the analyzed data.

5.2 Summary of Findings

A summary of the findings is as follows;

5.2.1 Independence of Internal Audit and Organizational Performance

The study examined the influence of independence of internal audit on organizational performance of semi-autonomous agencies in the state department of energy in Nakuru County, Kenya using three metrics. These were interference from management, conflict of interest with the management, and favourism towards bosses. The study found that internal auditor favourism towards bosses in internal audit report and organizational performance of semi-autonomous agencies in the state department of energy in Nakuru County, Kenya are significantly related. Organizational performance of semi-autonomous agencies in the state department of energy in Nakuru County, Kenya was found to also be significantly related to the expectations of the personnel being audited. The study established that organizational performance of semi-autonomous agencies in the state department of energy in Nakuru County, Kenya is significantly related to separation of audit roles from the other roles of the state corporation. Similarly, job security of internal auditors and organizational performance of semi-autonomous agencies in the state department of energy in Nakuru County, Kenya are related. Finally, organizational performance of semi-autonomous agencies in the state department of energy in Nakuru County, Kenya and conflict of interest between internal audit unit and management were found to be significantly related.

5.2.2 Professional Competencies of Internal Auditors and Organizational Performance

The study investigated the influence of professional competencies of internal auditors on organizational performance of semi-autonomous agencies in the state department of energy in Nakuru County, Kenya using three indicators. These were academic

qualification, work experience, and professional qualification. The study found that professional record in auditing and organizational performance of semi-autonomous agencies in the state department of energy in Nakuru County, Kenya are related, same as organizational performance of semi-autonomous agencies in the state department of energy in Nakuru County, Kenya and experience of the internal auditor in auditing. The study also found that CPA (K) qualification for internal auditors and organizational performance of semi-autonomous agencies in the state department of energy in Nakuru County, Kenya are significantly related. Similarly, organizational performance of semi-autonomous agencies in the state department of energy in Nakuru County, Kenya was found to be significantly related to training on emerging issues in auditing. The study also established that membership in professional audit bodies and organizational performance of semi-autonomous agencies in the state department of energy in Nakuru County, Kenya are related.

5.2.3   Internal Controls and Organizational Performance

The study examined the influence of internal controls on organizational performance of semi-autonomous agencies in the state department of energy in Nakuru County, Kenya. Receipts reconciliation, assessment of risks, and supervision of employees were used as measures of this influence. Reconciliation of receipts to mitigate financial malpractices was found to be significantly related with organizational performance of semi-autonomous agencies in the state department of energy in Nakuru County, Kenya. The same was found for ethical code of conduct by employees and organizational performance of semi-autonomous agencies in the state department of energy in Nakuru County, Kenya. Organizational performance of semi-autonomous agencies in the state department of energy in Nakuru County, Kenya was found to have a statistically significant relationship with assessment of risks, segregation of roles, and supervision of employees.

5.2.4 Management Support to Internal Auditing and Organizational Performance

The study assessed the influence of management support to internal auditing on organizational performance of semi-autonomous agencies in the state department of energy in Nakuru County, Kenya. Resources support, implementation of audit recommendations, and disclosure of information were used as the metrics for

management support to internal auditing. The study found that organizational performance of semi-autonomous agencies in the state department of energy in Nakuru County, Kenya is significantly related to allocation of resources to the audit department, provision of information by leadership, and implementation of all audit recommendations. The study also found that management team response to audit queries raised by internal auditors and management recognition of roles of internal audit unit have significant relationships with organizational performance of semi-autonomous agencies in the state department of energy in Nakuru County, Kenya.

5.2.5 Organizational Performance of Semi-Autonomous Agencies in the State Department of Energy in Nakuru County

The study established that there was improvement in service delivery in semi-autonomous agencies in the state department of energy in Nakuru County. The study showed that there were infrastructural developments and proper formulation of policies in the agencies under investigation. In regard to the conflict resolution, the study established that there was amicable resolution of disputes in the semi-autonomous agencies investigated. The study also found out that there is proper utilization of resources in the agencies. The study also found out that to a great extent (68.2%), the variation in the performance of semi-autonomous agencies in the state department of energy in Nakuru County could be explained by the changes that occur in management support, professional competencies of internal auditors, independence of internal audit and internal controls of the agencies.

