Enhancing Effectiveness of the Public Sector Internal Auditors'. Evidence from Government Treasuries in Rift Valley Region, Kenya.

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Abstract

This paper focuses on the factors that enhance the effectiveness of internal auditors' in government treasuries within the Rift Valley region, Kenya. Variables of the study include internal auditors' independence, remuneration, reputation, training and how these factors impact on the effectiveness of internal auditors'. The need for public finances oversight cannot be wished away as Kenya has experienced widespread misappropriation of these resources. Through Integrated Financial Management Information System (IFMIS) the Kenyan government intends to build a strong Public Financial Management (PFM) system which ensures that the government and its departments are able to raise, manage, and spend public resources in an efficient and transparent manner. Despite these measures, management of public resources has not been very effective and in fact, what has been observed is that amounts being misappropriated have reached astronomical levels. Relevant literature was reviewed, theoretical bases expounded, gaps in literature highlighted, data collected and analyzed. The researchers found that positive correlation ranging from medium to strong existed between all the independent and the dependent variables. Using multiple regression analysis, the researchers sought to establish the relationship between remuneration, independence, training and reputation and the effectiveness of auditors' in the audit of financial statements. The results indicated R was 0.758 implying that there was a positive relationship between all the four independent variables. R^2 was 0.575 implying that 57.5% of the dependent variable could be explained by the independent variables and hence recommended that for an effective audit function in government treasuries, adequate resources have to be allocated to remunerate internal auditors', treasuries should ensure the internal auditors' are free from management influence, internal auditors' engaged in treasuries audit have high competency in auditing and the internal auditors' reputation is critical and every effort should be made to enhance it.

Key words; Auditors' Effectiveness, Independence, Remuneration, Reputation, Training

Introduction

The Public Audit Act, 2015 established the office of the Auditor General with the mandate of monitoring internal controls, management of associated risks and enhancing overall governance at the national and county government levels in Kenya. Al-Khaddash, Al Nawas and Ramadan, (2013) postulates that the internal audit function should aim at achieving integrity, accountability, oversight on use of public resources as well as instill confidence among the country citizens besides other stakeholders such as development partners and external financiers.

The need for public finances oversight cannot be wished away as Kenya has experienced widespread misappropriation of these resources. And any time such wastage is reported, the obvious and recurring question has been how comes the internal audit function did not deter or stop these leakages of public funds in good time given the amateurish approach to the looting and magnitude of the wastage. Masood and Lodhi (2015) advance that internal auditors' main objective in the public sector is to maintain an effective system of internal controls in order to avoid public finances wastage and misappropriation. This has led to the focus shifting to the internal audit function, specifically its effectiveness and indeed to the actual persons who perform this function and the factors that influence their performance.

Odoyo, Adero and Chumba (2014) argues that the Integrated Financial Management Information System (IFMIS) adopted by the Kenyan government uses information and communication technology in financial operations to support management and budget decisions, fiduciary responsibilities, and the formation of financial reports and statements.

It helps in building a strong Public Financial Management (PFM) system which ensures that the government and its departments are able to raise, manage, and spend public resources in an efficient and transparent manner so as to improve service delivery. Governance can be improved by IFMIS through providing real-time financial information that enables internal auditors’ to administer budgets, programs and resources management and making IFMIS an important benchmark for the government budget agenda (Arena & Azzone, 2009).

Different studies on the effectiveness of the public audit process had identified the critical factors that enhance the audit process. Alzeban and Gwilliam (2014) examined the relationship between internal auditors’ efficiency and factors such as competence and size of the internal audit department, relationship between internal and external auditors’, management support and the independence of the internal audit. Badara and Saidin (2014) examined the role of audit experience and audit committees on the effectiveness of the public audit. Nwadialor and Nwannebuike (2016) considered factors such as the adequacy and effective application of punishments for violating internal audit procedures. Barasa (2015) researched on factors such perception on the role of internal audit process, risk management, objectivity and independence and their impact on the effectiveness on promoting good governance in public institutions in Kenya and came to the conclusion that the importance of the factors above cannot be gainsaid. Cohen and Sayaa (2010) argues that the development of internal audit in public sector brings change in the aspect of service delivery to its customers as it is seen as an independent profession which plays a vital role in organizational resource management.

Internal auditors’ are employees of the organization and advice the management on day to day running of the organization in the aspect of financial management and ensures that the laid down rules and procedures are adhered to and because of this it sometimes becomes difficult for the auditors' when they are part of the management to discharge their duties properly (Al-Khaddash, Al Nawas & Ramadan, 2013).

