

**EFFECT OF INTERNAL AUDIT ON FINANCIAL PERFORMANCE OF
ORGANIZATIONS: A CASE OF SELECTED COMMERCIAL BANKS IN
KENYA**

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ABSTRACT

Financial performance requires appropriate internal audit practices to enhance efficiency. For the purpose of this study the researcher sought to determine the effect of internal audit on financial performance in Organisations in Kenya. Internal audit was looked at from the perspective of internal audit standards, professional competency, internal controls and independence of internal audit. The study selected one senior manager in the finance department. The researcher administered a survey questionnaire to each member of the target population since it was the most appropriate tool to gather information. Quantitative analysis and regression analysis were used as data analysis technique. Descriptive statistics such as mean, standard deviation and frequency distribution were used in the analysis of data. Data presentation was done by use of tables for ease of understanding and interpretation.

From the findings, the study concludes that internal audit standards, independence of internal audit, professional competency and internal control had a positive relationship with financial performance of commercial banks, the study found that a unit increase in internal audit standards would lead to increase in financial performance of commercial banks, a unit increase in independence of internal audit would lead to increase in financial performance of commercial banks, a unit increase in professional competency would lead to increase in financial performance of Organisations and further unit increase in internal control would lead to increase in financial performance of commercial banks.

The study recommends that management in Organisations in Kenya should adopt effective internal audit practices such as internal auditing standards, independence of internal audit, professional competency and internal controls to enhance financial performance of the banks.