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Internal Audit and Performance of International Non-Governmental Humanitarian Organizations in Nairobi, Kenya

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Abstract:

Accountability for most of the international humanitarian non-governmental organizations has been a major concern where most of the organizations fail to account for the funds allocated by the donors. This has resulted to a gradual decline in the performance of most of international humanitarian non-governmental organizations making a lot of donors to drive away their funds to other organizations. The research aimed primarily at assessing the effects of internal audit and the performance of international NGOs in Nairobi, Kenya. The research assessed the impact of internal controls, independence of auditors and internal audit structure on international humanitarian performance. The research employed a descriptive research design. 76 respondents including management staff from 161 international humanitarian NGOs in Nairobi was targeted. 76 respondents were selected as a sample size. Self-administered questionnaires were utilized for primary data collection while secondary data was collected via the data collection sheet. The questionnaire consisted of questions which were both open and closed. The results were evaluated using SPSS Version 25.0. All numerical variables were measured with descriptive statistics such as frequencies, percentages, mean score and standard deviation. Qualitative data from the open-ended questions were analyzed and summarized in prose using conceptual content analysis. The relationship between the independent variables and dependent variables was done using regression analysis. To present the information, frequency tables were utilized. The study found that bank reconciliations were carried out monthly to a very great extent. The study also found that Internal Audit (IA) also distanced itself from practices that resulted in conflict of interest; produced free and unbiased reports; and had clear reporting lines to a large extent. It was also found that the coordination of the IA Department was done; and the IA structure was flexible enough to accommodate the changing environment to a moderate extent. The study concluded that internal audit structure had the greatest effect on performance of international humanitarian non-governmental organizations in Nairobi, followed by independence of auditors, while internal controls/control environment had the least effect on the performance of international humanitarian non-governmental organizations in Nairobi. The study recommends that internal control ought to be viable when looking at outline can amazingly gainful and is as a rule for association administration and broadly to monetary proclamations at present, a wide range of business firms have utilized interior controls through the development of strategies to guarantee a shielding resources and beneficial business environment particularly bookkeeping arrangement, administration approach, and operational strategy. The study recommends that the boards and officers of those international humanitarian non-governmental organizations should be responsible for managing and preserving the charitable assets that benefit all stakeholders.

Keywords: Internal controls/control environment, Independence of auditors, Internal audit structure, Performance of international humanitarian non-governmental organizations

1. Introduction

1.1. Background of the Study

The introduction of the Corporate and Auditing Accountability and Responsibility Act in 2002 was brought about by global scandals in America like world.com and Enron, where investors lost more than \$180bn (Sarbanes & Oxley 2015). The financial scandals were due to a failure by the Sarbanes Oxley Act of 2002 to fix internal control structures, including bad corporate governance. As Hayes (2015) states, internal reviews demonstrate to a company management and the management committee, that the goals of the organization, are achieved. The chances of achievement are determined by limitations that are central to all internal controls. Institutions establish certain processes to guarantee their priorities and targets are accomplished efficiently, helping them achieve their implementation and organizational goals, prevent resource loss, allow timely reports to be generated, and ensure coherence with legislation and guidance. Dunjia (2013) suggests that the entire system of structures developed into an enterprise requires internal control procedures to provide a sensible assurance that hierarchic goals will be achieved. There were no specific indicators or reported results on the results of the King II study in South Africa on audit procedures on the performance of organizations. This however is due to the lack of guidelines from regulatory bodies on how to conduct such tests. He suggests that this process should be

customized for individual international humanitarian organizations and that it cannot be a case of one size fits all (Mahadeva, 2013). As a working prerequisite, international organizations no longer create an internal inspections scheme, as per Bromilow and Berlin (2014), because it helps to ensure the proper conduct of all operations. Firms are obliged as a consequence of their adequacy, by planning, instructing and sharpening their staff on the most professional approach for the use of such internal control structures.

In Kenya, NGOs have taken a two-pronged approach to transparency. On the one hand, external pressure has been exerted by bodies such as the 1990 NGO Coordinating Board, which aims to control all NGO operations in accordance with the principles of transparency. The board is responsible for tracking, organizing and promoting the activities of all NGOs operating in Kenya, whether national or foreign. For example, in the recent de-registrations, the Board disregards the laws of more than 1252 out of 4,000 registered Kenyan NGOs (Mutinda, 2010). The NGO Council, on the other hand, also plays the umbrella organization role for all NGOs (Poverty Eradication Network, 2010). The aim of the council is to promote self-regulation among Kenya-based local NGOs.

1.1.1. Internal Audit

Internal audit is a mission and an Independent Evaluation of the Risk Management, Control and Governance Benefit by assessing its feasibility to achieve the accepted objectives of the company (Chiggai 2016). The Board of Directors and Line Management in the regulated units are also subject to internal audit outcomes. In order to ensure the achievement of its goals and through implementation proposals, management exerts its master capacity to analyze accurately and control the methods, approaches and operations developed by management (Dumitrescu, 2014).

The internal audit is a self-monitoring, objective and advisory activity, according to the Institute of Internal Auditors (2016) which aims at adding value to and improving organizational operations. Internal audit activities help companies meet their goals by creating a well-defined and directed way to monitor and manage risk management and, in turn, organizational processes. In this way, internal auditing by experts with an accurate understanding of company cultures, systems and processes is to be carried out (Ford & Eisner, 2016).

Previously, internal auditors were not recognized in organizations and were treated as mere accountants but that scenario has changed in that their services are currently treated as management-oriented services (Hutchinson & Zain, 2009). According to Beyanga (2011), internal audit greatly assists organizations to achieve their expected goals through use of strategic methodologies for determining and refining the usefulness and proficiency of the governance procedures of organizational threats and how they can be controlled. The operationalization of internal audit, according to IIA (2016) includes the standards of internal audit, auditor independence, internal controls and competence in performing their professional duties. The adherence to internal audit standards is crucial in boosting the effectiveness of the process according to the publication of IIA (2008) including aspects such as attribute, implementation standards and performance. Further it is argued that the auditor is supposed to be independent of both the personnel related and operational related activities within the firms. This is with the aim, of not compromising the opinions of the auditor in terms of integrity, recommendations and conclusions. Also, according to KPMG (2015) on detection of fraud, competence in performing professional duties is a key consideration. Further the designed systems within the firm should adhere to the internal checks in line with the internal control function which includes organizing, directing, planning and controlling program operations and the systems put in place to report, measure and monitor performance of this program (Esmailjee, 1993).

1.1.2. Performance of International Humanitarian Non-Governmental Organizations

Performance assesses the degree to which the company has accomplished its objectives (financial and non-financial goals). Therefore, performance is usually linked to anticipated results (Penrose, 1959). In this study the performance of INGHOs is assessed by timely completion of projects & reporting, reduced management comments, realization of value for money, increased funding and change in the living standards of beneficiaries. The findings are significant because they rely on the research methodology used to create the link between KM and corporate functioning (Carr, 2006). Organizational quality assessment approaches include the viewpoints of economic, consumer, internal processes and development, training, and suppliers.

INGHO's organizational performance is measured on their potential to mobilize funds to achieve their strategic targets and priorities. The concept of organizational success is very complicated for NGOs because of the varied organizational goals and objectives and the fact that there are a variety of stakeholders with different interests (Castanias&Helfat, 2014).

From a humanitarian point of view, Choy, Ye and Lin (2009) define success as the collective effort of a complex system of international, national and local organizations working to save lives, alleviate suffering and maintain human dignity during and after man-made crises and natural disasters. In addition, strive to avoid and enhance plans for circumstances of this kind. Effective performance means working with human rights values, mobilizing and enforcing adequate financial and human resource materials, and supplying them with the required resources to ensure good quality, good management, transparency, fairness, and sustainability.

There are approximately over 4000 registered International Humanitarian Organizations operating in Kenya since 2002 to date, the annual revenues of INGHOs are projected at \$1 billion, about three percent of GDP. The government now considers INGHOs as real development partners. Several INGHOs operate nationwide, while others operate in one or more jurisdictions, with Community-based organizations being listed as the latter (Wambugu, 2012). Through their program, INGHOs were engaged with multi-sectoral projects and mono-sector / themes. The majority of INGHOs currently work in health services activities (HIV / AIDS); education (especially informal activities); micro-credit and income generation activities; farming (especially agriculture and fisheries extension); environmental activities; water and sanitation; capacity

building and formation; peace building and the transformation of conflicts, social development and Community empowerment (Uganda National NGO policy, 2008).

In his research, Okal (2006) noted that INGHOs were highly dependent on donors in Kenya. All INGHOs in Kenya are accessing international donors with INGHOs through access to funds from both bilateral and multi-lateral official donor agencies that are then used, inter alia, to develop national non-governmental organizations' capacity. A firm operating in international business involves doing business in foreign markets and differs significantly from a firm doing business in home country or domestic business. The difference is due to social, demographic and economic differences across countries, price differences across countries, fluctuating exchange rates and variations in host country trade policies.

1.1.3. International Humanitarian Non-Governmental Organizations

International humanitarian NGOs are not for profit International humanitarian organisations and provide relief assistance in Kenya to alleviate immediate and after-disaster misery and save lives (GHA, 2012). If people's lives are endangered, a situation is catastrophic and is usually beyond the capacity of the local government to react or deal with it. Many INGHOs in Kenya respond to international calls or requests from their county governments. INGHOs such as the Kenya Red Cross Society have played an important role in the past decade in responding primarily to drought, conflict, disease and entrenched suffering, in Kenya's natural and man-made disaster.

INGHO's organizational conditions in Kenya are quite diverse and typically face challenges from over-dependence of donors to hard working environments and factors like poverty, difficult climate zones, and episode of low funding, poor policy preparation and a shortage of staffing (Omondi, Ombui, and Mungatu 2013). Kenya has several humanitarian catastrophes: drought, hunger floods, disease outbreaks, food shortages, war and strife. The world's largest population of refugees, as per Feeny & Ives, 2014 is about 450,000 in Daadab, almost 100,000 in Kakuma, and over 50,000 in Nairobi (DAAA). These numbers represent the size and scale of the humanitarian work of the country.

1.2. Statement of the Problem

The performance of any organization depends on the management of its finances as this lays the foundation on its going concern. Accountability for most of the international humanitarian non-governmental organizations has been a major concern where most of the organizations fail to account for the funds allocated by the donors (Ford & Eisner, 2016). This has resulted to a gradual decline in the performance of most of international humanitarian organizations making a lot of donors to drive away their funds to other organizations. Mismanagement of funds cuts across all organizations, where else Non-Governmental organizations are viewed as less corrupt perhaps because of their nature (that most of them if not all are established for the betterment of the society) (Ford & Eisner, 2016), there are cases of corruption in some of these NGOs.

There has been increased pressure for NGOs from donors, government and other officials to show competence, accountability and strong internal control system. NGOs are being confronted with the challenge of raising funds and they need to demonstrate their capability and efficiency (Chiggai, 2016). Donations have subsequently slowed for many organizations due to many fraud, corruption scandals and individuals abusing disaster relief. The INGHOs therefore would no longer be fiscally viable and would cease to operate since the funding is dried up (Othiambo, 2013).

Despite rising pressure for more openness and transparency, most INGHOs in Nairobi are reluctant to share information and even fail to recognize the need for accountability (Mbungua, 2013). It has been established that INGHOs in Kenya are involved in scandals, resulting from failure to undertake internal auditing (World Vision Kenya, 2013). The utilization of budgeted funds leads to INGHOs behaving in unaccountable manner (Kinyua, 2016).

Several researches have been undertaken concerning internal audit and organizational performance. Othiambo (2013) examined the donor funding accountability in Kisumu County by NGOs, Kinyua (2016) has examined the impact of the Nairobi Securities Exchange enterprises financial performance on their internal control systems and Mbungua (2013) focused on the financial accountability effects on the non-governmental organizations performance in Kenya. Nonetheless, none of the studies analyzed directly demonstrated how internal audits affect the international NGOs performance. This research aimed to bridge this divide by assessing the impact of internal auditing on international humanitarian NGO performance in Nairobi, Kenya.

1.3. Objectives of the Study

1.3.1. General Objective of the Study

The research aimed primarily at assessing the effects of internal audits and the performance of international NGOs in Nairobi, Kenya.

1.3.2. Specific Objectives of the Study

The research was intended to achieve the following specific objectives;

- To examine the effect of internal controls/control environment on performance of international humanitarian non-governmental organizations in Nairobi, Kenya.
- To determine the effect of independence of auditors on performance of international humanitarian non-governmental organizations in Nairobi, Kenya
- To explore the effect of internal audit structure on performance of international humanitarian non-governmental organizations in Nairobi, Kenya.

