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Effect of Internal Auditing Characteristics on Financial Accountability of Public Organization: A Case of County Governments in Kenya

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Strictly as per the compliance and regulations of:

Effect of Internal Auditing Characteristics on Financial Accountability of Public Organization: A Case of County Governments in Kenya

Linet Kemunto Nyakundi [α] & Dr. Oluoch Oluoch [σ]

Abstract- The county government's auditors have been experiencing the existence unreliable information systems, Lack of capacity to handle the financial complexities, Economic viability of some county governments in doubt, Political interference of in the process of procurement and staffing, weak governance structures for financial controls and reporting. All this has affected the financial accountability of internal audit services. Public finance accountability is increasingly becoming important in the public sector. One means of effecting accountability is through auditing. Despite the characteristics of auditor's fraudulent activities, in efficiency and waste of public resources are increasingly high. This is a sad state of affairs as the county governments strive to become a middle income economy by 2030. The general objective of this study is to determine the effect of internal auditing on financial accountability. The study was guided by the following Specific objective which was; to find out the influence of management, Audit risk assessment, staff competence on the characteristics of internal auditing practices in selected county governments and to find out the extent to which Political interference influence in internal auditor's services. The study adopted descriptive research design. The study population will comprise of 47 internal auditors from 47 county governments (1 respondents per county government). The study use census sampling to select sample size of 47 internal auditors from 47 county governments. The study used primary data by use of questionnaire in the collection of data. This study used quantitative method of data analysis. The data collected was edited, coded, tabulated, translated into specific categories, record them appropriately and computing them using appropriate statistical techniques. Data was analyzed using descriptive and inferential statistical techniques was used. Descriptive statistics includes the mean, standard deviation and correlation analysis. The study concluded that audit risk assessment had affected financial accountability of county government. It showed that audit risk assessment produce quarterly financial reports, audit risk assessment liaise internal auditors and external auditors.

Keywords: audit risk assessment, staff competence, the characteristics of internal auditing.

I. Introduction

a) Background of the study

Over the years, internal auditing has evolved into a highly professional activity that extends to the appraisal of the efficiency and effectiveness of all phases of a company's operations, both financial and non-financial. An audit (internal or external) involves the review of the accounting books of the organization; the audit is usually by an official independent body/organization or individuals hired by the organization. The audit process is an in-depth examination of each financial transaction made by an organization and encompasses the total year-end accounts. Upon the completion of the independent audit, the books and accounting procedures are verified as accurate. The audit opinion expressed by the auditors determines the fairness and accuracy of the financial statements. The audit opinion measures the level of the characteristics of accounting done in an organization. The different types of opinion expressed by auditors at the end of audit exercise are: unqualified opinion, qualified opinion, adverse opinion and disclaimer opinion (Augustine et al., 2013).

These changes have led to the formation of internal audit departments" Sterck, (2014). NR "and became one of the important units in the most modern banks in the world" One of the strongest means to monitor financial reporting, ethics, and governance is the internal audit groups in corporations. The internal audit function could be viewed as a first line defense against inadequate corporate governance and financial reporting. With appropriate support from board of directors, audit risk assessment, the internal audit staff is in the best position to gather information on inappropriate accounting practices, inadequate internal controls, and ineffective corporate governance (Sharairi, 2011).

The Institute of Internal Auditors (IIA) defines internal auditing as follows: "Internal auditing is an independent, objective assurance and consulting activity designed to add value and improve the organization's operations (Viswesvaran, 2012. It helps an organization to accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control, and governance process", and the IIA defines Objectivity as: An impartial, unbiased mental attitude and avoidance of conflicts of interest, allowing internal auditors to perform engagements in such a manner that they have an honest belief in their work product and that

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no significant characteristics compromises are made" (IIA, 2012).

Therefore this lead to the broad view of internal audit places it more centrally as an important element of public expenditure management that also encompasses management controls and information communication processes. Internal auditors become key by informing the public sector as a result of principle-agent relationship that exists between the executive and the public (ICPAK, 2015). Internal auditors safeguard the organization resources and forecast to give a continuous account of how the resources have been used and enable continuous assessment on whether the feedback meets public objectives and expectations and whether these are well balanced to reduce the risks inherent in the principal-agent relationship (Adel, 2011).

In Asia, the Malaysian public, the government is aware that high characteristics of financial management will lead to the success of government programs and activities however there was general concern among over the effective and transparent Public Financial Management (PFM) regarding the use of public money. Every year government has involved in collecting and spending hundreds of billion ringgits of public money through the various ministries and agencies for government program and activities. This revenue and expenditure may constitute the main factor for economic growth stimulation of the country, (Jamal, 2011).

Funds are expended for legitimate purposes in appropriate ways, and financial record reflect true and fair organization's financial condition. According to Aaron and Gabriel, (2010) All transactions should be properly authorized, executed and recorded. Due to this huge money involved, government need efficient and effective financial management machinery to functioning with accountability and due diligent conforming to the stipulated rules and regulation and other instruction pertaining to financial management. So, all government ministries, departments and agencies are supposed to maintain the accuracy and reliability accounting record for the purpose of auditing and future use (Pilcher, (2011).

In the United States the recent scandals have demonstrated that ensuring the independence of auditors from the publicly traded clients whose books were inspect is one of the most having problems in the financial world today.

The imposition of a mandatory audit system through the 1930s federal securities laws created the modern problem of auditor independence. Since then, numerous attempts to fix the problem have failed. According to Montondon and Fischer, (2009), the core issue is that the statutory audit is simply a commoditized cost of doing business for issuers that imposes an impossible obligation to serve an unspecified investing public on the auditors. Yet, this investing public neither hires, fires, nor controls the auditors. However, Unegbu and Kida (2011) Instead, the audit relationship is managed by the management of the institution being audited. This enables an organization to meet its operational objectives through well thought-out and dedicated approaches to evaluate and improve on how best to manage risk, institute effective controls and enhance governance. Organizations Internal auditors play the role of undertaking an independent examinations and giving assurance on various operations of institutions aimed at enhancing organizational performance every day (AAA (2011).

