IOSR Journal of Economics and Finance (IOSR-JEF)
e-ISSN: 2321-5933, p-ISSN: 2321-5925. Volume 12, Issue 4 Ser. III (Jul. –Aug. 2021), PP 49-56
www.iosrjournals.org

Influence of Internal Audit Standards on Financial Sustainability in County Governments; a Case of Kericho County Government, Kenya

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Abstract:
Background*:* D*espite complaints from the public and Office of the Auditor General about financial sustainability issues in county governments, most audit reports are either politicized or cancelled as malicious and lacking authenticity; a gap that motivated this study was to examine influence of internal audit standards on financial sustainability in Kericho County Government, Kenya.*
Materials and Methods*: Explanatory survey design was used to explain hypothesized relationship between the variables. The study targeted 109 respondents comprising of mainly auditors, finance officers, accountants, procurement officers, ICT officers working in Kericho county government Kenya. From a target population of 109 respondents, a sample size of 86 was calculated as per Taro Yamane's proportional sampling technique formula; from which stratified sampling technique was applied to select 86 sampled officers to participate in the study. Primary data was collected by means of self-administered structured questionnaires. Pertaining data analysis, collected data was analyzed using descriptive and inferential statistics with the aid of specialized Statistical Package for Social Sciences, version 24.*
Results*: Both descriptive and inferential statistics revealed that internal audit standards significantly influenced the dependent variable (financial sustainability in Kericho County Government). The study revealed that internal audit standards had a positive relationship with financial performance of County Government of Kericho; the study found that a unit increase in internal audit standards would lead to increase in financial performance of county government of Kericho.*
Conclusion: *The study concluded that well monitored internal audit standards can deter deliberate accounting errors and save county government huge finances hence enable them sustain their financial expenditures. The study recommended that county governments should support effective internal audit standards that do not compromise audit quality. The internal audit department should also apply the standards available in the internal audit policy and charter such as performing risk assessments annually and their scope of work should be extended to enterprise risk management process. Moreover, the activity of internal audit should be assessed externally by an independent reviewer as per the company policy*
Key Word*: Financial Sustainability, Financial Auditing, Internal Audit standards, County Governments*

Date of Submission: 09-07-2021 Date of Acceptance: 24-07-2021

I. Introduction

In the wake of a multiplicity of economic crises, governments- both national and local, all over the world are faced with difficult choices that have global ramifications. In such difficult economic situations, governments both global and local become increasingly cognizant of the need to balance their budgets in order to avoid financial difficulties. Yet it is often difficult for governments to assess the financial distress of their localities and, more importantly, to recognize local financial difficulties before they become severe (Kloha, Weissert & Kleine, 2005). Further, security of public finance is supposed to be guaranteed by authentic financial audits. Since history, financial audit has been recognized as a fundamental administrative scheme involving the examination of records, the analysis of operations, and the presentation of findings to a panel of executives, a board of directors, or external auditors. Internal audit has been known to improve the aims and debates within and outside of organizational departments, hence increasing the organization's value (Raja, 2002).Internal audit, for example, checks financial expenditures in accordance with modern accounting procedures as a result of the convergence of several forces that led to a quiet revolution in the profession. In light of little cash, companies now expect enormous capability from internal audit to demonstrate greater competence in identifying and reducing financial risks.

More importantly, there is uncertainty around the world about whether the internal audit function has the power to provide previously unanticipated benefits to a business in attaining its goals. This latent diverted became a provocation, resulting in the Institute of Internal Auditors actualizing the meaning of internal audit (the IIA). Muriki (2020) argued that the financial audit function is an important aspect of the in-house control organizational structure.

This allows for efficient financial audits and reporting, as well as the assurance of the highest level of evaluation and appraisal of a company's varied activities. Internal audit level of financial performance determines whether a company's reputation is good or bad, implying that auditing functions examine financial performance in order to improve financial services. Internal audit, according to Suraj (2017), can help an organization meet its goals by employing strategic approaches for assessing and refining the usefulness and competence of governance procedures for organizational dangers and how they can be controlled.

