INFLUENCE OF RISK BASED AUDITING ON FINANCIAL PERFORMANCE OF SACCOS IN WESTERN REGION, KENYA

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A Research Thesis Submitted in Partial Fulfillment of the Requirements for the Award of the Degree of Master of Business Administration (Accounting) of Masinde Muliro University of Science and Technology

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DEDICATION

This thesis is dedicated to the creator the Almighty God who gave me physical and mental strength to undertake and accomplish this thesis in the prescribed period of time. My loving wife Virginia, children Ivan, Shiloh, Ian and my entire family at large and friends for the assistance received over the time.

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ABSTRACT

Risk-based internal audit (RBIA) enables organizations to enhance their risk management and control practices by using their intern al audit capabilities. Furthermore, it enhances the level of accountability and precision in financial reporting. This research focused on the licensed deposit-taking savings and credit cooperatives (DT-SACCOs) located in the Western Region of Kenya. Certain DT-SACCOs now have difficulties in conducting audits as part of their operations. The main objective of this research was to examine the influence of risk-based internal audit on the financial performance of DT-SACCOs in the Western Region of Kenya. The specific objectives of the study were to determine the influence of internal audit risk planning practices on financial performance, to analyze the influence of internal audit risk management on financial performance and to analyze the influence of Internal audit risk capacity on financial performance of Saccos in Western Region, Kenya. This research provides valuable insights for policymakers to enhance governance through effective internal audit functions, aids SACCO management in implementing robust audit practices, supports financial managers in creating reliable financial reports, and serves as a resource for academics studying internal audits' impact on financial reporting quality. The study used a descriptive correlational research design and was anchored on three theories namely: Positive accounting theory in regards internal auditing risk planning, contingency theory in relation to internal audit risk management and agency theory in regards to Internal audit risk capacity. The research was conducted on 15 DT-SACCOs in Western Region, Kenya. Primary data from respondents consisting of five per Sacco DT-SACCO. Secondary data was collected to validate data on financial performance. The data collected was analyzed using descriptive and inferential statistics with aid of SPSS version 26.0. Descriptive statistics entailed frequencies and percentage while inferential statistic consisted of Pearson correlation and regression analysis. Regression models was used to test hypotheses where internal risk-based audit planning, internal audit risk management and internal audit risk capacity proved affirmative to having a statistically significance influence on the financial performance of DT-SACCOs in Western region. The overall summary of the findings was that risk-based auditing accounted for 72.1%(R^2=0.721, P=0.000) of the variation in financial performance as obtained from multiple linear regression. Stepwise regression revealed that internal audit risk planning practices explained 32.4%(R^2=0.324, P=0.000) variance in financial performance of Saccos in Western Region, Kenya, while the contribution of internal audit risk management is 29.9%(R^2=0.299, P=0.000), the contribution of internal audit risk capacity to the model is 9.8%(R^2=0.098, P=0.000). The study concluded that risk-based auditing has a significant positive influence on financial performance of saccos in western region, Kenya. According to the findings, Sacco management might improve transparency and accountability by adopting risk-based audits, which would require careful preparation on the part of all relevant parties. Additionally, management has to respond quickly to audit inquiries. The report also indicated that management of Saccos ought to establish, recognize and handle risks as duty of all workers of the Saccos. Last but not least, administration must set up procedures for vetting auditors' qualifications.

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ABBREVIATIONS AND ACRONYMS

AIM	-Annual International Meeting
CEO	- Chief Executive Officer
COSO	- Committee of Sponsoring Organizations of the Treadway Commission
CPA	-Certified Public Accountant
CR	- Control Risk
GOK	- Government of Kenya
IA	- Internal Audit
IAC	- Internal audit risk capacity
IAF	-Internal Audit Function (IAF)
IIA	- Institute of Internal Auditors
IR	- Inherent Risk
KALRO	-Kenya Agriculture and Livestock Research Organization
KNAO	- Kenya National Audit Office
OECD	- Organization for Economic Co-operation and Development
OLS	- Ordinary Least Squares
PFMR	- Public Finance Management Reform
PPF	- Professional Practice Framework
PPF	- Professional Practice Framework
RBA	- Risk Based Audit
RBAA	- Risk Based Auditing Approaches
RBIA	- Risk Based Internal Audit
RMD	- Internal audit risk management Department

ROA	- Return on Asset
ROE	- Return on Equity
ROI	- Return on Investment
SAS	- Statements of Auditing Standards
SEM-PLS	Partial least squares structural equation modeling
SPSS	- Statistical Package for Social Science
VIF	-Variance Inflation Factor

OPERATIONALIZAL DEFINITION OF KEY TERMS

Internal Audit Risk Planning Practices is the process through which an internal audit function of a Sacco identifies and evaluates the impact and likelihood of the different risks in an organization, and the quality of the internal controls that mitigate these risks.

Internal audit risk management is the process in which a Sacco goes through to identify, assess and prioritize risks during internal audit process. Audit risk management is the process of identifying, evaluating, and mitigating risks to the audit process. It is an essential part of any audit, as it helps to ensure that the audit is conducted in a professional and ethical manner, and that the auditor's findings are reliable.

Internal audit risk capacity: Internal audit risk capacity refers to the Saccos' ability to effectively manage and respond to risks identified by its internal audit function. It involves assessing the Saccos' capacity to understand, mitigate, and monitor risks that could impact its operations, finances, compliance, and reputation.

Financial Performance The metric under consideration pertains to the proficiency with which Saccos are able to use their core business assets to produce income.

Western Region These are selected five counties among the 47 counties located in the western region of the republic of Kenya named as Kakamega, Vihiga, Bungoma, Trans Nzoia and Busia Counties.

Risk Based Auditing is an approach used by Saccos to ensure that risk is being managed within the organization's predetermined tolerance for risk. This approach focuses largely on the inherent risk associated with events or systems. Risk management for internal audits, as well as risk capacity and risk planning, were all a part of this

CHAPTER ONE

INTRODUCTION

1.1 Background of the Study

The practice of risk-based auditing has become more common in the auditing world. Since the end of World War II, risk-based auditing has evolved from the validation of transactions to the examination of whole systems (Wang, Zhao, & Chang, 2020), as described by McNamee and McNamee (2020), as referenced by Mujalli (2020). Internal auditing has been around since at least 3500 B.C. (Görener, 2017), however it wasn't until 1941 that Risk-based auditing really took off in the United States thanks to the establishment of the Institute of internal auditors (IIA). Over the years, the IIA has been at the forefront of improving risk-based auditing by approving and issuing a statement of responsibilities, conducting research and developing a common body of knowledge, establishing continuing education and professional certification programmes, and making and adopting standards for the professional practice of internal auditing along with a code of ethics (Erlina, Nasution, Yahy, & Atmanegara, 2020).

The emphasis of internal audit has shifted from systems-based auditing to auditing of processes, and now to auditing of risks (Wang, Ferreira, & Yan, 2023) in recent years. Businesses are learning that adopting this method may improve their ability to mitigate risk and focus resources on the greatest dangers. The primary emphasis of most conventional audit plans is on the effectiveness of the controls that have already been implemented. First, risk-based audits look at the risks a company faces (as defined by management and the board of directors), and then they try to fix and reframe controls depending on which risks are the most pressing and have the greatest potential for loss (Koutoupis, Ploumpis, & Leontis, 2020). According to the Chartered Institute of Internal Auditors (CIIA), a solid internal audit risk management program should be in place before any such audit is attempted.

According to Ciobu (2017), the Institute of Internal Auditors (IIA) provides a definition for risk-based internal audit (RBIA) as a strategic approach that aligns internal audit activities with an organization's overall risk management framework. The internal audit function is able to provide persuasive evidence to the board of directors on the effectiveness of the internal audit risk management process in successfully mitigating the risks associated with possible risk instruments. Risk-based audits are characterized by their adherence to a predetermined format and are seen more successful compared to other current approaches due to their inherent attributes.

The implementation of Risk-Based Internal Auditing (RBIA) empowers auditors to tailor their audit approach and fosters a culture of strategic brainstorming to enhance their audit strategies. This is facilitated by their comprehensive understanding of the organization's processes and structure, enabling them to conduct a more thorough analysis of the organization. Consequently, auditors are better equipped to identify potential vulnerabilities that may pose risks to the firm's operations (Drogalas & Siopi, 2017). Firms often develop strategic plans to guide their efforts towards future success. However, adhering to these plans may be challenging owing to a variety of internal and external factors that exert impact on the organization. An audit is implemented to safeguard the company from encountering such obstacles by assuring adherence to established standards and identifying possible risks, hence facilitating effective risk management.

The Risk-Based Internal Audit (RBIA) method places its emphasis on identifying and addressing the most critical areas of risk inside a corporation. It does this by using several tactics, such as evaluating the adequacy of evidence through the lens of business goals or controls, in order to thoroughly analyze the targeted area of study. Risk-based auditors are required to identify various audit tasks, such as initiation, planning, fieldwork, conducting, and reporting of audit findings to key stakeholders within the organization. Additionally, they are expected to do follow-up activities as necessary. This practice serves to ensure that the financial statements presented accurately and impartially depict the company's financial standing (Tania, 2022).

There are many aspects that exert influence on the effectiveness of risk-based audit procedures inside businesses. These characteristics include audit maturity, risk assignment, and the process of risk-based audit yearly planning (Ardianingsih & Payamta, 2022). The risk-based audit places emphasis on internal hazards originating from inside the organization and formulates plans to address and mitigate these risks, rather than just focusing on the financial transactions of the company, which are susceptible to manipulation to the extent of becoming unidentifiable (Putri, Sopanah & Muda, 2018).

According to a study conducted by Koutoupis and Tsamis (2018) at the Fourth European Academic Conference on Internal Audit and Corporate Governance held at Cass Business School in London, United Kingdom, recent research suggests that the standard auditing technique fails to provide sufficient coverage of risks. Moreover, a significant number of European banks have largely disregarded various important international regulations and best practices, including the requirements set forth by the Basel Committee on Banking Supervision, the suggested framework by COSO Enterprise Internal Audit Risk Management (ERM), and the standards for professional practice of internal auditing established by The Institute of Internal Auditors. Until recently, the idea of Risk Based Internal Audit (RBIA) was unfamiliar to the majority of publicly listed and non-listed European firms. The RBIA audit concept was primarily known to subsidiaries of US and UK firms, including major international banks operating in Greece as subsidiaries. These entities were subject to periodic audits conducted by group audit functions, which were carried out as a direct response to applicable risk assessments.

According to the findings of a survey conducted by Koutoupis (2018) during the Third European Academic Conference on Internal Audit and Corporate Governance, it was observed that all Greek banks that took part in the study claimed to adhere to a risk-based audit approach and formulate risk-based audit plans. However, a significant majority of these banks were unable to substantiate their claims with well-documented evidence of conducting a thorough risk assessment and implementing a comprehensive risk-based audit plan. The Sarbanes–Oxley Act of 2018 mandated that the National Bank of Greece modify its audit the planning procedure to adopt a risk-based approach. Furthermore, it is worth noting that some prominent Greek banks (as shown by case studies 1–3) are now contemplating or implementing a Risk-Based Internal Audit (RBIA) methodology. This shift in approach may largely be attributed to the influence exerted by the Bank of Greece. The audit cycle technique continues to be used by internal audit units in small banks (Koutoupis & Tsamis, 2019).

China's economy is growing so quickly that it is beginning to reach a critical mass. A market economy relies heavily on the work of accountants and auditors, who also confront the difficulty of audit risk. In 2020, the Chinese Ministry of Finance amended the requirements for Chinese CPA practice by adjusting 38 auditing criteria. Substantive changes were made to 16 criteria, including those pertaining to related parties, accounting estimates, fair values, the business to be audited employing the service mechanism taking standards into account, and the identification, assessment, and response to reinforce the risk of serious error, while the initial procedure-oriented thinking was abandoned (Hu, 2018).

With the course of time, banks in India have made considerable progress in instituting Risk-Based Internal Audit (RBIA) as per the instructions of the Reserve Bank of India. However, RBIA implementation is fraught with complications that must be dissected in order to be addressed. In India, banks have taken several approaches to implementing RBIA, and the rate of advancement has varied widely. Over the course of a decade, from 2018 to 2017, the board adopted RBIA policy and a task group of top executives was formed. While all Indian banks have adopted RBIA for their branches, several have left out other activities/locations that constitute a significant portion of their operations. The RBIA procedure that banks have been using has certain major flaws in respect to the RBI guidance letter. The study found these, and the authors proposed solutions to the banks and RBI to help them better implement and use RBIA (Khanna & Kaveri, 2018).

According to Mohamad Yusuf (2019), the Chairman of the Jakarta BPK, the financial accounts of the Ministry/Agency and the local government have not been granted an unqualified opinion. This may be attributed to many circumstances. Interior Minister Gumawan (2017) highlighted the factors that contributed to the deterioration of the internal control system. The aforementioned occurrences included deficiencies within the accounting control system and reports on finances. Based on this incident, it would appear that there is a pervasive deficiency in the efficiency of resource allocation, namely in terms of time and financial resources, during the implementation of the regional reporting on finances system. Despite the significantly deficient assessment of financial records pertaining to local government, the minister at the most recently Annual International Meeting (AIM) in 2018 made a projection that up to 50% of Indonesia's overall 524 local governments might potentially get a qualifying predicate.

In Nigeria, several firms are experiencing financial setbacks as a result of inadequate internal audit risk management and audit operations. The concepts of the three lines of defense indicate that there is a need for separation between the responsibilities of internal audit risk management and internal audit. Amahalu, Abiahu, Chinyere, and Christian (2018) highlight the governance viewpoint and the involvement of shareholders in the failure to detect accounting issues at Steinhoff International Holdings. Numerous inquiries arose over this matter. While ongoing investigations are now being conducted, preliminary issues about the efficacy of corporate governance, internal audit risk management, and internal audit have emerged.

The collapse of African Bank, seen from a South African lens, serves as an illustrative instance of the deficiencies within the internal audit risk management and audit activities. The Myburgh Commission, in its examination, found that some causes may be attributed to operational risk factors as reported by the City Press (2018), which indicated that the directors had collectively violated their fiduciary and other obligations to the bank. Based on the findings of an investigation, it has been determined that the Chief Executive, who engaged in conflicts with auditors and co-directors regarding the appropriate disclosure of risk and impairments related to non-performing loans, can be directly associated with deficiencies in governance and reporting. These deficiencies are integral components of operational internal audit risk management, which could have been detected and communicated to senior management by the internal audit function. According to Young (2020).

The failure to generate and submit financial reports to stakeholders within the prescribed timeframe is a significant concern in Uganda, affecting more than seventy-two percent of its local governments. Based on the findings of the Auditor General (2020), Internal Audit Reports (2017), and the Public Accounts Committee (PAC), it is evident that the issue of absenteeism and delayed financial reports continues to persist within the Kampala City

Council, thereby raising concerns among its stakeholders. This situation remains unchanged despite the council's adoption and execution of financial decentralization in 2018. However, according to Bamwira (2019), KCC and its divisions prepare and file just 60% of the 216 needed statutory financial reports annually. Additionally, it has been observed that some of these reports are provided to stakeholders beyond the designated deadline.

Savings and Credit Cooperative Organizations (SACCOs) are referred to by many names throughout different continents. These financial institutions have been referred to as credit unions due to their provision of credit services to their members. However, in the African context, they are often known as SACCOs, which stands for Savings and Credit Cooperative Societies. There is a global presence of over 85,000 credit unions, which are operational in 118 countries throughout the globe. Savings and Credit Cooperatives (SACCOs) provide financial services at the community level, hence facilitating individuals' access to cost-effective and superior financial services (van Rijn, 2018). SACCO, with a membership over 274 million individuals, mostly comprising individuals with little financial resources, serves as a crucial resource for fostering chances, facilitating the construction of family residences, promoting socioeconomic growth, and supporting the education of their offspring.

In contrast to credit unions elsewhere, Savings and Credit Cooperative Organizations (SACCOs) in Africa prioritize the cultivation of savings above the provision of credit. According to the World Council Statistical Report (2018), the African continent is home to a substantial number of credit unions, with a total of more than 39,000 establishments and a membership over 35 million individuals. Kenya has a significant presence of 7,301 credit unions, together accommodating a membership over 7 million individuals. According to the SACC0 Supervision Annual Report (2021), a total of 175 DT-SACCOs were granted licenses to engage in deposit-taking activities until the conclusion of December 2021.

The Kenya Savings and Credit Cooperative (SACCO) sub-sector plays a significant role in the realization of Vision 2030 by mobilizing money to address Kenya's investment needs (Nyerere, 2022). The SACCO sub-sector in Kenya received accreditation at the World Credit Cooperatives conference held in Canada in 2017, and it now holds the top position as the fastest-growing SACCO sector globally. Although there have been instances of SACCOs experiencing failure in Kenya, it is important to note that this is not only attributed to the minimalism of the SACCO model. Rather, it may be attributed to errors in SACCO management and the use of ineffective management styles, such as the internal auditing model (SASRA, 2020).

Based on a survey done by SASRA in 2019, it was found that there is a population of slightly over 4.97 million individuals, including both personal and corporate/institutional members, among the deposit-taking SACCOs. The clear rise and development of Front Office Services Activities (FOSA), which offers quasi-bank services, indicates that SACCOs are effectively addressing the demands of their members and the market. The first version of the 2017 SACCO Social Laws and Regulations proposed a four-year timeline for the implementation of SASRA's operation of the FOSA, commencing with the enactment of the

June 2017 Act. This timeline also included the licensing of all eligible SACCOs. SASRA acknowledges that instances of non-compliance by individual SACCOs are inevitable, and the existing legislative structure offers a means to effectively handle such occurrences in order to ensure adherence to the established policy. The procedures include several strategies such as the issue of administrative directives, adherence to legal requirements, the implementation of conditional licensing, or the complete revocation of a license.

In the year 2019, a legislative measure was enacted with the aim of safeguarding the funds accumulated by members of Savings and Credit Cooperative Organizations (SACCOs) in response to instances of inadequate financial management and fraudulent activities. This legislation empowers SACCO directors to undergo a screening process to identify and eliminate individuals with a history of criminal involvement within their respective departments (SASRA, 2019). Additionally, the objective is to create a dedicated investigative unit tasked with scrutinizing the questionable activity of institutions involved in deposit management. This measure was guaranteed the adherence of SACCOs to regulatory requirements, therefore incorporating internal inspection risk management practices. Consequently, this provided SACCO members with reassurance about the safety of their financial assets and deposits.

1.2. Statement of the Problem

Several SACCOs are encountering performance challenges, despite incorporating recognition for their operational methodologies, due to their inability to adequately disclose pertinent details about the organization's circumstances (Nyerere, 2022). There is a growing trend in Kenya where SACCOs are facing significant challenges due to issues such as mismanagement, fraudulent activities, and the provision of unethical loans. Despite the existence of an audit department inside those SACCOs, it is possible that the occurrence of fraud might have been prevented had they used a risk-based auditing methodology and established robust corporate governance practices.

A total of 175 DT-SACCOs were granted licenses to engage in deposit-taking activities until the conclusion of December 2021. In the year 2021, a total of four (Nyamira Tea SACCO Society Ltd, Uchongaji SACCO Society Ltd, Nanyuki Equator SACCO Society Ltd and Comoco SACCO Society Ltd) DT-SACCOs were unable to meet the necessary criteria for engaging in deposit-taking activities. As a result, their licenses were either revoked or not renewed. This left a remaining count of 171 DT-SACCOs that possessed valid licenses, as stated in the SACC0 supervision annual report (2021). The purpose of this study is to examine the underlying reasons or gaps that contributed to this occurrence.

Numerous studies have examined the relationship between risk-based auditing and financial performance. However, it is worth noting that a majority of these studies have focused on the private sector and various countries, thereby overlooking the financial sector, particularly the Sacco subsector. This neglect is significant considering the substantial impact that these institutions have on national development (Puad & Abdullah, 2020; Mulwa & Opuodho, 2022), resulting in a notable contextual and sectoral gap in the existing literature.