Kenya follows International Public Sector Accounting Standards (IPSAS) with the aim of improving service delivery to its citizens by increasing transparency and accountability through better assessment of government resource allocation (Arena & Azzona, 2009). It is assumed that IPSAS will promote openness in the assessment of information by the citizens and the mechanism of decision making and therefore bridge the gap between the government and its citizens (Adeyemi, Dabor & Okpala, 2012). Karanja and Ng'ang'a (2014) argues that this is achieved through audit quality and effectiveness which are concerned with how well an audit detects and reports material misstatement of financial statements, thereby reducing information asymmetry between stakeholders and management hence the protection of shareholders and management interests. High information credibility is equally associated with effective and high quality auditing as financial statements audited by high quality auditors' will be less likely to have material misstatements (Kamau, 2014).

Research Problem

The Kenyan constitution has created commissions and state agencies that are mandated to play key oversight roles in the management of public resources, prosecute entities which misappropriate the funds besides establishment of other whistle blowing mechanisms to deter or report public funds wastage.

Further, Kenya has robust legislation as outlined in the public finance management act 2015 on the management of public resources. Sadly these measures have not been very effective and in fact what has been observed is that amounts being misappropriated have reached astronomical levels beside there being a “don’t care” attitude when public servants use such resources. Indeed, it has been estimated that on average Kenya loses a third of its annual budget to corruption (Miriri, 2016).

Research on the audit function in Kenya has focused on financial compliance and regulations more than broader management and personnel issues in the public sector (Wakiriba, Ngahu and Wagoki, 2014). However, still it seems the approach and enforcement mechanism is wanting as compliance with procedures and regulations is largely not adhered to (Kimotho, 2014). The issue of interested parties in government institutions and their impact has also not been investigated and monitored which has been the bane of the Kenyan public sector (Karanja & Ng’ang’a, 2014). No conclusive research has been carried out within the Kenyan context focusing on the role of public sector internal auditors’ and how to enhance their effectiveness when performing their duties.

With regard to this, this study focuses on the factors that enhance the effectiveness of internal auditors’ as the key oversight agents in government treasuries in the Rift Valley region, Kenya specifically focusing on the influence of factors such as remuneration, independence, training and reputation on the effectiveness of internal auditors’ in the Kenyan public sector.

Objectives

General Objective

The general objective of the study was to examine the factors enhancing the effectiveness of internal auditors’ in government treasuries in the Rift Valley region, Kenya.

Specific Objectives of the Study

1. Evaluate the effect of remuneration on auditors’ effectiveness.

2. Determine the effect of independence on auditors' effectiveness.
3. Examine the effect of training on auditors' effectiveness.
4. Establish whether an auditors' reputation affects his/her effectiveness.

Literature Review

The researchers reviewed relevant literature and associated theories such as agency theory and inspired confidence theory in order to adequately ground the research. Empirical literature on training of auditors', remuneration, independence, reputation and internal auditors' effectiveness was also evaluated.

The agency theory by Jensen and Meckling (1976) focuses on the relationship between the agents and the principals with the argument that managers (agents) engage in actions that promote their own interests at the expense of principals and proposes solutions to the unaligned goals and different risk profiles. The agency theory acknowledges the separation of business ownership and management as business owners resort to hiring the services of professionals who run the entities on a day to day basis (Horn & Tyler, 2011).

This brings about the agent — principal relationship and dilemma where the managers action on behalf of their principals sometimes may not be in their best interests (Kirogo, Ngahu, & Wagoki, 2014). This theory entails entrusting resources in the hands of the agents, and these agents in turn should produce reports on the day-to-day running of the business, this is usually in both quantitative and qualitative manner (Malmir, Shirvani, Rashidpour & Soltani, 2014). The agents entrusted with resources are assumed to have a sense of accountability in demonstrating how the resources have been used. The fundamental purpose of the auditor is therefore to promote confidence-reinforcing trust in financial information. Agency theory is therefore a theory that is useful in accountability and helps in the development of audit.