Internal audit standards, auditor independence, internal controls, and competency in performing professional obligations are all part of the operationalization of internal audit, according to IIA (2016). Internal audit standards, which include characteristics such as attribute, implementation standards, and performance, are critical in enhancing the efficacy of the process, according to a paper by IIA (2008). Further it is said that the auditor is intended to be independent of both the human related and operational related activities within the firms. This is done in order to ensure that the auditor's integrity, recommendations, and conclusions are not jeopardized. Competence in performing professional financial obligations is also an important issue, according to Marks (2015), when it comes to detecting financial fraud. Furthermore, the internal audit control function, which includes organizing, directing, planning, and controlling program operations, as well as the systems in place to report, measure, and monitor the financial audit control program's performance, should be adhered to by the audit systems designed within the firm.

According to Glazer and Jaenike (1980), completing auditing work according to internal auditing standards improves auditing effectiveness greatly. In the United Kingdom, Ridley and D'Silva (1997) discovered that following professional standards is the most important contributor to IA's added value. The IIA (2008) released standards for audits and audit-related services, which comprise attribute, performance, and implementation criteria.

Internal auditors provide services related to information other than financial reports, according to formal auditing requirements. Internal audit activity will analyze and contribute to the improvement of risk management, control, and governance using a systematic and disciplined approach, as they require auditors to carry out their function objectively and in accordance with accepted professional practice guidelines. This is crucial not only to comply with legal obligations, but also because an auditor's responsibilities may include evaluating areas that demand a high level of judgment, and audit findings may have a direct impact on management's decisions or course of action (Bou-Raad 2000). As a result, it may be argued that higher quality IA work – defined as adherence to formal standards as well as a high level of efficiency in audit planning and execution - will improve the audit's efficacy.

The IIA's SPPIA (formerly known as Professional Practices Framework (PPF)) is the sole set of internationally accepted internal auditing standards. It is the criterion by which an internal audit department's activities are evaluated and measured, and it is designed to depict, as it should, internal auditing processes. Several countries have developed their own internal auditing standards, which are mostly based on the IIA's Standards. The IIA's official advice on the professional practice of internal auditing is the Professional Practices Framework (PPF). There are two types of standards: attribute and performance. The attribute standards define the nature of internal auditing and quality criteria against which performance can be tested, whereas the performance standards describe the type of internal auditing and quality criteria against which performance can be measured (Switzer, 2007).

The forty seven (47) counties have the mandate of bringing governance closer to the people as fronted by the decentralization premise that avers each public entity should bring power and resources closer to the people in order to maximize on the benefits of devolution. The Fourth Schedule of the Constitution of Kenya, 2010 lists the functions of both National and County Governments. Functions such as Agriculture, County Roads, Health Services, Provision of Water, Early Childhood Development Education (ECDE), Polytechnics and Home Craft Centers among others have been devolved to counties. Transitional Authority (T.A.) was a constitutional body tasked to ensure that over the medium term, there was a seamless transition of functions from National Government to County Governments. The basis is resources should follow functions and thus counties are allocated money from the National Exchequer and are also expected to collect local revenue collections in order to provide service delivery to the people.

Interestingly, from independence in Kenya, cases of corruption and embezzlement of public funds have been credited for bringing down many public corporations (Odoyo, Omwono & Okinyi, 2014) and the new constitutional dispensation came up with strategies and policies aimed at safeguarding the public funds against people with personal interest, ensuring transparency in their utilization, accountability and financial sustainability in county governments (Ondieki, 2013).However, despite these measures cases of corruption and misappropriation of public funds have been on the rise with billions of shillings being un-accounted for from public coffers.

Further, there is always recurring problem of financial issues in county governments due to complains of late or inadequate remittance of funds from the national exchequer and low revenue collections by county governments, yet on the flip side, there are many audit queries raised by the auditor general on financial mismanagement in county governments by county officials across all levels of management making county governments not able to sustain many of their financial operations. Despite complaints from the public and Office of the Auditor General about financial issues in county governments, most audit reports are either politicized or cancelled as malicious and lacking authenticity(Barasa, 2015).