In Africa, Ethiopian public Universities established that internal audit recommendations are not afforded enough management attention and support which adversely affect the effectiveness of internal auditors (Chepkorir, 2010) Moreover, lack of mechanisms in place to follow up the implementation of internal audit recommendations; absence of strategic plan and consistent documentation styles for audit work, lack of resources, poor leadership for internal audit function (IAF), absence of appropriate framework to measure IAF Characteristics, and lack of competent personnel are also some challenges of internal auditors.

In Kenya, the set-up of internal audit function has been provided for under the Public Financial Management Act of 2012 and the Public financial management regulations of 2015. This law and the implementing regulations also accommodate prior guidance provided through Treasury circular AG/3/080/6/(61) of 2000 on the establishment of Audit risk assessments in all Ministries, departments and agencies of the central government, circular 16 of 2005 which provided detailed guidance on internal auditors role in enhancing oversight, governance, transparency and accountability and circular 18 of 2005 that provided a detailed guide to management action on internal audit reports (ICPAK, 2015).

Public institutions are required to support the internal auditor to learn effectively on all if not most issues faced by public institutions by understanding the daily risks and constraints in public organizations systems and formulating strategies that will enable the internal auditors to work as a team to identify and address all risks. A good internal auditor is one who undertakes his role efficiently and effectively and enables the achievement of good governance systems in any given public institution (Belay 2007). The internal auditors' roles are affected by credibility issues hindering the capability to perform their duties in promoting transparency, accountability and good governance. For instance, misappropriation of public funds through scandals such as 2005 Anglo-Leasing, NHIF, Judiciary and the Ministries of Agriculture and Education scandals are indicators of ineffectiveness in public internal auditing and poor performance of internal auditors ICPAK, 2015).

According to KPMG's Audit Risk assessment Institute (2013). Irregularities in spending public money have been highlighted by the Auditor General (AG) in his annual report. Some of these weaknesses and irregularities involve serious violation of established financial management guidelines and procedures such as poor planning of procurement, equipment's supplied, work done and services rendered not in accordance with the original specification, cost overrun due to delays in project completion, improper payment made for equipment's not supplied, work not done and services not rendered, equipment and good procured at a much higher cost than market value, procurement not done according to established regulations, (Kiprono, 2010). Thus the role of IA unit is to determine that internal control is in place by reviewing policies and practices in the organization in order to avoid loss of financial resources, noncompliance and also to provide reasonable assurance that public money has been spent in an efficient and effective manner.

b) Statement of the problem

The county government's auditors have been experiencing unreliable financial accountability where the systems lack ability to handle the financial complexities. Economic viability of some county governments are in doubt influenced by political interference in the process of procurement and staffing, weak governance structures for financial controls and reporting. All this has affected internal audit characteristics. Public finance accountability is increasingly becoming important in the public sector. One ways of effecting financial accountability is through auditing. Despite the auditors fraudulent activities, inefficiency and waste of public resources are increasingly high (TI, 2017). This is a sad state of affairs as the county governments strive to become a middle income economy by vision 2030.

According to the Audit reports from the Office of the Auditor General on financial operations of County Governments across the Country, 91% of the County Assemblies Audited by the Auditor General in the year 2013 had not received unqualified audit opinion both on financial statements and policy implementation (Auditor General Report, 2013). In the financial year2014/15, the Auditor general report reveals that with up to about Ksh 1 trillion allocated to 47 County Governments, massive corruption and excessive un-accounted spending mar the County governments. The audit report expose massive corruption and a careless spending culture in total disregard of existing procurement regulations even as the clamor for more cash continues. The report established that some monies were paid to ghost workers and non-existence suppliers. (Auditor General Report, 2016).

Kamere (2013) found that in organizations where management failed to recognize the role of the internal audit function this led to incompetency and overall lack of Characteristics of the functions. Schneider, (2014), found that internal auditors role in achieving objectivity in the organization is largely affected by their economic status and that lack of clear reward systems. Schneider found that when rewards were not given to internal auditors, the internal audit operations could be influenced by management and this would affect their reports and may result in unreliable reports to the organization.

Ahlawat and Lowe (2014), study found that Management support and internal audit characteristics are the two most important factors that influence the effectiveness of the internal audit function Hence, failure by management to respond to internal audit findings and recommendations impacts negatively on the internal audit staff attitude towards the improvement of audit characteristics, their commitment to develop their career in the public sector internal audit functions and their overall job satisfaction. Waweru (2013), indicates that there is much similarity to studies in major economies. However, skills shortage and dominant shareholder or government may have affected the operations of audit risk assessments

Goodwin (2014) study found that 72% of internal auditors were not allowed to question the decisions made by the top executive level and noted instances where top level executives were dismissed for going to the Chief Internal auditor to verify the decisions made in the normal course of operations. It is therefore not very clear if the Characteristics of the auditors has any significant impact on the accountability of the public institutions in Kenya. This study therefore aimed to provide further understanding of the effect of internal auditing characteristics on financial accountability in county governments, in Kenya.

c) Objectives of the study

i. *General objectives*

The general objective of this study was to assess the effect of internal auditing characteristics on financial accountability in county governments, in Kenya.

ii. *Specific objectives*

1. To find out the influence of management support on financial accountability in county governments in Kenya.
2. To determine the influence of audit risk assessment on financial accountability in county governments, in Kenya.
3. To find out the extent to which audit staff competence influence financial accountability in county governments, in Kenya.