1.4. Research Questions

The research looked for answers to the following questions;

- How does internal controls/control environment affect performance of international humanitarian non-governmental organizations in Nairobi, Kenya?
- To what extent do independence of auditors affect performance of international humanitarian non-governmental organizations in Nairobi, Kenya?
- What is the effect of internal audit structure on performance of international humanitarian non-governmental organizations in Nairobi, Kenya?

1.5. Significance of the Study

The study took on significance in providing new finance and accounting knowledge, considering that it provided offers in many efficient ways in which financial control systems can be applied, demonstrating the need to incorporate this type of operation.

The study was instrumental to the non-governmental organizations in generating knowledge on the financial malpractices in these kinds of organizations. It offered a report on the efficacy of the financial systems in addressing the public interest in non-governmental activities and on the challenges faced by the development of financial discipline in financial systems.

The research also provided insight into the value of internal control mechanisms for enhancing corporate governance and efficiency in global NGOs. Directors and administrators of international humanitarian NGOs should be aware of the importance of internal control process procedures and assisted in determining their level of commitment to those of their competitors.

The State and law enforcement officials should gain an understanding of the crucial role of internal controls in foreign NGOs' financial performance. Policymakers would be informed what kind of internal controls international NGOs should include. Other organizations would benefit from acknowledging the essential part played by internal control structures in improving corporate governance, particularly for the promotion of corporate accountability and transparency and for the performance of organization.

It was hoped that the recommendations of this study would contribute significantly to the understanding of the factors influencing and shaping the efficiency of financial practises in preventing misappropriation of funds and assets, as well as to those solutions needed to improve the effectiveness of the financial systems

1.6. Scope of the Study

The research proposed focused on the internal audit effect and the international NGOs performance in Nairobi, Kenya. Specifically, the study concentrated on the effect on the international non-governmental humanitarian organisations performance in Nairobi, Kenya, of internal control/control system, independence of auditors and internal audit structure. The research was restricted to INGHOs in Nairobi County only since all the head offices are in Nairobi. Secondary data was collected for a scope of five years between 2015 and 2019. The primary data for the analysis was obtained from INGHOs management the research was performed 3 months from July to September 2020 to provide adequate time to collect and analyse data in preparation of December 2020 graduation.

1.7. Limitations of the Study

Reporting on internal audits is a very delicate subject. In conducting this analysis, the researcher faced some challenges. First, the answers given in the various questions were prejudiced. The respondents were tempted to react positive or negative to present the situation on an unfair basis for the facts underlying the internal audit coverage. An introduction letter reminding respondents about the need to provide correct and unbiased answers was provided to combat the threat of bias. They also recognised that there were reliable solutions, as the research was used to advise internal audit reporting policies and practises in the future.

The lack of quality control standards and accuracy of internal audit reporting was another limitation, Interior audit reports were not available to respondents, and therefore they were not able to assess the reports on the scales to be issued. Nonetheless, before administering questionnaires the respondents were briefed for the purposes of the analysis, and any respondent who felt they didn't have information to provide was given the choice to opt out.

It was a challenge to obtain adequate information for internal audit as NGOs and INGHOs might implement policies that take this information into consideration as confidential. The researcher contacted Finance Managers and Human Resources Director in order to alleviate the constraint and ask for support to use this data and to ensure that the information provided was handled confidentially.

1.8. Organization of the Study

The report was divided into three chapters. Chapter 1 covers the project context, the problem report, purpose of study, priorities, research issues, value and limitations of the study. Chapter 2 discusses the literature focused on the objectives of the study. This discusses further and ultimately summarizes the conceptual framework. Chapter three discusses the research method logy of the study. The chapter explains research design, population target sampling, tools and techniques for data collection, pre-testing and data analysis. Chapter four entails data analysis, presentation and interpretation of findings while chapter five entails summary, conclusion and recommendations of the findings.

2. Literature Review

2.1. Introduction

This chapter discusses extensive literature on the Internal Audit of the Performance of International Humanitarian NGOs. The chapter starts by discussing some related theories. Theories include: Contingency Theory, Stakeholder Theory, Institutional Theory, The Agency Theory and Legitimacy Theory. There is also a conceptual framework focused on the goals of the research. A summary is updated in order to help recognize the current gaps in the literature.

2.2. Theoretical Review

Theoretical literature focuses mainly on ideas or hypotheses and not on reality. The quality of international humanitarian NGOs could be defined using several theoretical approaches. Such methods are grouped into the following categories in this review; Contingency Theory, Stakeholder Theory, Institutional Theory, the Agency Theory and Legitimacy Theory.

2.2.1. The Agency Theory

Meckling and Jensen (1976) described the agency relationship as a contract by which one or more persons (main(s)) engage another person (agent) to render a certain service on their behalf involving delegating some decision-making authority to the agent. Therefore, the internal audit requires not only its autonomy but also its superior management support to be successful.

Ross and Mitnick, separately and almost concurrently, were the first researchers to specifically suggest establishing and eventually commencing an agency theory. The source of the economic theory of agency is Ross, and the institutional theory of agency is Mitnick. Ross launched the Agency's report on payment contracting problems; in fact, the Agency was viewed as a concern with incentives. On critical imperfection of agency relations, Mitnick presented an observation now widespread that organizations are emerging in the enterprise and evolving to deal with agency. Such conduct rarely happens as the boss wants because he doesn't care to make it perfect. Nevertheless, society maintains institutions that cope with or handle, react to, respond to, or constantly disturb these imperfections. Therefore, to fully understand the organization, both the opportunities and the institutional structures have to be seen (Mitnick, 2006).

From an agency point of view, good governance is critical in the need to align management priorities with other client stakeholders to minimise agency costs and improve the effectiveness of the internal audit department. Management conduct, including independent Board members, independent board chairmen, productive audit committee as well as both the external and the internal audit, can be regulated by various mechanisms of corporate governance. The dynamic interactions of these governance structures were defined by Davidson et al. (2005) as corporate governance mosaic.

In contrast, information asymmetry requires access to different grades of knowledge for the principal and the agent; in fact, this means that the principal is at a disadvantage because the officer has more information. Thus, in the study, the concept is very important because shareholders who own INGHOs have assigned to management, which acts as their agents, the responsibilities of the daily running of their organizations and thus the need for auditors' autonomy to ensure the adequate safeguarding of shareholders and other interest of stakeholders. The principle therefore supports the independence of INGHOs auditors (Blair, 1996).

2.2.2. Legitimacy Theory

Deegan's (2009) legitimacy theory applies to corporate management practices. Under the concept of legitimacy, organizations are always trying to present their actions in the face of ever evolving society norms as legitimate. How society perceives about the behavior of an individual is the vital point of legitimacy. The company is to enable the company to operate, Investors and the general public should be taken into account as long as the social contract is fulfilled, but also environmental and security issues that focus on improved corporate governance. If the corporate sanctions, including the prohibition of goods and legal restrictions on an organization's operations, may not be adhered to in a social contract. As Deegan (2009) has pointed out in its annual reports, the research applying credibility theory focus on social and environmental disclosures.

Each company understands differently what society expects when it conducts its business. Business strategies can provide education and public reporting on improvements in the quality and operations of the company to ensure credibility (Taylor, Sulaiman and Sheahan, 2001). For example, a company may carry out certification of ISO14001 as a strategy to enhance environmental quality or merely as environmental certificates from environmental-sensitive issues. In compliance with the certification requirements, environmental audits by internal auditors are required of company. The qualification requirement was decided to be appropriate for shareholders in order to fulfil the implicit social contract with the environmental implications of actions by organizations by Taylor, Sulaiman and Sheahan (2001). They found that legitimization of efficiency in the environment has led companies to implement policies that improve public perceptions, without impacting the environmental activities of their organizations.

Organizational philosophy and reputation theory can clarify why organizations perform internal audits, including public listing standards and certification procedures, for different reasons in their organizational strategies. Organizations follow systems that are known to remain standard and as a pioneer in the industry sector to remain competitive. This theory has an impact on the performance of a company to highlight the effect of internal audit systems.

2.2.3. Contingency Theory

Austrian psychologist Fred Edward Fiedler proposed the contingency leadership concept in 1964. The theory makes a restrictive relation to and subject to observative approval between at least two free factors and a needy parameter. This survey therefore indicates that the efficacy of an internal audit depends on a company's performance. According to Cadez and Guilding (2008), contingency theory demonstrates the relationships between the unique situation, internal control and hierarchical performance systems and in particular unwavering financial revelation value.

The experimental inquiry suggests that the internal auditors who have an internal potential that is broad and higher should conduct a feasibility evaluation of internal controls and that the company will benefit from organizational adequacy through the internal control function skills. The audit team may use structure and contingency to achieve results. Task to review and to determine company standards and production processes is a matter of inspection of company accounts and their compliance with requirements. The quality of their work guarantees the confidence of an organization by ensuring that assets are well used in accordance with expertise and experience.

2.2.4. Ecology Theory of Organizational Performance

This theory was advanced by Hannan & Freeman's Theories of Organizational Effectiveness. They claimed that the success of an organization is clearly determined by the way it meets its goals, by the evaluation of results and by the environmental functioning of the organization. A properly operating company can be more competitive than a good organization without challenges in a difficult environment (Ngubia, 2010). Companies face internal and external constraints. You may not have the resources for optimal solutions or the personnel or raw materials you need, the infrastructure and physical facilities may not be appropriate or you can compete or take regulatory action. Hannan and Freeman call these restrictions a part of the environment or ecology. Given these constraints on their ability to operate as efficiently as possible, the most effective organizations provide the required quality (Shabri, Saad & Bakar, 2016).

One-way active organizations are tackling obstacles that keep them from attaining their goals, according to Hannan and Freeman, is by adjusting to their ecology. You can find a less expensive way of achieving the results you need if you do not have the money for the best and most efficacious solution. You will train the people who you have to do the necessary work if you do not have the expertise you need. Through adjusting to their surroundings and using their resources, successful organizations must find a way to function adequately. This principle is important here because every company must be productive if its goals are to be fulfilled (Nila & Viriyanti, 2008). Continuous poorly functioning companies are being phased out rapidly. INGHOs needs to show donors that they strike the balance between making a return on cash and contributing to the society in which they work as they are social in nature.

2.3. Empirical Review

Literature on the study variables which include; reviewed internal controls/control environment, independence of auditors, and internal audit structure, and their relation to performance in INGHOs are contained in the section.

2.3.1. Internal Controls/Control Environment and Performance of INGHOs

Internal control mechanisms and internal audits are mainly aimed at improving quality of the performance of information suppliers in an organization, whether directly or indirectly (Jensen, 2003). The object of internal control is thus much wider so that control issues associated with lower sales are coordinated at an organizational level and links the discovery of material vulnerabilities with fraud, income management or restatements (Doyle et al. 2005). Overall, internal controls help the organization minimize risks that can affect its ability to achieve goals appropriately. Preventive internal controls prevent predicted malicious acts or omissions from occurring. Detective controls detect and report unwanted actions or omissions. Corrective controls rectify detected problems and ensure their non-recurrence. Another objective of internal control is to ensure that entity's operations are efficient and effective. This guarantees financial soundness and proper safeguarding of business property against theft or misuse. If this objective is attained then the entity will be able to improve in its financial performance and attain financial success (Ngubia, 2010).

Lagat (2018) carried out a review of the effects on the financial performance of sugar-owned government firms in Kenya through internal control systems. The study examined the financial performance of state-owned sugar companies in Kenya through the influence of internal control systems. Internal control mechanisms and financial performance of the company are independent variable for the analysis. The research model was descriptive. All five state-owned sugar companies in Kenya constituted the population the study used primary data, which was analysed using descriptive and inferential statistics to analyzed SPSS version 22, was obtained using a structured questionnaire. The targeted respondents were the senior management staff in various departments of the firm; that is accounting, human resource, procurement and security department. Data obtained and analyzed was from 30 respondents of the target population. 27 of respondent who represents 90% answered the questionnaire as required while 3 respondents who represented 10% did not answer the questionnaire as required. The model summary R-square value was 0.520 implying that the predictor variables selected for this study explains 52% of changes in the dependent variable. The study showed a positive impact on the financial performance of state-owned sugar companies in Kenya on the process of internal control. The study concluded that the organization has ensured that the risk is measured in the light of changes to the operating climate with a view to managing its risks.

The internal monitoring system effect on cooperative productivity was investigated by Shabri, Saad and Bakar (2016). This research explores the impact on competitive profitability of internal control systems which was explained in the Control Environment, Risk Assessment, Control Activities, Information and Communication and monitoring Committee of the Treadway Committee of Sponsoring Organizations (COSO). This study was conducted on a qualitative basis with the

use of a case study process. Interview sessions and documentary evidence were used to collect data. The study findings showed that Koperasi ABC Berhad's internal control systems can be considered effective and satisfactory. This was focused on the implementation, as defined within the cooperative by the COSO framework of every aspect of internal control systems. Yet financial losses in the cooperative occurred, not because of poor internal controls, due to inadequate cost control. With a new development strategy and the introduction of active internal control mechanisms within a cooperative, productivity can be increased. Better or strong internal systems of control would affect the productivity of the cooperative and would help stabilize and expand the cooperative movement in Malaysia.