Furthermore, it is worth noting that various research studies have produced divergent outcomes regarding the impact of risk-based auditing on financial performance. For instance, Nyerere, Njeru, and Mugo (2021), Apreku-Djan, Ameyaw, Owusu, and Apreku (2022), and Sisco, Setiany, and Setiyawati (2020) have found evidence suggesting that risk-based auditing has a significant influence on financial performance. However, on the contrary, Nugraha, Yazid, and Bastian (2022) and Nurdiono and Gamayuni (2018) have reported insignificant effects of risk-based auditing on performance. Consequently, these conflicting findings have created a notable empirical gap in the literature. In order to address this existing empirical void, the present research investigates the impact of risk-based auditing on the financial performance of SACCOs located in the western area of Kenya.

1.3 Objectives of the Study

1.3.1 General Objective

The general objective was to investigates the influence of risk-based auditing on the financial performance of SACCOs located in the western area of Kenya.

1.3.1 Specific Objectives

This study was guided by the following objectives: -

i. To determine the influence of internal audit risk planning practices on financial performance of Saccos in Western Region, Kenya

ii. To analyze the influence of internal audit risk management on financial performance of Saccos in Western Region, Kenya

iii. To analyze the influence of Internal audit risk capacity on financial performance of Saccos in Western Region, Kenya

1.4 Hypotheses of the Study

$H_{01:}$ Internal audit risk planning practices has no statistically significant influence on financial performance of Saccos in Western Region, Kenya.

$H_{02:}$ Internal audit risk management has no statistically significant influence on financial performance of Saccos in Western Region, Kenya

$H_{03:}$ Internal audit risk capacity has no statistically significant influence on financial performance of Saccos in Western Region, Kenya

1.5 Significance of the Study

This research would be of relevance to the many parties involved:

1.5.1 Policy Markers

This study aims to provide valuable insights for government officials and policymakers in enhancing governance procedures via the establishment of efficient and effective internal audit functions within county governments. The outcomes of this research would provide valuable insights for the accounting standards regulatory and implementation body in Kenya, as well as related government agencies, in their efforts to guarantee the correct and trustworthy preparation, production, and reporting of financial statements. The results of this study would also facilitate the implementation of policies on robust financial reporting requirements.

1.5.2 Sacco Management

When the management has a comprehensive understanding of their responsibilities and the possible advantages derived from conducting an internal audit, all stakeholders stand to gain. The effectiveness of internal audits is contingent upon the provision of enough resources by management. This entails ensuring the presence of appropriately qualified personnel, an adequate financial allocation, and diligent implementation of recommendations derived from audits. The organization's management would recognize the need of establishing an effective Internal Audit Function (IAF) to safeguard the integrity of the company's financial statements.

1.5.3 Internal Auditors and Accountants

The results of this study would provide valuable insights for executives and accountants in developing precise and uniform accounting protocols, ultimately aiming to achieve industry-wide recognition and adoption. The outcome would include financial reports of superior quality, which may be relied upon by stakeholders to make well-informed investment choices.

1.5.4 Academia and Scholars

This study provides valuable insights for scholars and researchers as it examines the influence of internal audits on the quality of financial reporting in county governments and comparable contexts. The participants possess the capacity to provide supplementary pertinent areas of investigation that may be included into the study. Moreover, this study has significant value as a repository of secondary data for the purpose of appraising prior research.

1.6 Scope of the Study

The conceptual scope of this study was to examine influence of risk-based auditing on performance of Saccos in Western Region, Kenya. Risk based auditing included Internal audit risk Planning, Internal audit risk management and Internal audit risk capacity which is the independent variable while organizational performance was dependent variable. Secondly, the geographical scope was Saccos in Western Region, Kenya. However, the study focused on fifteen Saccos which are registered with SASRA and have been in operation for last six years, they include Invest and Grow Sacco, Wevasity Sacco, Afya Sacco, Police Sacco, Ukulima, Mwalimu National, Kussco sacco, Mudete Sacco in Kakamega County; Vihiga County Farmers Sacc and Vihiga County Sacco in Vihiga County; Faridi Sacco and Elimu Sacco in Busia County; Ng'arisha Sacco, Metropolitant Sacco, Stawisha Sacco in Bungoma County. Methodologically, the respondents included internal auditors, Finance Managers, Accountants/ Loans officers, Executive Chief

Officers and finance officers. The study was carried out Janaury 2023 to December 2024 and therefore data relates to the same.

1.7 Limitation of the Study

This study may encounter certain limitations, such as challenges in accessing the facility and obtaining information from respondents due to factors like apathy, non-response, and delayed return of questionnaires. These factors can hinder the analysis process. Additionally, there may be inadequate adherence to the guidelines provided for the research instruments, particularly the questionnaire. For instance, some respondents may intentionally disregard certain questions in order to protect confidential information, which could potentially impact the quality of the data collected. In order to circumvent these limitations, the researcher obtained authorization from the National Commission for Science, Technology and Innovation (NACOSTI) to establish contact with the selected participants. The researcher explicitly communicated that the objectives of the study are only academic in nature. Additionally, the researcher used drop and pick tactics as a means to enhance the response rate by giving them humble time to respond to the questionnaires.

CHAPTER TWO

LITERATURE REVIEW

2.1 Introduction

This chapter provides a comprehensive overview of the pertinent theory, research, conceptual framework, prior studies, and literature evaluation, while also highlighting the existing gaps in our current knowledge.

2.2 Theoretical Review

The study was guided by three prominent theoretical frameworks: positive accounting theory, contingency theory, and agency theory. Positive accounting theory was used to examine internal auditing risk planning, contingency theory was utilized to explore internal audit risk management, and agency theory was applied to analyze internal audit risk capacity. These theoretical perspectives provided a solid foundation for the inquiry.

2.2.1 Positive Accounting Theory

According to Watts & Zimmerman (1986), the originators of positive accounting theory, the theory's primary focus is on providing an explanation for the accounting procedures actually used in businesses. It does not advise any specific accounting approach but rather seeks to explain why certain businesses will not utilize that approach and why. That "individuals are bound to behave in a chance-based way to the degree that their behavior will increase their wealth" is central to the idea (Santoso & Sebayang, 2017). The positive accounting hypothesis predicts that in response, firms would seek to introduce policies that discourage selfish actions. This is necessary for the firm's managers (agents) to have their interests coincide with those of the firm's owners (principles). The expenditures invested in dealing with problems that develop within the agency connection and implementing appropriate techniques are referred to as "monitoring costs”.

Nasution, Muda, and Ginting (2020) also claimed that the normative approach to accounting theory analysis was too simplistic and lacked a solid theoretical foundation. Watts and Zimmerman created a positive approach, which was more geared towards empirical research, to bridge the gap between the normative and empirical approaches to accounting, and to justify the many accounting techniques and methodologies now in use or sought out in the pursuit of new models for the advancement of accounting theory.

The more upbeat "positive" school of accounting philosophy has as its central assumption that accounting theory exists to explain and predict accounting practices and standards. Accounting principles that are most likely to be successful in the face of unpredictable future occurrences are those that are best supported by positive accounting theory. To ensure they are adequately monitoring the control environment and, by extension, risk preparedness, organizations utilize risk-based audits to satisfy the needs of management and shareholders.

Positive Accounting Theory (PAT) can be applied to examine how Risk-Based Auditing (RBA) influences the financial performance of SACCOs in Kenya's Western Region by exploring the motives and behaviors of managers and auditors in response to various risks.

PAT suggests that managers and auditors make decisions based on self-interest, which includes managing risk and adhering to regulations to safeguard the SACCO's performance and sustainability. In this context, PAT explains that SACCO managers and auditors are likely to adopt RBA practices because they perceive it as beneficial for optimizing financial performance, mitigating risks, and aligning with regulatory requirements. For instance, by implementing RBA, auditors can focus on high-risk areas, potentially reducing operational inefficiencies and financial misstatements, which enhances the credibility of financial reports and improves stakeholder confidence. Additionally, PAT would suggest that managers support RBA to align with incentives such as improved organizational stability and minimized risk exposure, which ultimately benefits the SACCO's financial health and the managers' own interests, such as reputation and job security.

2.2.2 Contingency Theory

Contingency Theory, originally proposed by Fred Fiedler in the 1960s, asserts that there is no universal approach to managing an organization; rather, effective management depends on situational variables that affect the organization's operations. Over the years, scholars have expanded on this theory, applying it to various fields, including management and organizational studies. The theory's core proposition is that organizational effectiveness can be optimized by aligning structure, processes, and decision-making styles with the specific environmental, technological, and organizational conditions (Donaldson, 2018; Van de Ven et al., 2017). In complex environments, such as financial institutions, where multiple risk factors and regulations impact day-to-day operations, Contingency Theory suggests that adaptive and flexible management strategies are crucial (Greenwood et al., 2018).

Despite its usefulness, Contingency Theory has faced criticism. One major critique is that it lacks prescriptive clarity, as it only provides general guidelines without specific managerial recommendations. This vagueness can complicate decision-making processes, as managers must evaluate numerous, often interdependent, variables to determine the best course of action (Schoonhoven, 1981; Galunic & Hermreck, 2020). Additionally, critics argue that the theory's focus on situational alignment might oversimplify dynamic organizational environments, potentially ignoring how shifts over time could require adaptations beyond immediate situational variables (Ginsberg & Venkatraman, 1985). Furthermore, analyzing these variables can be resource-intensive, posing challenges for organizations with limited resources (Daft et al., 2022).

The relevance of Contingency Theory in evaluating the influence of internal audit risk planning on the financial performance of Savings and Credit Cooperative Organizations (Saccos) in Kenya's Western Region is significant. By applying contingency principles, Saccos can better understand how aligning internal audit practices with their specific context—such as regulatory requirements, asset base, and market volatility—enhances risk management effectiveness, thereby improving financial outcomes (Nyamita & Dorasamy, 2018). For instance, Saccos operating in high-risk environments may benefit from more rigorous audit controls and frequent risk assessments. Similarly, organizations serving low-income members could adjust audit practices to address liquidity and credit risk concerns, which would positively impact their financial performance and stability (Wanjiru & Muturi, 2021). Overall, the adaptability encouraged by Contingency Theory allows Saccos to tailor their internal audit and risk management strategies to optimize financial performance within their unique environmental and organizational constraints.

2.2.3 The Agency Theory

Agency Theory was introduced by Stephen Ross and Barry Mitnick in the early 1970s and further developed by Michael Jensen and William Meckling in their seminal 1976 paper. Agency Theory examines the relationship between principals (owners or shareholders) and agents (managers or executives) within an organization. It posits that agents, who are tasked with managing the organization on behalf of principals, may act in their self-interest, which can conflict with the best interests of the principals. The theory emphasizes the need for mechanisms to align these interests, such as performance-based incentives, monitoring, and risk management practices to mitigate potential conflicts and reduce agency costs (Jensen & Meckling, 1976).

Agency Theory has faced criticism for its assumptions and limitations. It assumes that agents are primarily self-interested and may act opportunistically, which may not always hold true, as agents can also be motivated by intrinsic values, ethical considerations, and organizational culture (Perrow, 1986). Additionally, the theory tends to emphasize financial incentives and control mechanisms, potentially overlooking other non-financial motivators that can influence agents' behavior (Eisenhardt, 1989). Agency Theory's narrow focus on shareholder interests has also been critiqued, as it may ignore broader stakeholder interests, which are especially relevant in cooperative organizations where members are both owners and customers (Davis et al., 1997).

Agency Theory is particularly relevant in assessing the role of internal audit in managing risk to improve the financial performance of Savings and Credit Cooperative Organizations (Saccos) in Kenya's Western Region. In Saccos, where members serve as both principals and customers, effective internal audit risk management can help align the interests of management (agents) with those of the member-owners. By ensuring accountability, transparency, and adherence to financial standards, internal audits reduce information asymmetry and enhance trust between members and management, mitigating potential agency costs (Nyamita & Dorasamy, 2018). Additionally, implementing risk management practices guided by Agency Theory can help Saccos identify and address internal control weaknesses, thus enhancing their financial stability and performance. This alignment is crucial, as it protects member investments while ensuring Saccos operate efficiently within regulatory and financial constraints.

2.3 Conceptual Review

2.3.1 Internal Audit Risk Planning

A strategy plan, yearly plans, and programs for specific risk-based audit assignments all fall under the umbrella of "planning," which is regarded as a crucial part of the auditing process. The operational standard of internal auditing that pertains to planning elements mandates the creation of a strategic plan (often a five-year plan), a periodic plan (typically an annual plan), and plans for specific auditing tasks. Good governance is improved by this process, which is how the head of audit secures enough funding by anticipating future needs (Nugraha, Yazid, & Bastian, 2022). By increasing productivity, careful planning makes it possible to complete several audits in a short amount of time. Despite the yearly audit plan stating a certain number of audits to be undertaken, the actual number of audits executed in a given period is often lower (Sisco, Setiany & Setiyawati, 2020).

The primary goal of the engagement planning and scope determination processes undertaken by an external auditor is to collect evidence sufficient to support the auditor's view on the financial statements. While it is the auditor's responsibility to provide a fair and honest assessment of the financial records of a client firm, Le and Nguyen (2020) note that auditors cannot promise that their clients' books are completely free of mistakes. Auditor planning includes identifying and assessing risks that need to be uncovered. whether anything is found, auditors have to figure out whether it impacts the accurate and fair image of the company's finances by looking at the whole picture and how it's presented.

2.3.2 Internal Audit Risk Management

Since internal audit risk management defines the accountability of the management of an organization, it has become a focal point in the struggle for influence among stakeholders who are increasingly active in corporate governance (Muraguri, 2018). This is in accordance with the claim made by Mulwa and Opuodho (2022), who state that the need for auditing of any kind is proportional to the 19 risks encountered by the various stakeholders in a given organization and the corresponding controls in place to deal with those risks. For this reason, the audit function is now more widely respected and accepted by management thanks to the risk-based audit practice's emphasis on internal audit risk management (Geke, 2017).

Internal auditing is commonplace in Kenya's public sugar firms, but whether or not they use risk-based auditing techniques such internal audit risk management is unclear. The media has given us the impression that the industry often posts huge losses because high operating expenses much surpass investment capital. Political intervention in management also leads to the development of poor business policies, which might have negative consequences for the company. As a result, chances for growth, more investment, and reducing financial ties in the sugar industry are missed or squandered. According to research by Nyarombe, Musau, Kavai, and Kipyegon (2020), businesses may benefit from better business choices made with the aid of a risk-based audit. Avoiding or reducing losses is important, but so is making the most of possibilities. For those in public administration, it's an invaluable resource (Ayagre, 2018).

Managing the risks of an internal audit requires careful planning, organization, depth, and documentation. Risk management is an integral aspect of every successful business, and this approach includes basic policy guidelines as well as actionable strategies and processes that may be implemented immediately (Spira & Page, 2020). With RBIA, management is much more actively involved in the auditing process. Due to the widespread nature of the risks that need to be addressed, audits will need participation from managers in previously unvisited departments (Otoko, 2018). Many risks is of great importance to the company, and the examination of their safeguards is likely include more top-level executives than in more traditionally finance-focused audits (AlTamimi, 2022). According to RBIA, risk management is an organizational responsibility. Managers will be asked to talk more during audits about the dangers they face and the measures they take to mitigate them. Managers will be consulted at the outset of the audit and kept in the loop to address any concerns that arise as the process progresses (Geke, 2017).

2.3.3 Internal Auditing Capacity

Having an effective internal audit division is crucial for good corporate governance. Strengthening public trust regarding financial reporting and corporate management may be facilitated by a well-developed internal audit function. Gamayuni (2018) argues that the presence of an internal audit team reduces the likelihood of financial fraud inside an organization, proving the worth of such investments. Furthermore, as Alzeban (2019) shows, businesses with internal audit departments are more likely to detect and report fraud. When compared to businesses without such a department, this is a huge win for competitiveness. The Treadway Commission recommended in a 1987 report that all publicly traded businesses establish an internal audit department with the backing of management and consistent communication with the rest of the company's auditing and accounting activities. If you want your internal auditing to be effective and independent, you need to make sure you have the right people in charge, give them the right level of authority, set up clear reporting lines, and keep the audit committee of your board of directors in the loop (Treadway Commission, 2018). Conclusions point to "staffing with an appropriate number of qualified employees according to the size and type of the company" (Ibrahim, Mansor, & Ahmad, 2020) for the internal audit position.

Public firms are required under the Foreign Corrupt Practices Act of 1977 to implement and maintain adequate internal accounting controls, which ensure the safety of company assets and the legitimacy of business operations. Many businesses have built internal audit departments, staffed them more heavily, and made them more independent in order to achieve this goal. Albawwat, Al-Hajaia, and Al Frijat (2021) find that businesses with dedicated internal auditing departments are far less likely to experience financial fraud than those without such departments. When comparing companies with and without an internal audit function, Yachi and Yona (2019) discovered that businesses with an internal audit role had much fewer mistakes that needed to be corrected by external auditors.

Emerging requests from boards are for internal auditors to analyze and comment on the organization's governance policies, procedures, and practices (Nurdiono & Gamayuni, 2018). That's why the IIA includes it in its guidelines for the profession, the International

Standards for the Practice of Internal Auditing (Standards). Internal audits are required to use a methodical and disciplined approach to assessing and making recommendations for improving risk management, control, and governance procedures inside an organization, as outlined in Standard 2100.

The amount to which audits are correctly planned, implemented, and disseminated is directly proportional to audit quality, as stated by Ogega (2017). Internal auditors must be equipped with the knowledge, abilities, and other competences necessary to carry out their duties according to IIA standard 1210 on the competency of the auditor (IIA, 2019). Due to the complexity of auditing and the need for auditors to be well-versed in several areas of business, it is essential to employ highly qualified auditors who are committed to lifelong learning and professional growth.

2.3.4 Financial Performance Measures

A company's ability to employ resources, assets, and create income is measured subjectively by its financial success (Chepngeno, 2017).. As general measure of total firms ‘financial health, this term is as well utilized over a given time period, and can also be employed to compare similar firms throughout the same or different industries or sectors (Ouko & Atheru, 2022). SACCOS analysts and regulators have adopted ROE and ROA to evaluate performance of industry and predict market structure trends as statistical models inputs to forecast bank mergers and failures—and for a several of other reasons where there is desire of measuring profit.

The effect of an organization's internal control system on the financial results of deposit-accepting savings and credit co-ops was investigated by Ouko and Atheru (2022) in Makueni County, Kenya. Semi-structured questionnaires were used for data collection, with the "drop and pick later" approach being used to compile the results. According to the findings, the most efficient internal control systems are those that inspire workers to prioritize ethical behavior and strong financial principles. Deposit-taking savings and credit co-operative societies' financial performance was evaluated using profitability, membership size, increase in renumeration and dividend payout to gauge success.

The effect of internal auditing procedures on the profitability of savings and credit unions was studied by Kiplangat and Theuri (2021) in Kericho County, Kenya. The study used a descriptive research approach and aimed to survey the top-level managers of the five licensed deposit-taking SACCOs in Kericho. Questionnaires served as the primary method of data collection. The Kericho County SACCOs that accept deposits saw a boost in their bottom lines as a direct result of adopting and implementing internal audit standards.

The effect of the internal audit function on the financial performance of Saccos was studied by Chepngeno (2017) in Nairobi County. This investigation made use of a causal research strategy. A total of twenty-six Saccos in Nairobi County were included in the analysis. The research relied on primary data gathered via a semi-structured questionnaire. Most Saccos were found to have strong and appropriate internal audit performance, and internal auditors were recognized as among the most vital members of any Sacco. Returns on equity, returns on investments, and returns on assets were used to evaluate Saccos' financial health**.**

2.4 Empirical Review

2.4.1 Risk Based Auditing on Financial Performance

The study conducted by Nyerere, Njeru, and Mugo (2021) centered on the examination of deposit-taking savings SACCOs inside the Nairobi Metropolis of Kenya. The research was conducted with the aim of achieving the following specific objectives: first, to assess the impact of risk maturity on the financial performance of Savings and Credit Cooperative Organizations (SACCOs) in the Nairobi Metropolis, Kenya; second, to examine the influence of audit assignment on the financial performance of SACCOs in the Nairobi Metropolis, Kenya; third, to investigate the effect of risk-based audit planning on the financial performance of SACCOs in the Nairobi Metropolis, Kenya; and finally, to evaluate the moderating role of corporate governance in the relationship between risk-based internal audit and financial performance of SACCOs in the Nairobi Metropolis, Kenya. The study used a combination of descriptive and explanatory research designs. The research conducted a comprehensive census survey of the 43 Savings and Credit Cooperative Organizations (SACCOs) located in the Nairobi Metropolis, Kenya. The main data for the study was obtained from the respondents, namely the audit managers of each SACCO. The study used regression models to examine the relationship between audit assignment and risk-based audit planning, and the financial performance of SACCOs. The results indicated a significant positive association between these variables.