II. Literature Review

a) Introduction

This chapter gives the theoretical literature and empirical review of the study. It also gives cover the conceptual framework, Empirical review, and Research gaps.

b) Theoretical review

The study was based on the following four main theories include Credibility Theory, Institutional Theory, Policeman Theory and Theory of Inspired Confidence.

i. *Credibility Theory*

According to Credibility Theory (Porter, 1990) this theory regards the primary function of auditing to be the addition of credibility to the financial statements. Audited financial statements are used by management (agent) in order to enhance the principal's faith in the agent's stewardship and reduce the information asymmetry. However, the Audited information does not form the primary basis for investors' investment decisions". On the other hand, it is always asserted that financial statements have a function of confirming message that previously issued (Sterck and Bouckaert, 2014).

Most institutions put in place control systems such as internal auditing to promote efficiency in financial management and to effectively monitor the operational Characteristics of individual departments. Despite their existence, information inequalities constraint management and directors and the expectation that the internal audit function is an effective control system that promotes good governance (Lin et al, 2013). This is supported by IIA, (2012) which opined that one of the expected outcomes when assessing the role of internal auditors is whether the function assists the organization to promote corporate governance processes.

According to Ramsay (2012) highlighted that in modern times, a number of forces put together have led to a transformation of governments through the adoption of options meant to scale up their operations and through the enhancement of internal auditor's roles to higher levels in a bid to enhance accountability and transparency in the use of public resources. The internal audit function entailed evaluation and improvement of control of risks, internal controls and governance processes.

The separation of management from ownership in public institution offers an ideal context for the operationalization of Credibility Theory. The shareholders are regarded as the principal with the interest of achieving maximum outcome interests from the organization. Conflict arises as the separation of ownership from management leads to inability of the owners to monitor management actions and activities and results in the need to employ certain source of information systems and control measures to minimize agency costs (Krishnan & Visvanathan, 2013). The theory relates to the variable under study on management support and characteristics of internal auditors.

ii. *Institutional Theory*

According to institutional theory (Scott, 2004) states that institutional environment can strongly influence the development of formal structures in an organization, often more profoundly than market pressures. Innovative structures that improve technical efficiency in early-adopting organizations are legitimized in the environment. At this point new and existing organizations will adopt the structural form even if the form doesn't improve efficiency. Therefore the theory views that an organization is structured and works to achieve social outcomes in the public auditor's services (Schneider, 2014).

Institutional theory is of the view that the organization has structured operations to ensure social accountability. The real functioning of the organization is complemented by an effective internal audit process .According to Goodwin (2014) posited that institution internal audit functions are hard and complex to realize and that the external picture of the organization may be weakly associated with the organization's internal operations.

The internal auditor roles focus on improving corporate governance in an institutionalized context which is the basis for the adoption of the institutional theory. These then demands for greater scrutiny of the organization's financial reporting to safeguard the interest of the stakeholders. Evaluation of the internal auditor's role cannot be avoided particularly where the function is a key feature of organizational effectiveness (Dalila, 2013).

According to Millichap, (2012), fundamentally, internal auditors roles have now became much more essential as a control within organizations and a key to effective risk management. Internal auditors are heavily involved in the organization in the continuous internal audit process and ultimately share with the boards their recommendations which are expected to contribute to the organization's objectives (Jamal, 2011).

iii. *Theory of Inspired Confidence*

According to Theory of Inspired Confidence (Dutch professor Theodore Limperg, 1920s) theory addresses both the demand for and the supply of audit services and the demand for audit services is the direct consequence of the participation of outside stakeholders in the organizations. These stakeholders demand accountability from the management, in return for their contribution to the organizations (AAA, 2011) since information provided by management might be biased, a possible divergence between the interest of management and outside stakeholders, an audit of this information is required. With regard to the level of audit assurance that auditor should provide, (the supply side), which require additional staff or other resources and which require legal or regularity reform. Some suggestions for early action to start reform are training for all internal audit staff, reducing the emphasis on pre-audit, increase the importance of internal auditors recommendations and management actions, working long-term with managers rather than sweeping in to audit them and their staff, involve management and staff in IA planning, work with managers to develop action plans and produce IA publications for all internal auditors and clients IIA, (2012).

As the audit information given by internal auditors may become more complex, users of information will have more difficult, or even impossible, to obtain direct assurance about the characteristics of the information received. As organizations have grown in size, the volume of their transactions has increased. As a result of these changes, errors are more likely to creep into the accounting data and the resulting financial statements. Additionally, with the increasing complexity of transactions, accounting systems and financial statements, users of external financial statements are less able to evaluate the characteristics of the information for themselves. Therefore, there is a growing need for the financial statements to be examined by an independent qualified auditor, who has the necessary competence and expertise to understand the entity's business, its transactions and its accounting system (Ruto, 2011).

County government's financial statements are prepared by its directors and these directors are essentially reporting on their own Characteristics. Users of the financial statements want the statements to portray the company's financial performance, position and cash flows as accurately as possible. However, they perceive that the directors may bias their report so that it reflects favorably on their management of the company's affairs (Fama, and Jensen, 2013), thus it can be seen that there is a potential conflict of interest between the preparers and users of the financial statements. The auditors play a vital role in helping to ensure that directors provide, and users are confident of receiving information which is a fair representation of the company's financial affairs. Senior management are normally offered rewards depending on performance agreed on in reward based plans which are formulated to provide an incentive to management to increase shareholder wealth and to attract and retain the most competent and qualified staff (Maletta, 2013). Internal auditors are used as a control mechanism for evaluating management action against the expectations of the board and shareholders .This theory relates to the variable under study on staff competence.

iv. *Policeman Theory*

According Policeman Theory (Hayes et al., 1999) explains that an auditor acts as a policeman focusing on arithmetical accuracy and on prevention and detection of fraud. However, due to its inability to explain the shift of auditing to, 'Verification of truth and fairness of the financial statements,' the theory seems to have lost much of its explanatory power. However, because the audit report is the medium of communication between the auditor and the users of the audit report, this report must be understandable, objective and accepted by the users as a relevant source of information. The relevance of the report means that it must make difference in decision making; otherwise, the users of the financial statements will not read the report and will not consider it in the decision-making process.