The theory of inspired confidence also referred to as the theory of rational expectations was formulated by Limperg (1932) and states that an auditor functions are derived from the society prerequisite for an independent examination of financial statements presented by the agents. This theory argues that the demand for audit services is as a result of the needs of other stakeholders in an organization seeking independent views on the organizational records (Nehme, Assaker & Khalife, 2015). The confidence on the accountant and the auditor might decline if the society expectations are overstated (Olowookere, 2012). According to Zaman and Sarens (2013), this confidence can also be betrayed if the auditor underperforms against expectations. They argue that auditors need to keep on changing according to the changes in environment in order to maintain the high expectations on the levels of confidence. Limperg's work concentrated on social responsibility regarding the independence and mechanisms of ensuring audits meet society needs (Nehme, Assaker & Khalife, 2015). There exists information asymmetry between the management in the organization and the various users of financial information and thus the need to have auditors' to check on the adherence to rules and regulations.

It highlights the importance of social significance audits and how audits should be performed. Limperg (1932) indicates the auditors' role to the users of financial statements is to ensure that the financial statements presented represent a true and fair view of the operations of the organization in question. An independent auditor acts as a society confidential agent. Limperg framework is mainly founded on the levels of gratification of the consumers of financial statements generated by the auditor work. Therefore, it is necessary that the auditors' accomplish enough work to encounter the expectations envisioned by the users of accounting information. In return, an auditor receives remuneration as payment for audit and non-audit services rendered (Adebayo, 2011). The remuneration mostly consist of wages, benefits of field and office personnel, cost of travel and other related support services (Baharud-din, Shokiyah, & Ibrahim, 2014). The remuneration is equivalent to staff time spent in the audit, the travel cost to the said activities and a margin of profit (Adebayo, 2011). Aziz and Omoteso (2014) indicate that threats to auditors' effectiveness could be strong if audit remuneration from one client is high. Remuneration of auditors' is a function of several elements including highest level of education achieved, working experience relevant for the assignment, and the certifications achieved (Al-Khaddash, Nawas & Ramadan, 2013). All these play a key role in determination of the internal auditors' technical competency levels. This in turn affects the level of internal audit quality. Other audit remuneration studies (Tepalagul and Lin, 2015) and (Al-Matari Al-Swidi and Padzul 2013) document that association exists between auditors' prestige and remuneration.

Alzeban and Gwilliam (2014) using multiple regression analysis examined the relationship between internal auditors' efficiency and factors such as competence and size of the internal audit department, relationship between internal and external auditors', management support and the independence of the internal audit.

They came to the conclusion that management support for internal audit effectiveness enhances the perceived effectiveness of the internal audit function besides ensuring the staff are trained and experienced, adequate resources are available and ensuring the independence of the internal audit function. Auditors' independence is correlated with freedom from conditions that threatens objectivity and no compromises are made when rendering the audit service (Malek & Saidin, 2013). Quite often there seems to be a confusion of the role of internal auditors' as they are seen to be part of the management. In the Kenyan public sector, 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 (PFM, 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 committees in all Ministries, Departments and Agencies (MDAs) of the central government. Circular 16 of 2005 provides detailed guidance on internal auditors' role in enhancing oversight, governance, transparency and accountability and circular 18 of 2005 that provides a detailed guide to management action on internal audit reports. Indeed Badara and Saidin (2014) found that audit committees play a significant moderating role on the audit experience and the effectiveness of the audit process as the support of the audit committees is critical.

The activity of auditing should be seen to lack interference as this is a crucial element in conducting auditing as the auditor can access any document relating to the work in audit without favour or fear (Adebayo, 2011) hence making the auditor provide an objective report as well as reliable professional judgment on auditing work in order to achieve their mandate with integrity (Mohiuddin, 2012). In scenarios where there is a negative perception on the independence as well as objectivity of internal audit, this is likely to interfere with the effectiveness of internal auditing. This may be evident given the fact that even though internal auditors' are given the responsibility of upholding the best interest of their employer, they are likely to be reluctant in countering the management and the consequences therein. (Malek & Saidin, 2013).

Lin and Tepalagul, (2015) argue that there exists positive correlation between the audit quality and the auditors' skill and proficiency. The technical ability is influenced by education, working experience and credentials of the auditors' and has a positive linear relationship with the auditors' remuneration. The outcomes suggest that the scope and practical competence need positive impression on the remuneration of the auditor (Malek & Saidin, 2013). Continuous education and training may help an auditor become more proficient in audit methodology, supervision, management and qualitative exploration method, case studies, statistical sampling etc (Hope, Kang, Thomas, & Yoo, 2009).