Ngari (2015) on the internal controls effects on microfinance institutions' financial performance in Kenya. A descriptive and diagnostic research was utilized in a study of 21 out of 53 microfinance institutions, with participants being internal auditor, senior accountant and five other accounting staff. The selection process for the research sample was conducted using the stratified and simple random methods. Questionnaires and formal interviews with workers were the main means of quality data collection. Tables and charts were used for processing, recording and analyzing the data. The research has shown a positive connection to financial performance in the division of duties. The study concluded that, through the establishment of accounting stages and internal audits, the financial performance was compromised and recommended that divisions of labour, allocation of workers and job descriptions be properly handled. Likewise, authorization and approval are directly linked to financial performance in accounting transactions.

Njeri (2014) carried out a report on the financial performance of Kenyan manufacturing companies through internal controls. The study investigated the impact of internal control on the financial performance of Kenya's manufacturing companies. H2: Internal controls have an important impact on financial performance to achieve this research goal; this study has used a hypothesis testing model where H1 that has been identified as Internal controls and Financial Performance is positive. For this study 65 production companies have been selected approved by the Kenyan Ministry of Industrialization. For the study 20 production companies are selected from the target population of 65 production companies. The test was obtained using a random sample stratified. The study used both primary and secondary data in the use of standardized questionnaires for primary data collection and in the use of secondary data collection based on accessibility of information and availability from financial statements. The results show that the regulating environment as an internal control function of most manufacturing companies is important in terms of business performance. Management has, however, developed policies to minimize vital fraud risks. The study examined the impact of control practices on the financial performance of manufacturers in Kenya.

Collins (2014) focused on the impact of internal control in the Kisumu central constituency, Kenya, on financial performance of microfinance institutions. In this research, the relationship between internal and financial control systems was studied and followed by the central Kisumu constituency microfinance institutions. Internal controls were analysed with a view to the control systems, control activities and data and communications, while liquidity was the focus of financial performance. The independent variable was internal monitoring (control environment, control activities, information and communication), and the dependent variable was financial performance (liquidity). Descriptive and correlation research analysis and case study were implemented for the selected institutions. Convenience Sample Technique was applied and collected for the purposes of this inquiry from a total of seven organizations, from a total of 18 MFIs and 35 participants (five institutional leaders, 2 intermediary administrators, and 3 employees). Questionnaires were used in the collection of primary data, analysed by correlation and present through tables. Findings show that the correlation $r=0.447^{**}$ between internal control (the financial management process for our institution) and the financial performance of Pearson micro-finance institutions is positive. $P=0.007$, for example. This means that internal controls influence the financial performance of microfinance institutions at 44.7 and an additional 55.3 percent. The report suggests that institutions tighten controls to 100% recovery of debt. The study also shows that more effective information management systems should be taken into account.

2.3.2. Independence of Auditors and Performance of IHNGOs

Mahachi (2018) did a study on the effectiveness of internal audit on NGOs organizational performance using a case study of local NGO, HIVOS in Zimbabwe. The key issue that led to research across the sector was the increased inefficiency of projects performance and the lack of funding, which were the main reason for the stagnating growth of the organization, since both constitute the principal basis for the operations of NGOs. A qualitative research methodology integrated a descriptive research design to answer the research questions. Interviews and questionnaires were utilized for obtaining information. 30 respondents were the target population from which a stratified random sample was employed to determine a sample size of 27 respondents. Key study findings indicate that the reliability of internal audits improves the organizational performance of NGOs significantly. Response rate for 55% of the questionnaires agreed that the effectiveness of internal audit enhances the efficiency of the organization, and 100 per cent agree that management support, independence staff competencies and sound management control increases the effectiveness of the internal audit. The added value of the internal audit to ensure that the organization's success at HIVOS has not been sufficiently carried out therefore this work provides the corporation with valuable information on ways to promote the efficacy of the internal audit so that its organization's output triumphs. The research in Kenya must be repeated.

Muqattash (2017) claimed that the internal auditing operation in a company should be an autonomous procedure. If the organization wants to perform highly effective audits, the practitioners who carry out internal audits will remain objective. Usman (2016) says that the greater the performance of results provided by an internal audit system the more independent and objective the Internal Audit function. Alzeban and Gwilliam (2014) suggest that internally independent auditing is of the utmost importance in providing effective management internal audit services, for it needs unbiased and uninhibited evaluation and reporting without unit audit control. Hoos et al. (2015) established that internal auditing role

has no impact on the autonomy of auditors internal auditing Effectiveness of organizational performance: HIVOS case study. Nevertheless, various authors have also addressed the impairment of the internal audit autonomy and established factors that impair the independence of the internal audit.

Mbuti (2014) tried to determine the effect of internal audit statements on the financial performance of SACCOs. Descriptive survey model was used by the author. The target population in that study is all SACCOs in Murang'a District, estimated at 400. The 120 SACCO specimens were obtained on the basis of a stratified array. Data was collected using a questionnaire. For nominal, ordinal, and interval data purposes, descriptive data including mean value, percentages and frequency distributions were used. The assessment of the significant interrelations between audit reports and financial performance of SACCO has been focused on inferential statistics, including regression and correlation analysis. The results of the study showed that SACCO's transparent financial reporting and the comprehensiveness of the internal audit report and its timeliness had a major impact on the financial performance of SACCOs. Nonetheless, the financial performance of SACCOs had no significant influence on channels for internal auditing. The work helps other institutions to study a location.

Ondieki (2013) conducted a study on the impact of internal auditing in commercial banks in Kenya on financial performance. Internal auditing from an internal audit framework, professional skills, internal control and internal audit autonomy were investigated. The researcher provided each senior manager in the finance department that was picked as a target population with a survey questionnaire because it was the best tool for gathering information. As data analysis methodology, quantitative analysis and regression analyses were used. Descriptive statistics were used for data analysis. Data presentation was done with tables to promote comprehension and understanding. The findings show a positive relation to corporate banks' financing with internal auditing quality, independence, competence and internal control; increasing internal audit standards units will boost commercial banking efficiency, enhance the independence of the unit; enhanced technical expertise will increase commercial banks' financial performance. This research could pose a limitation for the selected population; internal audit should be systematic and thus at least members of several departments were not included in this sample. Therefore, the results of the study need verification in other economic sectors.

Roe's (2004) study focused on independent internal auditing and corporate governance. The study found the internal audit feature as a first line of defence against poor management and financial reporting. The Internal Audit Team are in the best position to gain insight into irregular accounting, inadequate internal controls and poor corporate governance through the appropriate support of the Board of Directors' Audit Committee. The study has shown that the internal audit context should be wide-ranging for resolving strategic business concerns and for that compliance audits. Internal audit is strongly supported to play an important role in constructive testing of conformity. As a result, internal audit teams in Chicago previously took significant steps to move beyond the stages of discussion and to conduct rigorous enforcement monitoring. The purpose of this thesis was to make profits and, as such, to investigate the autonomy of the auditors in the world of profit.

Independence is the nature of auditing, according to Chun (1997). An internal auditor is separate from the staff and operations of an organization. The validity of the views, findings and recommendations of the auditor would otherwise be doubted. Independence is therefore important for the successful performance of the internal audit role and objective. This independence is primarily accomplished by two aspects—institutional status and objectivity. The INGHO's internal audit unit must be independent of the operations it monitors and also free of internal audit procedures on daily. It guarantees the fair and unbiased operation of the department's operations. Internal auditors may not interfere with the INGHOs.

2.3.3. Internal Audit Structure and Performance of INGHOs

Ogega, Kibati and Koima (2017) conducted a study on the influence of risk based internal audit on financial sustainability of non-governmental organization. The study specifically looked into the influence of Internal Auditors Competency on financial sustainability. A sample frame of 79 NGOs was used. A sample of 115 officials was selected. Data was collected using questionnaires constructed on a Likert scale and analyzed using statistical package for social sciences (SPSS) IBM software. Data was analyzed using descriptive statistics and inferential statistics presented in tables. The study established that auditor competency had significant relationships with financial sustainability. Regression analysis showed that auditors' competence and financial sustainability had a significant relationship. The research deduced that auditor competency had significant influence on financial sustainability of non-governmental organization in Nakuru County. The research is conducted in Nakuru whereas my study is conducted in Nairobi, additionally the study focused primarily on risk-based audit and sustainability whereas my study will focus on internal audit as a whole.

Sayag (2016) focused on the effectiveness of internal auditing structures. The study indicated that IIA suggests a dual reporting arrangement with the IAF to avoid conflicts of interest and collusion. The CAE usually focuses on leadership and inspection areas including administrative support to a Chief Executive Officer. A different approach to reporting lists the highest supervisory board — generally AC, a sub-committee of the Board of Management— for internal auditing and risk, business process and management issues improvement reviews. Trust is very subjective, especially when internal auditors are included as officers within the control mechanism of management. INGHOs have different reporting structures, and therefore it is worth doing a research on what internal structures would be most ideal for INGHOs

Thumbi (2016) conducted surveys on the current relationship between the internal audit role of medium-sized production companies in Kenya, Nairobi County. The report carried out a descriptive research approach in order to achieve its objective. The medium-sized manufacturing firms were the target population in the report. For the study 30 percent have been picked from the medium-sized manufacturing companies in Nairobi. It generated 30 businesses. A statistical approach was used to collect primary data. The information gathered were mostly observable, so the study was

descriptive. The findings were analysed. A multiple regression analysis was carried out by the researcher. The study shows that internal auditing roles have a significant impact on mid-sized manufacturing companies' financial performance in Nairobi. The financial performance of mid-size manufacturing companies has been strongly positively related to internal audit feature aspects. The study has provided so many inputs to the area under study. It is however dealing with manufacturing firms, IHNGO's and manufacturing have different goals and objectives, as such, the current study will look at how internal audit affects INGHOS performance in Nairobi County.

The Effect of Internal Audit and Firm Performance: A Proposed Research Framework was conducted by Ebrahim, Abdullah and Faudziah (2014) and was based on a research study on secondary information or a desk search. This study sought to suggest a system of relationships between internal audit characteristics (IAC) such as professional qualifications, the size, expertise, and competence of the Chief Audit Executive (IA) and the performance of the company. The study found that the internal audit is a key component of an organizational and company governance structure (CG) that involves the actions of the board of directors and audit committees to ensure that the financial reporting processes are accurate. Conceptual findings were reported. There was a limitation in this study on the kind of data used. The results of the research could have been more comprehensive if primary and secondary data were both used. In so doing, the research would have captured responses which could have been left out by the secondary data.

Ewa and Udoyang (2012) conducted out a research in Nigeria to detect fraud and abuse in the ability of banks to investigate staff misconduct and the style of life of employees. Data was obtained using a 4-point Likert Scale questionnaire from 13 Nigerian banks. Percentages and ratios were used for analysis. Internal controls were found to affect the behaviour of employees toward fraud, so as to discourage personnel fraud by a strong internal monitoring process, while a poor man exposes the system to corruption and gives jobs a chance of theft. Nigeria has different operational context which means that the findings of this research cannot to a large extent be applied in the Kenyan context.

Moeller (2009) claimed that the internal auditors assess the management and personnel practices of its company. The internal audit can be divided into four aspects: plan, execution or work on the field, reporting, tracking and analysis of findings. The major items to be included in the preparation of the audit include: audit range and priorities, legislation and rules, potential risks, internally auditor autonomy and competences and audit programmes. When the audit is conducted, internal auditors collect trustworthy information including audit reports on system results. It also guarantees the audit results are well reported and easily accessible.

Mat Zain & Subramanian (2007) did a study on internal auditor perceptions on audit committee interactions and the audit structure: a qualitative study in Malaysian public corporations. The results indicated that the joint audits to improve the efficiency of Quality System Audits and Audits of various work processes received detailed references. The insurance practices of Rio Tinto, for instance, do not apply only for financial systems, but include the management by defining main risks and business processes. The main objectives of an integrated framework for health and security, policy, treasury, societies and international obligations, staff and the ongoing development are internal audit, risk, sarbanoxley, legal and external audits. Cooperation has also been recognized as critical when conducting research involving certain skills. An analysis of other internal audit variables is needed to provide a broader understanding of the effectiveness of the internal audit.

Davidson, Goodwin and Kent (2005) investigated the effect of internal audit structures and earnings management. The research used descriptive research and secondary data, were analysed by means of regression. The audit results are sent to the relevant management level so as to ensure that the auditor takes appropriate corrective action to remove the root causes of the vulnerabilities. Self-assessment and peer review of audit teams should be undertaken to enhance independent auditors' quality and identify training needs in areas such as IT and risk management. Audit evaluation is necessary for the corrective measures and organizational adjustments to be consistent with proposed reforms. This study did not recognize that their other factors that affects earning in an organization, like the amount of distributable income, as such, this therefore necessitates the need for further exploration in this area.