Is an auditor responsible for discovering fraud, like a policeman and Up until the 1940s it was widely held that an auditor's job was to focus on arithmetical accuracy and on prevention and detection of fraud. However, from the 1940s until the turn of the century there was a shift of auditing to mean verification of truth and fairness of the financial statements. Recent financial statement frauds. The demand for audit arises from the potential conflict of interest that exists between stakeholders and managers In other words, as a consequence of legal, physical and economic factors, users of a company's external financial statements are not able to verify for themselves the reliability of the information contained in the financial statements. Although for example, if they are major shareholders in company, they have de facto right of access to the company's books and records (Chepkorir, 2010).

In addition, there are different levels of reform that can be undertaken. It is worthwhile to evaluate what reform measures could be taken immediately, which need the cooperation with others; such as county ministers, chief officers, Accounting Officers, Auditor-General,(Kashan and Nabeel,2013).As the demand for audit services is triggered by many factors, including the remoteness gap between the users of the financial statements and the preparers of these statements; the conflict of interest between the users of the financial statements; the complexity of the economic transactions; and the expected effect of the financial statements on decision making Taking into account the external auditor's view, the audit risk assessment should consider whether the company has adopted appropriate accounting policies and, where necessary, made appropriate estimates and judgments. This theory relates to the variable under study on performance of internal auditor.

c) Conceptual framework

Conceptual framework is a scheme of concepts/ variables which the study will achieve the set

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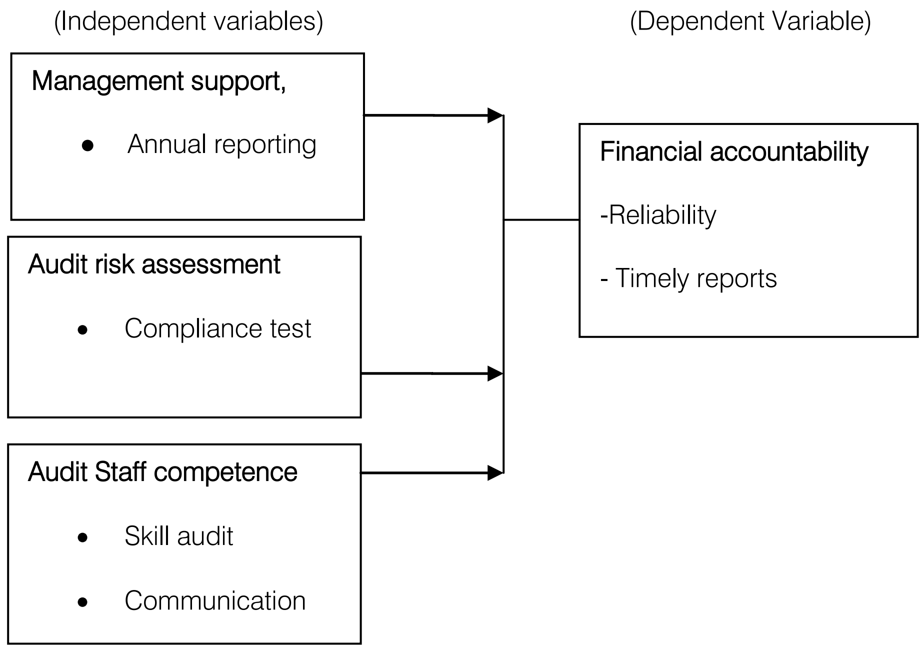
objectives. The independent variables in this are the management support, Audit risk assessment, and staff competence influenced of internal audit characteristics in Kenya. The effect of internal audit characteristics on financial accountability of the organizations was therefore as a result to a change in each of the independent variables.



d) Empirical review

i. *Management support*

The management support with resources and commitment to implement the internal audit recommendations is essential in attaining audit effectiveness. Administration support is then another factor contributing to effectiveness of internal auditors identified by Zulkifli Baharud-din et al. (2014). The support and commitment of management also have the certain impact to make sure internal auditing is functioning effectively. The success of internal auditing function will depend on the strength of management's support for the auditing process. They have to accept the fact that the internal auditing process is just as critical and important activity as any other process within the organization. The outcome of the study shows that there was a positive significant statistical relationship between financial accountability and Management support with high level of accountability.

The management's commitment to implement audit recommendations improves the operation of the audit, as a result of which attributes would improve to the benefit of audit effectiveness. The section of management support consists of questions related to accessibility level of information by internal auditor in an organization, the level of facilitation, in terms of equipment and budget, by the management to internal auditor.

Adel (2011) indicated that there is inadequate staffing of internal accounting and auditing departments in government and specifically the internal audit function is generally under resourced and this affects the characteristics of the internal auditors in financial management hence exposing public organizations to face threats of misuse of public funds. The study indicates that there was statistical significant correlation between inclusivity practice ratings and financial accountability. High ratings on management support in audit characteristics associated to improvement on financial accountability.

ii. *Staff Competence*

Competency can be relate to the ability of an individual to perform a job or task properly base on the educational level, professional experience and the effort of the staffs for continuing professional development. Auditors' competency determines the effective auditing in the organization. It contributes to the ability of the auditors to perform the systematic and discipline audit approach to improve the effectiveness of IA. Unegbu and Kida,(2011) concluded in their study that IA office constantly face the problem of low technical staff proficiency and high staff turnover, which would limit it capacity to provide effective service to management.

Kamere (2013) did a study of challenges faced in professionalizing the internal audit function in Kenya's industrial and Allied companies listed in the Nairobi Stock Exchange. The study found that in organizations where management failed to recognize the role of the internal audit function this led to incompetency.