Internal auditors' competence can be measured in academic qualifications attained, experience and the continuous development and compliance with the auditing standards. The technical ability is often related to education, on the job experience and other associated credentials which eventually influence the auditors' remuneration (Hope, Kang, Thomas, & Yoo, 2009). An auditor reputation is built over period by creation of consistent, high-quality work (Lin & Tepalagul, 2015).

This is tied to the entity that the auditor is auditing as a business entity reputation for steady high-quality audits helps ensure that related information users will readily accept the audit findings and implement recommendations. Nwaobia, Ogundajo and Theogene (2016) assert that there is a transparency gap in public sector financial management and reporting which can be bridged by strict adherence to the guiding framework such as IPSAs on financial statements preparation, timely review by the auditor general and the public accounts committees

(PAC).

Soh and Martinov-Bennie (2011) advances that two key metrics that can be used to measure the internal audit function effectiveness according to Ernst & Young guidelines are completion of audits as per the plan and the duration it takes to issue internal audit reports and identifies personnel and their expertise as the key challenge. Nwadialor and Nwannebuike (2016) identify the qualities that effective internal audit professionals should possess to be strong service delivery capabilities, strong management skills, be well trained, educated and have requisite experience. Various studies done in Kenya (Ongeri et al., 2013 and Kamau et al., 2014) established that effectiveness of internal audit departments ranged from being effective to averagely effective. This coupled with internal auditors' independence being below average raises serious concerns on the effectiveness of internal auditors' in Kenya.

Research Methodology

In this study, cross-sectional research design was used because the researchers found it appropriate for the time available and type of data to be collected. The relationship between variables was analyzed and the final results were deemed to apply to the whole population through generalization.

The study targeted 360 internal auditors' and accountants from the 45 sub-counties in the Rift Valley region. This was based on the fact that some sub counties used accountants as internal auditors' and did not have dedicated internal auditors' staff. Using Creative Research Systems survey software and at 95% confidence level, respondents were selected to form the study sample. The total sample was 186 respondents (Bryman, 2012). Primary data was collected by administering a structured questionnaire. Secondary data on the other hand was collected through review of both empirical and theoretical data from journals and other relevant materials.

The primary data collected focused on four desirable characteristics that internal auditors' should possess namely independence, remuneration, training and reputation. In order to determine the kind of relationship that exist between the variables and their strength, a linear regression model was adopted as below:-

Auditor effectiveness = $\beta_0 + \beta_1$Remuneration + β_2Independence + β_3Training + β_4 Reputation + ε

The independent and dependent variables were measured by collating and aggregating internal auditors' responses to a range of questions. A five point scale ranging from very effective/strongly agree to very ineffective/strongly disagree was used to measure the variables. For each of the variables, the respondents were asked to respond on a number of diverse factors that influence the variables. The pilot test of the instrument was conducted at the national treasury given that the national treasury presents almost similar environmental variables as those selected in the study. Pilot testing was conducted to determine the reliability of the questionnaires including the structure and sequence. The pilot study helped in identifying and correcting any errors in the questionnaire thereby enhancing validity of the results.

Results and Discussion

From the study, a response rate of 38% was attained which was deemed to be satisfactory. In order to establish the relevance of information provided, the researchers sought respondents' demographic information regarding their working experience and the position they held in the organization so as to determine their appropriateness in participarting in the study. The findings are shown in Table 1 below:-

Table 1: Position Held by the Respondents

Positions	**Frequency**	**Percent**
Senior Auditors'/ Senior Accountants	2	3
Auditor I/ Accountant I	45	62
Auditor II/ Accountant II	25	35
Total	72	100

According to the findings in Table 1 above, majority 62% of the respondents were Auditor I/ Accountant I, 35% were operation Auditor II/Accountant II and 3% of the respondents were Senior Auditors'/Senior Accountants. These findings show that the study covered auditors'/accountants across all the positions in the organizations thus the information provided by the respondents was relevant for the study.

Reliability analysis was subsequently done using Cronbach Alpha and all the four variables were deemed satisfactory as attained values ranged between 0.723 and 0.828 which exceeded the prescribed threshold of 0.7. The analyzed information was presented descriptively and the Pearson's product moment correlation analysis and multiple regression analysis were employed to establish the relationship between remuneration, training, independence, auditors' reputation and internal auditors' effectiveness.

