

Assessment of the Influence of Audit Plan on the Performance of Internal Auditors in the Government Ministries in Kenya

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Abstract

Lately internal auditor's performance assessment has been of great significance in the public sector. This is due to the push from public institutions to embrace and evaluate performance as an important control tool. The specific objective of the study was to assess the influence of Audit Plan on the Performance of Internal Auditors in the Government Ministries in Kenya. The study used Risk Based Auditing theory and a descriptive research design. The target population comprised 412 internal auditors from 18 Government Ministries. A sample was selected using simple random sampling with 30 % of the population considered for study. Data were collected using questionnaires and analyzed using SPSS version 20.0. Measures of central tendency were used to describe the independent variables while regression analysis was employed to test the relationship between independent and predictor variable. The study found that 46.6% of variation in performance measurement of internal auditors could be explained by audit plans. The results indicated that at a 95% confidence level, the variable produced statistically significant values and could reliably explain the effect of performance indicators on the measurement of internal auditors' performance in government ministries. Furthermore, 70% of the respondents agreed that the content and timeliness of audit plans were vital in evaluating auditors' performance, while 67.5% argued that reports issued by internal audit department played a key role in assessing the departments' overall performance. Overall, audit plans were used to a large extent to indicate performance of internal auditors. The study recommends that government ministries should prepare annual audit plans for all audit assignments, as failure to do so may render internal audit function ineffective and inefficient.

Keywords: *Internal Auditor, Internal auditing, Audit plan, Performance evaluation and Performance*

1.1 Background to the Study

Internal auditing is an indispensable component in the control and accountability agenda of any institution. Within government ministries, the internal audit function serves as a watchdog that ensure resources are used professionally and in accordance with established policies and regulations. However, the value of internal auditors is significantly influenced by the quality and completeness of audit plans (Smith & Adams, 2022). Audit plans provide a coherent approach for auditing activities by ensuring that all critical areas are covered and that resources are allocated efficiently.

A number of studies have emphasized the importance of well-structured audit plans in enhancing performance of internal auditors. According to Brown and Green (2021), effective audit preparation result to greater compliance, improved audit outcomes and enhanced organizational performance.

Performance of internal auditors can be measured by their ability to identify and prevent errors and frauds, provision of treasured acumen and overall improvement of governance processes and procedures. Jones and White (2020) found that audit plans play a fundamental role in controlling auditors in undertaking multifaceted tasks in order to ensure that all necessary areas are covered systematically and methodically. This, in turn, ensures the effective and efficient running of organizations. Kenyan Government ministries face numerous challenges that can impede performance of internal auditors. Issues affecting audit outcomes includes limited resources, administrative hurdles and fluctuating levels of compliance among different subdivisions. According to Williams and Thompson (2019), these challenges demand that government ministries develop a dynamic and adaptive audit plans to address particular needs and restraints. Effective audit planning is associated with several positive outcomes. Such as more precise and timely identification of risks, enhanced management of public funds and increased accountability. Thus, government ministries with well-developed audit plans have shown a high level of transparency and accountability which is a vital for increasing public trust and confidence (Davis & Patel, 2018).

Contribution of audit plans to the performance of internal auditors in government ministries cannot be overstated. This study aims to explore whether audit plans can guide internal auditors in their tasks by ensuring that the audit exercise systematically covers all the critical areas. By drawing on recent studies and empirical data, this research seeks to provide a comprehensive analysis of how audit plans can be optimized to develop the efficiency and effectiveness of internal auditors in the government ministries of Kenya.