2.3.4. Performance of INGHOS

Mkutano and Sang (2018) researched the activities and quality of NGO projects in the County of Nairobi, Kenya. Impacts of communication, project planning, involvement of stakeholders, monitoring and project results evaluation are carried out by NGOs. This study employed descriptive research design. The target population of the study was 201 NGOs operating in the County of Nairobi. Stratified, simple random sampling of 50% of the target population was used in the Nairobi County, making 100 NGOs available for selection. The results showed that increased project performance has been achieved through the successful implementation of projects management practices such as interaction, scheduling, stakeholder engagement and tracking and assessment of project operation. Therefore, it must be on the agenda of team leaders and management before every project starts to clearly identify and maintain the project communication mechanisms. The study found that interaction with the project has significant effects on project efficiency.

Awuor (2017) examined the factors influencing strategy implementation and international humanitarian performance and development Kenyan NGOs focused on a case study Mercy Corps. This study was conducted through a case study design. Qualitative data was collected by way of face-to-face interviews guided by an interview guide. The data obtained was analyzed by way of content analysis which involved thematic comparisons of data obtained from the various program officers. The findings revealed that major factors affecting strategy implementation were staff engagement/involvement, technological factors, external environment, appropriate strategic decisions, availability of resources, organizational structure as well as inclusivity. The study further found out that Mercy Corps Kenya had strategic plans in place and that there existed some viable strategies at the organization which was found to be a point of

reference in their daily routines. The strategies at Mercy Corps Kenya were formulated mostly by senior management team with minimum inclusion of support staff. It was therefore recommended that in order for international humanitarian and development non-governmental organizations to perform better, there is need to cultivate the elements related to proper strategy implementation in order to realize success in their undertakings.

Onyango (2016) conducted an international humanitarian organizations awareness management and quality study in Kenya. The research aimed at influencing Kenya's output by means of KM capacities of international humanitarian organizations. The research was conducted in 2016 by the 62 international relief organizations in Kenya. A semi-structured questionnaire that was semi-structured obtained primary data. In descriptive statistics, numerical data gathered was analysed using SPSS version 21 and Microsoft excel. A multiple regression analysis was utilized to determine the relationship between the 4 KM capabilities and the performance of the international humanitarian organizations. The results of the study showed that students believed that the effectiveness of their organizations was focused on the promotion of expertise. Evidence also suggests that most respondents have accepted that reading, training and growth are best appreciated and promoted. The study finds that the capacity of KM in Kenya affects the international humanitarian organizations performance. Technological advancement, organization structure, organization culture and human resource comprised of KM capabilities.

Musyula (2014) carried out an assessment based on the Action Aid International case on the factors affecting the performance of Kenyan NGOs. The research used a sampling survey study involving the use of the entire (49) population. Primary data collection was done using a questionnaire. In the analysis of data obtained with the help of the SPSS17.0, descriptive, correlation and regression statistics were employed. A strong positive relationship between strategic plans, management and managerial leadership, financial stability and the success of NGOs was found. This was shown by the linkages among strategic plans and other NGO success factors, including successful boards, efficient management of staff and financial stability.

2.4. Summary of Knowledge Gaps

This chapter the internal audit and quality of international NGOs in Nairobi, Kenya discussed literature. Specifically, it reviewed internal controls/control environment, independence of auditors and internal audit structure. Many studies have been conducted on the internal audit of the international NGOs performance as illustrated in Table 1.

Author/Year	Focus of Study	Methodology	Findings	Research Gaps	Gaps to Be Filled by the Current Study
Kamau (2013)	Impact of internal audit checks on the detection of fraud among insurers referred to in Kenindia Assurance Company Limited	The research utilized descriptive research design, Census sampling technique was used for data collection, primary data collection was done through questionnaires and findings analysed with descriptive statistics	The study found that proactive fraud audits and fraud investigations affected fraud detection to a great extent. The study showed that risk management greatly affects fraud detection.	Focal gap The study focused on a single variable of internal audit	This study tackled the three main variables of internal audit
Mahachi (2018)	Effectiveness of internal audit of NGOs ' organizational results using the case study of Zimbabwe's state NGOs.	This study focusses on HIVOS which is a local Zimbabwean NGO, Descriptive study model was utilized to gather qualitative data using a random stratified sample.	Key research findings indicate that the efficacy of internal audits improves the organizational performance of nongovernmental organization substantially.	Contextual gap The study is carried out in Zimbabwe.	This study focused on the Kenyan context
Magara (2013)	Internal control effect on the financial performance of the Kenyan SACCOs deposits	This study was descriptive, it targeted 122 deposit taking institutions. Purposive sampling was utilized ed. Both primary and secondary data was collected	The study found that the SACCOs would be weak with the possibility of eventual collapse without strong internal control within these institutions.	Contextual gap This study focuses on SACCO's	The study sought to dig deeper into understanding how internal controls can be utilized to impact on the performance of IHNGO's.

Author/Year	Focus of Study	Methodology	Findings	Research Gaps	Gaps to Be Filled by the Current Study
Mwachiro (2013)	Effects of internal controls on revenue collection: A case of Kenya Revenue Authority	Exploratory research was conducted. Purposive sampling was utilized, both primary and secondary data were collected, the target population was the KRA staff	The study established that weak internal controls have encouraged collusion to fraud, loss of revenue and embezzlement of collected revenue.	Methodological gap The type of study was case study	This research utilized a descriptive research
Ebrahim, Abdullah &Faudziah (2014).	The Effect of the Internal Audit and Firm Performance: A Proposed Research Framework	Secondary data was utilized	The intern audit is the cornerstone of the company accounting, since it is the segment that tracks all companies in the industry.	Methodological gap Only Secondary data was used in this study. This limits the results to the data already in the records and might not reflect actually what is on the ground	The current study used both primary and secondary data to reflect the current situation more closely.
Mathenge (2016)	Effect of internal audit functions on fraud detection in insurance companies in Kenya	This type of research was descriptive, the target population was insurance companies operating in Kenya. Census approach was utilized. descriptive analysis was also employed.	It was established that there was a statistical relationship between Proactive Fraud Audit, Compliance to Policies, Risk Management, Control of Operation and Financial Reporting and fraud detection among insurance companies in Kenya	Scope gap This study did not highlight on what measures should be taken to curb fraud in insurance companies.	This research aimed to see if internal auditing can be used as a tool to enhance organizational performance in the INGHO
Thumbi (2016)	Link between internal audit mechanism and medium-sized manufacturing financial performance.	Descriptive research was conducted. A medium sized manufacturing company located in Nairobi was the target population. Key statistical data were obtained. The results were analyzed using descriptive analysis	The study deduces that the roles of the internal audit impact significantly on financial performance of Nairobi's mid-size production companies.	Scope gap This result of this study suffers from specificity, that is it cannot be generalized to other dissimilar organizations	This study extended to cover INGHO's

Table 1: Summary of Empirical Literature Review and Research Gap
Source: Author (2019)

2.5. Conceptual Framework

This refers to a diagrammatic research tool designed to help the researcher build and convey knowledge and understanding of the situation under study. For research, a conceptual model is used to describe alternative action paths or to pose an ideal or thinking approach. It refers to a set of specific values and beliefs extracted and used in the construction of a further presentation from applicable areas of research. For certain expected results, the relation between these frames completes the framework.

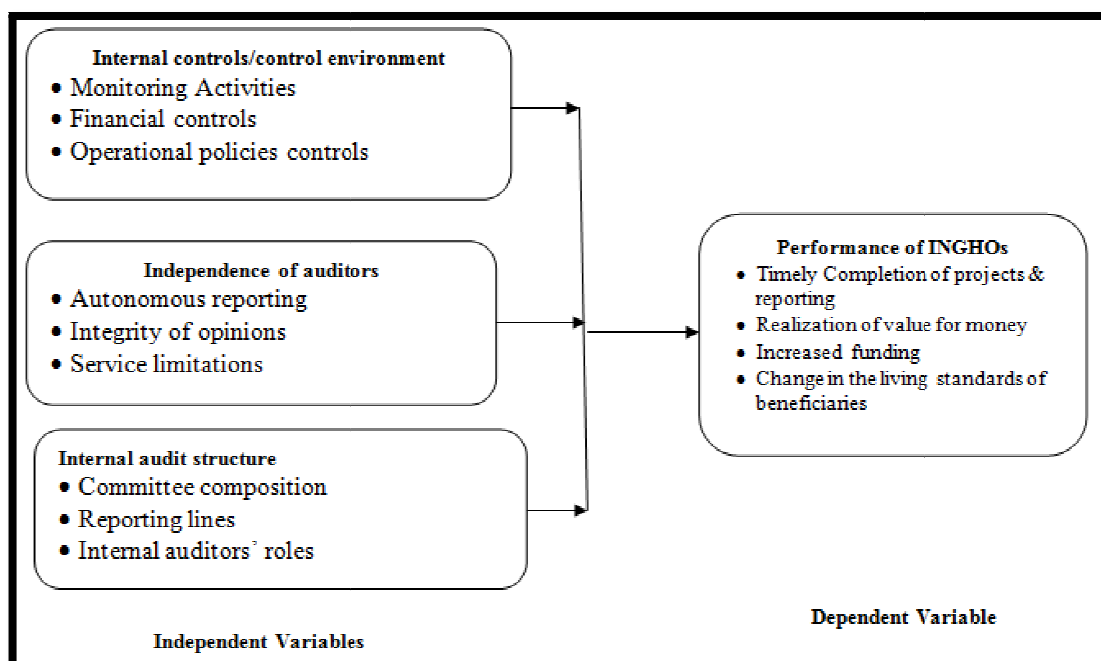


Figure 1: Conceptual Framework

Source: Author 2019

3. Research Methodology

3.1. Introduction

The research techniques that the researcher used to find answers to the research questions are discussed in this chapter. The research design and target population, the sampling process, data collection techniques, data collection instruments and the pilot test are discussed in the following order. The section also discusses how data is analyzed in order to generate the necessary information for the analysis. The last element discussed is the ethical issues.

3.2. Research Design

This applies to data collection and evaluation criteria that are important for the purpose of study (Lewis, 2015). Additionally, it is a blueprint that makes it possible to sail smoothly through the different research activities, thus making the most successful research so that maximum information can be obtained with minimal effort, time and money. The research incorporated a descriptive research design because it represented the current state of affairs in the report. This design was utilized to establish the impact of an internal audit on performance of international NGOs in Nairobi, Kenya. This was an excellent design for the analysis of interrelationships between the variables. It is analytical and often defines and explains a variable factor or individual subject (Creswell & Creswell, 2017).

3.3. Target Population

The target population applies to the entire group of people or items for the generalization of the results. The study targeted all the 161 international humanitarian NGOs in Nairobi County. One respondent from each organization who was conversant with the internal audit were selected. Based on Flick (2015) guidelines for identifying a research unit for a report, 76 respondents from finance, programme, or management were considered to be the target population of this study.

3.4. Sampling Frame and Technique

The sample process, the sample frame, the sample method and the sample size for analysis are defined in the sample plan. The sampling summary contains a list of all population units from which the sample is obtained (Gorard, 2013). The sample size was a demographic subdivision composed of the entire population. Using purposive sampling methodology, a sample was selected. A purposive sample was an unexpected sample based on population features and the goal of the analysis. Random sampling techniques were thus used to select the funding managers, project managers and country managers from each organization, since they are most familiar with the subject.

A sample is a reflective part of the target population selected randomly (Wang, 2015). The sample size was determined at 95% confidence level and an error of 0.05 using the Nassiuma (2000) formula using a target population of 161 as displayed

$$n = \frac{N(CV^2)}{CV^2 + (N-1)e^2}$$

Where n = sample size

N = population (161)

CV = Coefficient of variation (take 0.6)

$e =$ tolerance of desired level of confidence (take 0.05) at 95% confidence level)

$$n = \frac{161 (0.6^2)}{0.6^2 + (161-1) 0.05^2} = 76.26 (\text{Rounded off to } 76)$$

The sample size was 76.

3.5. Data collection Instruments

The self-administered questionnaires (Appendix II) were utilised for primary data collection and secondary data from the data collection sheet (Appendix III) was obtained. There were two sections in the questionnaire. Section A evaluated respondents' demographic information while Section B evaluated INGHOs internal audit aspects and results. The questionnaire consisted of questions that are open and closed. To allow the respondent to offer an in-depth and informative response, without any hesitation about data being illuminated, the open-ended questions were used. The open questions or unstructured questions, as per Saunders, Lewis and Thornhill (2012), offer profound answers to the questions, while closed or standardised questions are usually easier to assess. The questionnaires were used for saving time and money and for making analyses simpler, as they could be used instantly.