Internal Auditors' Effectiveness

Several statements on the effectiveness of auditors' were identified against which the respondents were requested to indicate the extent to which they relate to enhancing the effectiveness of internal auditors. The effectiveness of internal auditors' was measured on a scale ranging from very effective to very ineffective. From the responses, the findings are shown in Table 2 below:-

Table 2: Internal Auditors' Effectiveness

	Frequency percent				
Statements	**VE**	**E**	**N**	**I**	**VI**
Resources are allocated to audit	30	53	2	15	0
Leadership ensures the auditors' are independent	33	62	0	5	0
Leaders take personal responsibility on their obligation in the audit through guidance of audit committee	28	71	0	1	0

There is balance of work covered in the audit	35	52	3	8	2
Regulations are followed in the audit	42	49	0	9	0

From the findings in table 2 above, it can be seen that majority of the respondents agree that regulations are followed in the audits at 81%. Coupled with management support in terms of resource allocation, non-interference by the management and having appropriate controls such as audit committees, majority of the respondents feel that internal auditors' are effective.

Remuneration and the Internal Auditors' Effectiveness

The study sought to determine whether remuneration affects credibility of financial statements. From initial data analysis, 91.2% of the respondents agreed that remuneration influenced the credibility of financial statements while 8.8% disagreed. The researchers generated statements to gauge the relationship between remuneration and effectiveness of internal auditors' on a scale ranging from strongly agree to strongly disagree as shown below on Table 3

Table 1*: *Remuneration and the Internal Auditors' Effectiveness

Frequency percent					
	SA	**A**	**N**	**D**	**SD**
Quality of audit is reflected in the fees charged for the audit services	34	58	0	8	0
The district treasures employ high remunerated auditors' for quality audit	28	63	0	4	5
There is a criteria of selecting quality auditors' for district treasures and their remuneration	27	67	0	6	0
Highly remunerated auditor's financial statements does not contain material misstatements	30	59	0	11	0

The findings in Table 3 indicate that the fees charges, level of remuneration and criterion of selecting internal auditors' have a significant effect on auditors' effectiveness. These findings are in agreement with those of Shroff (2015) who act on the assumption that audit services are quality-differentiated and in the modest market excellence, modifications are indicated in the fees.

Independence and the Internal Auditors' Effectiveness

The respondents were required to indicate whether internal auditor independence affects credibility of financial statements and 97.1% of the respondents agreed while 2.9% disagreed. Several statements were identified against which the respondents were requested to indicate the extent to which they affect effectiveness of internal auditors on a scale of strongly agree to strongly disagree. The findings are shown below on Table 4 below:-

Table 2: Independence and the Internal Auditors' Effectiveness

	Frequency percent				
	SA	**A**	**N**	**D**	**SD**
Treasuries ensures the auditor is free from management influence	30	59	1	10	0
Internal auditors' are transparent on material issues	43	51	0	6	0
Auditors' judgments are made without compromise from the board of directors directives	32	67	1	0	0
Management offers support to auditors' when they raise material queries	58	39	0	3	0
There is no auditor client negotiation conflict over financial reporting issues	44	50	0	6	0

From the results the researchers found that management offered support to auditors' as an obligation when dealing with all material queries. These findings are consistent with those of

Stewart & Subramaniam (2010) who established that there existed a correlation between management support and the internal audit effectiveness. Respondents strongly agreed that there was no auditor client negotiation conflict over financial reporting issues. According to Adebayo (2011), the activity of auditing should be seen to lack interference as this is a crucial element in conducting auditing as the auditor can access any document relating to the work in audit without favour or fear. This in turn promotes auditors' effectiveness. The respondents agreed that by treasuries ensuring that the auditor was free from management influence improved the level of internal auditors' efficiency. These findings are in line with those of Mohiuddin (2012) who argues that it is an obligation of the auditor to provide an objective report as well as reliable professional judgment on auditing work, in order to achieve their mandate with integrity. In order to meet the requisite of the auditing standards there ought to be continuous training of the audit personnel (Sulaiman, 2011). The most important growth practice is knowledge through practical auditing work (Zhang, Zhou, & Zhou, 2007).