5.3 Conclusion of the Study

The study concluded that management support had the greatest influence on the organization performance. This was followed by independence of the internal audits, professional competencies of internal audit, and internal controls respectively. These relationships were statistically significant implying that they would still hold in the population. These conclusions were based on the relative strengths of the beta coefficients of the individual independent variables.

5.4 Recommendations of the Study

The study recommended that in order to improve on the organizational performance of the semi-autonomous state corporations, the study should significantly focus on the management support in order to have the greatest influence on organizational performance. This was due to the fact that the item had the greatest cause and effect influence on organizational performance of the semi-autonomous state corporations.

5.5   Suggestions for Further Studies

The study proposes for further studies for the researchers to focus on other state corporations across the sectors in order to find out the aspects which affect the organizational performance of these corporations.

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APPENDICES
APPENDIX I: INTRODUCTION LETTER

CHEPKONGA FLORA JEBICHII

P.0 BOX 15923-20100,

NAKURU.

Dear Respondent,

I am pleased to inform you that you have been selected to particpate in this study entitled "INTERNAL AUDIT FUNCTION AND ITS INFLUENCE ON ORGANIZATIONAL PERFORMANCE OF SEMI AUTONOMOUS AGENCIES IN THE STATE DEPARTMENT OF ENERGY IN NAKURU COUNTY, KENYA". This study will carried out in partial fufillness of the brequirement for the award of masters degree of Business Administration (Accounting Option) of Kabarak University.

Your participation in this study will enable the study to meet its objectives. You have been selected because I believe you are knowlegeable in internal audit aspects in Semi autonomous agencies in the State Department of Energy in Nakuru. The information that you will provide will be treated as confidential and will only be used for the purposive of this study. The study conceals the identity of the respondents and therefore do not indicate the name of your name or that of your organization.

Yours faithfully,

………………..

CHEPKONGA FLORA JEBICHII

INTERNAL AUDIT FUNCTION AND ITS INFLUENCE ON ORGANIZATIONAL PERFORMANCE OF SEMI AUTONOMOUS AGENCIES IN THE STATE DEPARTMENT OF ENERGY IN NAKURU COUNTY, KENYA

INSTRUCTIONS

You are requested to fill in the questionnaire by selecting one of the possible answers provided. Kindly answer all the questions.

SECTION I: BACKGROUND INFORMATION

1. Gender

    Male   [ ]   Female [ ]

2. Your age bracket?

    18-22 years [ ]   23-27 years [   ]   28-32 years [   ]

    33-37 years [ ]   38-42 years [   ]   43-47 years [   ]

    Above47 years   [ ]

3. Work experience?

    Below 1 year [ ]   1-3 years [ ]   4-6 years [ ]

    Above 6 years [ ]

SECTION II: INDEPENDENCE OF INTERNAL AUDIT

The questions in this section are based on five point Likert scale running from strongly disagree (SD) to strongly agree (SA). The items will be scored as follows; strongly Disagree=1, Disagree=2, Undecided=3, Agree=4 and Strongly Agree=5. Use the Likert scale to answer the following questions.

No	Statement	SD	D	U	A	SA
		1	2	3	4	5
4.	Internal auditors do not seek to favour their bosses in their internal audit report.					
5.	The internal audit decisions are based on the expectations of the personnel being audited.					
6.	There is separation of audit roles in the state					

No	Statement	SD	D	U	A	SA
		1	2	3	4	5
	corporation from the other duties of the state corporation.					
7.	Job security of internal auditors is not based on how their internal audit report favour their bosses.					
8.	Internal audit unit does not have conflict of interest with the management of the state corporation.					

SECTION III: PROFESSIONAL COMPETENCIES OF INTERNAL AUDITORS

The questions in this section are based on five point Likert scale running from strongly disagree (SD) to strongly agree (SA). The items will be scored as follows; strongly Disagree=1, Disagree=2, Undecided=3, Agree=4 and Strongly Agree=5. Use the Likert scale to answer the following questions.