3.6. Pilot Study

A pilot study is a small-scale preliminary study to assess the feasibility, duration, costs and negative outcomes before a full-scale research project is completed. A pilot evaluation of the research tools was conducted with 11 respondents representing 10 percent of the sample size using the questionnaire. The sample size for the pilot study was picked using systematic sampling from five organizations picked at random, where every 3rd organization from the list was picked. The purpose of pilot tests was to establish whether the research tool was valid, reliable and feasible. Questions, wording, order, type and format, complexity and instructions are all elements of the questionnaire that need to be tested before its use. The input received was used to update the questionnaire before the study participants were administered.

3.7. Validity and Reliability of Research Instruments

3.7.1. Validity

As per Saunders (2012), validity is the accuracy and meaningfulness of inferences. One of the main reasons for the pilot study is the validity of the questionnaire. The face and content validity were used to check the accuracy of the questionnaires. The content validity gives an insight into a large range of items identical to the tests. In order to verify the accuracy of the data collected, the researcher must request help from the supervisor at the university.

3.7.2. Reliability

Reliability of the instrument is the degree to which a research tool produces similar results under similar conditions at various times. This tests the degree of consistency it is supposed to calculate. The problem of reliability concerns the repeatability of the results of a report. A 0.7 or higher composite coefficient of construct reliability (Cronbach's alpha (α)) is generally acceptable (Silverman, 2016). In this analysis, a coefficient of 0.7 or more was considered suitable for all constructs. To test the reliability of the questionnaire, Cronbach alpha (α) was utilised.

3.8. Data Collection Procedure

A letter to the university and the National Commission for Science, Technology and Innovation (NACOSTI) was sought for research authorisation sent to the head of the institution so as to collect the required information from respondents. The preferred administration of the questionnaire was the drop and pick approach which gives respondents flexibility to respond to well-designed responses. The researcher directly gave the participants the research tools. It helped the author to report, clarify the intent of the analysis and the interpretation of things that were not obvious as Sekaran and Bougie (2010) have observed.

3.9. Data Analysis

All of the questionnaires submitted were checked and the questionnaire was labelled for the entry of data using the SPSS version 25.0. For all of the numerical variables after data cleaning, which involved searching for entering errors, descriptive statistics, such as frequencies, percentages, mean score, standard deviation and coefficient of variance were measured. The information was presented in tables and figures. The qualitative information from open-ended questions were evaluated by use of conceptual content analysis and presented in prose.

For inferential data analysis, stepwise regression and correlation analysis were performed. Regression was used to determine the relationship between independent and dependent variables since two or more independent variables are used in the process to estimate a dependent variable. The regression model of the analysis generally assumed the following step wise formula (Author, 2019)

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

$$Y = \beta_0 + \beta_2 X_2 + \varepsilon$$

$$Y = \beta_0 + \beta_3 X_3 + \varepsilon$$

Where: -

Y= Performance of international humanitarian non-governmental organizations

β_0 =constant

$\beta_1, \beta_2, \beta_3$ = Regression coefficients

X_1 = internal controls/control environment

X_2 = Independence of auditors

X_3 = Internal audit structure

ε =Error Term

3.10. Ethical Considerations

Standards of conduct concerning the rights of affected by the research project were met: first, the testing intent and the confidentiality of the information obtained were notified by a letter that allowed them to give informed consent when communicating with the participants. Once consent was given, respondents maintained their rights, including their right to reply to questions or questions and/or to provide any information requested in any field of study, to withdraw or deny participation and were likely to remove the data they had given. The researcher took care not to pressure participants to engage in research, and the researcher needed to use the time and resources needed to collect the necessary information. Second, for accuracy, objectivity and independence, quantitative research methods were put in place. The researcher made sure that the operation of the experiment met the principles of research. The study was optionally supported. Protection and confidentiality were also valued. The research goals were clarified by the guarantee of knowledge used solely for academic purposes.

4. Data Analysis, Presentation and Interpretation of Findings

4.1 Introduction

This chapter presents the information processed from the data collected during the study on the effects of internal audits and the performance of international Humanitarian NGOs in Nairobi, Kenya. Primary data was scrutinized based on the objectives of the study and the findings are as presented as per the different classes featured.

4.1.1. Response Rate

The researcher administered 76 questionnaires to management staff from international humanitarian NGOs in Nairobi. From these only 60 respondents were able to return fully filled questionnaires which represented a response rate of 78.9 percent. This response rate was good and representative and conforms to Flick (2015) stipulation that a response rate of 50 percent is adequate for analysis which meant that 78.9 percent was even better.

	Number of Respondents	Percent
Response	60	78.9
Non-Response	16	21.1
Total	76	100.0

Table 2: Response Rate

4.1.2 Reliability Analysis

Reliability analysis was subsequently done using Cronbach's Alpha which measures the internal consistency by establishing if certain items within a scale measure the same construct. Silverman (2016) established the Alpha value threshold at 0.7, thus forming the study's benchmark.

	Alpha Value	Comments
Internal controls/control environment	0.709	Reliable
Independence of auditors	0.816	Reliable
Internal audit structure	0.702	Reliable
Performance of international humanitarian non-governmental organizations	0.773	Reliable

Table 3: Reliability Analysis

Cronbach Alpha was established for every objective which formed a scale. The findings indicated that internal controls/control environment had a coefficient of 0.709, independence of auditors had a coefficient of 0.816, internal audit structure had a coefficient of 0.702 and Performance of international humanitarian non-governmental organizations had a coefficient of 0.773. All constructs depicted that the value of Cronbach's alpha is above the suggested value of 0.7, therefore, depicts that the research instrument was reliable and therefore required no amendments.

4.1.3. Validity Analysis

The validity analysis was conducted to establish whether the questionnaire is truly measuring what the researcher intended it to measure. The findings were as shown in Table 4.

	Component							
	1	2	3	4	5	6	7	8
Policies as laid down are followed to the latter	.145	.464	.182	.150	.173	.765	.109	.097
Approval procedures are adhered to	.599	.252	.231	.490	.011	.072	.273	.117
Projects audits are carried out as laid down	.444	.116	.031	.730	.002	.046	.109	.217
Bank reconciliations are carried out monthly	.471	.053	.723	.118	.245	.018	.067	.175
Issues raised by External auditors are addressed promptly	.517	.641	.249	.052	.283	.062	.124	.112
Punitive measures in place for persons involved in malpractices	.466	.205	.464	.183	.466	.197	.227	.094
Petty cash surprise counts done	.044	.938	.053	.054	.079	.090	.156	.081
The laid-out procurement process is followed	.308	.077	.835	.204	.004	.112	.038	.035
Reports to managers are free of errors and issued on time	.114	.196	.297	.072	.232	.389	.567	.217
IA produce free and unbiased reports	.651	.130	.524	.199	.125	.000	.010	.037
There are clear reporting lines for IA	.038	.893	.258	.004	.147	.009	.172	.039
There are laid down procedures for recruiting IA	.839	.386	.087	.025	.091	.191	.040	.090
IA distance themselves from practices that may bring out conflict of interest	.215	.773	.092	.108	.035	.040	.341	.060
IA follow the IIA practices	.494	.052	.739	.065	.291	.016	.033	.169
The IA team comprises of diverse skilled personnel	.237	.378	.371	.610	.054	.098	.094	.115
The IA staff are aware of who to report to	.143	.302	.018	.185	.123	.275	.355	.661
IA staff clearly understands their roles	.402	.186	.498	.214	.155	.214	.248	.340
Coordination of IA department is done well	.118	.255	.029	.323	.466	.183	.043	.336
Tasks are allocated based on someone's area of expertise	.074	.189	.089	.555	.110	.659	.060	.030
IA structure is flexible enough to accommodate changing environment	.538	.209	.037	.137	.142	.118	.204	.349
Timely Completion of projects	.103	.057	.085	.289	.555	.218	.545	.114
Level of funding	.231	.190	.205	.460	.417	.064	.394	.259
Realization of Value for money	.682	.010	.092	.086	.136	.403	.241	.106
External auditor's management comments	.100	.537	.231	.032	.195	.001	.325	.042
Change in beneficiaries living standards	.145	.361	.601	.258	.346	.400	.111	.066

Table 4: Component Matrix
Extraction Method: Principal Component Analysis.
a. 8 components extracted

The results in Table 4 identified which variables fall under each of the 8 major extracted factors. Each of the 25 parameters was looked at and placed to one of the 8 factors depending on the percentage of variability; it explained the total variability of each factor. Saunders (2012) proclaims that one would want in general a variable to share at least 15% of its variance with the construct (factor) it is going to be used to help name. This means only using loadings which are about 0.40 or greater for interpretation purposes. The findings therefore show that all the parameters had high validity.

4.2. Bio data Analysis

The study sought to enquire on the respondents' background information that included gender, how long they had worked with international humanitarian non-governmental organizations in Nairobi, highest level of education and age bracket. This information was presented in tables with frequencies and percentages.

4.2.1. Distribution of Respondents by Gender

The researcher asked the respondents questions concerning their gender. Their answers were tabulated in Table 5.

	Frequency	Percent
Female	23	38.3
Male	37	61.7
Total	60	100.0

Table 5: Distribution of Respondents by Gender

Results in Table 5 shows 61.7% of the respondents were male while 38.3% were female. This shows that the researcher was not gender biased in collection of data hence the data collected was more accurate and reliable.

4.2.2. Duration Having Worked with International Humanitarian Non-Governmental Organizations in Nairobi

The respondents were asked to indicate the period that they had been working with the International Humanitarian Non-Governmental Organizations in Nairobi. Table 6 shows their summarized answers.

	Frequency	Percent
Less than 3 years	10	16.7
3 to 9 years	18	30.0
9 to 12 years	19	31.7
Above 12 years	13	21.7
Total	60	100.0

Table 6: Distribution of Respondents by How Long They Had Been Working with International Humanitarian Non-Governmental Organizations in Nairobi

As per the results in Table 6, 31.7% of the respondents indicated that they had been working with International Humanitarian Non-Governmental Organizations in Nairobi for 9 to 12 years, 30.0% had indicated for 3 to 9 years, 21.7% indicated for above 12 years while 16.7% indicated for less than 3 years. This shows that majority of the respondents had worked at International Humanitarian Non-Governmental Organizations in Nairobi long enough for the researcher to rely on them for data collection.

4.2.3. Distribution of Respondents by Highest Level of Education

The researcher asked the respondents to indicate their highest education level. Their responses were as shown in Table 7.

	Frequency	Percent
Certificate	2	3.3
Diploma	3	5.0
Degree	34	56.7
Masters	17	28.3
PhD	4	6.7
Total	60	100.0

Table 7: Distribution of Respondents by Highest Level of Education

The results in Table 7 revealed that 56.7% of the respondents had attained a Degree, 28.3% had attained a Masters, 6.7% had attained a PhD, and 5.0% had attained a Diploma while 3.3% had attained a Certificate. This shows that the respondents at international humanitarian non-governmental organizations had a capability of giving accurate and reliable information concerning the subject under study based on their level of understanding as shown by their highest level of education.

4.2.4. Distribution of Respondents by Age Bracket

The respondents were further asked to indicate the age bracket to which they belong. Their responses were as shown in Table 8.

	Frequency	Percent
20-30 yrs.	7	11.7
31-40 yrs.	23	38.3
41-50 yrs.	13	21.7
51 – 60 yrs.	17	28.3
Total	60	100.0

Table 8: Distribution of Respondents by Age Bracket

The study results in Table 8 show that 38.3% of the respondents were aged between 31-40 years, 28.3% were aged between 51 – 60 years, 21.7% were aged between 41-50 years while 11.7% were aged between 20-30 years. This shows that majority of the respondents were mature enough which made them to be cooperative in giving reliable information concerning the subject under study.

4.3. Internal Controls/Control Environment

The research aimed to examine the effect of internal controls/control environment on performance of international humanitarian non-governmental organizations in Nairobi, Kenya. The respondents were asked to indicate the extent to which internal controls/control environment affect the performance of International humanitarian non-governmental organizations in Nairobi, Kenya. Their collective responses were presented in Table 9.

	Frequency	Percent
Not at all	4	6.7
Low extent	7	11.7
Moderate extent	10	16.7
Great extent	25	41.7
Very great extent	14	23.3
Total	60	100.0

Table 9: Effect of Internal Controls/Control Environment on the Performance of International Humanitarian Non-Governmental Organizations in Nairobi

From the results in Table 9, 41.7% of the respondents indicated that internal controls/control environment affect the performance of International humanitarian non-governmental organizations in Nairobi to a great extent, 23.3% indicated to a very great extent, 16.7% indicated to a moderate extent, 11.7% indicated to a low extent while 6.7% indicated not at all. This implies that internal controls/control environment affect the performance of International humanitarian non-governmental organizations in Nairobi greatly. This is in line with Jensen (2003) who stated that internal control mechanisms and internal audits are mainly aimed at improving quality of the performance of information suppliers in an organization, whether directly or indirectly.