Training and the Internal Auditors' Effectiveness

The respondents were required to indicate whether training affected credibility of financial statements. From the preliminary findings 97% of the respondents agreed that training affect effectiveness of auditors' in ensuring credibility of financial statements, while 3% disagreed. Further analysis generated the following results;

Table 3: Training and the internal Auditors' Effectiveness

	Frequency percent				
	SA	**A**	**N**	**D**	**SD**
Auditors' engaged in treasuries audit have high experience on auditing and the committee verifies the quality of training	32	60	0	6	2
Auditors' ensures excellent leadership and	35	56	0	9	0

management skills and proficiencies on their engagement at treasuries					
Auditors' ensures the audit staff allocated to specific tasks are competent	38	55	0	7	0
Auditors' ensures that the audit staff have high qualifications and experience in relation to audit duties allocated	45	49	0	5	1

The respondents agreed that auditors and the assisting staff have excellent leadership and management skills and proficiencies on their engagement at treasuries. Mohiuddin (2012) argues that the knowledge of function area in auditing is essential although advanced financial auditing and accounting are however needed in auditing. In order to be recognized as an auditor, you must possess unique qualification (Adebayo, 2011). The respondents agreed that the audit staff had high qualifications and experience in relation to audit duties allocated them. According to Hope, Kang, Thomas, & Yoo (2009), continuous education and training may contain current development in audit methodology, supervision, management and qualitative exploration method, case studies, statistical sampling which are critical to an auditor.

These findings are equally in agreement with those of Lin and Tepalagul (2015) who concluded that there exist positive correlation between the audit quality, auditors' skill, and proficiency.

Reputation and the Internal Auditors' Effectiveness

The respondents were further required to indicate whether auditors' reputation affected credibility of financial statements. From the findings, 93.6% of the respondents agreed that auditors' reputation affect credibility of financial statements while 6.4% disagreed. Further analysis generated the following results;

Table 4: Reputation and the Internal Auditors' Effectiveness

	Frequency percent				
	SA	**A**	**N**	**D**	**SD**
Audit report provides a lower level of assurance to the users of financial statements	0	3	0	55	42
To maintain and continue to build excellence requires total commitment on the part of every member of the team and the organization	39	55	0	6	0
Audit staff are selected on merit	34	54	0	12	0
Auditor reputation serves as an important proxy for the quality and accuracy of client financial statements	44	51	5	0	0

The researchers sought to find out if an auditor reputation served as an important proxy for the quality and accuracy of client financial statements. It was evident that auditor reputation served as an important proxy for the quality and accuracy of client financial statements as supported by 96% of the respondents. These findings are consistent with the argument of Al-Khaddash, Al Nawas & Ramadan, (2013) that the reputation of an internal auditor affects their ability to be independent and to act independently.

Internal auditors' with good reputation have high probability of ensuring credibility of financial statements. Reputation is a component of several elements including certifications held, experience, independence, and highest level of education attained.

Correlation Analysis

Pearson's correlations analysis was conducted at 95% confidence interval so as to establish the factors influencing the effectiveness of auditors in the audit of financial statements. The researchers present the results for the dependent and independent variables in the table below;-

Table 7: Correlation Analysis

	Effectiveness of Auditors	Remuneration	Independence	Training	Auditor's Reputation

Effectiveness of Auditors	Pearson Correlation	1				
	Sig. (2-tailed)					
Remuneration	Pearson Correlation	.409	1			
	Sig. (2-tailed)	.004				
Independence	Pearson Correlation	.804	.500	1		
	Sig. (2-tailed)	.001	.391			
Training	Pearson Correlation	.592	.964	.552	1	
	Sig. (2-tailed)	.013	.008	.334		
Auditor's Reputation	Pearson Correlation	.501	.983	.481	.992	1
	Sig. (2-tailed)	.009	.003	.412	.001	

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

From Table 4.8 shows that the independent variables have positive significant correlation with the dependent variable. P-values of 0.04, 0.01, 0.013 and 0.009 for remuneration, independence, training and auditors reputation respectively were observed.

There is a positive medium correlation between remuneration and effectiveness of internal auditors with a magnitude of 0.409. Malek and Saidin (2013) came to a conclusion that even though remuneration is a key factor when evaluating the effectiveness of internal auditors', there is an inverse relationship between the two variables as above average compensation may compromise auditors' independence and associated effectiveness. High positive correlation of 0.804 was observed between independence and effectiveness of internal auditors. These findings support those of Alzeban and Gwilliam (2014) who established a significant relationship exist between auditors' independence and their effectiveness.

Average positive correlation of 0.592 and 0.501 between training and auditor's reputation respectively and internal auditors' effectiveness was observed. These findings concur with those of Lin and Tepalagul, (2015) who argue that there is positive correlation between the audit quality and the auditors' skill and proficiency. The technical ability is often related to education, on the job experience and other associated credentials which eventually influence the auditors' remuneration (Hope, Kang, Thomas, & Yoo, 2009).