1.2 Statement to the Problem

The usefulness of internal audit functions in government ministries is critical for ensuring accountability, transparency and efficient use of public resources. In Kenya, execution and implementation of audit plans play a fundamental role in determining performance of internal auditors. A well-formulated audit plan provides a clear roadmap for auditors, enabling them to focus on critical areas and allocate resources effectively. This structured approach is crucial in government institutions where there are resource constraints, diverse operations and environmental challenges. Despite the existence of established frameworks that guides internal audit practices, substantial challenges persist in achieving optimal performance outcomes. Additionally, Kenyan government ministries face exceptional challenges that hinder the effective implementation of audit plans and, subsequently auditor performance. For instance, Wanjohi and Mungai (2022) emphasize that organizational hurdles, insufficient training and limited access to critical information often hamper the effective implementation of audit plans. Equally, Mwangi and Otieno (2023) argued that leveraging on innovative audit tools and software enhances precision and efficacy of audit activities but this requires incorporation of information technology specialists into the audit process. Furthermore, the role of policy and regulatory frameworks in determining audit practices cannot be disregarded. Therefore, robust policies and regulatory oversight are essential for making sure that audit plans are effectively implemented and adhered to. These challenges demand re-evaluation of existing practices and implementation of innovative solutions such as use of sophisticated audit plans to bolster auditor performance. In light of the aforementioned insights, it is evident that audit plans

significantly contribute to the performance of internal auditor in Kenyan government ministries. However, to fully realize the value of audit plans, there is a need to address prevailing challenges and enhance the capability of the internal audit function. This study sought to delve deeper into these underlying forces by providing a comprehensive analysis on the assessment of the audit plans on the performance of internal audit by giving disparagements that can improve audit practices in the Kenyan Government ministries.

1.3 The purpose of the study

The objective of these study was to assess the influence of Audit Plan on the Performance of Internal Auditors in the Government Ministries in Kenya

1.4 Specific Objective

To assess the influence of audit plan on the Performance of internal auditors in Government Ministries in Kenya.

1.5 Hypothesis

This study strived to respond to the following hypothesis:

Ho1: Existence of audit plan had no significant influence on the Performance of internal auditors in Government Ministries in Kenya.

2.0 LITERATURE REVIEW

2.1 Theoretical Framework

One theory has been established to explain the relevant issues influencing audit plan on performance of internal auditors in Government Ministries in Kenya. This research will apply Risk Based Auditing theory.

2.1.1 Risk-Based Auditing Theory (RBA)

The proponent of Risk Based Auditing theory was John Humphrey in the 1991 who emphasized on the importance of aligning audit activities to organizational objectives. RBA was developed to address inadequacies of ancient auditing techniques by incorporating risk calculation into audit planning and implementation. The move towards a risk-based audit was influenced by complexity of business environs, regulatory stresses as well as the need for tactical auditing practices.

Michael Power made significant contribution to RBA theory in the year 1997 through his seminal work on “The Audit Society.” His analysis to audit profession focused on the shift from performance-based auditing to risk management auditing. He argued that audit function had evolved from focus on compliance and control to a broader role in risk management and governance to enhance organizational performance and resilience in the face of uncertainties.

Over the years RBA theory has been developed by various researchers and practitioners. For instance, Brown and Smith (2005) emphasized the need for auditors to adopt a risk-based approach to audit planning in their study. Brown and Smith (2005) argued that auditors should incorporate risk assessment techniques, such as risk matrices and risk mapping, to prioritize audit activities based on the likelihood and impact of identified risks. In addition, they also provided hands-on guide on how

to join in risk assessment into the audit planning process to enhance efficiency and effectiveness of audits.

Academicians have also contributed to the expansion of RBA theory. For example, Shanklin and Chalmers (2007) discovered theoretical foundations of risk-based auditing where they discussed conceptual foundations and the improvement on audit practices. Evolution of Risk-Based Auditing continues to be shaped by ongoing research, technological advancements, and changing business environments. For instance, by Brown and White (2015) did a study on “Emerging Trends in Risk-Based Auditing,” where they explored the impact of emerging risks, such as cybersecurity threats and geopolitical uncertainties, on audit practices. Their study highlighted the need for auditors to adapt methodologies which can address new challenges by integrating advanced risk assessment techniques and technologies into their processes such as audit plans.