The objective of Kasiva's (2020) study was to assess the influence of risk-based audit on the financial performance of commercial banks in Kenya. The present study used a Correlation research design. The study's target audience consisted of 44 participants who held positions as financial officers, internal auditors, credit officers, relationship officers/managers, and accountants at commercial banks in Kenya. The research included the use of questionnaires. Based on the results obtained, the research asserts that there is a need for improvement in several aspects of risk-based auditing, including risk assessment, internal audit risk management, yearly risk-based planning, adherence to internal auditing standards, and allocation of resources for internal auditing personnel. This capability would allow the organization to promptly identify potential hazards and focus on areas with higher risk exposure, so promoting more transparency and responsibility. Consequently, this would contribute to the improvement of financial performance. Effective planning enhances several aspects of a task, including efficiency, accuracy, completeness, timeliness, convenience, and clarity.

Terer and Ngahu (2017) set out to identify whether variables in Kenya's Livestock Research Organization affected the organization's decision to implement a risk-based internal auditing system. This research aimed to determine the impact of information and communication technology on the uptake of risk-based internal auditing practices at KARLO. The top executives of KARLO served as the focus group for this study, which used a descriptive research approach. Sixty-four managers in upper management were surveyed using a census method. Questionnaires were utilized as the major data gathering tools. The results showed that an organization's investment in its IT systems was significantly correlated with their use of risk-based internal auditing.

The purpose of Lutta's (2018) research was to identify the factors that influence the uptake of risk-based auditing in Kenya's public sector. The research methodology that was utilized in this study was both cross sectional and descriptive survey technique targeted at determining the factors of adoption of risk based audit approach in the public sector in Kenya. The information was gathered using a self-reported survey. Based on the findings of the research, risk-based auditing is a complicated process that often takes several years to perform and needs careful planning, sequencing, and management. Researchers discovered that using a risk-based audit improved government openness, responsibility, and responsiveness to spending goals. Internal audit's significance, together with that of top-level management's buy-in, training, a solid policy framework, and effective communication, were shown to be the deciding factors in the success of a risk-based audit. The fishermen fitness test indicated, however, that there were more critical factors that were not included in the research. Since F was.815 at the.544 level of significance, the regression model was shown to be statistically insignificant in the investigation.

The study conducted by Apreku-Djan, Ameyaw, Owusu, and Apreku (2022) aimed to examine the impact of risk-based auditing on the value-based financial performance of banks that are listed on the Ghana stock market. The research design used in this study was cross-sectional and quantitative in nature. The research sample consists of the banks listed on the Ghana Stock Exchange (GSE) for a thirteen-year period from 2018 to 2020. This time frame was chosen based on the availability of data. The research used a judgmental selection method to choose a total of nine (9) banks from a pool of thirty-five (35) fully licensed and functioning commercial banks in Ghana, as shown in the Bank of Ghana Report of 2021. A total of 48 participants were recruited using purposive sampling methodology. The research findings indicate that there is a notable and favorable impact of internal audit risk management on the financial performance of banks listed on the Ghana Stock Exchange, specifically in terms of value-based metrics. The findings of the research indicate that the implementation of yearly risk-based planning has a notable and favorable impact on the value-based financial performance of banks that are listed on the Ghana Stock Exchange. The findings of the research also provide confirmation that the capability of internal audit risk has a notable and favorable impact on the financial performance of banks listed on the Ghana Stock Exchange, particularly in terms of value-based metrics.

The research indicates that the adherence to internal auditing standards has a notable and favorable impact on the financial performance of banks listed on the Ghana Stock Exchange, particularly in terms of value-based metrics. Therefore, the null hypothesis, which states that risk-based financial audit has a statistically significant positive impact on value-based financial performance, was found to be supported. The research findings indicated a statistically substantial and favorable correlation between risk-based financial audits and value-based financial performance. It is advisable to do a comparable investigation including both financial and non-financial firms engaged in trading on the Ghana Stock Exchange. This would enable the comparison of results and the potential generalization of findings about the impact of risk-based audits on shareholder value.

In a study conducted by Marete (2018), the objective was to investigate the impact of risk-based internal audit practices, namely internal audit risk management, internal audit planning, internal audit risk capability, and internal audit standards, on the financial performance of commercial State Corporations in Kenya. The research methodology used in this study was descriptive survey research, which aimed to gather information that accurately characterizes the current occurrences under investigation. The intended sample for the research consisted of the 53 commercial State Corporations functioning in Kenya, and a comprehensive survey was conducted to include all of these 53 entities. The researcher used self-administered questionnaires as the primary method of data collection, followed by the utilization of quantitative methodologies for data analysis. Upon receipt of the questionnaires from the respondents, the gathered data was thoroughly inspected and assessed for both completeness and comprehensibility. In this study, inferential statistical regression and correlation analyses were conducted to examine the relationship between risk-based internal audit and the financial performance of commercial State Corporations. The research findings indicated a significant positive correlation between internal audit risk management, internal audit planning, internal audit risk capability, internal audit standards, and financial performance.

In a study conducted by Gombe (2018), an analysis was undertaken to examine the impact of risk-based internal auditing on the effectiveness of internal control systems within Savings and Credit Cooperative Organizations (Saccos) located in the Western Region of Kenya. The primary objective of this research was to examine the impact of internal audit risk management on internal control systems. Additionally, the study aimed to assess the influence of yearly risk-based planning on internal control systems, as well as analyze the effect of internal audit risk capacity on internal control systems. This study used a correlation research strategy, which allows for the examination of descriptive statistics, correlation analysis, and regression analysis to explore the anticipated relationships. The study's target group consisted of 35 individuals who held positions as finance officers, deputy finance officers, and internal auditors within the chosen Savings and Credit Cooperative Organizations (Saccos) in the Western Region of Kenya.

Questionnaires were presented to all respondents in the research since it was deemed the most suitable method for collecting information. The research has determined that there exists a substantial impact of internal audit risk management, internal audit planning, and internal audit risk capability. This suggests that the factors of internal audit risk management, internal audit planning, and internal audit risk capability are responsible for influencing changes in the internal control system (ICS). The findings from the multiple regression analysis indicate that the coefficient for internal audit risk management is 0.026, the coefficient for yearly risk based is 0.011, and the coefficient for internal audit risk capacity is 0.056 in relation to changes in the internal control system (ICS).

2.4.2 Internal Audit Risk Planning Practices on Financial Performance

The purpose of the study by Nugraha, Yazid, and Bastian (2022) was to examine the effect of internal auditors' paradigm on the relationship between risk-based planning of audits and audit quality. The object of the study was carried out at the Inspectorate General of the Ministry of Education and Culture of the Republic of Indonesia with the number of samples determined by 100 auditors. Data collection using questionnaires which were then analyzed using the SEM-PLS approach. The outcomes of this research point out that high-quality audits may be planned for using a risk-based approach. Furthermore, competent auditors have an impact on the reliability of audit reports. The auditor paradigm has proven to moderate by weakening the role of competence on audit quality and strengthening the influence of risk-based internal audit planning on audit quality. This study concludes that good audit planning leads to achieving quality audit goals and an auditor with good competence affect the quality of audit results.

Sisco, Setiany and Setiyawati (2020) examined the influences of applying risk-based internal audit planning to detect fraud. Those conducting audits at Jakarta's National Population and Family Planning Agency (BKKBN) employed a questionnaire to compile their information. 52 respondents were chosen using a saturation sample, and they included all structural officials and auditors who work out of the central or provincial representation offices. The findings revealed that auditors' capacity to identify fraud is highly influenced by factors such the use of risk-based internal auditing, the competency of government auditors, and the independence of auditors. Auditors now have a better chance of spotting fraud because to a number of changes connected to agency policy. investigations in the future will likely cover a larger geographical region and include more variables in their investigations of objects of study.

Le and Nguyen (2020) looked at the knowledge and use of the risk-based audit method (RBAA) by Vietnam's independent audit companies. The researchers gathered primary as well as secondary information from 2018-2019 to address the study questions. The findings from the interview study revealed that audit companies were aware of the benefits of implementing RBAA. However, RBAA is implemented by audit companies in Vietnam to a limited degree. More often than non-Big Four audit companies, Big Four audit firms employ RBAA. In addition, the research sent questionnaires to 246 auditors at 126 audit companies in Vietnam to examine the variables influencing the adoption of the RBAA. According to the findings, six factors—auditor competence, technological progress, audit fees, auditor motivation, audit duration, and client risk—influence the rate at which RBAAs are adopted. The most important and beneficial influences on the spread of RBAA are the competence of auditors and the progress of technology.

The objective of Al-Qudah's (2021) study was to examine the influence of an audit approach centered on business risks on the mitigation of unsystematic risks in Jordanian banks. An audit methodology centered on business risks has arisen as a means to enhance banking performance by mitigating the impact of unsystematic hazards. In order to accomplish the research goals, this study used descriptive statistics and the regression methodology to analyze a sample of twenty-five banks in Jordan. The deliberate sample strategy was used by the researcher, specifically targeting individuals from the accounting, finance, and control departments inside Jordanian banks. The research was conducted with the participation of seventeen banks, accounting for 68% of the total, which amounted to a collective workforce of 356 individuals. A survey instrument was developed in order to collect the necessary data. Given the similarity among the individuals in the sample, a purposeful sampling technique was used, resulting in the distribution of 300 questionnaires. The study's findings indicate a statistically significant impact of the audit strategy, which is based on business risks and incorporates many aspects, on the reduction of unsystematic risks in Jordanian banks. The findings of the research revealed a statistically significant correlation between the implementation of the business risk-based audit strategy, together with its many aspects, and the mitigation of operational risks among Jordanian institutions.

Riungu (2018) explore the influence of risk based internal auditing on operational efficiency of deposit taking SACCOs in Nairobi County. The target population of the research was the 42 DTS operating in Nairobi County. A questionnaire rated on the 5-point likert scale was used to obtain responses from internal auditors, finance managers and chief executive officers. The study targeted a total of 126 responses, out of these 103 filled and returned the questionnaire. The financial accounts of SACCOs were mined for secondary data. An inductive regression model was used to draw conclusions about the relationships between operational efficiency and other variables such as risk assessment, internal auditor competency, risk-based organizing, and internal inspection requirements. We can't rule out the possibility that 18.4% of the DTS's operational efficiencies are the consequence of the combined impacts of the predictor factors. DTS that advocate for risk-based internal audit were shown to improve operational efficiency as measured by measures like as revenue growth, net profit margin, and employee satisfaction.

The purpose of Kabare's (2018) study was to determine whether or not risk-based audit has any effect on the profitability of Kenya's commercial state firms. This study used a descriptive survey methodology. Due to its suitability for describing groups' features, estimating the percentage of persons with given traits, and generating predictions, the descriptive survey study design was deemed acceptable. In this investigation, both primary and secondary sources were used. Secondary data was gathered from the yearly financial statements of the selected state businesses in Kenya during a three-year period (2017-2017), while primary data was collected from the top Internal Auditor of the selected enterprises. The research concluded that internal audit risk administration and yearly risk-based audit planning had a major impact on the economic health of Kenya's state enterprises during the study's three-year time frame. Risk-based audit criteria are shown to have a favorable correlation with the economic health of Kenya's state-owned enterprises, according to the research.

2.4.3 Influence of Internal Audit Risk Management on Financial Performance

The purpose of Muraguri's (2018) research was to determine whether or not risk-based audit has any effect on the efficiency of Kenya's state-owned businesses. The research was descriptive in nature. The population goal was calculated using 160 workers from a state-owned company. Since the overall population was so small, a survey was used in the research. We used questionnaires to obtain primary data, which was then analyzed quantitatively using SPSS (a statistical program for the social disciplines). The results showed a positive and foreboding connection between risk assessment and internal audit quality and the efficiency of state-owned businesses. Based on these findings, the research concluded that the economic health of state-owned firms in Kenya benefited from risk-based auditing via evaluation of risks and internal auditing norm.

To what extent risk-based audit techniques affect the financial state of licensed fruit processing enterprises in Thika Municipality, Kenya, Mulwa and Opuodho (2022) set out to find out. The study's primary goals were (1) to ascertain the effect of internal auditing and risk management on the monetary achievements of enrolled fruit manufacturing firms in Thika Municipality, Kenya, and (2) to investigate the effect of risk governance on such firms' financial results. A descriptive method was used for this investigation. A total of 130 business managers from approved fruit processors in Kenya's Thika municipality were polled. The research used census methods for surveys. The research included primary as well as secondary information. The questionnaire served as the data gathering tool. According to the study's regression coefficient, the economic performance of licensed fruit-processing enterprises in Thika Municipality, Kenya, changes by a factor of 2.73 for each unit adjustment in internal audit risk management. The research concluded that the economic results of licensed fruit-processing enterprises in Thika Municipality, Kenya, changed by an average of 3.512 units for each variation in governance of risk.

Geke (2017) examines the effect of risk-based internal audits on the bottom lines of Kenya's state-owned sugar firms. As is to be anticipated from the targeted relations, this study employed a correlation research methodology that allows for a descriptive analysis as well as correlation and regression. Fifty participants from the finance departments, internal audit departments, and deputy finance departments of the chosen publicly owned sugar firms in Kenya were interviewed for this research. Since questionnaires were the most effective technique for gathering data, they were given to all respondents in the research. A favorable association between internal auditing risk management and its management was found in the research.

Internal control systems in government agencies in Uasin Gishu County were analyzed by Nyarombe, Musau, Kavai, and kipyegon (2020). The case study methodology was used to investigate how RBAA has an effect on the internal control systems of public agencies in Uasin Gishu County. According to the study's findings, Uasin Gishu County Government uses a Risk-based Audit Approach in its various departments. This approach is implemented through measures like the creation of a risk register, the inclusion of an explanation of RBAA in the Audit Charter, the development of an annual audit plan, the submission of reports detailing departmental exposure to risks, and the provision of adequate funding for internal audits. There is a lack of data and theory on the impact of the Risk Based Auditing Methodology on the financial performance of Kenya's banking sector. The majority of research focuses on either the level of RBA implementation or the criteria associated with highly effective internal audit departments. The impact of RBIA on the many Audit tasks, including the economic results on Saccos in Kenya, has not been thoroughly studied.

Ayagre(2018) looked at what variables affect whether or not Ghanaian businesses embrace Risk Based Internal Audit. When considering risk management for an enterprise, internal auditors' contributions were also evaluated. It was found that a risk-based approach to internal auditing is frequently adopted by the Club 100 firms in Ghana, particularly in the banking, telecom, and manufacturing sectors. The research also confirmed previous findings that indicated a significant role for IA in internal audit risk management, leading to the use of risk-based strategies during the preparation of yearly audits. According to the results of the research, legislation in Ghana does not encourage the use of RBIA. RBIA's ability to assist these businesses concentrate on their highest-risk regions was a major factor in their decision to use it.

2.4.4 Influence of Internal audit risk capacity on Financial Performance

Scholars Ibrahim, Mansor, and Ahmad (2020) examined how internal audit affects the accuracy of financial reports. The research strategy used in this study was descriptive. All of the companies that are members of the Manufacturers Federation of Nigeria made up the sample. A combination of primary and secondary sources was employed. Relevant data was gathered using questionnaires. Both quantitative and qualitative methods were utilized to examine the information gathered. Top management endorsement, auditor impartiality, auditor competence, and auditor output all were shown to correlate positively with reliable financial reporting.

The relationship between internal auditors' personalities and the quality of their work has been studied by Albawwat, Al-Hajaia, and Al Frijat (2021). The effect of such entangled factors on the accuracy of financial reports is also studied. 193 internal auditors from firms traded on the Amman Stock Exchange in Jordan participated in the survey for this research. Partial least squares structural equation modeling is used for model verification and testing in this investigation. Except for extraversion, the findings show that all of the analyzed personality qualities of internal auditors have a substantial influence on the efficiency of the internal audit function. The findings also indicate that personality characteristics indirectly affect the quality of financial reporting by influencing the efficiency of the internal audit function.

Yachi and Yona (2019) studied how the openness and accountability of local authorities in Zimbabwe was affected by the professional competency and staffing of the internal audit function. Data from partially structured surveys and focus groups were analyzed using regression and multivariate analysis for this research. Local government openness and accountability in Zimbabwe was shown to be positively related to the degree to which internal audit function competence aspects such as qualification, experience, and training were met. Effective and efficient company governance processes may be improved by establishing and maintaining a pool of skilled internal auditors.

Internal quality of audits in municipalities is impacted by the competence of the internal auditor, and this has positive implications for local government accountability, as Nurdiono and Gamayuni (2018) set out to demonstrate. Using a route analysis of Partial Least Square (PLS), the whole population of Lampung Province inspectorates is analyzed. This study's findings provide empirical proof linking internal auditor (inspectorate) competence to internal audit quality. Similarly, the financial responsibility of Lampung's regency/city is impacted favorably and considerably by the quality of its internal audits. As a proxy for audit quality, the quantity of discoveries by internal audit rises as auditor expertise rises. Internal auditors (inspectorate) in most Lampung province, city, and regency inspection offices have been properly competent, according to a descriptive and verificative analysis; nonetheless, inspectors in a few areas lacked the necessary expertise.

The purpose of Ogega's (2017) research was to learn how risk-based internal audit affects the long-term financial health of NGOs. The research method chosen was a descriptive one. The study's sample size was 79 non-governmental organizations. The study's subjects included program managers, grants managers, and accountants from each organization's administration. In order to acquire this information, the study used likert-scale surveys. Validity and reliability assessments were performed on the questionnaires. Audit openness, auditor competence, auditor independence, and management support were all shown to significantly correlate with the long-term financial viability of NGOs in Nakuru County.

2.5 Summary of the Literature and Research Gaps

This study project aims to investigate the influence of the Risk-Based Approach (RBA) on the financial performance of Saccos in the Western Region of Kenya. This research project aims to investigate the influence of Risk-Based Auditing (RBA) on the financial performance of Saccos. Specifically, the study explored the potential effects of RBA techniques, including Internal Audit Risk Planning, Internal Audit Risk Management, and Internal Audit Risk Capacity, on the financial performance of Saccos.

Apreku-Djan, Ameyaw, Ahiale, Owusu and Apreku (2022) analyzed the effect of risk-based auditing on value-based financial performance of banks listed on the Ghana stock exchange. The study utilized a cross-sectional and quantitative research design. The study population encompasses listed banks in Ghana Stock Exchange (GSE) for the study period spanning thirteen years (2018 to 2020) owing to data availability. The study used a judgemental sampling technique to select nine (9) banks out of thirty-five (35) fully licensed and operational commercial banks in Ghana as per the (Bank of Ghana Report, 2021). The study established that risk management has a significant positive effect on the value-based financial performance of banks listed on the Ghana Stock Exchange. The research recommended that other researchers should explore other financial performance measures rather than value-based financial performance which was measured by market value-added. This study used profitability, membership and dividend.

Njenga and Warui (2023) investigated the consequence of risk-based reviewing on corporate governance compliance among commercial state companies in Kenya. This study used a descriptive cross-sectional method of analysis. The target population was Kenya's 33 commercial state businesses. The unit of observation was 492 Commercial State Corporation management employees and Chief Internal Auditors. Purposive sampling selected 112 interviewees. Self-administered surveys captured primary data. SPSS 27.0 analyzed data. The study found that all personnel of the corporations were responsible for identifying and managing risks, and risk identification was a constitutive part of audit risk management practice with the objective to identify risk exposures inherent to the organizations' processes. The study recommends that future research broaden its focus to include other types of enterprises such as financial institutions so that results may be compared. To fill this contextual gaps, this study focued deposit taking Saccos in Western Kenya.