Statement of the Problem

Financial sustainability in public institutions is concerned with ensuring that funds are continuously available when required and that they are acquired and utilized in the most efficient and effective manner to the advantage of the citizens who are tax payers; but financial sustainability has become one of the most prominent issues (KPMG, 2016). In Kenya, Office of Controller of Budgets in Kenya reveals that the financial sustainability in both national and county governments are generally weak and dominated by conditions of financial resource scarcity thus, service delivery in county governments continue being poor translating to low citizens satisfaction index because county government cannot sustain their budget allocations and expenditures (Controller of .Bugdet, 2015). More so, in most county governments in Kenya, there are reported cases of financial instability as a result of poor financial management practices, delays in release of equitable share of funds by the National Treasury, inability to meet local revenue targets, high recurrent costs which may not only fail to satisfy their service obligations to citizens but also drain the public coffers by requiring drastic measures; which imply forgone economic growth and development and continuing pressure to the national government to support the county governments which cannot sustain themselves financially (Controller of .Bugdet, 2015).

Empirically, studies done both in the global and local context for use of auditing to check financial sustainability have exhibited contextual, conceptual and methodological gaps. For instance, Davidson, Goodwin-Stewart and Kent (2005), Hutchinson and Zain (2009), Messier (2011) and Kaplan and Mike (2014) have focused on general financial auditing in foreign countries without really identifying salient auditing areas that requires adequate focus to boost financial reporting and management in either private or public organizations. More interestingly, despite complaints from the public and Office of the Auditor General about financial unsustainability due to financial mismanagement in county governments, most financial audit reports are either politicized or cancelled as malicious and lacking authenticity, yet many county governments still complain of financial unsustainability; a gap that motivated this study to investigate influence of financial auditing on financial sustainability in county governments in Kenya; a case of Kericho County Government, Kenya.

Hypothesis of the Study

i) **$H_{0:}$** Internal audit standards do not significantly influence financial sustainability County Government, Kenya.

Significance of the study

The importance of this research shows that it is particularly interested in internal audit standards and its importance in institutions, And the lack of enough studies that included internal audit on financial performance among county governments in Kenya, Some of them included internal audit and quality of financial statements, internal audit and performance appraisal, profit forecasting and other studies that didn't include financial performance or internal audit standards. The importance of this research is in the fact that he is concerned about the extent of the auditor's compliance with the internal audit standards in an environment that is without supervision from the organs of power, and the high level of financial and administrative corruption because of the circumstances that the country is undergoing, and apparently, this research talks about County Governments in Kenya, but it basically talks about all the countries that are going through the same conditions, such as Uganda, Tanzania and other sub Saharan African countries. These countries suffer from administrative and financial corruption and the absence of control, because of the periods that occurred there.

