

Audit Fees And Financial Performance of Deposit Taking Saccos In North RIFT

Abstract: The collapse of Deposit-Taking SACCOS and financial institutions in Kenya has caught the attention of the public and supervisory agencies to query the quality of audit. SACCO Societies Regulatory Authority on its inspection report indicated that SACCOS have been implicated in maladministration, scams and fraudulent dealings that led to their eventual collapse. SASRA also revoked licenses and rejected audited financial statements of some Deposit Taking SACCOS between 2013 to 2017. These financial scandals have been traced to poor audit quality. The study aimed to test the impact of audit quality on financial performance of Deposit-Taking SACCOS in North Rift Region, Kenya. The study sought to establish the influence of audit fees on financial performance; determine the influence of audit firm tenure on financial performance; establish the influence of auditor independence on financial performance and to determine the influence of audit firm experience on financial performance of Deposit-Taking SACCOS in North Rift Region, Kenya. This study was based on Agency theory, Role theory and the Concept of audit expectation gap, and Stakeholders' theory. This research adopted descriptive cross-sectional research design. The target population for the study was 266 staff of all the 16 registered Deposit-Taking SACCOS in North Rift Region, Kenya. The sample size was 48 respondents comprising of chief executive officers, finance officers and internal auditors of the Deposit-Taking SACCOS selected using purposive sampling method. Primary and secondary data was used. Questionnaires collected primary data while audited annual financial statements of SACCOS provided secondary data. Inferential and descriptive statistics was used in analyzing data through SPSS version 25. It emerged that audit fees, audit firm tenure and audit firm experience have a significant positive influence on financial performance of Deposit-Taking SACCOS in North Rift Region, Kenya. Auditor independence had an insignificant positive influence on financial performance of Deposit-Taking SACCOS in North Rift Region, Kenya. The study concluded that audit quality has a positive noteworthy impact on financial performance of Deposit-Taking SACCOS in Kenya. The study recommends that regulatory authorities should formulate strict rules on audit fee charges and oversee the implementation of the same. Also, SASRA should ensure DT-SACCOS implement auditor rotation in compliance with auditing regulations and standards. DT-SACCOS to consider auditor's professional competence and experience before initiating any audit engagement. Finally, DT-SACCOS and auditors should reinforce the professional code of ethics in regard to auditor independence in terms of familiarity between auditor and the client that may lead audit work into jeopardy.

Authors.

Dorris Serem, ²Dr. Rashid Fwamba, ³Dr. Alala Benedict