Further, the researcher asked them to indicate the extent to which they agreed with the following aspects of internal controls in their International humanitarian non-governmental organization. Their replies were shown in Table 10.

	Mean	Std. Dev.
Policies as laid down are followed to the latter	3.483	0.770
Approval procedures are adhered to	3.917	0.779
Projects audits are carried out as laid down	2.750	0.810
Bank reconciliations are carried out monthly	4.883	0.824
Issues raised by External auditors are addressed promptly	4.167	0.876
Punitive measures in place for persons involved in malpractices	3.233	0.740
Petty cash surprise counts done	3.850	0.685
The laid-out procurement process is followed	3.400	0.975
Reports to managers are free of errors and issued on time	3.167	0.916

Table 10: Effect of Aspects of Internal Controls/Control Environment on the Performance of International Humanitarian Non-Governmental Organizations in Nairobi

The findings in Table 10 revealed that the respondents indicated that bank reconciliations are carried out monthly as illustrated by a mean score of 4.883 to a very great extent. They also indicated that issues raised by external auditors are addressed promptly as illustrated by a mean score of 4.167; approval procedures are adhered to as illustrated by a mean score of 3.917; and petty cash surprise counts done as illustrated by a mean score of 3.850 to a great extent. Further, policies as laid down are followed to the latter as illustrated by a mean score of 3.483; the laid out procurement process is followed as illustrated by a mean score of 3.400; punitive measures in place for persons involved in malpractices as

illustrated by a mean score of 3.233; reports to managers are free of errors and issued on time as illustrated by a mean score of 3.167; and projects audits are carried out as laid down as illustrated by a mean score of 2.750 were indicated to a moderate extent. The results are in conformity with Ngubia (2010) who stated that the internal controls help the organization minimize risks that can affect its ability to achieve goals appropriately. He also stated that preventive internal controls prevent predicted malicious acts or omissions from occurring; detective controls detect and report unwanted actions or omissions while corrective controls rectify detected problems and ensure their non-recurrence. Another objective of internal control mentioned was that it ensures that entity's operations are efficient and effective. This guarantees financial soundness and proper safeguarding of business property against theft or misuse. If this objective is attained then the entity will be able to improve in its financial performance and attain financial success.

The respondents were also asked their views on how the above aspects of internal controls/control environment affect the performance of International humanitarian non-governmental organizations in Nairobi, Kenya. Majority of the respondents indicated that all those processes are key in ensuring continuous monitoring and evaluation of the risks involved in day-to-day business operations. Some respondents indicated that organizations need to have a clear audit procedure as a control activity. Further, some indicated that the roles of auditors should never be interfered with by management to enhance organization performance while other indicated that there is need to enhance audit reports availability for scrutiny by all heads of departments.

4.4. Independence of Auditors

The study sought to determine the effect of independence of auditors on performance of international humanitarian non-governmental organizations in Nairobi, Kenya. The respondents were required to indicate the extent to which the independence of auditors affects the performance of International humanitarian non-governmental organizations in Nairobi, Kenya. Their answers were presented in Table 11.

	Frequency	Percent
Not at all	5	8.3
Low extent	6	10.0
Moderate extent	17	28.3
Great extent	21	35.0
Very great extent	11	18.3
Total	60	100.0

Table 11: Effect of Independence of Auditors on the Performance of International Humanitarian Non-Governmental Organizations in Nairobi

The results in Table 11 reveal that 35.0% of the respondents had indicated that independence of auditors affect the performance of International humanitarian non-governmental organizations in Nairobi to a great extent, 28.3% indicated to a moderate extent, 18.3% indicated to a very great extent, 10.0% indicated to a low extent while 8.3% indicated not at all. This implies that independence of auditors affects the performance of International humanitarian non-governmental organizations in Nairobi greatly. This is in accordance with Alzeban and Gwilliam (2014) who suggested that internally independent auditing is of the utmost importance in providing effective management internal audit services, for it needs unbiased and uninhibited evaluation and reporting without unit audit control.

The respondents were also required to specify the extent to which the aspects of independence of auditors affect the performance of International humanitarian non-governmental organizations in Nairobi. The findings were presented in Table 12.

	Mean	Std. Dev.
IA produce free and unbiased reports	3.983	0.833
There are clear reporting lines for IA	3.733	0.733
There are laid down procedures for recruiting IA	3.083	1.094
IA distance themselves from practices that may bring out conflict of interest	4.000	0.521
IA follow the IIA practices	4.867	0.343

Table 12: Effect of Aspects of Independence of Auditors on the Performance of International Humanitarian Non-Governmental Organizations in Nairobi

The results in Table 12 reveal that the respondents indicated that IA follows the IIA practices as shown by an average of 4.867 to a very great extent. Also, IA distance themselves from practices that may bring out conflict of interest as shown by an average of 4.000; IA produce free and unbiased reports as shown by an average of 3.983; and there are clear reporting lines for IA as shown by an average of 3.733 to a great extent. Further, there are laid down procedures for recruiting IA as shown by an average of 3.083 was indicated to a moderate extent. This conforms to Muqattash (2017) who claimed that the internal auditing operation in a company should be an autonomous procedure. If the organization wants to perform highly effective audits, the practitioners who carry out internal audits will remain objective. In addition, Usman (2016) asserts that the greater the performance of results provided by an internal audit system the more independent and objective the Internal Audit function.

The respondents were also required to give their views on how the aspects of independence of auditors affect the performance of international humanitarian non-governmental organizations in Nairobi. The respondents indicated that there is need for the internal auditors to update their qualities through internal auditor's skills and internal auditor's competence. By applying internal auditor skills and competence to the most critical points, building personal and professional credibility and recognizing and responding to the needs, internal auditors can become a very essential auditor within international humanitarian non-governmental organizations by speeding good governance, discipline, commitment and enhancing efficiency of internal audit within the organization.

4.5. Internal Audit Structure

The study sought to explore the effect of internal audit structure on performance of international humanitarian non-governmental organizations in Nairobi. The respondents were requested to indicate the extent to which the internal audit structure affects the performance of International humanitarian non-governmental organizations in Nairobi. Table 13 shows the responses.

	Frequency	Percent
Not at all	3	5.0
Low extent	7	11.7
Moderate extent	18	30.0
Great extent	13	21.7
Very great extent	19	31.7
Total	60	100.0

Table 13: Effect of Internal Audit Structure on the Performance of International Humanitarian Non-Governmental Organizations in Nairobi

The research findings in Table 13 show that 31.7% of the respondents indicated that internal audit structure affects the performance of International humanitarian non-governmental organizations in Nairobi to a very great extent, 30.0% indicated to a moderate extent, 21.7% indicated to a great extent, 11.7% indicated to a low extent while 5.0% indicated not at all. This implies that internal audit structure affects the performance of International humanitarian non-governmental organizations in Nairobi to a very great extent. The results are in agreement with Ogega, Kibati and Koima (2017) who established that auditor competency had significant relationships with financial sustainability. In their regression analysis, they also showed that auditors' competence and financial sustainability had a significant relationship.

The researcher also sought the extent to which the aspects of internal audit structure affect the performance of international humanitarian non-governmental organizations in Nairobi. Table 14 displays the findings.

	Mean	Std. Dev.
The IA team comprises of diverse skilled personnel	4.633	0.688
The IA staff are aware of who to report to	3.717	1.497
IA staff clearly understands their roles	4.017	1.408
Coordination of IA department is done well	3.133	1.346
Tasks are allocated based on someone's area of expertise	3.767	1.609
IA structure is flexible enough to accommodate changing environment	2.733	1.401

Table 14: Aspects of Internal Audit Structure on the Performance of International Humanitarian Non-Governmental Organizations in Nairobi

The results in Table 14 show that the respondents had indicated that the IA team comprises of diverse skilled personnel as shown by a mean of 4.633 to a very great extent. The results also show that the respondents indicated that IA staff clearly understands their roles as shown by a mean of 4.017; tasks are allocated based on someone's area of expertise as shown by a mean of 3.767; and the IA staff is aware of who to report to as shown by a mean of 3.717 to a great extent. Also, it was indicated to a moderate extent that coordination of IA department is done well as shown by a mean of 3.133; and IA structure is flexible enough to accommodate changing environment as shown by a mean of 2.733. The findings are related to Thumbi (2016) who shows that internal auditing roles have a significant impact on mid-sized manufacturing companies' financial performance in Nairobi. He also indicated that financial performance of mid-size manufacturing companies is strongly positively related to internal audit feature aspects.

The researcher also sought the views of the respondents on how the internal audit structure affects the performance of International humanitarian non-governmental organizations in Nairobi, Kenya. Majority of the respondents indicated that an effective internal control system requires that an appropriate control structure is set up, with control activities defined at every business level. They also indicated that the internal control structure should include: top level reviews; appropriate activity controls for different departments or divisions; physical controls; checking for compliance with exposure limits and follow-up on non-compliance; a system of approvals and authorizations; and a system of verification on reconciliation.

4.6. Performance in International Humanitarian Non-Governmental Organizations

The research also required to know the trend of the aspects of performance in International humanitarian non-governmental organizations in Nairobi, Kenya for the last 5 years. The findings are as shown in Table 15.

	Mean	Std. Deviation
Timely Completion of projects	2.917	1.418
Level of funding	3.150	1.516
Realization of Value for money	4.000	1.365
External auditor's management comments	3.750	1.457
Change in beneficiaries living standards	3.917	1.381

Table 15: Trend of Aspects of Performance in International Humanitarian Non-Governmental Organizations in Nairobi

The results in Table 15 reveal that the respondents indicated that realization of value for money completion as expressed by a mean of 4.000; change in beneficiaries' living standards completion as expressed by a mean of 3.917; and external auditors' management comments completion as expressed by a mean of 3.750 had improved. Further, the level of funding completion as expressed by a mean of 3.150; and timely completion of projects completion as expressed by a mean of 2.917 had been constant. The findings were different from Onyango (2016) who showed that students believed that the effectiveness of their organizations was focused on the promotion of expertise. He also suggested that reading, training and growth are best appreciated and promoted. The study finds that the capacity of KM in Kenya affects the international humanitarian organizations performance.

The respondents also indicated the number of projects that the organization had undertaken since the year 2014. Where in 2014, 4 projects had been done, 2 were done in 2015, 2 in 2016, above 5 were done in 2017 while 2 were done in 2018. The respondents also specified their views on which factors of internal audit had the most influence on the performance of International humanitarian non-governmental organizations in Nairobi. The responses were illustrated on Table 16.

	Frequency	Percent
Auditors were not objective	7	11.7
Controls were not in place	14	23.3
Project managers were not proactive	22	36.7
Managers did not implement IA recommendations	17	28.3
Total	60	100.0

Table 16: Factors of Internal Audit that Have the Most Influence in the Performance of International Humanitarian Non-Governmental Organizations

The findings in Table 16 show that 36.7% of the respondents indicated that project managers were not proactive, 28.3% indicated managers did not implement the recommendations, 23.3% indicated that controls were not in place while 11.7% indicated that auditors were not objective. The findings correlate with Musyula (2014) who found that there is a strong positive relationship between strategic plans, management and managerial leadership, financial stability and the success of NGOs was found. This was shown by the linkages among strategic plans and other NGO success factors, including successful boards, efficient management of staff and financial stability.

Further, the researcher required the respondents' recommendations to improve the internal audit function of their International Humanitarian Non-Governmental Organizations in Nairobi. They indicated that the auditor's work must be carefully directed, supervised and reviewed. There is need for the internal auditors to update their qualities through internal auditor's skills and internal auditor's competence. By applying internal auditor skills and competence to the most critical points, building personal and professional credibility and recognizing and responding to the needs, internal auditors can become a very essential auditor within the organization by speeding good governance, discipline, commitment and enhancing efficiency of internal audit within the organization This in line with Awuor (2017) who recommended that in order for international humanitarian and development non-governmental organizations to perform better, there is need to cultivate the elements related to proper strategy implementation in order to realize success in their undertakings.

4.7. Inferential Statistics

The study did Pearson correlation analysis and multiple regression analysis to determine the connection between internal audits and performance of international NGOs in Nairobi, Kenya.

4.7.1. Pearson's Correlation Analysis

The researcher used a correlation coefficient (r) that ranges from +1 to -1 to quantify the strength of the linear relationship between two ranked or numerical variables. The sign indicates the direction and strength of the relationship. The findings on the correlation analysis were presented in Table 17.