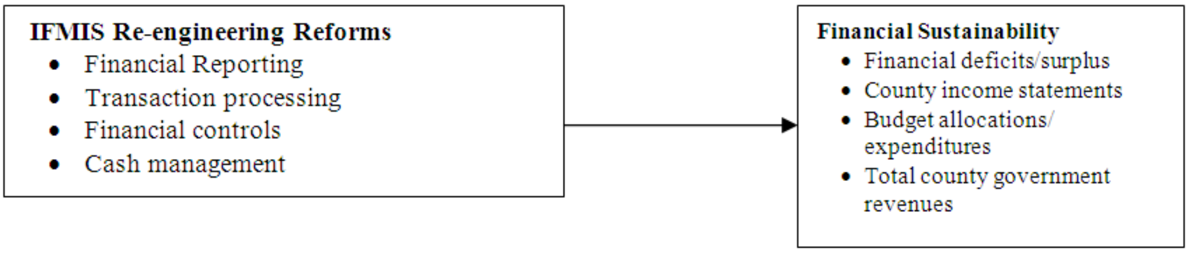
II. Literature Review

Theoretical Framework

According to Hayes et al.(2005), the major function of the audit is to add credibility to the financial statements. The service that auditors sell to their clients, in this view, is credibility. Audited financial statements are said to contain components that give users more confidence in the statistics presented by management (in the financial statement). The improved credibility is thought to provide benefits to users, with the most common benefit being that the quality of investment decisions improves when they are based on accurate information. Furthermore, management (agent) uses audited financial statements to increase the principal's trust in the agent's stewardship and eliminate information asymmetry. However, according to Wallace (2004), audited data is not the primary basis for investors' investment decisions. Financial statements, on the other hand, are frequently claimed to have the purpose of validating a previously given message. Previously, it was thought that the auditor was responsible for searching for, identifying, and preventing fraud in his or her client organization, which was a notion from the early twentieth century (Hayes et al., 2005). In this regard, a credible auditor completes the professional task by using his or her judgment in the form of credible reports, because the professional focus of auditors is to provide reasonable assurance and verify the truth and fairness of financial statements, primarily through the detection of fraud (in this case, in county governments) that causes financial uncertainty..

Conceptual Review

A conceptual framework is a diagram that depicts the relationship between conceptualized independent variables and the dependent variable. In this study, a conceptual framework aids the researcher in evaluating literature pertaining to the study's conceived independent variable (internal audit standards) and dependent variable (internal audit standards) (financial sustainability).



Independent Variables **Dependent Variables**

Figure 1.0: Conceptual Framework

With effect from December 31, 2016, the International Auditing and Assurance Standards Board (IAASB) has released International Standard on Auditing (ISA, 701), which requires auditors to disclose relevant audit items in their audit report. All information formerly given in the form of management letters must now be fully disclosed to the user of audit reports, according to the new regulation. The management letters are used to raise audit questions for the auditors, such as fraud, corruption, and bribery, money laundering, tax payments, consumer protections, public health safety, and any other issues deemed required by the auditors. Transparency for the purpose of investors and interested parties raises the value of the audit report by communicating critical audit matters. It also gives additional information to intended readers of financial statements, allowing them to better understand the organization and laying the groundwork for further involvement with management. While auditing all listed public entities globally, ISA701 is required (IAASB, 2016).

Empirical Review

The economic factors that expose firms to internal control risks, the incentives to discover and report internal control deficiencies (ICDs), the effects of ICDs on earnings quality, and the market consequences of making such a disclosure were investigated by Ashbaugh-Skaife and Collins (2007) using data collected prior to the audits required by section 404 of the Sarbanes-Oxley Act. Firms that make "early" ICD disclosures (i.e., before statutory audits) have more complicated operations, recent changes in organizational structure, more accounting risk exposure, and fewer resources to engage in internal control, according to Ashbaugh-Skaife and Collins (2007). Early-disclosing companies are also more likely to contract with leading audit vendors, switch auditors, and face more regulatory and institutional investor scrutiny. In terms of insufficiency repercussions, our earnings quality tests indicate that companies that disclose ICDs often provide low-quality financial data. Furthermore, market experiments show that the market reacts differently to the revelation of ICDs depending on whether the market is already valuing firms from the standpoint of abandonment options due to their operating instability.

Rashid, Alfadhli, Yaakub, Afthanorhan, and Abdullah (2018) investigated the impact of internal audit standards on sales in the Libyan cement company Al Ahlia Cement Company. Statistical and descriptive analyses were used to conduct the research (SPSS). For the Impact of internal audit standards on sales, the researchers utilized both the arithmetic mean and the Pearson correlation coefficient to define the axes of the questionnaire, as well as the Pearson correlation coefficient and multiple regression analysis. Internal audit standards have an impact and a strong association with sales in Al-Ahlia Cement Company – Libya, according to the study, and internal audit professionals have appropriate experience with internal audit standards and adhere to them. Auditors perform their work with integrity and independence. Internal audit plays a significant part in beneficiaries' decision-making, and a unique component of the sales audit in the institution verifies bills against items and records sales by an independent person. The audit opinion should follow accepted accounting concepts and internal auditing standards, according to the academics. They also suggested that purchases be reviewed on a regular basis to avoid receiving false bills.