The theory of Risk-Based Auditing has advanced through the influence of several intellectuals, consultants, and standard-setting bodies. From its initiation in the 1990s to its present-day state, risk-based auditing has developed into a classy and tactical approach to auditing, focusing on recognizing and handling risks that could influence institutional goals. Incorporation of risk management philosophies supports risk-based auditing, making it a critical element of present-day audit practices.

2.2 Empirical review

Studies were conducted internationally to study the influence of audit plans and its effectiveness on internal auditors’ performance.

2.2.1 Audit Plans and effectiveness of internal Auditors’ performance

Dubois and Becker (2021) did a study on environmental, social, and governance (ESG) audit Plans a case study of European Companies with a target population of ESG-focused companies in France and Germany and a sample size of 50 companies. Content analysis and ESG performance metrics assessment was used for data analysis. The results recognized that incorporation of ESG factors into audit planning increases corporate status and interested party trust. The study endorsed that European Companies consider to entrench ESG into audit planning to enhance sustainability practices.

The study by Smith and Johnson (2022) on impact of audit planning on financial performance of financial institutions in the United States used sample size of 200 banks with regression equation applied in data analysis. It was established that there was a positive relationship between meticulous audit plans and financial performance metrics. The study established that an all-inclusive audit planning enhances profitability and risk management in banking sector.

Patel and Kumar (2023) did a study on efficiency of Risk-Based Audit Plans in IT Sector. The study used 100 IT firms in India. Descriptive statistics and thematic analysis were used for data analysis. Results revealed that Risk-based audit plans improved cyber security resilience and organizational continuity. The study recommended that embracing risk-based approaches to audit planning would improve IT-related risks successfully.

The study by Davis and Martin (2023) in Canada and USA on benchmarking on audit plans a comparative analysis in retail sector used retail companies in Canada and United States with a sample

size of 50 retail firms. Benchmarking analysis and performance metrics evaluation was used for data analysis. It was identified that best practices in audit planning could enhance operational efficiency and customer satisfaction. The study recommended that benchmarking could improve audit planning effectiveness.

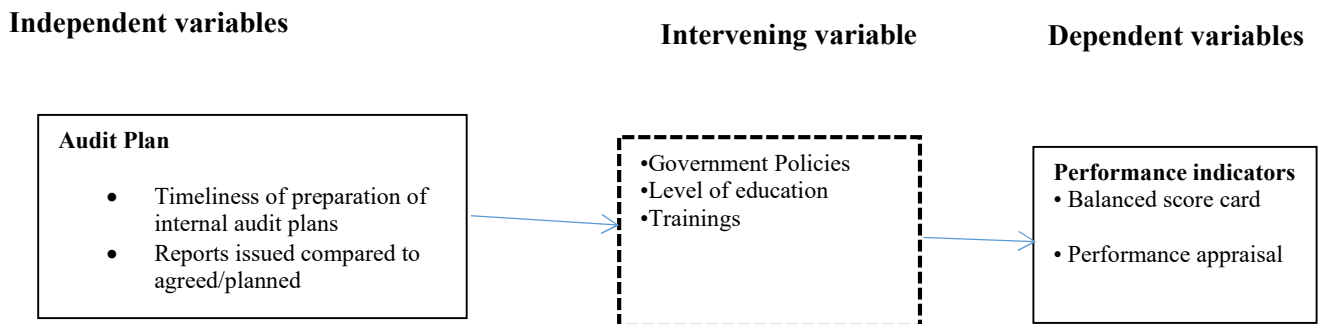
According to the study by Davies and Evans (2024) on quality assurance through audit plans an insight from healthcare sector used a sample size of 30 healthcare organizations in United Kingdom. Comparative analysis and thematic coding were used for data analysis. It was found that audit plans enhance compliance with healthcare standards and develops patient care outcomes. The study concluded that audit plans play an important role in upholding first-class healthcare services and patient welfare.