Performance pf IHNGO		
Internal controls/control environment	Pearson Correlation	.684
	Sig. (2-tailed)	.005
Independence of auditors	Pearson Correlation	.709
	Sig. (2-tailed)	.022
Internal audit structure	Pearson Correlation	.796
	Sig. (2-tailed)	.016

Table 17: Correlation Matrix

From the findings in Table 17, internal controls/control environment and performance of international humanitarian non-governmental organizations in Nairobi were significantly correlated as shown by a coefficient of 0.684 and p-value of 0.005. The results also showed that independence of auditors and performance of international humanitarian non-governmental organizations in Nairobi were significantly correlated as shown by a coefficient of 0.709 and p-value of 0.022. The study findings also revealed that internal audit structure and performance of international humanitarian non-governmental organizations in Nairobi were significantly and positively correlated as shown by a coefficient of 0.796 and p-value of 0.016. This infers that there was a positive and significant relationship between all three variables and performance of international humanitarian non-governmental organizations in Nairobi. These findings relate to Dunjia (2013) who suggests that the entire system of structures developed into an enterprise requires internal control procedures to provide a sensible assurance that hierarchic goals will be achieved.

4.7.2. Regression Analysis

The multiple regression analysis was used to test the relationship between the variables where it shows how the dependent variable is influenced by the independent variables.

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	0.893	0.797	0.786	1.191

Table 18: Model Summary

From the results, the adjusted R-square was 0.786. This implies model highly fits the data since the Adjusted R square was more than 0.7 and that internal controls/control environment, independence of auditors and internal audit structure explain 78.6% of the variation in performance of international humanitarian non-governmental organizations in Nairobi. The remaining 21.4% accounted for the effects of internal audits on the performance of international NGOs in Nairobi, Kenya that were not covered in this study. The findings conform to Bromilow and Berlin (2014) who state that international organizations no longer create an internal inspections scheme because it helps to ensure the proper conduct of all operations. They added that firms are obliged as a consequence of their adequacy, by planning, instructing and sharpening their staff on the most professional approach for the use of such internal control structures.

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	323.133	3	107.711	73.365	2.16*10 ⁻¹⁹
	Residual	82.216	56	1.468		
	Total	405.349	59			

Table 19: ANOVA Test

From the ANOVA Table, the p-value was 2.16*10⁻¹⁹ and the calculated F-value was 73.365. This shows that the overall regression model was significant in predicting the outcome of performance of international humanitarian non-governmental organizations in Nairobi based on the values of internal controls/control environment, independence of auditors and internal audit structure since p-value was less than 0.05 and F-calculated was greater than F-critical (2

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
	B	Std. Error	Beta		
(Constant)	0.839	0.182		4.610	.000
Internal controls/control environment	0.638	0.208	0.568	3.067	.004
Independence of auditors	0.774	0.317	0.687	2.442	.018
Internal audit structure	0.822	0.312	0.781	2.635	.011

Table 20: Regression Coefficients

The established model for the study was:

$$Y = 0.839 + 0.638X_1 + 0.774X_2 + 0.822X_3$$

Where: -

Y= Performance of international humanitarian non-governmental organizations in Nairobi

β_0 =constant

X_1 = Internal controls/control environment

X_2 = Independence of auditors

X_3 = Internal audit structure

The regression equation above has established that taking internal controls/control environment, independence of auditors and internal audit structure), performance of international humanitarian non-governmental organizations in Nairobi will be 0.839. According to Beyanga (2011), internal audit greatly assists organizations to achieve their expected goals through use of strategic methodologies for determining and refining the usefulness and proficiency of the governance procedures of organizational threats and how they can be controlled.

Further, the study revealed that a unit change in internal controls/control environment would significantly lead to 0.638 increase in the score of performance of international humanitarian non-governmental organizations in Nairobi. Since the $p=0.004<0.05$, the null hypothesis that stated that internal controls/control environment does not have an effect on performance of international humanitarian non-governmental organizations in Nairobi, was rejected. The results were similar to those of Lagat (2018) who stated that there was a positive impact on the financial performance of state-owned sugar companies in Kenya on the process of internal control.

Moreover, if all other factors are held constant at zero, a unit increase independence of auditors significantly leads to increase in performance of international humanitarian non-governmental organizations in Nairobi as shown by a regression coefficient of 0.774 and p-value of 0.018. The p-value being less than 0.05 implied that the null hypothesis which stated that the independence of auditors does not affect performance of international humanitarian non-governmental organizations in Nairobi, was rejected. The findings were consistent with Mbuti (2014) who showed that SACCO's transparent financial reporting and the comprehensiveness of the internal audit report and its timeliness had a major impact on the financial performance of SACCOs.

The study also found that holding other factors constant at zero, a change in internal audit structure leads to a significant 0.822 increase in performance of international humanitarian non-governmental organizations in Nairobi. Since the p-value (0.011) was less than 0.05, the null hypothesis that internal audit structure does not have an effect on performance of international humanitarian non-governmental organizations in Nairobi, was rejected. Ebrahim, Abdullah and Faudziah (2014) assert in line with the results that the internal audit is a key component of an organizational and company governance structure (CG) that involves the actions of the board of directors and audit committees to ensure that the financial reporting processes are accurate.

Overall, internal audit structure had the greatest effect on performance of international humanitarian non-governmental organizations in Nairobi, followed by independence of auditors, while internal controls/control environment had the least effect on the performance of international humanitarian non-governmental organizations in Nairobi. The study showed that all variables were significant since p-values were less than 0.05.

5. Summary, Conclusions and Recommendations

5.1. Introduction

This chapter covers a summary, conclusion and recommendations of the findings on effects of internal audits and the performance of international NGOs in Nairobi. This chapter presents the summary of the findings, conclusions of the study, recommendations of the study and suggestions for further studies.

5.2. Summary of the Study

The study involved an analysis on the effect of internal audit on the performance of international Humanitarian Non-Governmental Organization. This was achieved by looking into four main variables. The results of this study will be used by the managers of NGO's in ensuring that internal systems are in place to aid better performance.

5.2.1. Internal Controls/Control Environment

The first objective aimed to examine the effect of internal controls/control environment on performance of international humanitarian non-governmental organizations in Nairobi, Kenya. Three aspects of internal control were examined, these were; monitoring activities, financial controls, and operational policies controls. The research found that internal controls/control environment affected the performance of International humanitarian non-governmental organizations in Nairobi greatly. Specifically, the study found that bank reconciliations were carried out monthly to a very great extent (mean 4.88) the study also established that issues raised by external auditors were addressed promptly (mean score 4.17) ; approval procedures were adhered to (mean score 3.91) ; and petty cash surprise counts were done to a great extent (mean score 3.85) Further, policies as laid down were followed to the latter (mean score 3.48) the laid out procurement process was followed; (mean score 3.4) punitive measures were in place for persons involved in malpractices (mean score 3.23) reports to managers were free of errors and issued on time (mean score 3.17) and projects audits were being carried out as laid down (mean score 2.75) Internal controls/control environment had an $r=0.638$ and was significant since p-value (0.004) was less than 0.05. It was noted that organizations whose internal controls are operating effectively have better performance.

5.2.2. Independence of Auditors

The second objective sought to determine the effect of independence of auditors on performance of international humanitarian non-governmental organizations in Nairobi, Kenya. The research found that independence of auditors

affects the performance of International humanitarian non-governmental organizations in Nairobi greatly. According to the results of the study, IA followed the IIA practises to a very great extent (mean score 4.87) and that they distanced themselves from practices that brought out conflict of interest (mean score 4.0); IA produced free and unbiased reports (mean score 3.98) and there were clear reporting lines for IA to a great extent (mean score 3.73). Further, the study found that there were laid down procedures for recruiting IA to a moderate extent (mean score 4.00). Independence of auditors significantly led to an increase in performance of international humanitarian non-governmental organizations in Nairobi as shown by a regression coefficient of 0.774 and p-value of 0.018.

5.2.3. Internal Audit Structures

The third objective sought to explore the effect of internal audit structure on performance of international humanitarian non-governmental organizations in Nairobi. The study found that internal audit structure affects the performance of International humanitarian non-governmental organizations in Nairobi to a very great extent. The study found that the IA team comprised of diverse skilled personnel to a very great extent (mean score 4.63). It was established that for one to be recruited in the audit department they must have a background in audit, the skills were enhanced every year through attending continuous professional development trainings and workshops. The study also found that the IA staff clearly understood their roles (mean score 4.01) and; tasks were allocated based on someone's area of expertise (mean score 3.77); and the IA staff were aware of who to report to, to a great extent. (Mean score 3.71) the auditors reported to the audit committees or the board. Also, it was found that it was to a moderate extent that coordination of IA department was done well (3.13) and IA structure was flexible enough to accommodate changing environment (mean score 2.73) the staff were proactive in coming up with preventing controls. Internal audit structure had an $r = 0.822$ and was significant since p-value (0.011) was less than 0.05.

5.2.4. Performance of International Humanitarian Non-Governmental Organizations in Nairobi, Kenya

The research also sought the trend of the aspects of performance in International humanitarian non-governmental organizations in Nairobi, Kenya for the last 5 years. The study found that realization of value for money, change in beneficiaries' living standards, and external auditors' management comments had improved. Further, the study found that the level of funding and timely completion of projects had been constant. The research found that project managers not being proactive had the most influence on the performance of International humanitarian non-governmental organizations in Nairobi.

5.3. Conclusions of the Study

The study therefore concluded that internal control systems are a major determinant of the performance of INGHOs in Nairobi, Kenya. INGHOs in Nairobi have been having strong internal controls systems and thus these strong internal control systems have led to a better organizational performance, this is evidenced by reduced management comments and a higher number of projects implemented in 2017.

The research found that the independence of auditors had a positive and significant effect on performance of international humanitarian non-governmental organizations in Nairobi. The study hence concludes that international humanitarian non-governmental organizations in Nairobi have upheld financial accountability to a great extent however financial fraud still appears as a challenge and affects the quality of the financial documents.

The study found that internal audit structure has a significant effect on performance of international humanitarian non-governmental organizations in Nairobi, Kenya. Therefore, the study concluded that the audit structure is one step in the journey of attaining value for money and that it can be delayed no longer, if the NGOs are to achieve their strategic goals through their entities and agencies.

5.4. Recommendations of the Study

The study concluded that a company's internal control practices is crucial to the success of international humanitarian non-governmental organizations since it acts as a powerful brake on the possible deviations from the predetermined objectives and policies. Therefore, the study recommends that internal controls to be put in place in any INGHOs thus, every decision taken in the organization has to be within the confines of the laid down controls, a wide range of business firms have utilized internal controls through the development of strategies to guarantee a shielding resources and beneficial business environment particularly bookkeeping arrangement, administration approach, and operational strategy. Subsequently, inner control ought to be all the time survey in all parts of their organization and controls that will reinforce the organization and increment benefit. An effective internal control system requires that an appropriate control structure is set up, with control activities defined at every business level. These should include: top level reviews; appropriate activity controls for different departments or divisions; physical controls; checking for compliance with exposure limits and follow-up on non-compliance; a system of approvals and authorizations; and, a system of verification on reconciliation risks identification and mitigating ways to be established as well.

The study recommends that the boards and officers of those international humanitarian non-governmental organizations should be responsible for managing and preserving the charitable assets that benefit all stakeholders. The study recommends the following guidelines to assist board members and others in carrying out their oversight of international humanitarian non-governmental organizations' financials. Whatever their mission or size, all international humanitarian non-governmental organizations should have policies and procedures established so that; boards and officers understand their fiduciary responsibilities, financials are managed properly and the charitable purposes of the organization are carried out. A failure to meet these obligations is a breach of fiduciary duty and can result in financial and

other liability for the board of directors and the officers. Effective internal controls should be encouraged to protect an organization's financials and assist in their proper management.

The study thus recommends that it is the primary responsibility of directors and officers to ensure that the international humanitarian non-governmental organizations are accountable for their programs and finances to the contributors, members, and the public and government regulators. Accountability requires that the organization comply with all applicable laws and ethical standards; adhere to the organization's mission; create and adhere to conflict of interest, ethics, personnel and accounting policies; protect the rights of members; prepare and file its annual financial report with the NGOs Coordination Board and appropriate state regulatory authorities and make the report available to all members of the board and any member of the public who requests it. The development and maintenance of the organization's internal controls will help to ensure accountability.

The internal audit department should be responsible to the organization internal audit committees and internal audit management with sufficient authority to promote independence and to ensure the organization's broad audit coverage, adequate consideration of audit reports, and appropriate action on auditor's recommendations. Internal audit department of international humanitarian non-governmental organizations should keep internal audit control system, whereby those internal audit control system through physical control and information processing creates strong supervision, experience, technology improvement and skills to the internal auditors. Internal Auditors must have sufficient proficiency and training to carry out the tasks assigned to them.

The organization should consider conducting review check on the organizational independence of internal auditors. These reviews will help ensure internal auditors are always independent and they provide unbiased view on their work. The more independent they are the more effective the function is.