Hack (2013) carried out a study on challenges facing internal auditors in 24 countries in Europe and found that main challenges facing internal auditors were the widening technical skills gap, corruption and lack of authority. The study also identified other challenges that hinder the effective functioning of internal auditors which included high costs of maintaining the function, reluctance to travel, cultural and language differences, failure to adhere to characteristics standards and limited knowledge on acceptable accounting standards, regulations and local laws. The study found that only 34% of the respondents were positive that internal auditors followed internal audit standards. The study recommended that institution should enhance internal audit competency.

Cattrysse (2014) carried out a study investigating the role of internal auditors in organizations. The study found that internal auditors maintain the structure of organizations internal operations but also noted that the main problem facing the internal auditor is poor working conditions that create an unfavorable working environment.

According to American Accounting Association (2011) on issues of competency pointed out that internal auditors should engage in those services for which they have the necessary knowledge, skills, and experience and that they should perform duties in accordance with the Standards; and continually improve their proficiency and effectiveness.

iii. *Audit risk assessment*

Internal Audit plays a pivotal role in ensuring that efficient controls are operating in all the activities, be it liabilities or assets of an organization. Internal auditors should report to a risk assessment within the organization whose members are appointed by the Executive risk assessment of the organization (Botez, 2010). An audit risk assessment is a selected number of members of a company's board of directors whose responsibilities include helping auditors remain independent of management. Most audit risk assessments are made up of three to five or sometimes as many as seven directors who are not a part of company management. It was concluded that influence of audit characteristics in county government was significant to predict Financial Accountability and the model was fit to predict their relationship.

The audit risk assessment should review the clarity and completeness of disclosures in the financial statements and consider whether the disclosures made are set properly in context that the audit risk assessment is not satisfied with any aspect of the proposed financial reporting by the company; it shall report its views to the board. The audit risk assessment should review related information presented with the financial statements, including the business review, and corporate governance statements relating to the audit and to risk assessment management (Financial Reporting Council, 2012).

Waweru (2013) conducted a study on Audit Risk assessments and Corporate Governance in developing Countries with a specific focus on Kenya. The study focused on how audit risk assessments operate in a developing country such as Kenya and how the practices compare with those of western economies and other emerging economies; how audit risk assessments relate to management, internal audit, and external auditor; and the major achievements and challenges facing audit risk assessments in Kenya. The findings indicate that there is much similarity to studies in major economies. However, skills shortage and dominant shareholder or government may have affected the operations of audit risk assessments. This reveals that there was positive statistical significance correlation between audit risk assessment and financial accountability.

The relationship between the internal audit function and the Audit Risk assessment should be clearly defined and addressed in the organization's charter. It is the management's responsibility, not the audit risk assessments' responsibility, to prepare complete accurate financial statements and disclosures in accordance with financial reporting standards and applicable rules and regulations. However the audit risk assessment should consider significant accounting policies, any changes to them and any significant estimates and judgments. Krishnan and Visvanathan (2013) carried out the study on the role of audit risk assessments and internal auditors in their reporting to management about internal gaps after the passage of the Sarbenes Oxley Act (SOX). The study sampled 164 institutions where audit risk assessment members were the respondents. The study revealed that in the frequent meetings by the internal audit risk assessments, there were no clear responsibilities over effective reporting and over the reporting of fraud in organizations.

According to a study carried out by Sandra and Henk (2011), it was established that audit risk assessments in Groningen and Leeuwarden had not made any significant change in local and national government operations. They further argue that they did not find a direct effect of these audit risk assessments but believe that characteristics auditing could influence the characteristics of democratic processes in a more indirect way.

e) *Research Gap*

It is evident from the literature that most of the studies concerning the factors affecting internal auditing have been carried out in developed countries, with fewer studies carried out in Kenya which has a devolved system of government. The findings of these studies generally show that in the developed countries both internal and external audit are used for monitoring purposes. The increased and closer co-operation between internal auditors and management has rendered the question of independence all important. Measures must be taken to ensure that the internal auditors of county government can stand firm, if so

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required by the internal auditor's findings, and report to the board. The most important steps are to see to it that the internal auditors of county government is not appointed by management and thus not fired by it either, and that the internal auditors budget is decided in collaboration between management and the audit risk assessment or the executive board, whichever the case may be. The internal auditors of county government manager must also have the possibility to deploy the budget as he/she sees fit.

Kirima (2016) studied on the factors that affect the characteristics of the internal audit function in government ministries in Kenya. The study found out that the internal auditors working environment impacted on the characteristics of internal audit function and the function's performance is impacted by the presence of a clear structure of responsibility linked to set targets, flexibility in the approach of the internal audit work, better exposure of internal audit staff through attendance of professional conferences and exchange programs, professional training support and a clear recognition and reward system. However there is no clear result explode on the effects of internal audit characteristics on financial accountability of county government.

III. Research Methodology

The study adopted descriptive research design, it would be structured in a formal study with clear and would be stated to investigative questions which the researcher to investigate who, what, where, when and how (Cooper and Schindler, 2010). Also descriptive design according to Kothari (2011) is concerned with describing, recording, analyzing and interpreting of variables under the study. The study population comprised of internal auditors from 47 county governments which represented 47 respondents. The target population involves all the members of any well-defined class of people, events or objects under study (Salaria 2012).

The study adopted census sampling would be used to select all 47 respondents comprised of 47 internal auditors from each county which would be ideal sample for the study. Sample design refers to methods used to select individuals from given population to be included in a sample for measurement in a study (Corona, et al., 2014). Sample size is a given number of members or cases from the accessible population which was carefully selected so as to be a representative of the whole population with the relevant to internal auditing characteristics of which 47 counties were represented in Kenya.

The questionnaire was used to collect primary data. According to Kothari (2012) the questionnaire is the most appropriate instrument due to its ability to collect a large amount of information in a reasonably quick span of time and economical manner. The questionnaire was used to collect primary data consisting of both structural and unstructured questions. These questions enabled the researcher to collect qualitative data that was helpful in providing a more insightful interpretation of the results from the study.