Harris and Foster (2024) did a study on Employee Viewpoints on audit plans and it Influence on organizational Ethos. Target population was technology firms in Silicon Valley, USA with a sample size of 20 tech companies. Employee surveys and qualitative analysis techniques were used for data analysis. The findings revealed that clear communication of audit plans fosters trust and accountability which improves organizational morale. It was recommended that firms need to advocate for transparency in audit planning processes to enhance employee engagement and performance.

2.3 Research Gaps

Several studies have been done in regard to the influence of audit plans and performance of internal auditors, but exhibited methodological, contextual and conceptual gaps. For instance, Harris and Foster (2024)), Davies and Evans (2024) and Davis and Martin (2023) did study on audit plans but they focused on tech companies, hospitals and retail companies and not government ministries. Additionally, most studies were done in USA, United Kingdom, Canada and European countries hence could not be generalizable to r Kenyan government ministries. In addition, majority of the studies highlights on audit plans and did not link it to the aspects of internal auditor’s effectiveness. Moreover, other studies linked audit plans with other aspects of organizations like organizational culture, quality assurance and environmental social and governance (ESG) and failed to link them to internal auditors’ performance. Further, little evidence exists of studies examining effectiveness of audit plans in government ministries in Kenya. This study sought to bridge these gaps by examining the influence of audit plans on performance of internal auditor

Fig 2.1: Conceptual Framework



3.0 Methodology

3.1 Research Philosophy

The study adopted positivist research philosophy because it assumes that there is an objective reality which can be accurately described and explained objectively (May, 2013).

3.2 Research Design

A descriptive research design using the survey method was adopted. This design was chosen because it provides an in-depth description of audit plans and its contribution to the performance of internal auditors. It examines actions as they naturally occur, rather than manipulating variables (Mitchell & Jolley, 2010). Additionally, it offers numeric explanations of the population and describes events as they unfolded (Oso & Onen, 2011).

3.3 Target population

The target population for this study was 412 internal auditors in the 18 government ministries consisting of Principal auditor, Chief Internal Auditor, Senior Internal Auditor, Auditor I, II and III.

3.4 Sampling Procedure and Sample Size.

Researchers such as Babbie (2005) and Gaya (2003) state that the sample size for descriptive studies should be between 10% and 30% of the population. The sample size used in this study was 10% of the population. Each ministry selected was considered as a stratum, and saturated sampling used, with all subjects from each ministry included in the study. Saturated sampling was adopted because it was important to purposively include all members from each ministry. Therefore, the sample size for the study was 41 respondents.

3.5 Research Instruments

The study relied on primary data with the questionnaires as the main tools because it was concerned with variables that could not be experimentally manipulated, such as the opinions, sentiments, insights, and emotions of the respondents (Touliatos & Compton, 2013). A questionnaire for the auditors was constructed to capture relevant information on the study's objectives. The questionnaire included both open and closed questions, with each item designed to capture specific relevant data and avoid ambiguity. Since the study was considered to be opinion-based, responses were measured using a five-point Likert scale. To ensure the information provided was rich and more comprehensive, interview schedules were prepared to triangulate the data obtained.

3.5 Reliability and Validity of Data Collection Instruments

The reliability of the instruments was assessed to check whether the respondents' answers were consistent with the expected responses. Two data sets for each instrument were used to compute the Pearson Moment Correlation Coefficients. Korb (2016), advised that if the computed reliability index for a tool was greater than 0.6 then the tool was reliable. The questionnaire had reliability index greater than 0.6 and therefore was considered reliable for the study.

To enhance validity of the instruments test, retest method was employed. Further validation of the instrument was conducted to ensure that all the items in each instrument were based on the study objectives. Two sets of data from each instrument were used to compute the content validity index (CVI). Validity was determined by having two experts evaluate the relevance of each item in the instrument to the objectives and rate each item on a scale of very relevant (4), quite relevant (3), somewhat relevant (2) and not relevant (1). The content validity index was calculated as the number

of items as $C.V.I = \frac{\text{items rated 3 or 4 by both judges}}{\text{total number of items in the questionnaire}}$, symbolized as $n^3/4/N$. The CVI computed for each tool was greater than 0.6 hence the instrument was valid as advised by Jeffry, (2011).