In their 2020 study, Kirogo, Ngahu, and Wagoki aimed to determine how risk assessment impacted the bottom lines of insurance companies in Nakuru town. We used a descriptive survey. The 52 management workers from 27 insurance organizations in Nakuru town were the intended subjects. The study's sample size was determined via a census. Insurance firms in Nakuru Town saw an uptick in their bottom lines after implementing risk-based auditing practices, according to the study's findings. Insurance businesses may improve their financial performance, transparency, and accountability by conducting risk assessments in a timely manner, which allows them to focus on high-risk areas. The paper concludes by recommending more research on the impact of risk-based audit on various types of financial institutions, with a focus on Savings Credit cooperative societies in Kenya. The results would show how these Kenyan institutions' financial performance changed after adopting risk-based auditing techniques.

The purpose of Kasiva's (2018) research was to ascertain how risk-based auditing affected the bottom lines of Kenyan commercial banks. The researchers in this study used a correlational approach. Commercial bank employees in Kenya who worked as accountants, relationship officers/managers, finance officers, internal auditors, or credit officers were the intended participants in the research. Participant surveys were used in the research. Credible audit reports, auditor independence to identify and rectify audit errors, effective implementation of audit recommendations, financial management, compliance with accepted audit standards, an independent audit committee, and an effective internal audit staff all have an impact on commercial banks' financial performance, according to the study's findings. Additional research on the effects of risk-based audits on Kenyan Savings Credit cooperative societies registered with SASRA is suggested by the study. The results would show how regulated SACCOs in Kenya fared financially after implementing risk-based auditing procedures.

Publicly owned sugar enterprises in Kenya were the subject of an analysis by Geke (2017) that looked at how risk-based internal audits affected their financial performance. In accordance with the anticipated targeted relations, this study employed a correlation research approach that permits description, correlation, and regression. Fifty finance officers, deputy finance officers, and internal auditors from a subset of Kenya's publicly held sugar enterprises made up the study's target group. To ensure the dependability of the research instrument, a pilot study was conducted with 5 participants using a 0.7 scale. This sample size was then increased to 45 for the main study. Because it was the best method for collecting data, the research sent out questionnaires to everyone who participated. Financial success was shown to be significantly positively correlated with risk management, according to the research. Additionally, the research discovered that there was a strong positive correlation between financial success and yearly risk based planning. A favorable and statistically significant correlation between risk-based financial audits and financial performance was found in the research. Since this study only looked at two aspects of the topic—annual risk-based planning and internal auditing capacity—it is widely acknowledged that it did not cover all aspects of the issue. Therefore, future studies should investigate the impact of associated variables and what it means for financial success, according to the study.

Table 2. 1: Summary of Research Gaps

Researcher	**Focus of Study**	**Methodology/ Approach**	**Findings**	**Knowledge Gap**
Nyerere, Njeru, and Mugo (2021)	Risk-Based Internal Audit and Corporate Governance on the Financial Performance of Deposit Taking Cooperatives in Nairobi Metropolis, Kenya.	The study used a combination of descriptive and explanatory research designs. The research conducted a comprehensive census survey of the 43 Savings and Credit Cooperative Organizations (SACCOs) located in the Nairobi Metropolis, Kenya	The results indicated a significant positive association between these variables.	Focused solely on deposit-taking SACCOs in the Nairobi Metropolis, limiting the generalizability of findings to SACCOs in other regions like western Kenya. The study did not address regional challenges or contextual factors that might affect risk-based auditing practices outside Nairobi**.**
Kasiva's (2020)	influence of risk-based audit on the financial performance of commercial banks in Kenya	The present study used a Correlation research design. The study's target audience consisted of 44 participants who held positions as financial	Effective planning enhances several aspects of a task, including efficiency, accuracy, completeness,	Investigated risk-based auditing in commercial banks rather than SACCOs, which have different

		officers, internal auditors, credit officers, relationship officers/managers, and accountants at commercial banks in Kenya	timeliness, convenience, and clarity.	operational dynamics and risk profiles. This limits the applicability of the findings to SACCOs, which may require distinct auditing approaches tailored to their unique environments.
Terer and Ngahu (2017)	Factors influencing risk based internal audit adoption in Kenya Agricultural and Livestock Research Organization (KALRO) In Nairobi	The top executives of KARLO served as the focus group for this study, which used a descriptive research approach. Sixty-four managers in upper management were surveyed using a census method. Questionnaires were utilized as the major data gathering tools.	The results showed that an organization's investment in its IT systems was significantly correlated with their use of risk-based internal auditing.	Explored risk-based internal auditing practices within a specific organization (KARLO), lacking a broader industry perspective. Their findings cannot be readily applied to SACCOs, which operate in a different sector with potentially different influences on auditing effectiveness.
Lutta's (2018)	Factors that influence the uptake of risk-based auditing in Kenya's	The research methodology that was utilized in this study was both cross sectional and	Researchers discovered that using a risk-based audit improved	Studied the public sector without addressing the SACCOs'

	public sector	descriptive survey technique targeted at determining the factors of adoption of risk based audit approach in the public sector in Kenya.	government openness, responsibility, and responsiveness to spending goals	operational context, which is crucial since public institutions may face different risks and regulations than financial cooperatives. This disconnect hinders the development of relevant frameworks for SACCOs in western Kenya.
Apreku-Djan, Ameyaw, Owusu, and Apreku (2022)	impact of risk-based auditing on the value-based financial performance of banks that are listed on the Ghana stock market	The research design used in this study was cross-sectional and quantitative in nature. The research sample consists of the banks listed on the Ghana Stock Exchange (GSE) for a thirteen-year period from 2018 to 2020	The research findings indicate that there is a notable and favorable impact of internal audit risk management on the financial performance of banks listed on the Ghana Stock Exchang	Examined banks listed on the Ghana Stock Exchange, making it difficult to draw parallels with SACCOs in Kenya, particularly given the varying regulatory environments and market conditions. Their focus on value-based financial performance metrics may also overlook specific financial indicators

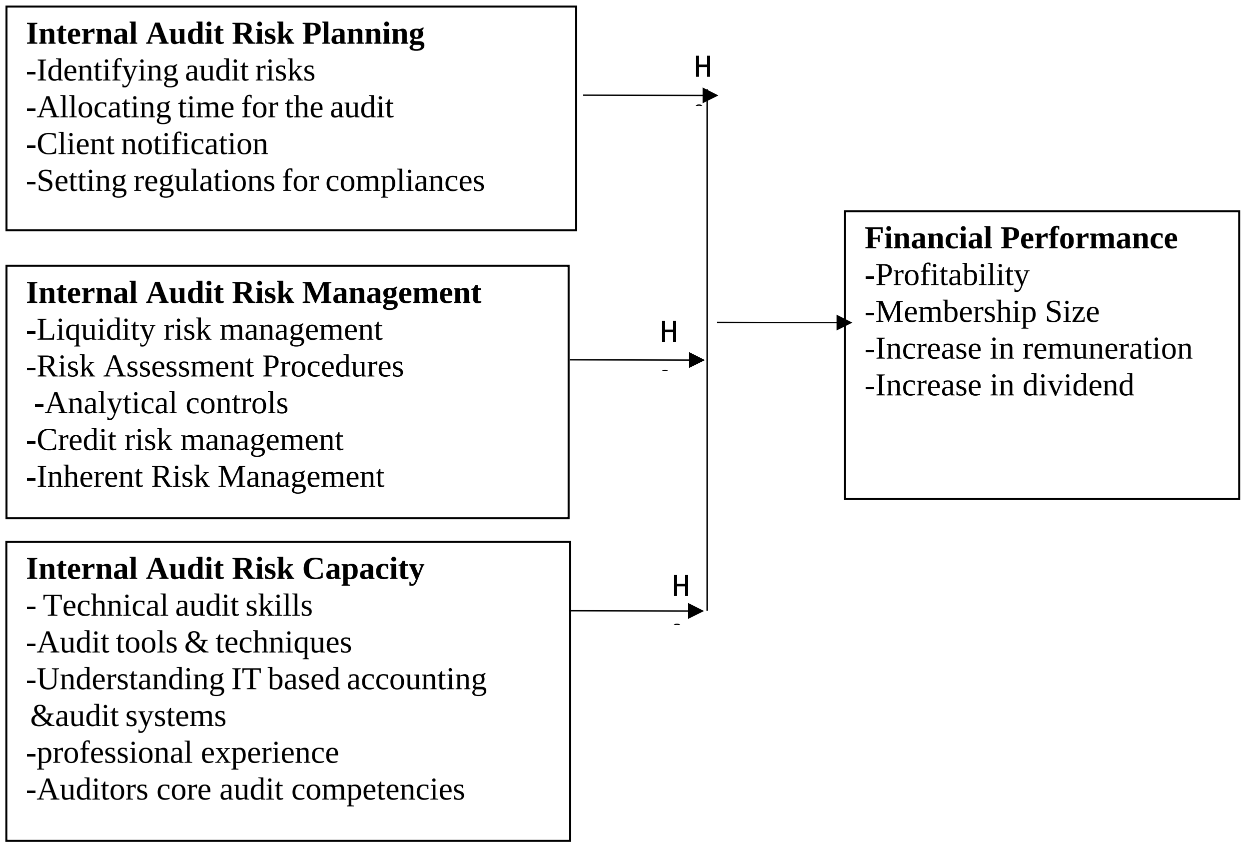
				pertinent to SACCOs.
Marete (2018)	Impact of risk-based internal audit practices, n on the financial performance of commercial State Corporations in Kenya	The research methodology used in this study was descriptive survey research, which aimed to gather information that accurately characterizes the current occurrences under investigation	The research findings indicated a significant positive correlation between internal audit risk management, internal audit planning, internal audit risk capability, internal audit standards, and financial performance	Targeted commercial State Corporations, which again differ in structure and operations from SACCOs. The research's findings on internal audit practices may not adequately reflect the nuances of SACCO financial management.
Gombe (2018),	Impact of risk-based internal auditing on the effectiveness of internal control systems within Savings and Credit Cooperative Organizations (Saccos) located in the Western Region of Kenya	This study used a correlation research strategy, which allows for the examination of descriptive statistics, correlation analysis, and regression analysis to explore the anticipated relationships	The findings from the multiple regression analysis indicate that the coefficient for internal audit risk management is 0.026, the coefficient for yearly risk based is 0.011, and the coefficient for internal audit risk capacity is 0.056 in relation to changes in the internal control system (ICS).	Focused on SACCOs in the western region, concentrated on internal controls rather than explicitly linking risk-based auditing to financial performance outcomes. This gap underscores the need for more targeted research that directly correlates risk-based auditing practices with financial

	performance metrics in SACCOs**.**

2.6 Conceptual framework

The conceptual framework delineated the factors that were discovered in the investigation. This study focused on the independent variables of internal audit planning risk, internal audit risk management, and internal audit risk capacity. The dependent variable is the financial performance of SACCOs, measured by indicators such as profitability, membership size, increase in renumeration and increase in dividend, as depicted in Figure 2.1.

Risk Based Audit **Financial Peformance**



Independent Variables **Dependent Variable**

Figure 2. 1:Conceptual Framework

Source: Researcher (2023)

The conceptual framework is founded from the literature review, which depicts a relationship between risk based auditing and financial performance. The independent variables included Internal Audit Risk Planning, internal audit risk management and Internal audit risk capacity. The independent variables was analyzed to determine their influence on the financial performance. Independent Variables were investigated using the following attributes: Internal Audit Risk Planning was measured by identifying audit risks, allocating time for the audit, client notification and setting regulations for compliances (Nugraha et al,, 2022; Sisco, Setiany & Setiyawati, 2020; Le & Nguyen, 2020).

Internal audit risk management was measured by liquidity risk, Credit risk and Analytical controls (Muraguri, 2018; Mulwa & Opuodho, 2022; Geke (2017); and Internal audit risk capacity was measured by technical audit skills, Audit tools & techniques, Understanding IT based accounting &audit systems, professional experience and Auditors core audit competencies (Ibrahim et al., 2020; Albawwat, et al., 2021; Nurdiono & Gamayuni (2018). The dependent variable was examined using the following financial performance; profitability, membership size, increase in renumeration as well as dividend. Financial performance is a subjective measure on how good a firm from primary business mode can use assets, resources and generate revenues (Chepngeno, 2017). SACCOS analysts and regulators have adopted above financial performance to evaluate performance of industry (Ouko & Atheru, 2022; Kiplangat & Theuri, 2021).

Table 2.2: Operationalization of the variables

Variable Type	Variable	Indicators	Measurement scale	Section in Questionnaire
Independent	Internal Audit Risk Planning	• Identifying audit risks • Allocating time for the audit • Client notification • Setting regulations for compliances	Interval/ Ordinal	Section B, I
Independent	Internal audit risk management	• Liquidity internal audit risk management • Risk Assessment Procedures • -Analytical controls • Credit internal audit risk management • Inherent Internal audit risk management& external auditors	Interval/ Ordinal	Section B, II
Independent	Internal audit risk capacity	• Technical audit skills • Audit tools & techniques • Understanding IT based accounting &audit systems • Professional experience • Auditors core audit competencies	Interval/ Ordinal	Section B, III
Dependent	Financial Performance	• Profitability • Membership • Dividend	Interval/ Ordinal	Section B, IV

Source: Researcher (2023)

CHAPTER THREE

RESEARCH METHODOLOGY

3.1 Introduction

This chapter provides an overview of the research design, target population, data collecting technique, data collection tools, and analytic method that was used in the thesis.

3.2 Study Area

The study was conducted in Western Region, Kenya region comprising of counties of Kakamega, Vihiga, Busia and Bungoma. The region has 15 registered Deposit taking Saccos. The Saccos are Invest and Grow Sacco, Wevasity Sacco, Afya Sacco, Police Sacco, Ukulima, Mwalimu National, Kussco sacco, Mudete Sacco in Kakamega County; Vihiga County Farmers Sacc and Vihiga County Sacco in Vihiga County; Faridi Sacco and Elimu Sacco in Busia County; Ng'arisha Sacco, Metropolitant Sacco, Stawisha Sacco in Bungoma County.

The study area was ideal for examining how Risk-Based Auditing (RBA) influences financial performance because these SACCOs are critical in fostering economic empowerment, supporting small businesses, and enhancing household savings. Furthermore, Western Kenya's SACCO sector faces unique challenges, including economic volatility and fluctuating agricultural incomes, making effective risk management practices essential for sustaining financial stability. By focusing on this region, the study can explore how RBA helps SACCOs mitigate such region-specific risks and enhance operational efficiency, ultimately supporting the sector's growth and resilience in this underserved area. Selecting this area provides insights into the role of SACCOs within a specific socio-economic context, allowing for tailored recommendations that address the needs of SACCOs operating in rural and semi-urban environments. This focus enhances the study's relevance for policymakers and SACCO managers aiming to optimize performance and risk management in similar regional contexts across Kenya.

3.3 Research Design

According to Creswell (2018), the study used a descriptive and correlational research approach, which presupposes a worldview or many worldviews. It comprises quantitatively investigating the connection between variables and just reporting a phenomena or variable. The adoption of a Descriptive design was justified due to its ability to facilitate the acquisition of information pertaining to the present state of the phenomenon, as well as its capacity to characterize the existing variables within the research. Given that the research included participants from four county administrations in Kenya, there exists the potential to amass a substantial volume of data for the purpose of conducting comprehensive analysis. By doing correlational analysis, the research successfully established the associations between the independent factors and their impact on the dependent variable. The underlying assumption of this study is that if there is a statistically significant association between two variables, it is feasible to make predictions about one variable using the existing knowledge on the other variable.

A correlational research design is a quantitative approach used to examine relationships between two or more variables without manipulating them, aiming to determine if associations exist and whether they are positive, negative, or non-existent (Creswell, 2018). This design was useful in fields like social sciences and business, where direct manipulation of variables may be impractical or unethical; it enables researchers to observe natural relationships within data collected through surveys, observations, or archival sources (Fraenkel & Wallen, 2017). While correlation does not imply causation and can be influenced by confounding variables, it remains valuable for generating hypotheses and guiding future research directions (Field, 2017).

3.4 Target Population

The term "target population" encompasses all the units that the study's data are intended to be used for making inferences. It establishes the units for which the study's conclusions are intended to be generalized (Hair, Page & Brunsveld, 2020). The study's target audience consisted of 125 personnel, namely Internal Auditors, Accountants, Credit Officers, Finance Officers, Finance Managers, and Chief Executive Officer/branch managers located in Kakamega, Bungoma, Busia, and Vihiga counties from 15 deposit taking Saccos in Western Kenya. The population for this study consisted of 125 participants, as shown in Table 3.1.

Table 3. 1:Target Population

Target Population	Number of employees
Internal Auditors	15
Accountants	50
Credit Officers	15
Finance Officers	15
Finance Managers	15
Chief Executive Officer	15
Total	125

Source; SASRA (2023)

3.5 Sample Size and Sampling Procedure

Sampling refers to the systematic procedure of choosing a subset of persons or things from a larger population, with the intention of ensuring that the chosen group has attributes that are indicative of the overall qualities present in the full population (Orodho and Kombo, 2022). The primary objective of this research was to examine the 15 deposit-taking Savings and Credit Cooperative Organizations (Saccos) located in the Western Region of Kenya. The study population consisted of 125 individuals. The Krejcie and Morgan formula was used to ascertain the sample population.

$$S = \frac{X^2 NP(1-P)}{d^2(N-1) + X^2P(1-P)}$$

Where

S is the desired sample size

X^2 is the table value of chi-square for one degree of freedom at desired confidence level which is 1.96x 1.96= 3.841

N is the population size

P is the population proportion assumed to be 0.5 since this will provide maximum sample size and d is the degree of accuracy expressed as a proportion 0.05

$$S = \frac{3.8416 \times 125 \times 0.5\,(1-0.5)}{0.05^2\,(125-1) + 3.8416 \times 0.5(1-0.5)} = 94.19 = 94 \text{ Respondents.}$$

Simple random sampling was used to select 94 respondents from a target of 125 as shown below.

Table 3. 2: Sample Size

Target Population	**Target Population**	**Sample Size**
Internal Auditors	15	11
Accountants	50	39
Credit Officers	15	11
Finance Officers	15	11
Finance Managers	15	11
Chief Executive Officer	15	11
Total	125	94

Source; Researcher (2023)

3.7 Data Collection Instruments and Procedures

The investigation applied primary data that was acquired via the use of a questionnaire. The use of a questionnaire was deemed appropriate for this research, since it was thought that the participants had a sufficient level of literacy and competence to effectively react to the inquiries posed. The questionnaire was broken into three sections. Section 1 included inquiries designed to get basic information from the participants, while Section 2 comprised closed-ended questions intended to collect data on particular independent variables of the research. Lastly, Section 2 would request information pertaining to performance. A Likert-type scale consisting of five points was used to measure all constructs, ranging from 1 (Strongly Agree) to 5 (Strongly Disagree). The scale was labeled as follows: 5 - Strongly Agree, 4 - Agree, 3 - Undecided, 2 - Disagree, and 1 - Strongly Disagree.

3.7.1 Data Collection Procedure

The present research included the collection of quantitative data via the use of a self-administered questionnaire. The participants were duly told by the researcher that the tools that were they were administering were only intended for purposes of research, and the replies provided by the participants were treated with utmost confidentiality and kept undisclosed. The researcher acquired a letter of introduction from the University in order to gather data from the selected participants. Four research assistants were responsible for distributing the questionnaires to the respondents, ensuring that they were completed, and then collecting them using a drop and pick procedure. The research assistants oversaw the data gathering procedure to verify that all items were appropriately addressed.

3.8 Reliability and Validity of Instruments

3.8.1 Pilot Study

A preliminary investigation was conducted in order to determine the reliability and validity of the research tools. Orodho (2018) posited that the use of a pilot study facilitated the assessment of the instruments' validity and reliability. Pilot research was done at Trans-National Times Sacco Society Ltd in Trans Nzoia County. The pilot research was conducted using a sample size of 12 participants who were affiliated with Trans-National Times Sacco Society Ltd. According to Isaac and Michael (2020), it has been stated that an optimal number of participants for pilot research ranges from 10 to 30. The participants that took part in the pilot study were excluded from the final sample of participants in the research. The pilot test helped the researcher in identifying inadequately formulated questions within the questionnaire, eliminating ambiguities, streamlining the questions, and enhancing the development of questions for more straightforward coding.

3.8.2 Reliability of the Instruments

According to Mugenda & Mugenda (2018), dependability refers to the extent to which an investigative tool consistently produces reliable outcomes or data after agreed trials. The Cronbach Alpha method was used in order to assess the dependability. The Cronbach alpha coefficient was computed from the response data using the statistical software SPSS.