Regression Analysis

Multiple regression analysis was used to examine factors influencing the effectiveness of auditors' in the audit of financial statements. The study results are shown below;-

Table 8: Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.758	.575	.558	.0339

From the findings in Table 4.9, R was 0.758 meaning that there was a positive relationship between all the four independent variables. R^2 was 0.575 implying that 57.5% of the dependent variable could be explained by the independent variables while 42.5% of the variations were due to other factors. The average adjusted R-square is consistent with earlier studies such as Alzeban and Gwilliam (2014) and George, Theofanis, and Konstantinos (2015). This implies that the regression model has very good explanatory and predictor grounds.

Table 9: ANOVA

Model	Sum of Squares	df	Mean Square	F	Sig.
Regression	9.058	4	2.2645	22.69	.000
Residual	6.692	67	0.0998		
Total	**15.750**	**71**			

From the findings on Table 2, the significance value is 0.000 which is less than 0.05 thus the model is statistically significant in predicting how remuneration, independence, training and auditor reputation affect the auditors' effectiveness in financial statements. The F critical at 5% level of significance was 2.50. Since F calculated (value = 22.69) is greater than the F critical (2.50), this shows that the overall model was significant.

Table 10: Coefficients

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
	B	Std. Error	Beta		
(Constant)	2.894	.312		9.279	.000
Remuneration	.111	.077	.178	1.456	.041
Independence	.407	.059	.879	6.930	.000
Training	.420	.047	.079	8.936	.037
Auditor Reputation	.151	.043	.024	3.511	.049

The established regression equation becomes;

$Y = 2.894 + 0.111X_1 + 0.407X_2 + 0.420X_3 + 0.151X_4 + \varepsilon$

Where: Y= auditors' effectiveness in financial statements, X_1= Remuneration, X_2= Independence, X_3= Training, X_4= Auditor Reputation and ε = Error Term.

From the findings of the regression analysis if all factors (remuneration, independence, and training and auditor reputation) were held constant, auditors' effectiveness would be at 2.894. An increase in remuneration would lead to an increase in auditors' effectiveness by 0.111. An increase in independence would lead to an increase in auditors' effectiveness by 0.407. An increase in training would lead to an increase in auditors' effectiveness in by 0.420. An increase in auditor reputation would lead to an increase in auditors' effectiveness in financial statements by 0.151. All the variables were significant as the P-values were less than 0.05 and indication that all the factors were statistically significant.

These findings concur with those of Alzeban and Gwilliam (2014) who came to the conclusion that management support for internal audit effectiveness enhances the perceived effectiveness of the internal audit function besides ensuring the staff are trained and experienced, adequate resources are available and ensuring the independence of the internal audit function. Indeed as Nwadialor and Nwannebuike (2016) concluded desirable qualities that effective internal audit professionals should possess include strong service delivery capabilities, strong management skills, be well trained, educated and have requisite experience.

Conclusion

From the analysis above, it is evident that there is very high consensus across the board that the variables under study influence internal auditors' effectiveness. The first objective was to establish whether remuneration affects auditors' effectiveness. The study established that the quality of audit is tied to the remuneration and financial statements audited by highly remunerated auditors' do not contain material misstatements. The second objective was to examine whether independence affects auditors' effectiveness. The study established that as much as the internal auditors' agreed with independence being crucial in their performance they indicated there was need for the management to offer support to auditors' in the course of their duties.

The third objective was to establish whether training affected auditors' effectiveness. The study established that auditors' gave high premium to competency and long experience as being crucial in enhancing their effectiveness. The last objective sought to establish whether auditors' reputation affects auditors' effectiveness and equally the respondents felt that it was critical for the auditors' to maintain a good reputation as this influence the credibility of their output.

These findings are consistent with the findings of Shroff (2015) and Adeyemia and Akinniyi (2011) that auditors' independence coupled with the highest level of education attained, number of assignment handled play a key role in their level of effectiveness. The study concludes that to enhance an effective and efficient audit function in government treasuries, adequate resources have to be allocated, treasuries should ensure the auditors' are free from the management influence, auditors' engaged in treasuries audit have high competency in auditing and that there is a significance correlation between auditors' reputation and auditors' effectiveness.

This study adds to the extent literature on internal auditors' effectiveness and hopefully should go towards influencing internal audit policy.

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