The study recommends that the regulatory framework should be reviewed to ensure that independence of the internal audit functions of the International Humanitarian Non-Governmental Organizations in Nairobi is enhanced. The IAF functions should have legal freedom to conduct auditing and monitoring without inferences. Further the law should set the policies on communication between the internal audit function and corporate governance.

The study therefore recommends that other policies and regulations should be implemented by the International Humanitarian Non-Governmental Organizations in Nairobi to ensure that the IA staff make follow up of the IA structure. The regulatory framework should be improved to ensure that the supervisory authorities regular check and verification of the audited information. The new procedures should empower the regulatory bodies to report back to the donors about the performance of the International Humanitarian Non-Governmental Organizations audit.

5.5. Recommendations for Future Research

This research recommends that further research should be carried out to establish the effects of internal audits and the performance of international NGOs in other counties in Kenya. Further, the study recommends that a study should be done considering other internal audits attributes. Moreover, some other organisations should be considered.

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7. Abbreviations and Acronyms

IA	=	Internal Audit
IAF	=	Internal Audit Function
IAQ	=	Internal Audit Quality
INGHO	=	International Non –Governmental Humanitarian Organization
IIA	=	Institute of Internal Auditors
INTOSAI	=	International Organization of Supreme Audit Institutions
KM	=	Knowledge Management
MTG	=	Management Training Ground
NGO	=	Non-Governmental Organization
ROA	=	Return on Assets
SPSS	=	Statistical Package for Social Sciences

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Appendix

Letter of Transmittal

Dear Sir/ Madam,

Re: Academic Research Project

I am a Master of business Administration student at Kenyatta University. I wish to conduct a research entitled INTERNAL AUDIT AND PERFORMANCE OF INTERNATIONAL HUMANITARIAN NON-GOVERNMENTAL ORGANIZATIONS IN NAIROBI, KENYA. A questionnaire has been designed and will be used to gather relevant information to address the research objective of the study. The purpose of writing to you is to kindly request you to grant me permission to collect information on this important subject from your organization.

Please note that the study will be conducted as an academic research and the information provided will be treated in strict confidence. Strict ethical principles will be observed to ensure confidentiality and the study outcomes and reports will not include reference to any individuals.

Your acceptance will be highly appreciated.

Yours faithfully,

Mulinge Rhoda Kalewa

Research Questionnaire

This questionnaire is used to collect data for purely academic purposes. The study seeks to investigate the effect of Internal Audit and Performance of International Humanitarian Non-Governmental Organizations in Nairobi, Kenya. All information will be treated with strict confidence. Do not put any name or identification on this questionnaire.

Answer all questions as indicated by either filling in the blank or ticking the option that applies.

Section A: Demographic Information

Kindly assist with the following information

Name of the Organization.....

1) Please indicate your gender: Female ☐ Male ☐

2) For how long have you been working with international humanitarian non-governmental organizations in Nairobi?

Less than 3 years ☐ 3 to 9 years ☐

9 to 12 years ☐ Above 12 years ☐

3) State your highest level of education

Certificate ☐ Diploma ☐ Degree ☐ Masters ☐ PhD ☐

Others (Specify) -----

4) Please Indicate your age bracket 20-30 yrs. ☐ 31-40 yrs. ☐

41-50 yrs. ☐ 51 – 60 yrs. ☐

Internal Controls/Control Environment

5) To what extent does internal controls/control environment affect the Performance of International humanitarian non-governmental organizations in Nairobi, Kenya?

Not at all ☐ Low extent ☐
 Moderate extent ☐ Great extent ☐ Very great extent ☐

6) Tick to the extent to which you agree with the following aspects of internal controls in your International humanitarian non-governmental organizations.

	Very Great Extent	Great Extent	Moderate Extent	Low Extent	Not at All
Policies as laid down are followed to the latter					
Approval procedures are adhered to					
Projects audits are carried out as laid down					
Bank reconciliations are carried out monthly					
Issues raised by External auditors are addressed promptly					
Punitive measures in place for persons involved in malpractices					
Petty cash surprise counts done					
The laid out procurement process is followed					
Reports to managers are free of errors and issued on time					

Table 21

7) In your view, how does the above aspects of internal controls/control environment affect the Performance of International humanitarian non-governmental organizations in Nairobi, Kenya?

.....

Independence of auditors

8) To what extent does Independence of auditors affect the Performance of International humanitarian non-governmental organizations in Nairobi, Kenya?

Not at all ☐ Low extent ☐
 Moderate extent ☐ Great extent ☐
 Very great extent ☐

9) In regards to this organization, to what extent do the following aspects of auditors' independence affect the Performance of International humanitarian non-governmental organizations in Nairobi, Kenya?

	Very Great Extent	Great Extent	Moderate Extent	Low Extent	Not At All
IA produce free and unbiased reports					
There are clear reporting lines for IA					
There are laid down procedures for recruiting IA					
IA distance themselves from practices that may bring out conflict of interest					
IA follow the IIA practises					

Table 22

10) In your view how do the above aspects of Independence of auditors affect the Performance of International humanitarian non-governmental organizations in Nairobi, Kenya?

11)

Internal Audit Structure

12) To what extent does internal audit structure affect the Performance of International humanitarian non-governmental organizations in Nairobi, Kenya?

Not at all ☐ Low extent ☐
 Moderate extent ☐ Great extent ☐ Very great extent ☐

13) Kindly tick on what extent do the following aspects of internal audit structure in your organization affect its Performance?

	Very Great Extent	Great Extent	Moderate Extent	Low Extent	Not At All
The IA team comprises of diverse skilled personnel					
The IA staff are aware of who to report to					
IA staff clearly understands their roles					
Coordination of IA department is done well					
Tasks are allocated based on someone's area of expertise					
IA structure is flexible enough to accommodate changing environment					

Table 23

14) In your view how does internal audit structure affect the Performance of International humanitarian non-governmental organizations in Nairobi, Kenya?

.....

Performance in International Humanitarian Non-Governmental Organizations

15) What is the trend of the following aspects of Performance in International humanitarian non-governmental organizations in Nairobi, Kenya for the last 5 years? Where, 5 = greatly improved, 4= improved, 3= constant, 2= decreased, 1 = greatly decreased

	1	2	3	4	5
Timely Completion of projects					
Level of funding					
Realization of Value for money					
External auditors management comments					
Change in beneficiaries living standards					

Table 24

16) Please indicate number of projects that the organization has undertaken since the year 2014

	2014	2015	2016	2017	2018
1-3 projects					
4-5 projects					
Above 5 projects					

Table 25

17) In your view, what factor of internal audit had the most influence in the performance of your International humanitarian non-governmental organizations in Nairobi?

Auditors were not objective []

Controls were not in place []

Project managers were not proactive []

Managers did not implement IA recommendations []

18) What recommendations would you give to improve the internal audit function of your International Humanitarian Non-Governmental Organizations in Nairobi?

.....

Secondary Data Collection Sheet

	2015	2016	2017	2018	2019
Victim/beneficiary satisfaction index					
Number of random audit appraisals per year					
Number of audit committee members					
Number of beneficiaries					
Budget utilization (%)					
Level of donor funding					
Amount of cash injected into projects					
Cost of fund raising. Fundraising ratios (measure how much an organization has spent in fundraising activities vis a vis the amount raised)					
The proportion of expenditure burns (measures how much an organization has utilized against the annual budget).					

*Table 26***List of INGHOs**

- Safisha Africa Welfare Foundation
- Centrum Narovinu
- Parkside Road Safety Awareness Programme
- International Child Resource Institute- Africa
- Medical Missionary Movement - Kenyan Chapter
- Green Land Conservation Development Organization
- African Prisons Project Kenya
- Africa Parkinson Disease Foundation
- Gaplink International
- International Prime Services Organization
- Movement Against Substance Abuse In Africa
- Tiba Africa Foundation
- Childrens Fortress Africa
- Health Care Alliance International
- Plan International
- Care International
- Carolina For Kibera Organization
- Divinity Foundation International
- Global Programs For Research & Training
- Smile Of Africa
- Church World Service And Witness
- The Life Ministry
- Intersos Kenya
- I Serve Africa
- Physicians For Human Rights Inc
- Filmaid – Kenya
- Childcare Worldwide Kenya
- Pact Inc
- World Relief International
- Africa Capacity Alliance
- Practical Action
- Washington State University - Global Health Kenya
- Refugee Education Trust- Kenya
- The Royal Netherlands Tuberculosis Association (Kncv Tuberculosis Foundation)
- Fh Association
- Start With One Kenya
- Good Deeds Charity-Usa
- Muslim World League
- Translators Without Borders
- International Rescue Committee

- Make Way Partners
- Rekebisho
- Life Link International Foundation
- Muqal Development Organization
- Sustainable African Development Initiative
- Sadili Oval Sports Academy
- Brainshine Children International
- Tumaini Fund For Economic Development International
- Sponsored Arts For Education
- Mamma Africa Italia Onlus International - Kenya
- American Refugee Committee
- Tuma-Ini-(Hope For The Future International)
- Call Africa
- KujengaMaisha East Africa
- Masters Men Africa
- Partners For Care
- Help The Least Of These
- Medical Response For The Diplomatic Corps (Mrdc International)
- International Centre For Development And Research (Cidr)
- Terre Des Hommes Foundation
- Qatar Charity
- Cara Projects
- Global Child Hope
- Direct Aid
- Helping Hand For Relief And Development
- Water For Life (Wfl)
- Africa Christian Health Associations
- Comitato Collaborazione Medica
- Healthright International
- Global One 2015 Kenya
- Actionaid International-Africa Regional Office
- Results Japan Kenya Office
- Ananda Marga Universal Relief Team
- Global Foundation For International Cardiac Services
- Medicos Sin Fronteras Spain (Msf Spain)
- Twins International (Kenya)
- Windle International -Kenya
- Buckner Kenya
- Coopt-Cooperazione Internazionale
- Give A Child Life Kenya
- International Development And Peace Organization
- First Love Kenya
- Harambee Children Therapy Center-Kinderhilfsprojekte
- Francis Xavier Project
- Save The Lake Foundation
- Pingstmissionens Utrecklinssamarbete (Pmu Eastern And Southern Africa)
- African Institute For Development Policy (Afidep)
- Medecins Du Monde (France)
- Caritas Switzerland
- International Aid Services - Sweden
- World Hope International Kenya
- BasicneedsBasicrights Kenya
- Redeemed Integrated Development Agency
- Munadhamat Al-Dawa Al-Islamia (M.D.I Mission Of Kenya)
- Population Services International Kenya
- Center For Public Health And Development
- Al-Maktoum Foundation
- ServizioVolontario International - Kenya (The International Voluntary Service - Kenya)
- Miral Welfare Foundation Kenya
- Malteser-Germany
- Dorcas Aid International - Kenya

- German Foundation For World Population
- Global Christian Relief
- Save The Children International (Kenya)
- Samaritans Purse International Relief
- Happy Kidney Foundation
- SwissoKalmo-Kenya (Swiss Somali Aid-Kenya)
- Poverty Eradication Network
- Partnerships In East Africa For Community Empowerment
- Norwegian Church Aid
- MajiMazuri Centre International
- Amani Organization Italian Cooperation - Kenya Office
- Relief International - Kenya
- African Mental Health Research And Training
- Centre For Research In Therapeutic Sciences(Creates)
- Eddahs Hope Cancer Foundation
- Inclusion Africa
- Pan African Mosquito Control Association
- Missions Of Hope International
- Save Somali Women And Children
- Uzima Foundation Africa
- Pharmaccess Foundation
- Humanity For Orphans ,Youth And Widows Initiatives Kenya
- Somali Aid
- I Choose Life Africa
- Cradle Africa International
- Save A Child Mission For Africa
- Global Rescue Emergency Disaster Victims And Development (Gredvad Rescue Nternational)
- Cesvi - CooperazioneSviluppo
- Afya Research Africa
- Trocaire
- Refushe Kenya
- African Relief And Development
- Medecins Sans Frontieres Belgium
- Medecins Sans Frontieres - Holland (ArtsenZonderGrenzen - Holland)
- Christian Mission Aid
- Shining Hope For Communities
- Freely In Hope
- Amici Del Mondo World Friends - Onlus
- Medecins Sans Frontieres - France (Kenya)
- Refuge Point International
- Crown The Child Africa
- Onelife Africa
- Medecins Sans Frontieres - Switzerland
- Avsi Foundation
- Concern Worldwide
- Camp Counsellors Africa
- International Committee For The Development Of Peoples
- Action Aid International Kenya
- Marafiki Community International
- Community Breakthrough Support Mission
- Islamic Relief-Kenya
- Orphelins Sans Frontieres France
- Christian Aid (Uk/1)
- International Centre For Reproductive Health
- Reach The Destitute For Better Destiny
- Women Health Africa
- Skills Active Forward Kenya
- Team And Team International, Kenya
- The Center For Victims Of Torture
- World Vision Kenya