An Assessment of the Effectiveness of Internal Audit Systems in the Management of Decentralised Funds in Kenya: A Study of Local Authority Transfer Fund in Kisii Municipal Council

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ABSTRACT

The purpose of this study was to assess the effectiveness of the internal audit systems in the management of LATF in Kisii Municipal Council. The study objectives were to determine whether the LATF disbursements were used in accordance with the objectives of LATF and to establish the effectiveness of internal audit systems in the disbursements and use of LATF. A descriptive study design (survey) was adopted in conducting this study. The researcher targeted the upper and middle cadre employees of the Kisii Municipal Council and the Councilors. The data were collected using structured questionnaires. The data analysis was undertaken using percentages and weighted averages. The study established that the internal audit systems were averagely effective in the management of LATF funds. This was a result of: the internal audit department not being fully independent; lack of enough trained personnel in the internal audit department; lack of division of duties in the department and lack of close supervision of projects. The study further established that there were delays in the release of LATF disbursements. The following recommendations were made. The Kisii Municipal Council should organize for the internal audit department to be fully independent. The department should not be a section of another department. This will enable the department to execute its duties well and with ease. The council should ensure that the department is well staffed with enough and trained personnel. This will enable division of duties and close supervision of projects. The managers of the council should organize for frequent meetings with the senior employees of internal audit department to formulate modalities of improving the effectiveness of the audit department. The Ministry of Local Government together with the Central Government should ensure that the LATF disbursements are released on time. The research offers the following suggestions for further study: a case study design should be applied so that we can find out whether it will give different results; further investigations can be done across industries to uncover the similarities and differences when using the internal audit systems in the management of finances; further research can be done by using other research instrument like the interview schedule or open ended questionnaire because this may give more information on this field of study; a further study should be carried out involving more than one LA because the present study focused on only one whose findings may not be generalized to all LAs and a replication of this study should be carried out in future to determine whether there are any notable changes.
# TABLE OF CONTENTS

DECLARATION AND RECOMMENDATION .................................................. ii
COPYRIGHT ......................................................................................... iii
DEDICATION ....................................................................................... iv
ACKNOWLEDGEMENT .......................................................................... v
ABSTRACT ........................................................................................... vi
TABLE OF CONTENTS .......................................................................... vii
LIST OF FIGURES ................................................................................ x
LIST OF TABLES .................................................................................. xi
ACRONYMS /ABBREVIATIONS .......................................................... xii

CHAPTER ONE: INTRODUCTION

1.1 Background to the study ................................................................. 1
1.2 Statement of the problem ............................................................... 5
1.3 Research Objectives .................................................................... 6
1.3.1 General Objective .................................................................... 6
1.3.2 Specific Objectives .................................................................. 6
1.4 The research questions ................................................................ 6
1.5 The significance of the study ........................................................ 7
1.6 The assumptions of the study ....................................................... 7
1.7 Scope and justification of the study .............................................. 7
1.8 Limitations of the study ............................................................... 8
1.9 Definitions of terms .................................................................... 8

CHAPTER TWO: LITERATURE REVIEW

2.1 The concept of Internal Auditing ................................................. 10
2.1.1 The role of Internal Auditor ................................................... 12
2.1.2 Internal Auditing theories ....................................................... 13
2.1.3 Emergency of the auditor ....................................................... 15
2.1.4 Essentials for effective internal auditing ................................. 16
2.1.4.1 Auditor Independence…………………………………………………....16
2.1.4.2 Staffing and training of auditors…………………………………………17
2.1.4.3 Auditors’ Relationships with others……………………………………...17
2.1.4.4 Professionalism in Auditing……………………………………………….....18
2.1.4.5 Planning, Controlling and Recording…………………………………….......18
2.1.4.6 Evaluation of the internal control system………………………………….....19
2.1.4.7 Audit Evidence………………………………………………………..20
2.1.4.8 Reporting and follow-up……………………………………………………..20
2.2 Empirical Literature…………………………………………………………………….21
2.3 Conceptual Framework………………………………………………………………..23

CHAPTER THREE: RESEARCH METHODOLOGY
3.1 Design of the study…………………………………………………………………...25
3.2 Area of Study …………………………………………………………….. ….….…...25
3.3 Target population………………………………………………….. ……………….. 25
3.4 Sampling and sampling techniques……………………………………………...........25
3.5 Procedure of data collection and Data collection Instruments …………………….26
3.6 Data analysis and presentation ……………………………….…………………........26

CHAPTER FOUR: DATA ANALYSIS AND PRESENTATION
4.1 Questionnaire Response rate………………………………………………………………27
4.2 Characteristic of respondents……………………………………………………………27
4.3 Use of the LATF disbursements to achieve the objectives of LATF …………………….28
4.4 Release of LATF funds…………………………………………………………………..29
4.5 Internal auditing of LATF………………………………………………………………...30
   4.5.1 Internal audit of LATF funds………………………………………………………...31
4.5.2 Involvement of departmental employees in the discussion of the recommendations
        In the internal audit reports…………………………………………………….. 31
4.5.3 Reflection of the recommendations in the internal audit reports………………….32
4.5.4 Adherence of the recommendations in the internal audit reports by departments .................................................................33
4.5.5 Assessment of the effectiveness of internal audit systems in the management of LAFT ........................................................................................................33

4.5.6 Frequency of internal Auditing of Department .........................................................34
4.5.7 Time taken to release Audit reports .............................................................................35
4.5.8 Involvement of the discussion of Audit reported recommendations, Adherence and follow-ups by the internal Audit departments ........................................36
4.5.9 Level of satisfaction with the adherence of the recommendation on the audit reports by departments in the council ........................................................................37
4.4.9 Evaluation on the effectiveness of the internal audit systems by the internal audit department .................................................................................................................37

4.6 Suggestions of what can assist the internal audit department to improve The management of LATF funds ..........................................................................................................................38

CHAPTER FIVE:

5.1 Summary of findings .................................................................................................................40
5.2 Conclusion .................................................................................................................................40
5.3 Recommendations ....................................................................................................................41
5.4 Suggestions for further study .....................................................................................................41

References ...................................................................................................................................43
Appendix I Questionnaire .............................................................................................................45
Appendix II Letter authorizing field work .....................................................................................49