Wainaina (2011) used a case study as the research design to examine the internal control function of Kenya Polytechnic University College. This included a review of the College's internal control system as well as semistructured questionnaires. Internal controls helped to ensure a healthy general accounting environment and accurate financial and operational records for a business. Management should identify the risks the college is exposed to while conducting financial operations, according to the report, in order to maintain a robust system of internal audit controls. Between the fiscal years 2000 and 2005, Prawitt, Smith, and Wood (2009) sampled 218 unique companies to estimate an abnormal accrual model using 528 firm year observations. The link between internal audit quality (experience and certification) and earnings management was investigated using OLS regression in this study. The findings revealed that there is a link between internal auditor experience and earnings management, indicating that the quality of internal auditing can influence financial management.

Hassan and Farouk (2014) indicated that internal audit quality is critical for a well-functioning market and improved financial performance. An independent quality audit underpins confidence in the reliability and integrity of financial statements, which is required for well-functioning markets and improved financial performance. Internal audits that follow high-quality auditing standards can help reporting companies apply accounting standards and ensure that their financial statements are trustworthy, transparent, and useful. Internal auditing methods contribute to a company's financial performance by reinforcing effective corporate governance, risk management, and internal control. Internal auditing helps to guarantee that all financial transactions are in order, allowing financial statement users to have more faith and confidence in the quality of audited reports. The credibility and integrity of financial statements are essential for well-functioning markets and improved organizational performance, and audit quality plays an important role in maintaining bank financial performance. An independent quality audit underpins confidence in the credibility and integrity of financial statements, which is important for well-functioning markets and enhanced organizational performance. Internal audits that follow high-quality auditing standards can help reporting companies apply accounting standards and ensure that their financial statements are trustworthy, transparent, and useful. Auditor fees, auditor skills, and auditor competences are some of the aspects or measurements for internal auditor quality that have a big impact on auditing quality and finance performance (Farouk & Hassan, 2014). Internal audit standards, independence of internal audit, professional competency, and internal control all have a favorable link with financial performance of the county government of Kericho in Kenya, according to Ondieki (2014). Internal audit was studied in the setting of banking organizations by Ondieki, but he did not link the internal audit function to the banks' financial performance. It could be interesting to link the internal audit function to financial performance in midsize manufacturing firms.

Mutua (2012) investigated the financial performance of Kerichoin Kenya's county government using risk-based auditing. The study used a correlation research strategy, with 44 county governments in Kericho, Kenya, as the study's target population. Semi-structured questionnaires were used to get primary data. Risk-based auditing, as defined by risk assessment, risk management, annual risk-based planning, internal auditing standards, and internal auditing staffing, should be improved, according to the study. Efficiency, accuracy, completeness, timeliness, convenience, and clarity are all enhanced by proper planning. Financial performance in the Kericho county government is influenced by credible audit reports, auditor independence to identify and correct audit errors, effective implementation of audit recommendations, financial management and compliance with accepted audit standards, effective internal audit staff, and an independent audit committee. To improve effective and efficient financial performance, the study recommended that management in Kenya's Kericho county government adopt effective risk based audit practices such as risk assessment, risk management, annual risk based planning, internal auditing standards, and internal auditing staffing..

III. Material And Methods

Explanatory survey research design was used in this study because it is appropriate for studying associations that are done to explain any behavior or reactions of people to a particular phenomena in society; Peshkin (1990). The study surveyed 109 Kericho county government employees, including auditors, accounting officers, finance officers, ICT officers, and revenue officers. The study will use a stratified random sampling technique to determine how the 86 officials who will be sampled will be chosen. The stratified sampling technique ensures that sample selection bias is minimized and that particular segments of the population are not over or underrepresented (Mugenda &Mugenda, 2003). The proportional sampling technique formula developed by Taro Yamane was used to determine the sample size for the investigation.