No	Statement	SD	D	U	A	SA
		1	2	3	4	5
9.	The internal auditors have a good professional tract record in auditing					
10.	The internal auditors are well experienced in aspects of auditing					
11.	The internal auditors have the CPA (K) qualification for audit work					
12.	The internal auditors are regularly trained in the emerging issues in auditing					
13.	The internal auditors are members of professional audit bodies					

SECTION IV: INTERNAL CONTROLS

The questions in this section are based on five point Likert scale running from strongly disagree (SD) to strongly agree (SA). The items will be scored as follows; strongly Disagree=1, Disagree=2, Undecided=3, Agree=4 and Strongly Agree=5. Use the Likert scale to answer the following questions.

No	Statement	SD	D	U	A	SA
		1	2	3	4	5
14.	The state corporation does receipts reconciliation to ensure there are no financial malpractices.					
15.	There is a set out ethical code of conduct by employees in the state corporation.					
16.	There is regular assessment of risks in the state corporation.					
17.	There is segregation of roles to discourage unethical practice by employees.					
18.	There is close supervision of employees in the state corporation.					

SECTION V: MANAGEMENT SUPPORT TO INTERNAL AUDITING

The questions in this section are based on five point Likert scale running from strongly disagree (SD) to strongly agree (SA). The items will be scored as follows; strongly Disagree=1, Disagree=2, Undecided=3, Agree=4 and Strongly Agree=5. Use the Likert scale to answer the following questions.

No	Statement	SD	D	U	A	SA
		1	2	3	4	5
19.	The management team allocates adequate resources to the audit department in the state corporation.					
20.	The leadership provides all information that the internal auditors ask for					
21.	The management implementations all audit recommendations					
22.	The management team responds to all audit queries raised by internal auditors					

No	Statement	SD	D	U	A	SA
23.	The management recognizes the roles of internal audit unit in the corporation					

SECTION VI: ORGANIZATIONAL PERFORMANCE

The questions in this section are based on five point Likert scale running from strongly disagree (SD) to strongly agree (SA). The items will be scored as follows; strongly Disagree=1, Disagree=2, Undecided=3, Agree=4 and Strongly Agree=5. Use the Likert scale to answer the following questions.

No	Statement	SD	D	U	A	SA
		1	2	3	4	5
24.	There is improvement in service delivery in my agency					
25.	There is infrastructural developments in my agency					
26.	There is proper formulation of policies in my agency					
27.	There is amicable resolution of disputes in my agency					
28.	There is proper utilization of resources in my agency					

THE END

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5th November, *2018.*

Ministry of Higher Education Science and Technology,
National Council for Science, Technology & Innovation,
P.O. Box 30623 – 00100,
Nairobi

Dear Sir/Madam,

RE: RESEARCH BY CHEPKONGA FLORA -GMB/NE/0753/05/16

The above named is a student of Kabarak University taking Masters of Business Administration (Accounting Option). Her research is entitled **"Internal Audit Function and its Influence Organizational Performance of Semi- Autonomous Agencies in the State Department of Energy in Nakuru County, Kenya"** *s*he has been **Examined and Accepted** by the Board of Postgraduate Studies.

She is therefore authorised to proceed on with her research. Any assistance accorded to her is highly appreciated.

Thank you.

Yours faithfully,

Dr. Betty Tikoko
DIRECTOR - (POST GRADUATE STUDIES)

Kabarak University Moral Code
As members of Kabarak University family, we purpose at all times and in all places, to set apart in one's heart, Jesus as Lord. (1 Peter 3:15)

Kabarak University is ISO 9001:2015 Certified

63

APPENDIX IV: NACOSTI DEPOSIT SLIP

KCB BANK

KCB BANK KENYA LTD.
TELLER No. 2
15 OCT 2018
CASH PAID
MENENGAI CRATER

Date: 15/10/2018

C R E D I T   A D V I C E
CASH   DEPOSIT

KCB MENENGAI CRATER

Account AT   KCB KIPANDE HOUSE

ACCOUNT DETAILS

A/C NO: 1104162547
A/C REF: 005241970364
NAT COMM FOR SCI ,TECH AND INNOV
Current Account - Bundled

We have credited your above account with   1,000.00 KES

Kenya Shillings ONE THOUSAND ONLY

CASH PAID IN BY: FLORA JEBICHII CHEPKONGA   Signature :...............
                   RESEARCH LICENCE FEE

Transaction Number: TT18288TZ9WX   at 16:26:25   On 15/10/2018

Thank you for banking with us. You were served by: JACKLINE CHEPKOECH KORIL

        *** Advice not valid unless Transaction Number is shown ***

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