Ahmad, Yussiff, and Mustapha (2020) argue that Cronbach's alpha may be categorized into five levels of quality: outstanding, decent, acceptable, bad, and unsatisfactory. A high alpha value (ideally above 0.7) indicates a notable degree of instrument consistency in quantifying the variables included in this investigation.

3.8.3 Validity of the Instrument

Whether a measuring device produces reliable results depends on how well it measures the constructs for which it was developed (Burton and Mazerolle, 2017; Bolliger and Inam, 2020). The study's validity was determined by examining the instrument's construct and content validity. The content validity of the questionnaire was calculated as the proportion of research goals that were reflected in the responses. The study instruments were meticulously crafted to guarantee accurate measurement and data collection. The study used faculty supervisors and other subject matter experts in the institution to make content judgment calls. Factor analysis and confirmatory factor analysis were used to assess and validate the construct validity of the instruments used in the research; both methods are advised for use with high sample sizes (n>50) to ensure that the instruments under investigation properly measure the phenomena under inquiry. According to (Aila & Ombok, 2020).

3.8.2.1 Factor analysis

In statistics, factor analysis was used to examine the underlying structures of datasets. "distinct sequences of incidence" may be extracted from a large dataset of quantitative data points or responses (Forbes et al., 2018). In a factor-analytic model, the resulting patterns are known as factors (Kline, 2000). Each element accounts for a certain amount of the variation, with the biggest percentage of variance being accounted for by the first factor and the proportion of variance diminishing with each subsequent factor. A person's factor score is the sum of their replies to items measuring that factor plus weights that reflect the strength of connections between those items and the factor.

To determine if the components that make up a construct genuinely measure the same research phenomenon, factor analysis was utilized in this investigation. Factors with factor loadings over 0.40 should be kept for further study, whereas those with factor loadings below 0.4 should be discarded, as suggested by Tabachnick and Fidell (2017). The Sphericity and Adequacy of Sample Sampling test was applied. The construct validity of the research variables was established using the Kaiser-Meyer-Olkin (KMO) test of sample adequacy; this allowed the study to determine which items were suitable for further investigation. The degree of sampling adequacy was determined using Bartlett's Test of Sphericity to determine whether or not the samples come from populations with similar variances.

3.9 Data Analysis

Analyzing data entails examining it, cleaning it, converting it, and modeling it so that relevant information can be drawn out, conclusions can be drawn, and decisions can be supported. The initial step in analyzing this study's data was to categorize, tabulate, and group it. Examining the acquired raw data for inaccuracies and missing information allows for a more thorough editing process. The completed surveys were analyzed thoroughly. Numbers were then assigned to each response in order to code the data and classify the data into a small number of categories. Statistical analysis was performed using SPSS version 26. The key data trend was mostly shown using descriptive statistics. Descriptive statistics like percentages and frequency distributions were employed in this study. At the 0.05 level of significance, inferential statistics were applied in the form of correlation and regression analyses. Tables, models, and charts were used to display the information. According to the set objectives, the data was analyzed.:

$$Y= \beta_0+ \beta_1X_1+\beta_2X_2+ \beta_3X_3 + \varepsilon$$

Where Y is the dependent variable (Performance),

β_0 is the regression constant,

β_1, β_2, and β_3 are the coefficients of independent variables,

X_1 is Internal Audit Risk Planning

X_2 is Internal audit risk management

X_3 is Internal audit risk capacity

ε is error term

3.9.1. Multiple Regression Model Assumptions

Diagnostic studies were conducted as a first step to assess the assumptions behind Pearson correlation and multiple regression analysis. The following was as follows.

Normality tests: Statistical lapses often occur in academic literature, particularly in parametric processes such as correlation, regression, analysis of variance, and t-tests, which rely on the supposition of a Gaussian or normal distribution. According to Ghasemi and Zahedias (2020), it is recommended to visually check normalcy by using a Q-Q plot to observe any deviations from the selected line of fit approximation used in this particular research.

Multicollinearity: The correlation between the many explanatory factors is called multi-collinearity. When the correlations among the independent variables are very strong (r= 0.9 and more), the study speak about multi-collinearity. On this point, multiple regressions are particularly sensitive. If two variables in your study have a bi-variate correlation of 0.7 or higher, as suggested by Tabachnick and Fidell (2018), you should exercise caution. Multiple collinearity was ruled out with the use of the Variance Inflation Factor and Tolerance level. Tolerable values range from a VIF of larger than 0.1 to less than 10.

A test of linearity examines the strength and direction of the relationship between the dependent and independent variables to ensure that changes in the dependent variable are proportional to shifts in the independent variable (Field, 2017). For regression analysis to be effective, a linear connection between these variables is necessary, meaning that as the independent variable changes, the dependent variable should ideally follow in a predictable, straight-line pattern (Creswell, 2018). In this study, Pearson's correlation analysis and scatter plots were employed to assess whether the independent variables were significantly correlated with the predictor (dependent) variables, ensuring that a linear relationship existed and supporting the suitability of regression analysis (Gravetter & Forzano, 2018).

Independence of Residual: The dataset must have minimal to no autocorrelation in order for linear regression analysis to be used successfully. When the residuals show a lack of independence from one another, autocorrelation was observed. The variables' independence was evaluated using the Durbin-Watson test. This test looks at whether the residuals in a multiple regression or linear regression model are independent. According to Malau (2018), the absence of an autocorrelation issue may be inferred when the Durbin-Watson factors fall within the range of 1.5 to 2.5.

3.10 Ethical Consideration

The research study was conducted in adherence to established ethical guidelines, particularly where human participants were engaged, emphasizing their paramount significance. The incorporation of ethical issues helps to maintain professionalism in the conduct of research. The preservation of the dignity and privacy of all study participants was ensured. The sources from which personal information was acquired were treated with confidentiality and respect. Prior to conducting the study, informed permission was sought from the participants. No person was included as a study subject unless they had received previous notification asking their participation. No kind of coercion or incentivization was used to solicit an individual's participation as a study subject. Consultation was conducted with the appropriate individuals, authorities, and committees, and a research authorization was acquired from the National Commission for Science, Technology, and Innovation (NACOSTI). Prior to an individual's participation as a research subject, they are provided with comprehensive information on the objectives, methodologies, and potential advantages associated with the study.

The study conducted adhered to ethical standards by ensuring the rights and well-being of the participants were upheld. Additionally, intellectual property rights were upheld by diligently acknowledging and crediting the sources of material and their respective authors. The avoidance of scientific dishonesty, including acts such as plagiarism, fabrication and falsification, flawed data collection methods, and deceptive authorship, was prioritized. The research was executed in a proficient manner, according to the principles of objectivity and scientific rigor. The study design, data interpretation, data analysis, and methodology were all completed without any prejudice.

CHAPTER FOUR

DATA ANALYSIS, FINDINGS AND DISCUSSIONS

4.1 Introduction

This chapter encompasses the exposition of the findings derived from the analysis of the gathered data, along with comments pertaining to the impact of risk-based auditing on the financial performance of SACCOs in the western area of Kenya. The chapter contents include; results on response rate, reliability and validity testing, analysis of background information, descriptive and inferential analyses of study variables.

4.1.1 Response Rate

A total of 94 questionnaires were sent to participants from 15 SACCOs located in the counties of Kakamega, Bungoma, Busia, and Vihiga. The data was obtained from a total of 68 respondents, representing a proportion of 72.3%. This percentage is considered high, as noted by Champion and Sear (2017). According to Champion and Sear (2017), an acceptable response rate is within the range of 49% to 59%. A response rate between 59% and 69% is considered excellent, while a response rate beyond 69% is classified as very good. Given that the response rate of 72.3% surpassed the threshold of 69%, it may be classified as quite satisfactory.

4.2 Results on Reliability and Validity Testing

4.2.1 Reliability Test

The investigation conducted an assessment of the questionnaire's reliability and validity in order to ensure its capacity to correctly gather data. In order to assess the reliability of the variables, the Cronbach alpha coefficient was used. The obtained values ranged from 0.934 to 0.972. For the purposes of this thesis, a Cronb ach alpha statistic of 0.7 or above was deemed to indicate satisfactory reliability. The test items included in this investigation were kept and deemed trustworthy, as shown in Table 4.1.

Table 4. 1: Reliability of Research Instruments

Variable	Number of Items	Cronbach Alpha	Comment
Internal audit risk planning practices	7	0.934	Reliable
Internal audit risk management	8	0.960	Reliable
Internal audit risk capacity	8	0.972	Reliable
Financial performance	8	0.940	Reliable
Overall	31	0.95	Reliable

Source: Field Data (2023)

4.2.2 Validity Tests

Internal-correlations among data are the objective of factor analysis, which aims to generate internally consistent surrogates of the variable (Mugenda, 2017). Factor loadings of 0.7 and above, according to Cooper and Schindler (2018), are sufficient. According to other experts, the minimum threshold for object loading is 0.4. Factor analysis is needed in research to evaluate construct validity and highlight heterogeneity among measured variables, as well as to check for any associated variables in order to minimize data redundancy, as Hair et al. (2017) demonstrates. When evaluating the validity of test questions for a variable with several observable components, a factor analysis was carried out. Table 4.2 displays the results of applying main component analysis to the Kaiser-Meyer-Olkin Measure of Sampling Adequacy (KMO).

Table 4. 2: KMO Table for Financial Performance

Kaiser-Meyer-Olkin Measure of Sampling Adequacy.	0.824
Bartlett's Test of Sphericity	559.798
	28
	.000

Source: Field Data (2023)

The outcomes of a Kaiser-Meyer-Olkin (KMO) test, which examines sample adequacy and checks whether or not factor analysis is acceptable, are shown in Table 4.2. When the KMO falls between 0.5 and 1.0, factor analysis seems sense (Tanasă. Horomnea & Ungureanu, 2020). With a KMO of 0.824 for financial performance, it was determined that factor analysis was a valid method for this study. The chi-square result of 559.798 (p .000) from using Bartlett's test of sphericity indicated a substantial correlation between the independent and dependent variables as well as the items utilized in the research.

Table 4. 3: Factor Loadings for Financial performance initial extraction

	Financial performance of the SACCOs	Initial Extraction
1	The capital base of deposit taking Sacco has consistently increased	0.748
2	Profitability of deposit taking Saccos have consistently increased	0.646
4	Customer service shave improved with increase in innovations like ATMs	0.726
5	Sacco membership has expanded over years	0.741
6	Customer services have improved with adequate increase	0.677
7	Renumeration of employees in deposit taking saccos is adequate	0.560
8	Dividend per share of deposit taking saccos has consistently increased	0.684

Source: Field Data (2023)

In factor analysis communalities show the extent which a test item correlates with all other test item. Since most construct validations presuppose a simple (rotated) structure, Kaiser's 1958 varmax rotation approach was employed to discourage the discovery of factors impacting all variables (Tanasă. Horomnea & Ungureanu, 2020). This means that each factor has a small number of large loadings but after varimax rotation each original variable is associated with one of the factors with large value hence variance of loadings is maximized as shown in the table 4.4 below.

Table 4. 4 Rotated component matrix

	Financial performance of the SACCOs	Component 1
1	The capital base of deposit taking Sacco has consistently increased	0.865
2	Profitability of deposit taking Saccos have consistently increased	0.804
4	Customer service shave improved with increase in innovations like ATMs	0.852
5	Sacco membership has expanded over years	0.861
6	Customer services have improved with adequate increase	0.823
7	Renumeration of employees in deposit taking saccos is adequate	0.749
8	Dividend per share of deposit taking saccos has consistently increased	0.827

Source: Field Data (2023)

Test items with factor loadings higher than 30.4 were deemed superior for this thesis. The criteria indicated above were chosen for more research. According to Tabachnick and Fidell (2017), variables with factor loadings more than 0.40 are advised to be kept in further analyses, whereas factors with loadings less than 0.40 are to be disregarded. Financial performance had 8 constructs and all items were subjected to further analysis.

Table 4. 5: Total Variance Explained

	Initial Eigenvalues			Extraction Sums of Squared Loadings		
Component	**Total**	**% of Variance**	**Cumulative %**	**Total**	**% of Variance**	**Cumulative %**
1	5.660	70.747	70.747	5.660	70.747	70.747
2	.782	9.776	80.523			
3	.695	8.685	89.209			
4	.315	3.942	93.151			
5	.251	3.132	96.283			
6	.178	2.227	98.511			
7	.071	.883	99.394			
8	.049	.606	100.000			

Extraction Method: Principal Component Analysis.

The Principal Component Analysis (PCA) identified a dominant factor within the dataset, as the first component yielded an eigenvalue of 5.660, accounting for 70.747% of the total variance, while the second and third components explained an additional 9.776% and 8.685%, respectively, leading to a cumulative variance of 89.209% from the first three components (Extraction Method: Principal Component Analysis). The subsequent components contributed progressively less, with the fourth to eighth components adding only 3.942%, 3.132%, 2.227%, 0.883%, and 0.606% to the variance. This analysis suggests that a single underlying factor largely drives the variability in the data, providing a clear focus for future research and practical applications (Field, 2017; Tabachnick & Fidell, 2017).

Table 4. 6: Test Items Dropped.

Variable	Composite measure	Items with Factor Loading Less than 0.4	Comment
Internal audit risk planning practices	7	0	Retained All
Internal audit risk management	8	0	Retained All
Internal audit risk capacity	8	0	Retained All
Financial performance	8	0	Retained All

Source: Field Data (2023)

4.3 Respondents Characteristics

The inclusion of demographic information pertaining to the respondents is of utmost importance, as it not only facilitates further conversations about the findings, but also enhances the legitimacy and generalizability of the results. This part provides an overview of the background information of the respondents, which is deemed essential for the subsequent discussions in this research. The participants were requested to provide details on their affiliation with Sacco in the questionnaire, Sacco period of existence, Gender, Education, age and duration in the Sacco. The analysed data produced results in Table 4.6.

The results of the study as indicated in Table 4.6 showed that, 58.8% (40) majority of the participants were male and 41.2% (28) were female. From the results in the same table, 42.6% (29) of the respondents have been in the Sacco for between 1 and 5 years while 48.5% (33) have been in the Sacco between 6 and 10 years. Moreover, 8.8% (6) have been in the Sacco for over 10 years, The results also revealed that 11.8% (8) of the respondents had diploma qualification, and another 55.9% (38) had bachelors while 32.4% (22) of the respondents had reached master's level. According to the results in the Table 4.6, 20.6%% (14) of the participants were between the ages of 20-30 years, 42.6% (29) were between the ages of 30-40 years and another 36.8% (25) were between age 40-50.

Table 4. 7: Demographic Characteristics of the respondents

Gender	**Frequency**	**Percentage**
Male	40	58.8
Female	28	41.2
Total	**68**	**100.0**
Age	**Frequency**	**Percentage**
20-30	14	20.6
31-40	29	42.6
41-50	25	36.8
Total	**68**	**100.0**
Education	**Frequency**	**Percentage**
Diploma	8	11.8
Bachelors	38	55.9
Masters	22	32.4
Total	**68**	**100.0**
Duration	**Frequency**	**Percentage**
1 to 5 years	29	42.6
6 to 10 years	33	48.5
Above 10 years	6	8.8
Total	**68**	**100.0**

Source: Field Data (2023)

4.4 Descriptive Statistics

The data in the present investigation was analyzed utilizing a quantitative technique, which allowed for the generation of descriptive statistics. The descriptive statistics were used in order to draw inferences and make generalizations about the association between the Independent Variables (IVs) and the Dependent Variable (DV). The research conducted an analysis of the data in order to determine the linkages in accordance with the stated goals. The questions posed were aligned with the aims of the research. The items in the questionnaire were assessed with a 5-point Likert Scale (ranging from 1 to 5), with the options representing varying degrees of agreement or disagreement. There are two levels of disagreement: level 1, represented by the value 1, and level 2, represented by the value 2. The scale used to measure agreement in this context is as follows: Neutral corresponds to a somewhat agreeable stance, Agree is assigned a value of 4, and Strongly Agree is assigned a value of 5.

4.4.1 Descriptive Statistics for Internal audit risk planning practices

The participants were requested to express their degree of concurrence on a scale ranging from strongly disagree (1) to strongly agree (5) with regards to seven statements pertaining to procedures associated with internal audit risk planning. The findings are shown in Table 4.7.

Based on the data shown in the table, it can be seen that 11.8% (8) of the participants expressed strong agreement about the definition of risk-based audit reporting time.

Additionally, 44.1% (30) of the respondents indicated agreement with this statement. In addition, it was found that 20.6% (14) of the participants expressed a moderate level of agreement on the definition of risk-based audit reporting time. Conversely, 16.2% (11) disagreed with this notion, while 7.4% (5) severely disagreed. Based on the data collected, it can be seen that the respondents exhibited a moderate level of agreement (mean = 3.27) with the definition of risk-based audit reporting time. This agreement is further supported by a notable standard deviation of 1.12, indicating a high level of variability in the respondents' opinions.

Table 4. 8: Descriptive Statistics for Internal audit risk planning practices

Statements	5	4	3	2	1	Mean	SD
1. Risk based audit reporting time is defined	11.8 (8)	44.1 (30)	20.6 (14)	16.2 (11)	7.4 (5)	3.37	1.12
2. Risk based audit planning is practiced to enhance transparency and accountability	14.7 (10)	25 (17)	36.8 (25)	17.6 (12)	5.9 (4)	3.25	1.10
3. There are annual plans and programs for individual risk-based audit assignments	11.8 (8)	48.5 (33)	26.5 (18)	11.8 (8)	1.5 (1)	3.57	0.90
4. Risk based audit annual plans are discussed with the management	29.4 (20)	19.1 (13)	20.6 (14)	23.5 (16)	7.4 (5)	3.40	1.33
5. There is timely action on audit queries	5.9 (4)	33.8 (23)	42.6 (29)	14.7 (10)	2.9 (2)	3.25	0.89
6. Audit recommendations are implemented by the Management	5.9 (4)	42.6 (29)	32.4 (22)	11.8 (8)	7.4 (5)	3.28	1.01
7. Risk based audit reporting time is defined	29.4 (20)	30.9 (21)	20.6 (14)	10.3 (7)	8.8 (6)	3.62	1.26

N=68, 1=Strongly Disagree, 2=Disagree, 3-Neutral, 4=Agree, 5=Strongly Agree, S. D=Standard Deviation

Source: Field Data (2023)

Risk-based audit planning is implemented with the aim of improving openness and accountability. Out of the total responses, 14.7% (10) highly agreed with this technique, while 25% (17) agreed. In contrast, a significant proportion of the respondents, namely 36.8% (25), expressed a moderate level of agreement with the notion that risk-based audit planning is implemented with the aim of improving transparency and accountability. Conversely, a smaller percentage, 17.6% (12), indicated disagreement, while an even smaller proportion, 5.9% (4), strongly disagreed with this perspective. The respondents exhibited a moderate level of agreement, as shown by a mean score of 3.25 and a notable standard deviation of 1.10. This suggests that risk-based audit planning is often used as a means to improve transparency and accountability.

Regarding the assertion that there are yearly strategies and initiatives for individual audit assignments based on risk assessment, it was found that 11.8% (8) of the participants strongly agreed with this statement, while an additional 48.5% (33) expressed agreement. Furthermore, it was found that 26.5% (18) of the participants expressed a moderate level of agreement, whereas 11.8% (8) objected and 1.5% (1) severely disagreed with the existence of yearly plans and programs for individual risk-based audit assignments. Based on the data collected, it can be concluded that the respondents, on average, expressed agreement about the existence of yearly plans and programs for individual risk-based audit assignments. The mean score of 3.57, together with a notable standard deviation of 0.90, indicates a substantial level of variability in the respondents' opinions.

Based on the results of the survey, it was found that 29.4% (20) of participants expressed a strong agreement with the notion that risk-based audit yearly plans are subject to discussion with management. Additionally, an additional 19.1% (13) of respondents indicated their agreement with this statement. Furthermore, it was found that 20.6% (14) of the participants expressed a moderate level of agreement, while 23.5% (16) opposed and 7.4% (5) strongly disagreed with the notion that risk-based audit yearly plans are deliberated with management. The respondents demonstrated a moderate level of agreement, as shown by a mean score of 3.40 and a large standard deviation of 1.33, on the discussion of risk-based audit yearly plans with management.