IV. Results and Interpretation of Findings

a) *Introduction*

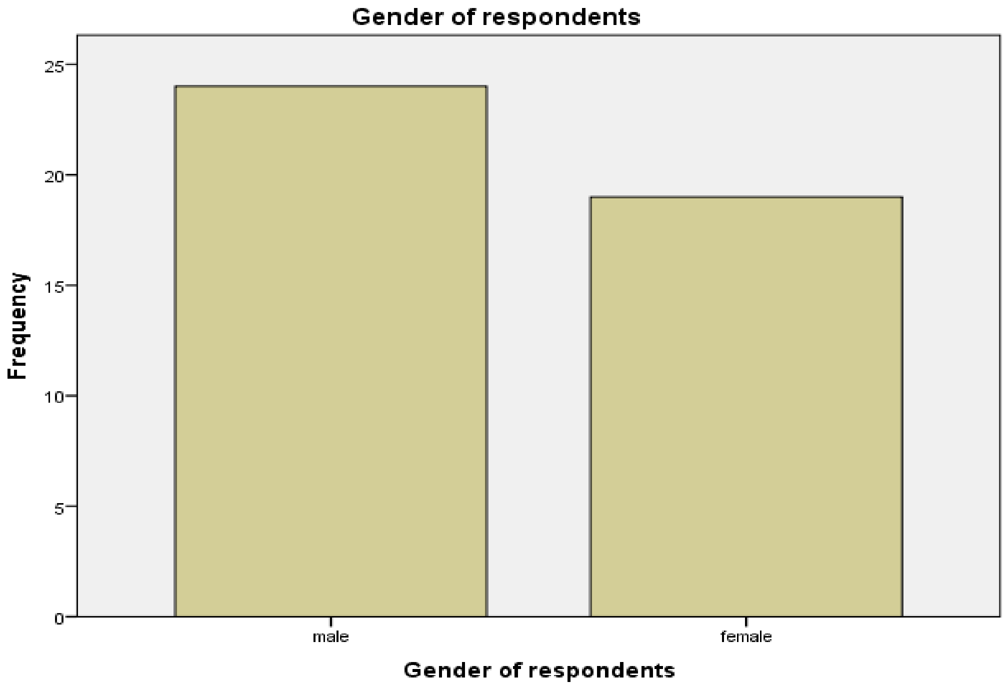
The chapter presented the discussion and conclusion of the study. From the study, the target population was 47, 43 respondents responded and returned the questionnaire. This constituted 91.4% response rate.

i. *General Information*

Table 4.2: Gender of respondents

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	male	24	55.8	55.8	55.8
	female	19	44.2	44.2	100.0
	Total	43	100.0	100.0	

The result also was presented in the figure 4.1.



The majority of the respondents were male in the county in internal auditor.

ii. *Age characteristic*

The study asked the respondents to indicate their age bracket as presented in table 4.3

Table 4.3: Age characteristic

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	18-25 years	3	7.0	7.0	7.0
	26-35 years	12	27.9	27.9	34.9
	36-45 years	16	37.2	37.2	72.1
	46-55 years	8	18.6	18.6	90.7
	56-65 years	4	9.3	9.3	100.0
	Total	43	100.0	100.0	

The results showed that 16(37.2%) of the respondents were aged at 36-45 years, 12(27.9%) of the respondents were aged 26-35 years, 8(18.6%) of the respondents were aged 46-55 years, 4(9.3%) of the respondents were aged 56-65 years, 3(7.0%) of the respondents were aged 18-25 years.

iii. *Highest academic qualification*

The respondent were asked to indicate the level of academic qualification as presented in table 4.4

Table 4.4: Highest Academic Qualification

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Professional (CPA)	6	14.0	14.0	14.0
	Diploma/Certificate	4	9.3	9.3	23.3
	Bachelor Degree	29	67.4	67.4	90.7
	Master degree	3	7.0	7.0	97.7
	Doctor Degree	1	2.3	2.3	100.0
	Total	43	100.0	100.0	

The study showed that Bachelor Degree were 29(67.4%), Professional (CPA) were 6(14.0%), Diploma/Certificate were 4(9.3%), Master degree were 3(7.0%), and Doctor Degree was 1(2.3%).

b) Descriptive statistic

i. *Management Support*

The study sought to determine the effect of management support on financial accountability of county government. The result was presented in table 4.5

Table 4.5: Management support

	N	Minimum	Maximum	Mean	Std. Deviation
The management provides budget for audit services	43	1.00	5.00	3.9535	.92462
The management have adequate number of staff in the audit department	43	1.00	4.00	1.6047	.79101
The management provide an Access to financial year report	43	3.00	5.00	3.9767	.55585
The management implements all audit Recommendation	43	3.00	5.00	4.1860	.62700
The success of internal auditing function will depend on the strength of management	43	3.00	5.00	4.1628	.68765
Valid N (listwise)	43				

The result showed that management implements all audit Recommendation with mean value of 4.1860 with standard deviation of .62700, success of internal auditing function will depend on the strength of management with mean value of 4.1628 with standard deviation of .68765, The management provide an Access to financial year report with mean value of 3.9767 with standard deviation of .55585, The management provides budget for audit services with mean value of 3.9535 with standard deviation of.92462 and The management have adequate number of staff in the audit department with mean value of 1.6047 with standard deviation of .79101.

ii. *Audit risk assessment*

The study sought to determine the effect of audit risk assessment on financial accountability of county government. The result was presented in table 4.6.