3.6 Data Analysis and Presentation

Data was analyzed using statistical package for social science, (SPSS) version 20.0. The analysis was carried out using frequencies, percentages, regression and correlation. The results were presented in the form of tables. The study used multiple regression analysis to show the effect and influence of the independent variable on the dependent variable. For inferential statistics, the study employed analysis of variance and multivariate regression analysis to test the hypotheses.

4.0 Key Findings/Results

4.1 Findings on audit plan and Performance of internal audit.

The study analyzed the extent to which audit plans influenced the performance of internal auditors in government ministries in Kenya. The quantitative analysis results revealed that audit plans significantly influenced the performance of internal auditors.

Table 4.1: Model Summary for audit plan and Efficiency of internal auditors

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

The results in Table 4.1 show that the R-squared value for the relationship between audit plans (X1) and the performance of internal auditors was 0.466. This indicates that audit plans could explain 46.6% of the variation in the dependent variable (performance of internal auditors). This means that 46.6% of the variation in the performance of internal auditors could be explained by a unit change in audit plans, while the remaining 53.4% could be explained by other variables not included in the study.

Table 4.2: ANOVA for Audit Plan and performance of internal auditors

	Sum of Squares	Df	Mean Square	F	Sig.
Regression	0.155	1	0.052	5.744	.000
Residual	0.178	40	.0030		
Total	0.333	41			

The significance of the regression model is shown in Table 4.2 with P-value of 0.00 which is less than 0.05. This indicates that the regression model is statistically significant in predicting the effect of audit plans on the performance of internal auditors in government ministries in Kenya. ANOVA results in table 4.2 show that the F-critical (1, 40) was 4.09 while the F-calculated was 5.744. This demonstrates that the F-calculated was greater than the F-critical, indicating a linear relationship between the variables (audit plans and performance of internal auditors).

Table 4.3: Regression Coefficients for Audit Plan and performance of internal auditors

	Unstandardized Coefficients		Standardized Coefficient	t	Sig.
	B	Std. Error	Beta		
(Constant)	.340	.338		13.007	.005
Audit plans	.520	.127	1.297	14.728	.003

From table 4.3 it is evident that at 95% confidence level, the variables produced statistically significant values for this study (high t-values, $p < 0.05$). Positive effect was reported for the independent variable ($\beta_0 = 0.340$, $\beta_1 = 0.520$).

The equation for the regression model is expressed as:

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

$$Y = 0.340 + 0.520X_1$$

Where;

Y_i = Efficiency of Internal Auditors

X_1 = Audit plans

β_0 = constant term of the model

β_1 = co-efficient of the model

ε = error term

A Constant = 0.340 shows that if Audit Plans were all rated zero, the performance of internal auditors would be 34.0%.

5.0 Conclusions

The research sought to establish the contribution of audit plans to the performance measurement of internal auditors in government ministries. A strong positive relation ($R = 0.683$) between the variables was found. The study also revealed that 46.6% of performance of internal auditors can be explained by audit Plans. From this study, it is evident that at a 95% confidence level, the variables produced statistically significant values and can be relied upon to explain the contribution of audit plans on the performance of internal auditors in government ministries, although they were used moderately.

5.1 Recommendations

Government ministries should embrace annual audit plans in the audit assignments, as failure to do so may render internal audit function ineffective and inefficient. The analysis, revealed that the implementation of annual audit plans was not adequately captured in government audit assignments, contrary to the norm in the private sector, where audit plans are objectively used in every audit engagement. Additionally, audit plans play a critical role in aligning organizational objectives with performance capabilities. Therefore, government ministries can use audit plans to reduce exposure levels, which in turn reduces risks associated with weak internal controls and fraud.

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