The aforementioned findings indicate that 5.9% (4) of the participants expressed strong agreement, while 33.8% (23) expressed agreement, regarding the presence of prompt response on audit issues. Furthermore, a significant proportion of the respondents, namely 42.6% (29), expressed a moderate level of agreement about the promptness of addressing audit inquiries. Conversely, a smaller percentage, 14.7% (10), disagreed with this statement, while an even smaller proportion, 2.9% (2), severely disagreed with it. Based on a sample of respondents, it was found that the mean score for perceived timely action on audit questions was 3.25, with a standard deviation of 0.89. These results indicate a general consensus among the respondents about the presence of timely action on audit queries, while the standard deviation suggests that there may be some variability in individual perceptions.

On the statement that audit recommendations are implemented by the management, 5.9% (4) of the respondents strongly agreed while 42.6% (29) agreed. Also, 32.4% (22) of the respondents fairly agreed, 11.8% (8) disagreed while 7.4% (5) strongly disagreed that audit recommendations are implemented by the management. With a mean of 3.28 and a significant standard deviation of 1.01, the respondents fairly agreed that audit recommendations are implemented by the management. The findings are corroborated by Kasiva (2020), who arrived at the conclusion that the enhancement of risk-based auditing may be achieved by several means, including risk assessment, internal audit risk management, yearly risk-based planning, adherence to internal auditing standards, and appropriate allocation of internal auditing personnel. This capability would allow the organization to promptly identify potential hazards and focus on areas with higher risk exposure, so promoting more transparency and responsibility. Consequently, this would contribute to the improvement of financial performance. Effective planning enhances operational efficiency, precision, comprehensiveness, timeliness, convenience, and clarity.

4.4.2 Descriptive statistics for Internal audit risk management

The data in this research was examined utilizing a quantitative technique, which included the generation of descriptive statistics. The descriptive data were used to draw inferences and make generalizations pertaining to the correlation between internal audit risk management and financial performance. The participants were requested to express their degree of agreement on a scale ranging from strongly disapproving (1) to very much in agreement (5) with regards to 10 statements pertaining to the management of internal audit risk. The findings are shown in Table 4.8.

Table 4. 9: Descriptive statistics for Internal audit risk management

Statements	5	4	3	2	1	Mean	S.D
1. Risk identification and management is a responsibility of all employees of the organization	19.1 (13)	60.3 (41)	0 (0)	17.6 (12)	2.9 (2)	3.75	1.06
2. The Sacco is able to meet its obligations as they fall due	19.1 (13)	47.1 (32)	20.6 (14)	13.2 (9)	0 (0)	3.72	0.93
3. Credit risk policy is key for the Sacco. Credit history, capacity to repay, capital, collateral and loan condition play vital role	23.5 (16)	42.6 (29)	17.6 (12)	7.4 (5)	8.8 (6)	3.65	1.18
4. Risk is analyzed, level is identified by the impact/likelihood e.g. high, medium, low.	14.7 (10)	60.3 (41)	8.8 (6)	10.3 (7)	5.9 (4)	3.68	1.04
5. Action on audit queries is done on time	20.6 (14)	36.8 (25)	25 (17)	11.8 (8)	5.9 (4)	3.54	1.13
6. Risk Based audit Annual plans are done by the Management	11.8 (8)	58.8 (40)	8.8 (6)	11.8 (8)	8.8 (6)	3.53	1.13
7. Implementation of audit recommendation by the Management done, Estimate the importance of a risk, evaluate the possibility of occurring risk and attention to how manage the risk	14.7 (10)	60.3 (41)	10.3 (7)	11.8 (8)	2.9 (2)	3.72	0.96
8. Risk matrix is available and shows degrees of likelihood and impact and plots risk scores.	19.1 (13)	29.4 (20)	35.3 (24)	8.8 (6)	7.4 (5)	3.44	1.125

N=68, 1=Strongly Disagree, 2=Disagree, 3-Neutral, 4=Agree, 5=Strongly Agree, S. D=Standard Deviation

Source: Field Data (2023)

Based on the data shown in the table, it can be seen that 19.1% (13) of the participants expressed strong agreement about the notion that risk identification and management should be regarded as a collective duty among all members of the company. Additionally, a significant majority of 60.3% (41) also expressed agreement with this claim. Furthermore, it is worth noting that a total of 17.6% (12) of the participants expressed their disagreement about the notion that risk identification and management should be considered a shared duty among all workers within the firm. Additionally, a smaller percentage of 2.9% (2) strongly disagreed with this statement. According to the data provided, it can be inferred that the respondents, on average, had a consensus on the duty of all workers within the business in terms of risk identification and management. This inference is supported by the mean value of 3.75 and the notable standard deviation of 1.06.

With respect to the ability of Sacco to fulfill its commitments when they become due, a significant proportion of the respondents, namely 19.1% (13), strongly agreed, while a larger percentage of 47.1% (32) agreed. In contrast, a notable proportion of the respondents, namely 20.6% (14), expressed a moderate level of agreement, while 13.2% (9) had a dissenting viewpoint on the Sacco's ability to fulfill its financial commitments within the stipulated time frame. Based on the data collected, it can be shown that the respondents, on average, rated the ability of sacco to satisfy its commitments when they come due at a mean score of 3.72. This rating is accompanied by a substantial standard deviation of 0.93, indicating a considerable level of variability in the respondents' opinions.

On the statement that, credit risk policy is key for the Sacco credit history, capacity to repay, capital, collateral and loan condition play vital role, 23.5% (16) of the respondents strongly agreed while a further 42.6% (29) agreed on the same. Moreover, 17.6% (12) of the respondents fairly agreed, 17.6% (12) disagreed while 8.8% (6) strongly disagreed that credit risk policy is key for the Sacco credit history, capacity to repay, capital, collateral and loan condition play vital role. With a mean of 3.65 and a significant standard deviation of 1.17, the respondents agreed that credit risk policy is key for the Sacco credit history, capacity to repay, capital, collateral and loan condition play vital role.

According to the study findings, 14.7% (10) of respondents strongly agreed that risk is analyzed, level is identified by the impact/likelihood high, medium, low and a further 60.3% (41) agreed on the same statement. Also, 8.8% (6) of the respondents fairly agreed, 10.3% (7) disagreed while 5.9% (4) strongly disagreed that risk is analyzed, level is identified by the impact/likelihood high, medium, low. With a mean of 3.68 and a significant standard deviation of 1.04 the respondents agreed that risk is analyzed, level is identified by the impact/likelihood high, medium, low.

The results above revealed that, 20.6% (14) of the respondents strongly agreed and 36.8% (25) agreed that action on audit queries is done on time. Moreover, 25% (17) of the respondents fairly agreed that action on audit queries is done on time, 11.8% (8) disagreed while 5.9% (4) strongly disagreed on the same assertion. With a mean of 3.54 and a significant standard deviation of 1.13, the respondents agreed that action on audit queries is done on time.

According to the survey results, a total of 11.8% (8) of the participants completely concurred with the assertion that risk-based audit annual plans are prepared by the management, while 58.8% (40) concurred with this statement. In addition, it was found that 8.8% (6) of the participants expressed a moderate level of agreement, while 11.8% (8) opposed and 8.8% (6) were strongly against with the notion that risk-based audit annual plans are conducted by management. According to the data collected, it was found that the respondents were mostly in agreement that risk-based audit annual plans are conducted by the management. This conclusion is based on a mean value of 3.53 and a large standard deviation of 1.13.

Moreover, 14.7% (10) of the respondents strongly agreed and a further 60.3% (41) agreed that implementation of audit recommendation by the management done, Estimate the importance of a risk, evaluate the possibility of occurring risk and attention to how manage the risk. On the other hand, 10.3% (7) of the respondents fairly agreed, 11.8% (8) disagreed while 2.9% (2) strongly disagreed that implementation of audit recommendation by the management done, Estimate the importance of a risk, evaluate the possibility of occurring risk and attention to how manage the risk. With a mean of 3.72 and a significant standard deviation of 0.96, the respondents agreed that implementation of audit recommendation by the Management done, Estimate the importance of a risk, evaluate the possibility of occurring risk and attention to how manage the risk.

Lastly, 19.1% (13) of the respondents strongly agreed and a further 29.4% (20) agreed that Risk matrix is available and shows degrees of likelihood and impact and plots risk scores.

On the other hand, 35.3% (24) of the respondents fairly agreed, 8.8% (6) disagreed while 7.4% (5) strongly disagreed that Risk matrix is available and shows degrees of likelihood and impact and plots risk scores. With a mean of 3.44 and a significant standard deviation of 1.125, the respondents fairly agreed that risk matrix is available and shows degrees of likelihood and impact and plots risk scores. The findings presented in this study are corroborated by Nugraha, Yazid, and Bastian (2022), who provide evidence that effective planning of risk-based internal audits is crucial in attaining audit objectives of high quality. Furthermore, the proficiency of auditors is also a significant factor influencing the quality of audit outcomes. The auditor paradigm has shown its moderating effect by diminishing the significance of competence in determining audit quality, while concurrently enhancing the impact of risk-based internal audit strategy on the quality of audits. This research posits that effective audit planning is crucial in attaining high-quality audit objectives, whereas the proficiency of an auditor significantly influences the quality of audit outcomes.

4.4.3 Descriptive statistics for Internal Audit Risk Capacity

The participants were requested to express their degree of concurrence ranging from strongly disapprove (1)very much in agreement (5) with respect to seven assertions pertaining to the competence of internal audit risk. The outcomes are summarized in Table 4.9.

Based on the data presented in the aforementioned table, it can be seen that 19.1% (13) of the participants expressed a strong agreement on the existence of defined procedures by the management for the verification of auditors' credentials. Additionally, a majority of 54.4% (37) of the respondents indicated agreement with this claim. In addition, it was found that 4.4% (3) of the participants expressed a moderate level of agreement about the existence of defined procedures by the management for the verification of auditors' credentials. Conversely, 20.6% (14) disapproved with this statement, while 1.5% (1) severely disagreed. Based on the data provided, it can be inferred that the respondents, on average, rated the management's establishment of processes for confirming the credentials of auditors positively, with a mean score of 3.67. The substantial standard deviation of 1.05 indicates a considerable degree of variability in the respondents' ratings.

Table 4. 10: Descriptive Results for Internal Audit Risk Capacity

Statements	5	4	3	2	1	Mean	S.D
1. First, the administration has put in place procedures for vetting auditors' qualifications.	19.1 (13)	54.4 (37)	4.4 (3)	20.6 (14)	1.5 (1)	3.69	1.05
2. The amount of hours an internal auditor devotes to CPD may be indicative of their level of expertise in the field.	8.8 (6)	61.8 (42)	11.8 (8)	11.8 (8)	5.9 (4)	3.56	1.01
3. Third, having a trained internal auditor and chairman may help prevent unethical corporate activities and boost confidence in financial reports.	19.1 (13)	50 (34)	17.6 (12)	4.4 (3)	8.8 (6)	3.66	1.11
4. Members of the audit team are highly trained experts who are familiar with internal auditing concepts and practices.	19.1 (13)	54.4 (37)	11.8 (8)	8.8 (6)	5.9 (4)	3.72	1.06
5. This function is crucial because	11.8	61.8	8.8	16.2	1.5	3.66	0.94

	only a qualified and competent internal auditor can detect and prevent fraudulent behavior.	(8)	(42)	(6)	(11)	(1)		
6.	To guarantee that experts maintain the necessary skills to properly carry out auditing operations, they must undergo regular trainings.	17.6 (12)	55.9 (38)	11.8 (8)	1.5 (1)	13.2 (9)	3.63	1.20
7.	The county governments' auditors have the necessary professional qualifications to carry out their auditing responsibilities	22.1 (15)	42.6 (29)	17.6 (12)	10.3 (7)	7.4 (5)	3.62	1.16
8.	Professionally qualified and competent audit staff can assist a company in achieving relevance, reliability, comparability, understandability, and timeliness	16.2 (11)	41.2 (28)	25 (17)	13.2 (9)	4.4 (3)	3.51	1.058

N=68, 1=Strongly Disagree, 2=Disagree, 3-Neutral, 4=Agree, 5=Strongly Agree, S. D=Standard Deviation

Source: Field Data (2023)

The correlation between the amount of time allocated to continuous professional development and the level of professional competence shown by internal auditors was examined. Out of the total responses, 8.8% (6) completely concurred with this notion, while 61.8% (42) expressed agreement. In contrast, a notable proportion of the respondents, namely 11.8% (8), expressed a moderate level of agreement, while an equal percentage, 11.8% (8), had a contrary viewpoint. Additionally, a smaller subset, comprising 5.9% (4) of the participants, strongly disagreed with the notion that the quantity of hours dedicated to continuous professional development may serve as an indicator of an internal auditor's professional competence. Based on the data provided, it can be inferred that the respondents, who had a mean of 3.56 and a standard deviation of

1.01, expressed agreement about the potential correlation between the amount of time dedicated to continuing professional development and the level of professional competence shown by internal auditors.

According to the survey results, a significant proportion of respondents, namely 19.1% (13 individuals), expressed a strong agreement with the notion that the inclusion of a competent internal auditor and chairman may enhance the general standard of financial reporting and operate as a deterrent against unethical business practices. Additionally, an additional 50% (34 individuals) indicated their agreement with this perspective. Furthermore, a notable proportion of the participants, namely 17.6% (12), expressed a reasonable level of agreement with the notion that the inclusion of a competent internal auditor and chairman might potentially enhance the general standard of financial reporting and serve as a deterrent to unethical corporate conduct. Conversely, a smaller percentage, namely 4.4% (3), indicated disagreement, while 8.8% (6) were strongly opposed with this perspective. According to the data provided, it can be inferred that the respondents, on average, expressed agreement with the notion that the inclusion of a competent internal auditor and chairman might enhance the general level of financial reporting and serve as a deterrent to unethical corporate conduct. This conclusion is supported by the mean score of 3.66 and the notable standard deviation of 1.11.

Based on the results of the survey, it was found that 19.1% (13) of participants expressed a strong agreement on the high level of expertise had by the team members responsible for performing the audit. These individuals were seen as having a comprehensive understanding of the terminology, principles, and procedures associated with internal auditing. Additionally, an additional 54.4% (37) of respondents concurred with this statement. In addition, it was found that 11.8% (8) of the participants expressed a moderate level of agreement, 8.8% (6) disapproved, and 5.9% (4) strongly disagreed about the level of qualification possessed by the team members responsible for performing the audit. Specifically, these respondents believed that the team members lacked a comprehensive understanding of the terminology, principles, and techniques associated with internal auditing. Based on the data collected, it can be concluded that the respondents generally believed that the team members responsible for performing the audit had a high level of professional qualifications and possess a comprehensive understanding of the terminology, concepts, and techniques associated with internal auditing. This conclusion is supported by the mean score of 3.72 and a substantial standard deviation of 1.06.

The findings shown above indicate that 11.8% (8) of the participants expressed strong agreement, while 61.8% (42) expressed agreement, with the notion that only a proficient and capable internal audit function had the ability to identify and mitigate fraudulent behavior. This underscores the significance of this role in preventing fraudulent activities. Furthermore, a significant proportion of the participants, namely 8.8% (6 individuals), expressed a moderate level of agreement about the notion that the detection and prevention of fraudulent behavior necessitates the presence of a proficient and capable internal audit function. This finding underscores the criticality of this role in organizational settings. A total of 16.2% (11 individuals) expressed disagreement, while 1.5% (1 individual) strongly disagreed with the aforementioned statement. Based on the data provided, it can be inferred that the respondents, on average, expressed agreement (mean = 3.66) with the notion that the detection and prevention of fraudulent behavior necessitates the presence of a proficient and capable internal audit function. This finding underscores the criticality of this role in safeguarding against fraudulent activities.

In response to the assertion that ongoing training is necessary in the field of internal auditing due to the diverse skill set required, a significant proportion of the participants, specifically 17.6% (12), strongly agreed with this statement, while a majority of 55.9% (38) expressed agreement. In addition, it was found that 11.8% (8) of the participants expressed a moderate level of agreement, while 1.5% (1) disagreed and 13.2% (9) were strongly against with the notion that ongoing training is necessary for internal auditors to maintain the necessary level of expertise required for successful auditing activities. Based on the data obtained from the respondents, it can be concluded that there is a consensus regarding the necessity of repeated trainings in the field of internal auditing. This agreement is supported by a mean score of 3.63 and a substantial standard deviance of 1.20, indicating that the respondents recognize the importance of maintaining a high level of expertise in order to effectively perform auditing activities.

Furthermore, it was found that 22.1% (15) of the participants expressed strong agreement, while an additional 42.6% (29) agreed that the auditors employed by county governments had the requisite professional credentials to effectively fulfill their auditing duties. In contrast, a portion of the respondents, namely 17.6% (12), expressed a moderate level of agreement, while 10.3% (7) objected and 7.4% (5) were strongly dissatisfied with the notion that the auditors employed by county governments had the requisite professional credentials to effectively fulfill their auditing duties. Based on the data collected, it can be concluded that the respondents generally believed that auditors employed by county governments had the requisite professional credentials to effectively fulfill their auditing duties. This conclusion is supported by a mean score of 3.62 and a statistically significant standard deviation of 1.16.

In conclusion, a total of 16.2% (11) of the participants expressed strong agreement, while an additional 41.2% (28) agreed that the utilization of professionally qualified and competent staff members for conducting internal audits within an organization can contribute to the achievement of significance, dependability, comparable, understandability, and promptness. These factors collectively enhance the overall performance of the company. In contrast, a quarter of the respondents (25%, n=17) expressed a moderate level of agreement, whereas a smaller proportion (13.2%, n=9) objected and an even smaller percentage (4.4%, n=3) were strongly opposed with the aforementioned statement. Based on the data provided, it can be observed that the respondents, on average, expressed agreement regarding the potential benefits of having professionally qualified and competent staff members conduct internal audits within an organization. This practice is believed to contribute to the achievement of various desirable outcomes, including relevance, reliability, comparability, understandability, and timeliness, all of which are considered important factors in enhancing overall performance.

The findings align with the study conducted by Nyarombe, Musau, Kavai, and Kipyegon (2020), which revealed that the Uasin Gishu County Government departments employ Risk-based Audit Approaches. The strategies implemented include the utilization of a risk register, the inclusion of RBAA in the Audit Charter, the development of an annual audit plan, the provision of reports to department committees regarding risk exposures, and the allocation of resources for internal audit activities. Ayagre(2018) observed that risk based approach to internal auditing is widely used amongst Ghana's Club 100 companies, especially amongst financial, Telecommunications, and Manufacturing companies. The study again found out that, there is high involvement of IA in internal audit risk management which translated to the use of risk-based approaches in planning annual audits.

4.4.4 Descriptive statistics for Financial Performance

Participants were tasked to express their degree of agreement on a scale ranging from strongly disapprove (1) to very much in agreement (5) with regards to the financial performance of the company. The outcomes are displayed in Table 4.10. From the data shown in the table above, the study can conclude that 30.9% (13) of respondents highly agree and an additional 38.2% (26) believe that the capital base of the deposit taking Sacco has continually expanded. Also, although 8.8% (6) of people were strongly agreeing, 22.1% (15) of people were strongly disagreeing that the capital base of deposit-taking Sacco has constantly expanded. Capital base of the deposit-taking Sacco has steadily risen, as shown by a mean of 3.78 and a substantial deviation from the mean of 1.12.

Twenty-six percent (14) of respondents firmly concurred and 35 percent (24) concurred that deposit-taking Saccos' profitability has grown on the whole. In contrast, just 29.4% (20 people) believed that deposit-taking Saccos had constantly grown profitable, while 11.8% (8) disapproved and 2.9% (2) severely opposed. The profitability of deposit-taking Saccos has been on the rise, as shown by a mean of 3.59 and a considerable deviation from the mean of 1.04.