Table 4.6: Audit Risk Assessment

	N	Minimum	Maximum	Mean	Std. Deviation
The audit risk assessment has Audit charter in county government	43	1.00	5.00	4.0465	.89850
The audit risk assessment liase between internal auditors and external auditors	43	3.00	5.00	4.0930	.52617
The audit risk assessment produce quarterly financial reports County Government	43	3.00	5.00	4.1860	.62700
The audit risk assessment conduct annual Appraisals of IA in County Government	42	3.00	5.00	4.0476	.62283
There is compliance test in audit risk assessment	43	1.00	3.00	1.5116	.66805
Valid N (listwise)	42				

The audit risk assessment produce quarterly financial reports County Government with mean value of 4.1860 and standard deviation of .62700, the audit risk assessment liaise internal auditors and external auditors with mean value of 4.0930 and standard deviation of .52617 The audit risk assessment conduct annual Appraisals of IA in County Government with mean value of 4.0476 and standard deviation of .62283, The audit risk assessment has Audit charter in county government with mean value of 4.0465 and standard deviation of .89850. There is compliance test in audit risk assessment with mean value of 1.5116 and standard deviation of .66805.

iii. *Audit Staff competence*

The study sought to determine the effect of audit staff competence on financial accountability of county government. The result was presented in table 4.7

Table 4.7: Audit staff competence

	N	Minimum	Maximum	Mean	Std. Deviation
There is minimal Professionalism in audit services in County Government	43	3.00	5.00	4.0930	.64785
There is minimal training and capacity building in audit services in County Government	43	1.00	5.00	2.3488	1.37812
There is minimal motivation among audit staff in County Government	43	1.00	5.00	2.6744	1.49158
Inadequate working tools within audit department in County Government	43	1.00	5.00	3.0233	1.50378
Internal auditors maintain the structure of organizations internal operations	43	1.00	5.00	2.6279	1.48040
Valid N (listwise)	43				

There is minimal Professionalism in audit services in county government with mean value of 4.0930 and standard deviation of .64785 Inadequate working tools within audit department in County Government with mean value of 3.0233 and standard deviation of 1.50378 There is minimal motivation among audit staff in County Government with mean value of 2.6744 and standard deviation of 1.49158 Internal auditors maintain the structure of organizations internal operations with mean value of 2.6279 and standard deviation of 1.48040 and There is minimal training and capacity building in audit services in County Government with mean value of 2.3488 and standard deviation of 1.37812.

The respondents were asked to indicate the extent to which they measure financial accountability of county government as presented in table 4.8.

Table 4.8: Financial accountability

	N	Minimum	Maximum	Mean	Std. Deviation
Timely reports	43	1.00	5.00	3.9767	1.07987
Adequate audit evidence	43	3.00	5.00	4.2791	.73438
Reliability of asset have increased statements	43	1.00	5.00	3.8372	1.11120

The study findings indicated that adequate audit evidence was shown by a mean value of 4.2791 and standard deviation of .73438, timely reports were evidenced by a mean of 3.9767 and standard deviation of 1.07987, and Reliability of asset have increased statements with a mean of 3.8372 and standard deviation of 1.11120.

c) Mixed Model Analysis

This was conducted to test whether the respondents agreed on the effect of each variable parameter.

Table 4.9: Model Dimension[a]

		Number of Levels	Number of Parameters
Fixed Effects	Intercept	1	1
	Management support	13	12
	Audit Risk assessment	11	8
	Staff competences	8	5
	MGT * Audit Risk	23	2
	MGT * Staff	27	4
	Audit Risk * Staff	26	0
	MGT * Audit Risk * Staff	32	0
Residual			1
Total		141	33

Dependent Variable: Financial Accountability.

The result showed factor analysis of levels 13 and number of parameters 12 of respondents accepted that management support affect financial accountability. 11 respondents agreed that audit risk assessment with 8 respondents while staff competencies 8 levels with 5 parameters.

Type III test was conducted also to examine the relationship between fixed effect and model dimension of audit characteristics and financial accountability as presented in table 4.10.

Table 4.10: Type III Tests of Fixed Effects[a]

Source	Numerator df	Denominator df	F	Sig.
Intercept	1	11	582.125	.000
Management support	5	11	.763	.595
Audit risk assessment	4	11	.416	.794
Staff competence	5	11	1.227	.360

Dependent Variable: Financial Accountability

The study showed that management support, audit risk assessment and staff competence was characterized by coefficient value of .595, .794 and .360. This implied that audit risk assessment had more strength of the effect on financial accountability as evidenced by type iii tests of fixed effects of .794. . The F tests the effect of management support. This test is based on the linearly independent pairwise comparisons among the estimated marginal means while dependent Variable is financial accountability with F test value of 582.125 p .000<.05.

d) Correlation analysis

The study sought to examine the relationships between study variables using Pearson correlation and the results were as follows.

The study aimed to examine whether there was any statistical significant relationship between Management support, and financial accountability of County government; Pearson coefficient was used, with scores on Management support as an independent variable and financial accountability as a dependent variable with r .517 statistically significant level set at 0.000<.05, such that if the p-value was less than 0.05, then it would be concluded that a significant difference exist. If the p-value was larger than 0.05, it would be concluded that a significant difference does not exists as in Table 4.11 below shows SPSS output.

Table 4.11: Correlation Matrix

		Management support	audit risk assessment	Staff competence	Financial accountability
Management support	Pearson Correlation	1	.790**	.426**	.517**
	Sig. (2-tailed)		.000	.000	.000
	N	43	43	43	43
Audit risk assessment	Pearson Correlation	.790**	1	.520**	.699**
	Sig. (2-tailed)	.000		.000	.000
	N	43	43	43	43
Staff competence	Pearson Correlation	.426**	.520**	1	.769**
	Sig. (2-tailed)	.000	.000		.000
	N	43	43	43	43
Financial accountability	Pearson Correlation	.517**	.699**	.769**	1
	Sig. (2-tailed)	.000	.000	.000	
	N	43	43	43	43

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

The outcome of the study shows that there was a positive significant statistical relationship between financial accountability and Management support (r=.517**, n=43, p=.05), with high level of accountability associated to improvement in Management support and vice-versa. The study concurred with ZulkifliBaharud-din et al. (2014) who noted that the outcome of the study shows that there was positive significant statistical relationship between financial accountability and Management support.