Self-administered structured questionnaires were used to obtain primary data. Multiple choice forms will be used to structure and design these questions. A total of 81 of the 86 questionnaires sent out for data collection were returned completely filled, resulting in a response rate of 94.18 percent, which is excellent for generalizability of the research findings to a larger population. To check validity, the content technique was utilized, with 10 copies of the instrument being used during pilot testing for validation. That is, the research instrument was pretested to ensure that the questions were properly designed, useful, and had enough substance to assure content validity. Cronbach alpha was used to examine the reliability of research instruments, and an alpha value of 0.833 and above was obtained, supporting the study's research instruments' reliability. The data was then modified, cleaned, and coded before being analyzed with SPSS version 24. Inferential statistics, such as Pearson correlation coefficient and linear regression analysis, were computed to see if there was a relationship between the independent and dependent variables. Descriptive statistical analysis was used to summarize data using frequencies, percentages, and means, while inferential statistics, such as Pearson correlation coefficient and linear regression analysis, were computed to see if there was a relationship between the independent and dependent variables..

IV. Result and Discussion

Descriptive Statistics

These are summarized responses on whether internal audit standards influence financial sustainability in Kericho County Government in Kenya. The descriptive results are presented in table 1.0.

Table 1.0: Descriptive Results: Internal Audit Standards

Statement	5	4	3	2	1	Mean	Std.dev
1. The audit department follows professional auditing standards	11(13.6)	45(55.5)	3(3.7)	20(24.7)	2(2.5)	3.47	0.872
2. The internal auditors have real time accounting fraud checks	8(9.9)	48(59.3)	4(4.9)	18(22.2)	3(3.7)	3.59	0.995
3. Internal auditors strictly comply with authentic audit standards	9(11.1)	44(54.3)	7(8.6)	19(23.5)	2(2.5)	3.16	0.825
4. The audit department has upgraded and secure IT based audit systems	7(8.6)	50(61.7)	5(6.2)	16(19.8)	3(3.7)	3.63	0.971
5.All internal auditors have requisite accounting & auditing qualifications from certified professional bodies	10(12.3)	46(56.9)	6(7.4)	15(18.5)	4(4.9)	3.43	0.973
Valid listwise 81 **Grand mean =** 3.456							

From table 1.0, most respondents agreed (55.5%) and strongly agreed (13.6%) that the audit department follows professional auditing standards, while a further 59.3% and 9.9% agreed and strongly agreed respectively that the internal auditors have real time accounting fraud checks which thus detect accounting or financial frauds that can plunge the county government in financial crisis. More so, 54.3% and 11.1% of respondents agreed and strongly agreed that internal auditors strictly comply with authentic audit standards, while 61.7% of respondents agreed that the audit department has upgraded and secure IT based audit systems which can therefore detect and prevent financial mismanagement. Further, 56.9% and 12.3% of respondents agreed and strongly agreed that all internal auditors have requisite accounting and auditing qualifications from certified professional bodies. This implies that most internal auditors in Kericho county government are certified by professional bodies which ensures that internal audit meets the international auditing standards.

In summary, the grand mean is 3.456 rounded off to 4, which is agree on the Likert scale of measurement, implying that most respondents generally agreed that internal audit standards influence financial sustainability in Kericho County Government in Kenya. Wainaina (2011), who examined the internal control function of Kenya Polytechnic University College and employed a case study as the research design, backs up the findings. Examining the College's internal control system as well as semi-structured questionnaires were part of this. Internal controls helped to ensure that an organization's overall accounting environment was sound and that financial and operational records were accurate. Management should identify the risks the college is exposed to when carrying out its fina cial operations, according to the report, in order to maintain a robust system of internal audit controls. According to Alzeban (2019), companies with higher IA compliance with standards have higher FRQ. They also suggest that the relationship of IA skill and standard compliance has an effect on FRQ. Furthermore, the findings show that FRQ is higher in organizations with formal IA documentation, which is completely consistent with the ISPPIA. After further examination, these findings remain reliable.

Inferential Statistics

This tested the linear influence of internal audit standards on financial sustainability in Kericho County Government in Kenya. The results are as shown in Table 2.0.