Table 4. 11: Descriptive statistics for Organizational Financial performance

Statements	5	4	3	2	1	Mean	S.D
1. The capital base of deposit taking Sacco has consistently increased	30.9 (21)	38.2 (26)	8.8 (6)	22.1 (15)	0 (0)	3.78	1.12
2. Profitability of deposit taking Saccos have consistently increased	20.6 (14)	35.3 (24)	29.4 (20)	11.8 (8)	2.9 (2)	3.59	1.04
3. The proliferation of technologies like ATMs has led to improvements in customer service.	44.1 (30)	17.6 (12)	26.5 (18)	8.8 (6)	2.9 (2)	3.91	1.16
4. Sacco membership has expanded over years	30.9 (21)	29.4 (20)	27.9 (19)	8.8 (6)	2.9 (2)	3.76	1.08
5. Customer services have improved with adequate increase	42.6 (29)	17.6 (12)	25 (17)	11.8 (8)	2.9 (2)	3.85	1.19
6. Renumeration of employees in deposit taking saccos is adequate	17.6 (12)	29.4 (20)	41.2 (28)	11.8 (8)	0 (0)	3.53	0.92
7. Saccos that accept deposits have seen rising dividend payouts throughout the years.	26.5 (18)	44.1 (30)	11.8 (8)	14.7 (10)	2.9 (2)	3.76	1.09
8. The annualized rate of return on members' deposits has been rising steadily	42.6 (29)	35.3 (24)	4.4 (3)	17.6 (12)	0 (0)	4.03	1.092

N=68, 1=Strongly Disagree, 2=Disagree, 3-Neutral, 4=Agree, 5=Strongly Agree, S. D=Standard Deviation

Source: Field Data (2023)

Among those polled, 44.1% (30) completely agreed that innovations like ATMs had enhanced customer service, whereas 17.6% (12) agreed with the notion. In addition, 26.5 percent (18 people) concurred 8.8 percent (6) did not agree and 2.9 percent (2) strongly disapproved that technological advances like ATMs had led to an improvement in customer service. The respondents, with a mean score of 3.91 and an elevated deviation of 1.16, agreed that technologies like ATMs had enhanced customer service.

The results showed that 30.9 percent (21) of people in the sample were in agreement with the assertion that Sacco participation has grown throughout the years, whereas 29.4 percent (20) were in agreement. Sacco membership has grown over the years, with 27.9% (19) of respondents agreeing somewhat, 8.8% (6) disagreeing, and 2.9% (2) strongly disagreeing. The majority of respondents (77.2%; mean = 3.76; deviation from the mean = 1.08) believe that Sacco participation has grown over time.

According to the data above, 42.6% (29 people) of respondents firmly believed that customer service has improved, whereas 17.6% (12 people) agreed that it has. 25% (17) of respondents acknowledged that customer services had improved with an appropriate increase; 11.8% (8) disapproved; and 2.9% (2) severely disagreed. Respondents generally believed that customer service had improved, giving it a mean score of 3.85 and a high standard deviations of 11.19.

Only 17.6% (12) of respondents were convinced that pay in deposit-taking saccos is sufficient, whereas 29.4% (20) agreed. Moreover, remuneration of workers in the deposit-taking saccos is appropriate, with 41.2% (28) of respondents fairly agreeing and 11.8% (8)

disagreeing. Workers at deposit-taking saccos are compensated fairly, according to the respondents (mean: 3.53, deviation from the mean: 1.92).

Also, 26.5 percent (18 of those responding) strongly concurred, and 44.1 percent (30 of those responding) agreed, that dividends per share of deposit-taking saccos have increased over time. Dividend per share of deposit-taking saccos has steadily increased, although only 11.8%(8) of respondents concurred 14.7%(10) disapproved, and 2.9%(2) severely disagreed. The respondents all acknowledged that dividend per share of deposit-taking saccos has constantly increased, with a mean of 3.76 and a considerable standard deviation of 1.09.

Finally, 35.3% (24) of respondents agreed and 42.6% (29) of those who responded wholeheartedly concurred that interest on members' savings has been growing over the years. However, just 4.4%(3) completely agreed that interest on members' savings has been rising over the course of time, while 17.6%(12) disagreed. The poll participants all acknowledged that member deposits had been growing over the years (mean = 4.03, deviation from mean = 1.092). Ibrahim, Mansor, and Ahmad (2020) discovered that there is a substantial association between financial reporting quality and upper management backing, independence of auditors, auditor professional competency, and auditing quality of work, therefore these findings make sense.

Table 4. 12: Financial Performance Secondary Data

Stats	Total Assets	Total Equity	Total Income	ROA	ROE

N	75	75	75	75	75
Min	0.08	0.01	0.01	0.021728	0.10719
Max	20.94	14.42	2.79	0.09710	0.3775
Mean	3.442933	2.393333	0.4636	0.06842	0.183461
Sd	5.187152	3.623767	0.664651	0.104624	0.652076

As shown in Table 4.11, total assets ranged from 0.08Billions to a maximum of 20.94 billion with a mean of 3.44bilion and a standard deviation of 5.18B. Total equity ranged from 0.01Billions to 14.42 billion with a mean of 2.39Billions with a standard deviation of 3.62Billion. Further, total income ranged from 0.01billion to 2.79billion with a mean of 0.46Billion and standard deviation of 0.66 billion. In regards to return on assets (ROA), it ranged from 2.17% to 9.71% with a mean of 6.84% with a standard deviation of 10.46%. Return on equity ranged from 10.72% to 37.75% with a mean of 18.34% and a stand deviation of 55.2%.

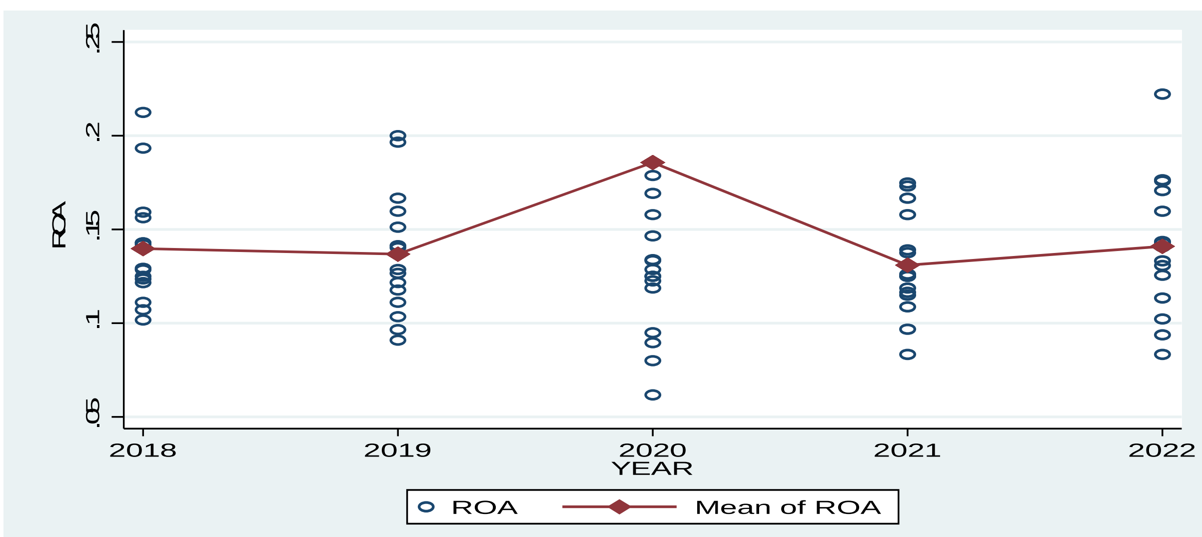


Figure 4. 1: Return on Asset (ROA) between 2018 and 2022

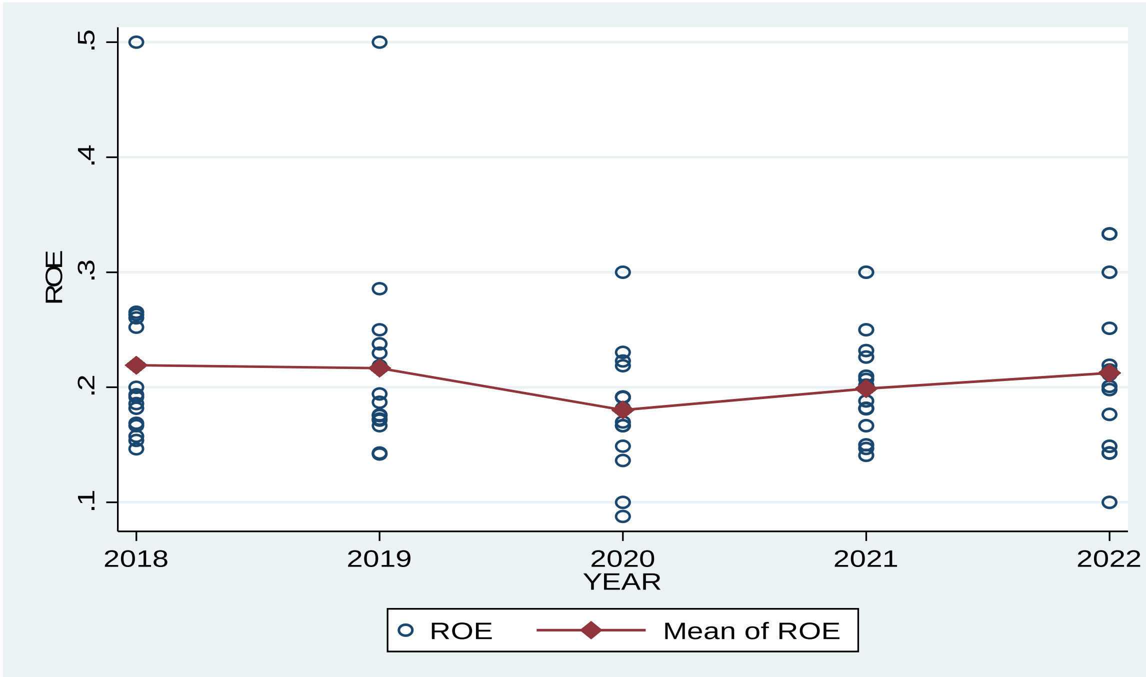


Figure 4. 2 Return on Equity (ROE) between 2018 and 2022

4.5 Pearson Correlation Analysis

The linear regression analysis is predicated on the assumption that there exists a linear association between each of the dependent and independent variables. The observed linearity in the research variables may be attributed to the fact that the significance level was found to be less than 0.05 for all variables. All linear correlations exhibited statistical significance at a confidence level of 0.01, corresponding to a 99.0% confidence level. The findings of the correlation coefficient (r) are shown in Table 4.12, obtained via the use of Pearson correlation analysis. This statistical method calculates both the direction (positive/negative) and the magnitude (ranging from -1 to +1) of the association between two continuous or ratio/scale variables.

Table 4. 13: Multiple Correlation Matrix

		Internal Audit Risk Planning	Internal Audit Risk Management	Internal Audit Risk Capacity
Internal Audit Risk Planning	Pearson Correlation	1		
	Sig. (2-tailed)			
	N	68		
Internal audit risk management	Pearson Correlation	.356**	1	
	Sig. (2-tailed)	.003		
	N	68	68	
Internal audit risk capacity	Pearson Correlation	.286*	.517**	1
	Sig. (2-tailed)	.018	.000	
	N	68	68	68

Financial Performance	Pearson Correlation	.569**	.714**	.671**
	Sig. (2-tailed)	.000	.000	.000
	N	68	68	68

**. Correlation is significant at the 0.01 level (2-tailed).
*. Correlation is significant at the 0.05 level (2-tailed).

Source: Field Data (2023)

According to the correlation analysis provided in Table 4.12, there exists a positive connection between internal audit risk planning methods and financial performance. The coefficient of correlation is determined to be 0.569, with a p-value of 0.000. This level of significance indicates that the relationship between these variables is statistically significant at a 95% confidence level. Therefore, increase in internal audit risk planning methods would cause financial performance to increase. Therefore, the implementation of enhanced internal audit risk planning methods is expected to result in a corresponding improvement in the financial performance of Savings and Credit Cooperative Organizations (Saccos) in the Western Region of Kenya. The study conducted by Nyerere, Njeru, and Mugo (2021) centered on the examination of deposit-taking savings and credit cooperatives (SACCOs) inside the Nairobi Metropolis of Kenya. The results of the study indicate that the implementation of risk-based audit planning has a statistically significant beneficial impact on the financial performance of Savings and Credit Cooperative Organizations (SACCOs). Le and Nguyen (2020) examined how independent audit firms in Vietnam understand and use risk-based audit approach (RBAA) in audit practice. The results indicated that there were six factors influencing RBAA adoption including: Auditor's ability, Technological development, Audit fees, auditors' motivation, Audit time and client's risk. Of which, auditor's ability and technological development are factors that have the most significant and positive impacts on the adoption of RBAA. The study conducted by Al-Qudah (2021) revealed a statistically significant impact of the audit strategy, which is centered on business risks and encompasses several aspects, on the mitigation of unsystematic risks within the banking sector of Jordan. The study's findings indicate a statistically significant impact of the company's risk-based audit technique, together with its many aspects, on the mitigation of operational risks inside Jordanian institutions.

In a similar vein, the obtained correlation coefficient of 0.714, with a p-value of 0.00, suggests a statistically significant positive association between internal audit risk management and the financial performance of Savings and Credit Cooperative Organizations (Saccos) in the Western Region of Kenya. Therefore, the implementation of enhanced internal audit risk management techniques is expected to result in a corresponding improvement in the financial performance of Savings and Credit Cooperative Organizations (Saccos) in the Western Region of Kenya. In a study conducted by Muraguri (2018), the objective was to examine the impact of risk-based audit on the performance of state-owned enterprises in Kenya. The research found a significant and negative correlation between risk assessment and internal audit standards and the performance of state-owned enterprises. Based on the aforementioned findings, the research ascertained that the implementation of risk-based auditing, namely via risk assessment and adherence to internal audit standards, had a favorable impact on the financial performance of state-owned enterprises in Kenya.

Finally, the Internal audit risk capacity correlation coefficient was 0.671 (P=0.000), indicating a positive and statistically significant association between this factor and the financial performance of Saccos in Western Region, Kenya. Therefore, increase in internal audit risk capacity would cause financial performance to increase. This indicates that a considerable improvement in financial outcomes would follow an increase in the Internal audit risk capability. Internal audit's effect on financial reporting quality was investigated by Ibrahim, Mansor, and Ahmad (2020). The quality of financial reports was shown to be significantly correlated with factors including management buy-in, auditor independence, auditor competence, and auditor quality of work. Ibrahim, Mansor, and Ahmad (2020) found that factors such as top management endorsement, auditor impartiality, competence, and output positively correlate with reliable financial reporting among manufacturers in Nigeria. Albawwat, Al-Hajaia, and Al Frijat (2021) examined the influence of internal auditors' personality traits on audit quality in Jordan, revealing that most traits, except extraversion, significantly affect the efficiency of the audit function and, consequently, financial reporting quality. Yachi and Yona (2019) highlighted the relationship between professional competency and the effectiveness of internal audits in enhancing local government openness and accountability in Zimbabwe.

4.6 Diagnostic Test for Linear Regression Analyses

Diagnostic studies were conducted to assess the assumptions of Pearson correlation and multiple regression analyses prior to performing inferential statistics. The analyses conducted in this study included several statistical tests to assess the normality of the data, examine auto-correlation, evaluate linearity, detect multi-collinearity, and assess homoscedasticity.

4.6.1 Normality Test

The Shapiro-Wilk test relies on correlation between data and corresponding normal scores. Once the distribution's normalcy has been established using Lilliefors adjustment, the Shapiro-Wilk test yields higher power. The null hypotheses for each variable were rejected, according to the results displayed in Table 4.13. The results of the Shapiro-Wilk and Kolmogorov-Smirnov tests, where the significance level was less than 0.05, show that the data sets for each of the four variables did not follow a normal distribution. Elliot and Woodward (2017) assert that parametric approaches may be applied even when the data does not follow a normal distribution.

Table 4. 14 :Tests of Normality

	Kolmogorov-Smirnov[a]			Shapiro-Wilk		
	Statistic	**df**	**Sig.**	**Statistic**	**df**	**Sig.**
Internal Audit Risk Planning	.207	68	.000	.886	68	.000
Internal audit risk management	.240	68	.000	.837	68	.000
Internal audit risk capacity	.292	68	.000	.821	68	.000

Financial Performance	.251	68	.000	.846	68	.000

a. Lilliefors Significance Correction

Source: Field Data (2023)

Ghasemi and Zahedias (2020) posits that Kolmogorov-Smirnov test is a popular test for normality, It is considered to be highly sensitive to extreme values and the Lilliefors correction makes the test less conservative. It has low power thus should not be seriously be considered in testing normality especially when parameters regardless of the sample are estimated from the data. Because of its limited reliability, the Kolmogorov-Smirnov test advises that normalcy be determined visually. Normality should be evaluated visually, as suggested by Ghasemi and Zahedias (2020) in their work Normality tests for statistical analysis, a guide for non-statisticians. The normality assumption's violation shouldn't be too problematic if the sample size is sufficiently high (Oztuna, Elhan, & Tuccar, 2018). Since the distribution of samples in big enough samples (30 or 40) tends to be normal, the study may employ parametric techniques. Figure 4.3 displays a non-normal Q-Q plot of internal audit risk planning methods, although the deviation from normalcy is not as pronounced as it might seem from an examination of the approximate line of fit. Therefore, a regression analysis could be performed since the data followed a nearly normal distribution.

Figure 4. 3: Normal Q-Q plot of Internal audit risk planning practices

Source: Field Data (2023)

From table 4.4 shown below normal Q-Q plot of internal audit risk management, the departure from normality from the approximation of line of fit on the Q-Q plot was small. The data could be assumed to be near normal hence parametric procedures in correlation, regression, analysis of variance, and t-test can be applied on the data.

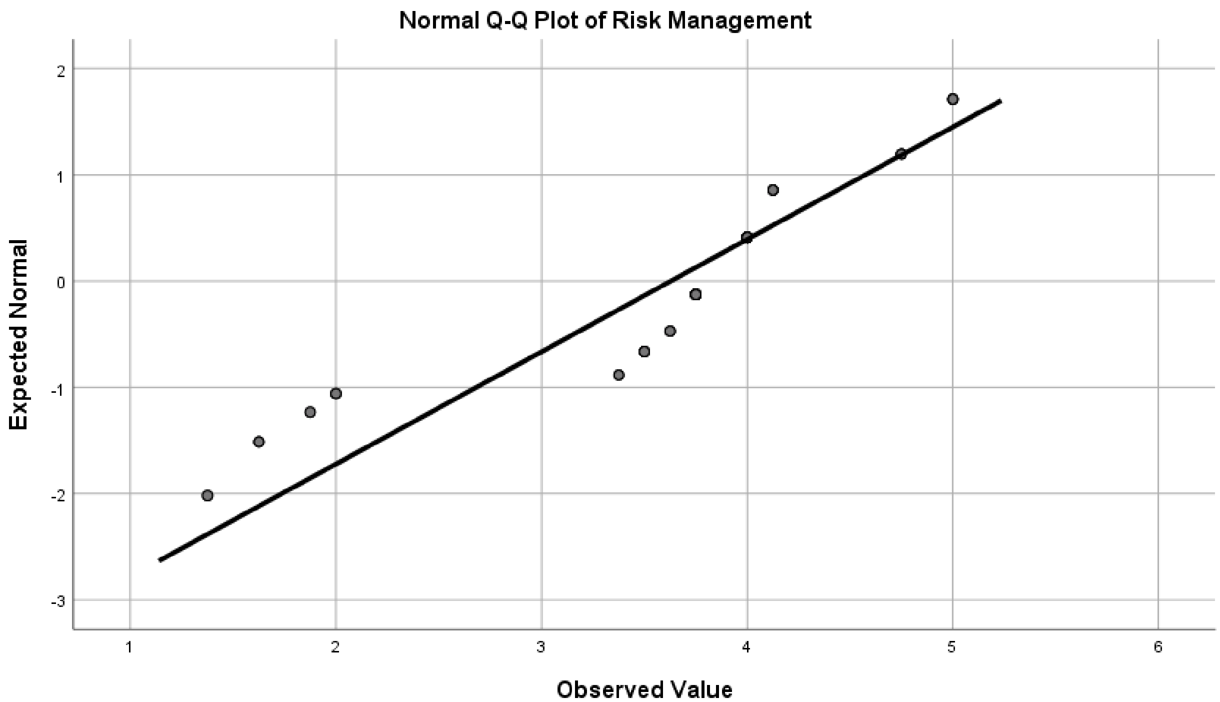


Figure 4. 4: Normal Q-Q plot of internal audit risk management

Source: Field Data (2023)

From table 4.5 Normal Q-Q plot of interest rate change shown below, the departure from normality from the approximation of line of fit on the Q-Q plot was small. It may be inferred that the data has a distribution that closely approximates the normal distribution. Consequently, parametric statistical techniques such as correlation analysis, regression analysis, analysis of variance, and t-tests are appropriate for analyzing the data.