The study also sought to examine whether there was any statistical significant influence of Audit risk assessment on financial accountability; Pearson correlation was conducted on audit risk assessment as an independent variable and financial accountability as the dependent variable. Significant level (p-value) was set at .05, such that if the p-value was less than 0.05, it would be concluded that a significant difference exists, and if the p-value was larger than 0.05, then it would be that a significant difference does not exists as depicted in Table 4.11 of SPSS output.

Table 4.11 above reveals that there was positive statistical significance correlation between audit risk assessment and financial accountability (r=.699**, n=43; p.000< .05), with higher ratings on audit risk assessment associated to improvement in financial accountability and vice-versa. Waweru (2013) reveals that there was positive statistical significance correlation between audit risk assessment and financial accountability with higher ratings on audit risk assessment associated to improvement in financial accountability and vice-versa.

The study sought to examine whether there was any significant statistical influence of Staff competence on financial accountability, and correlation analysis was conducted, with scores on Staff competence in audit characteristics as an independent variable and financial accountability as a dependent variable. The significant level (p-value) was set at 0.05 confidence level and SPSS correlation analysis results are as in Table 4.11.

Table 4.11 above indicates that there was statistical significant correlation between staff competence and financial accountability (r= .769**; n = 43; p=.000<.05). High ratings on Staff competence in audit characteristics were associated to improvement on financial accountability. The study agreed with Adel (2011) indicated that there is inadequate staffing of internal accounting and auditing departments in government and specifically the internal audit function is generally under resourced and this affects the characteristics of the internal auditors in financial management hence exposing public organizations to face threats of misuse of public funds. The study indicates that there was statistical significant correlation between Staff competence and financial accountability, High ratings on management support in audit characteristics was associated to improvement on financial accountability.

Regression analysis was conducted to establish the existence of a relationship between independent variables and dependent variables. Table 4.12 indicates a regression model.

Table 4.12: Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.702[a]	.492	.486	.54688

a. Predictors: (Constant), Management support, Audit risk assessment, Staff competence

The model summary reveals that Management support, Audit risk assessment, Staff competence in audit characteristics accounted for 49.2% (coefficient R^2= 0.492) of the variation in financial accountability. The obtained result suggests that variation in the level of financial accountability in county government is explained about 49.2% of the variability in audit characteristics and thus the remaining (100-49.2) % was explained by other variables.

However, to establish whether Management support, Audit risk assessment, Staff competence of audit characteristics was indeed a significant predictor to financial accountability in county governance, analysis of variance (ANOVA) was conducted as shown by Table 4.13.

Table 4.13: ANOVA[a]

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	48.705	3	24.353	81.427	.000[b]
	Residual	50.245	39	.299		
	Total	98.950	42			

a. Dependent Variable: Financial Accountability

b. Predictors: (Constant), Management support, Audit risk assessment, Staff competence

From the ANOVA output shown in Table 4.13, it is evident that Management support, Audit risk assessment, Staff competence in audit characteristics is indeed a significant predicator to Financial Accountability, F (3, 42, 24.353, .299) = 81.427, with significant level of p= 0.000. This was concluded that influence of audit characteristics in county government was significant to predict Financial Accountability and the model was fit to predict their relationship. The result was supported by (Botez, 2010) that an audit characteristic predicts Financial Accountability of firms.

Table 4.14 shows the coefficients values of the regression model.

Table 4.14: Regression Coefficients[a]

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	.158	.200		.790	.031
	Management support	.132	.075	.118	1.768	.009
	Audit risk assessment	.470	.066	.503	7.121	.000
	Staff competence	.616	.053	.558	11.623	.000

a. Dependent Variable: Financial accountability

The results above resulted to the following regression model equation;

$$Y=.158+.132X_1+.470X_2+.616X_3+\varepsilon$$

From the model it is evident that keeping other factors constant the slope coefficient for audit characteristics was 0.158, implying that financial accountability improves by 15.8% for each one improvement in units of financial accountability. It is evident that there is significant at p-value (t= .790; p=.031)<0.05 of the explanatory variable, A change in management support of audit characteristics had B .132, implying that there was variation in 13.2% for each one improvement in units of financial accountability and is statistically significant at p.009<.05.

A change in Audit risk assessment result to a Beta value B .470, implying that there was variation in 47.0% for each one improvement in units of financial accountability and is statistically significant at p.000<.05.

A change in staff competence result to a Beta value B .616, implying that there was variation in 61.6% for each one improvement in units of financial accountability and is statistically significant at p.000<.05. It was concluded that there was a statistical significant influence of audit characteristics in financial accountability of county government in Kenya.

V. Conclusion and Recommendation

a) Conclusion

The study concluded that audit risk assessment had affected financial accountability of county government. It showed that audit risk assessment produce quarterly financial reports, audit risk assessment liaise internal auditors and external auditors, the audit risk assessment conduct annual Appraisals of IA in County Government, audit risk assessment has Audit charter in county government. There is compliance test in audit risk assessment.

The outcome of the study concluded that there was a positive significant statistical relationship between financial accountability and management support with high level of accountability associated to improvement.

The study concluded that there was positive statistical significance correlation between audit risk assessment and financial accountability with higher ratings on audit risk assessment associated to improvement in financial accountability. The study concluded that there was statistical significant correlation between staff competence and financial accountability.

b) Recommendation

The study sought to determine the effect of audit staff competence on financial accountability of county government. The professionalism should be used in audit services in county government and training and capacity building for adequate audit evidence. Reliability of asset have increased statements should be characterized by financial accountability as evidenced by type III tests of fixed effects. The effect of management support should be based on the comparisons among financial accountability measures.

c) Suggestion for another study

Another can be conducted to examine the effect of management support on the comparisons of financial accountability and financial performance of other firms not under this study.

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