Table 2: Linear Regression Analysis

Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Change Statistics				
					R Square Change	F Change	df1	df2	Sig. F Change
1	.813[a]	.661	.657	.71745	.661	154.157	1	79	.000

ANOVA[b]

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	79.350	1	79.350	154.157	.000[a]
	Residual	40.664	79	.515		
	Total	120.015	80			

Coefficients[a]

Model		Unstandardized Coefficients		Standardized Coefficients	T	Sig.
		B	Std. Error	Beta		
1	(Constant)	.867	.218		3.976	.000
	Internal Audit Standards	.807	.065	.813	12.416	.000

a. Dependent Variable: Financial sustainability

From table 2.0, the model summary shows that $R^2 = 0.661$; implying that 66.1% variations in the financial sustainability in Kericho County Government is explained by internal audit standards while other factors not in the study model accounts for 33.9% of variation in financial sustainability in Kericho County Government. Further, coefficient analysis shows that internal audit standards has positive significant influence on financial sustainability in Kericho County Government ($\beta = 0.807$ (0.065); at $p<.01$). This implies that a single improvement in internal audit standards will lead to 0.807 unit increase in financial sustainability in Kericho County Government. Therefore, the linear regression equation is;

(iii) $y = 0.867 + 0.807X_1$

Where;

y = financial sustainability in Kericho County Government

X_3 = internal audit standards.

The study null hypothesis three stated that internal audit standards do not significantly influence financial sustainability in Kericho County Government, Kenya. Multiple regression results indicate that internal audit standards has significant relationship with financial sustainability in Kericho County Government, Kenya; ($\beta = 0.807(0.065)$ at $p<0.01$). Hypothesis is therefore rejected. The results indicate that a single improvement in efficient internal audit standards will lead to 0.807 unit increase in financial sustainability in Kericho County Government. Both descriptive and inferential statistics revealed that internal audit standard has significant relationship with financial sustainability in Kericho County Government. In this regard, the findings imply that adherence to professional audit standards, accounting fraud awareness, compliance with audit standards, security of IT based audit systems plus internal auditors' qualifications help identify financial mismanagement in both public and private firms. More importantly, the integrity of internal audits necessitates an audit member to be honest and frank without jeopardizing the recipient of audit services' secrets, and public trust should not be jeopardized by personal gain. That is, the better an internal auditor's honesty and compliance with the auditor's profession's code of ethics, the higher the audit report's quality.

Mutua (2012) used a correlation research design to investigate the impact of risk-based audits on county government of Kericho financial performance in Kenya, with the target 20 population being 44 county government of Kericho functioning in Kenya. The study discovered that risk-based auditing has an impact on bank financial performance and should be improved, advocating the adoption of internal auditing standards to achieve financial performance. Additionally, Prawitt, Smith, and Wood (2009) used a sample of 218 unique companies from the fiscal years 2000 to 2005 to estimate an atypical accrual model with 528 firm year observations. The link between internal audit quality (experience and qualification) and earnings management was investigated using OLS regression. The findings revealed that there is a correlation between internal auditor experience and earnings management, indicating that internal auditing standards can influence financial management in both private and public companies..

V. Conclusion and Recommendations

The study revealed that there was greater variation in financial performance of county government of Kericho due to changes in internal audit standards. This shows that changes in financial performance of county government of Kericho could be accounted for by changes in internal audit standards. The study also established that there was a strong positive relationship between financial performance of county government of Kericho and internal audit standards. The study revealed that internal audit standards had a positive relationship with financial performance of County Government of Kericho; the study found that a unit increase in internal audit standards would lead to increase in financial performance of county government of Kericho. The study concluded that well monitored internal audit standards can deter deliberate accounting errors and save county government huge finances hence enable them sustain their financial expenditures. The study recommended that county governments should support effective internal audit standards that do not compromise audit quality. Internal auditors must keep up to date with new times and technology and sharpen their abilities on a regular basis. Internal auditors can become indispensable by applying skills to the most critical points, establishing personal and professional credibility, and detecting and responding to needs, so speeding up good governance and increasing internal audit efficiency. The internal audit department should also follow the internal audit policy and charter's standards, such as doing risk assessments annually, and their area of work should be expanded to include the enterprise risk management process. Furthermore, internal auditing activities should be evaluated externally by an impartial reviewer in accordance with business policy.

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