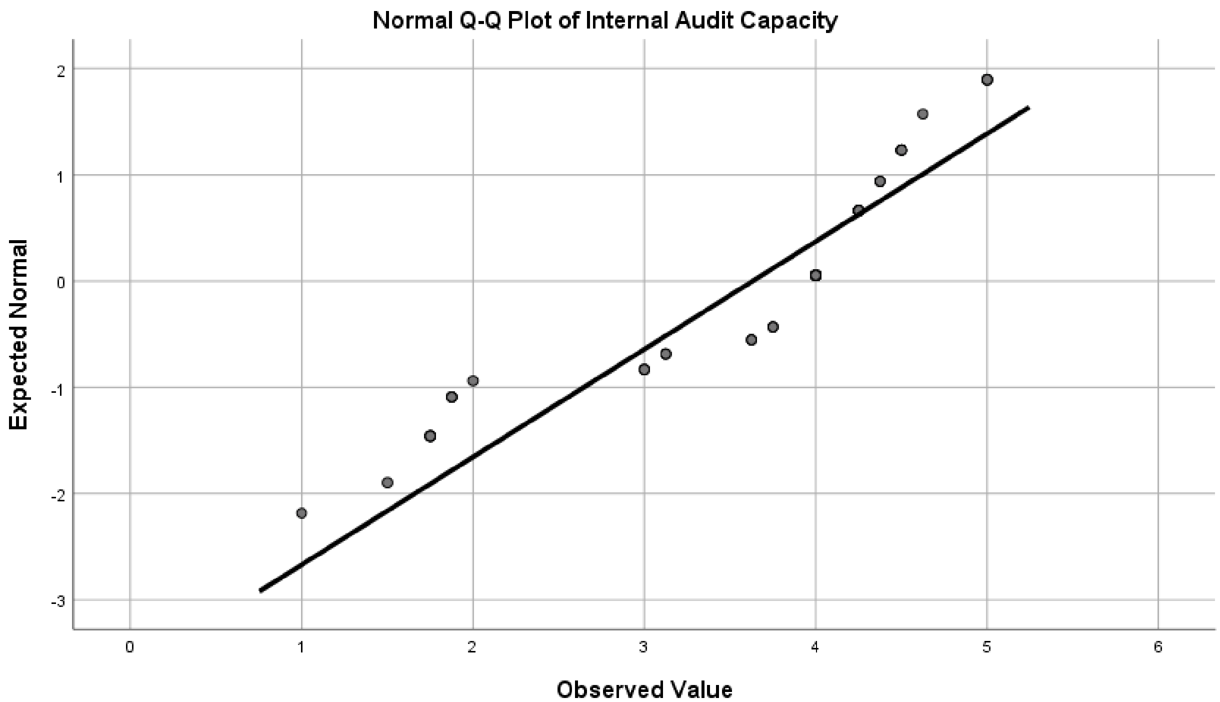


Figure 4. 5: Normal Q-Q plot of interest rate change

Source: Field Data (2023)

The deviation from normalcy in the financial performance Q-Q plot (Figure 4.6) was not as large as the deviation from the approximate line of fit. Consequently, the data obtained exhibited a level of proximity to the expected norm that rendered it suitable for use in a regression analysis.

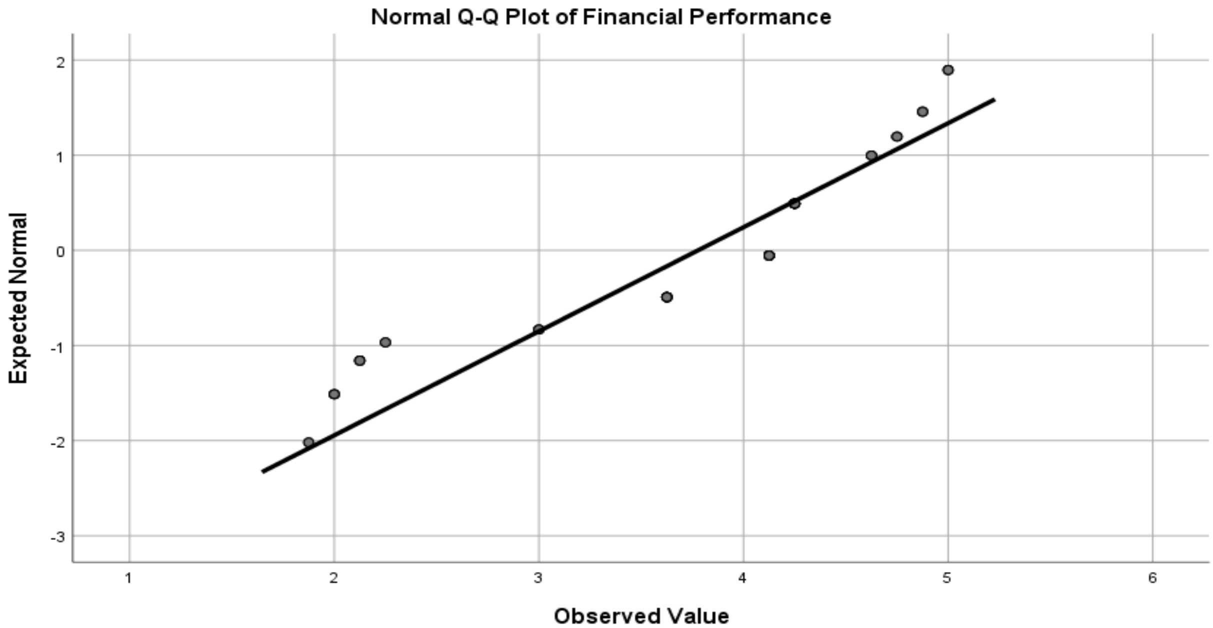


Figure 4. 6: Normal Q-Q plot of financial performance

Source: Field Data (2023)

4.6.2 Test of Independence (Autocorrelation)

The Durbin-Watson test was used to examine whether or not the error terms were independent, hence indicating whether or not the observations were independent. Since independence of the residuals is one of the fundamental hypotheses of regression analysis, the Durbin Watson test ensured that the models' residuals were not auto-correlated (Akter, 2018). The data is shown in Table 4.14.

Table 4. 15: Autocorrelation Test for Regression

Std. Error of the Estimate	Durbin-Watson
.49432	1.801

Source: Field Data (2023)

Table 4.14 presents the results of the auto-correlation test conducted. The independence of residuals in a linear regression model is assessed by a statistical test known as the Durbin-Watson test. According to Garson (2020), a commonly accepted guideline suggests that a Durbin-Watson value close to 2 indicates the absence of serial correlation. The study's findings revealed a Durbin-Watson coefficient value of 1.801, falling within the range of 1.5 to 2.5. This result suggests the absence of autocorrelation in the residuals of the data.

4.6.3 Multi-collinearity Test

Multi-collinearity occurs when there is a strong correlation between three or more independent variables. Since the regression coefficient tends to vary when multi-collinearity is high, it becomes more difficult to use the coefficient as a measure of predictability (Cooper & Schindler, 2017). Variance inflation factors (VIFs) or tolerance values were used to examine multi-collinearity. When the VIF number is less than 10, or when the tolerance value is less than 1, there is often no multi-collinearity issue.

Table 4. 16: Collinearity Statistics

Variable	Tolerance	VIF

Internal audit risk planning practices	.859	1.164
Internal audit risk capacity	.686	1.458
Internal audit risk management	.721	1.387

Source: Field Data (2023)

Table 4.15 presents the results of the multi-collinearity test conducted in the present research. The tolerance values varied from 0.721 to 0.859, all of which above the barrier of 0.2. Consequently, the corresponding variance inflation factor (VIF) values ranged from 1.164 to 1.458, all of which were below the necessary threshold of 10. This observation suggests that the dataset exhibited no evidence of multicollinearity.

4.6.4 Homoscedastic Test of Financial performance

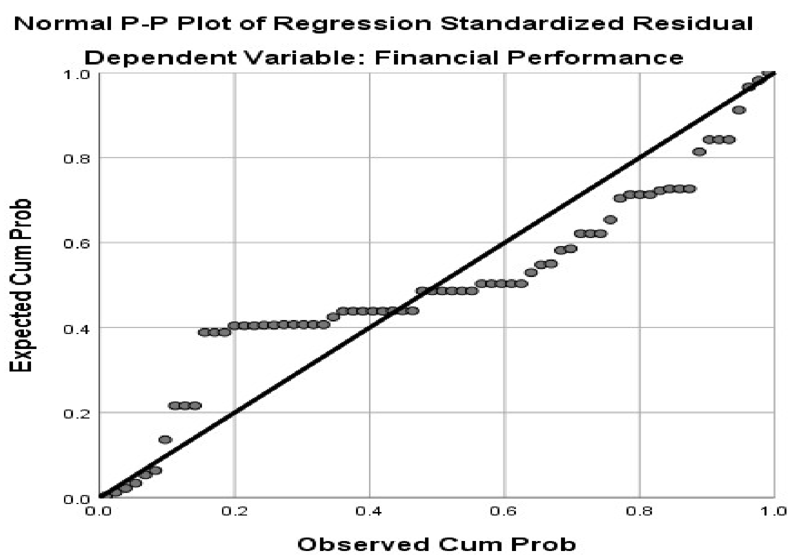


Figure 4. 7: Homoscedastic Test of Financial performance

Source: Field Data (2023)

Homoscedasticity testing (shown in Figure 4.7) checks for the presence of a heteroscedasticity issue by ensuring that the variances of all independent variables are the same. According to the research of Cappelleri and Bushmakin (2017), homoscedasticity of data distribution may be shown in a plot of probabilities (P-P Plot). If you look at Figure 4.7, you'll see that the points on a conventional P-P plot of financial performance deviate just slightly from a straight line. That indicates there is no need to worry about heteroscedasticity in this study since the data used is homoscedastic and the model employed is a multiple linear regression model.

4.7 Linear Regression Analyses

Linear regression analyses were used to test the null hypotheses used in this study. The study used two types of linear regression analysis, the simple linear regression analysis for each independent variable while multiple linear regression analysis was used to establish the regression coefficients using beta coefficients. The study used significance level of beta coefficients in multiple linear regressions to test null hypotheses. The R square was used to tell the amount of change in organizational performance of local Airlines operating in Kenya that is been accounted for by the independent variables. The significance level was at 0.05.

4.7.1 Influence of Internal audit risk planning practices on Financial Performance

The first objective of the study was to determine the effect of internal audit risk planning practices on financial performance of Saccos in Western Region, Kenya. This was achieved by carrying out simple linear regression to establish the coefficient of determination (r^2) which explains changes in financial performance of Saccos in Western Region, Kenya that is been accounted for by the internal audit risk planning practices. The results are as shown in Table 4.16.

Pursuant to the statistics disclosed in Table 4.16, the coefficient of determination, also known as R square, indicates that about 32.4% of the observed variance in financial performance may be attributed to internal audit risk planning processes. This relationship is statistically significant (R2=0.324, P=0.000). This suggests that the use of internal audit risk planning methods has a significant impact on financial performance. The F test yielded a significant result ($F(1, 66) = 31.655$, $p < 0.05$), providing evidence that the model adequately explains the variability seen in the dependent variable, as shown in Table 4.16. Additionally, it can be inferred that the use of internal audit risk planning procedures serves as a valuable indicator of financial performance

Table 4. 17: Simple Linear Regression Analysis for Internal audit risk planning practices

Model Summary[b]

Model	**R**	**R Square**	**Adjusted R Square**	**Std. Error of the Estimate**
1	.569[a]	.324	.314	.75723

a. Predictors: (Constant), Internal Audit Risk Planning
b. Dependent Variable: Financial Performance

ANOVA[a]

Model		**Sum of Squares**	**Df**	**Mean Square**	**F**	**Sig.**
1	Regression	18.151	1	18.151	31.655	.000[b]
	Residual	37.844	66	.573		
	Total	55.995	67			

a. Dependent Variable: Financial Performance
b. Predictors: (Constant), Internal Audit Risk Planning

Coefficients[a]

Model	**Unstandardized Coefficients**		**Standardized Coefficients**		
	B	**Std. Error**	**Beta**	**T**	**Sig.**
1 (Constant)	1.874	.351		5.348	.000
Internal Audit Risk Planning	.561	.100	.569	5.626	.000

a. Dependent Variable: Financial Performance

Source: Field Data (2023)

The unstandardized regression coefficient (β) value of internal audit risk planning practices was 0.561 and significance level of $p < .05$. This indicated that a unit change in internal audit risk planning practices would result to change in financial performance by 0.561 in the same direction. The regression equation to estimate the financial performance of Saccos in Western Region, Kenya as a result of internal audit risk planning practices was hence stated as:

Financial performance = 1.874+0.561 Internal audit risk planning practices

The findings indicate that the implementation of internal audit risk planning procedures has a notable and favorable impact on the financial performance of Saccos in the Western Region of Kenya. The present study's results align with the research conducted by Nugraha, Yazid, and Bastian (2022), which aimed to examine the extent to which risk-based planning of internal audits and competence impact audit quality, considering the moderating variable of internal auditors' paradigm. The findings of this research demonstrate that effective internal audit planning, based on risk assessment, may successfully attain audit objectives of high quality. Furthermore, the proficiency of auditors is an important factor that impacts the overall quality of audit outcomes. In their study, Sisco, Setiany, and Setiyawati (2020) conducted an investigation on the potential impacts of using risk-based internal audit planning as a means to identify instances of fraudulent activity. The findings of the study indicate that the use of risk-based internal audit, the competency of government's internal auditors, and the independence of auditors have a substantial and beneficial impact on their capacity to discover instances of fraud.

4.7.2 Influence of Internal audit risk management on Financial Performance

The second objective of the study was to analyze the effect of Internal audit risk management on financial performance of Saccos in Western Region, Kenya. Regression analysis was done to determine the influence of internal audit risk management on the financial performance of Saccos in Western Region, Kenya. The results are as shown in Table 4.17.

Table 4. 18: Simple Linear Regression Analysis for Internal audit risk management

Model Summary[b]

Model	**R**	**R Square**	**Adjusted R Square**	**Std. Error of the Estimate**
1	.714[a]	.509	.502	.64533

a. Predictors: (Constant), Internal audit risk management
b. Dependent Variable: Financial Performance

ANOVA[a]

Model		**Sum of Squares**	**Df**	**Mean Square**	**F**	**Sig.**
1	Regression	28.509	1	28.509	68.456	.000[b]
	Residual	27.486	66	.416		
	Total	55.995	67			

a. Dependent Variable: Financial Performance
b. Predictors: (Constant), Internal audit risk management

Coefficients[a]

Model		**Unstandardized Coefficients**		**Standardized Coefficients**		
		B	**Std. Error**	**Beta**	**t**	**Sig.**
1	(Constant)	1.275	.312		4.081	.000
	Internal audit risk management	.690	.083	.714	8.274	.000

a. Dependent Variable: Financial Performance

Source: Field Data (2023)

Pursuant to the statistics provided in Table 4.17, the coefficient of determination (R square) indicates that a substantial portion, namely 50.9%, of the observed variability in financial performance may be attributed to the influence of internal audit risk management. This relationship is statistically significant, as evidenced by the obtained R square value of 0.509 and a corresponding p-value of 0.000. This suggests that the implementation of internal audit risk management practices has a substantial impact on the financial performance of an organization. The F test yielded a significant result ($F(1, 66) = 68.456$, $p < 0.05$), indicating support for the model's ability to explain the variability seen in financial performance. Additionally, it posits that the use of internal audit risk management serves as a valuable indicator of financial success.

Internal audit risk management had a 0.690 unstandardized regression coefficient with a p-value less than.05. The results showed that a unit change in internal audit risk management would have result to significance increase in financial performance by 0.690 units. Therefore, the study can evaluate Kenya's financial performance as a consequence of internal audit risk management by using the regression equation:

Financial performance = 1.275+0.690 Internal audit risk management

The research conducted revealed a statistically significant correlation between the management of internal audit risk and the financial performance of Saccos in the Western Region of Kenya. Hence, it can be inferred that the implementation of internal audit risk management practices exerts a notable and favorable impact on the financial performance of Saccos located in the Western Region of Kenya. This conclusion is consistent with the research conducted by Mulwa and Opuodho (2022), which aimed to assess the impact of risk-based audit techniques on the financial performance of fruit processing enterprises registered in Thika Municipality, Kenya. The study's regression analysis revealed that there is a statistically significant relationship between changes in internal audit risk management and corresponding changes in the financial performance of registered fruit-processing enterprises in Thika Municipality, Kenya. Specifically, a unit increase in internal audit risk management is associated with a 2.73 unit increase in financial performance. The research ultimately determined that a one-unit alteration in risk governance results in a 3.512-fold modification in the financial performance of fruit-processing enterprises that are officially registered inside the jurisdiction of Thika Municipality, located in Kenya.

4.7.3 Influence of Internal Audit Risk Capacity on Financial Performance

The third objective of the study was to determine the effect of internal audit risk capacity on financial performance of Saccos in Western Region, Kenya. This was achieved by carrying out simple linear regression to establish the coefficient of determination (r^2) which explains changes in financial performance of Saccos. The results are as shown in Table 4.18.

Table 4. 19: Simple Linear Regression Analysis for Internal Audit Risk Capacity

Model Summary[b]

Model	**R**	**R Square**	**Adjusted R Square**	**Std. Error of the Estimate**
1	.671[a]	.450	.442	.68311

a. Predictors: (Constant), Internal audit risk capacity
b. Dependent Variable: Financial Performance

ANOVA[a]

Model		**Sum of Squares**	**Df**	**Mean Square**	**F**	**Sig.**
1	Regression	25.197	1	25.197	53.998	.000[b]
	Residual	30.798	66	.467		
	Total	55.995	67			

a. Dependent Variable: Financial Performance
b. Predictors: (Constant), Internal audit risk capacity

Coefficients[a]

Model	**Unstandardized Coefficients**		**Standardized Coefficients**		
	B	**Std. Error**	**Beta**	**T**	**Sig.**
1 (Constant)	1.519	.318		4.770	.000
Internal audit risk capacity	.622	.085	.671	7.348	.000

a. Dependent Variable: Financial Performance

Source: Field Data (2023)

In accordance with the outcomes demonstrated in Table 4.18, the coefficient of determination, also known as R square, indicates that Internal audit risk capability substantially explains about 45.0% of the observed variance in financial performance (R2=0.450, P=0.000). This finding suggests that the capability of internal audit risk has a significant impact on financial performance. The F test yielded a statistic of 53.998 with degrees of freedom (1, 66) and a significance level of P<0.05. This outcome provides evidence in favor of the model's ability to adequately account for the variability seen in the variable being tested. Additionally, it may be inferred that the capability of internal audit risk is a substantial indicator of financial performance.

According to the findings shown in Table 4.18, the unstandardized regression coefficient (β) for Internal audit risk capability was determined to be 0.622, with a significance level of $p < .05$. This finding suggests that a one-unit increase in Internal audit risk capability is associated with a 0.622 change in financial performance in the same direction. The regression equation used to assess the financial performance resulting from the capability of internal audit risk is as follows:

Financial performance = 1.519+0.622 Internal audit risk capacity

The results of the study revealed that the capability of internal audit risk has a substantial impact on the financial performance Saccos in the Western Region of Kenya. This conclusion is consistent with the study conducted by Albawwat, Al-Hajaia, and Al Frijat (2021), which investigated the relationship between the personality qualities of internal auditors and the efficacy of the internal audit function. The findings indicate that the various personality qualities of internal auditors have a substantial influence on the efficacy of the internal audit function, with the exception of the trait of extraversion. The findings also demonstrate that personality characteristics have indirect influences on the quality of financial reporting via the efficacy of the internal audit function.

Ibrahim, Mansor, and Ahmad (2020) found that factors such as top management endorsement, auditor impartiality, competence, and output positively correlate with reliable financial reporting among manufacturers in Nigeria. Albawwat, Al-Hajaia, and Al Frijat (2021) examined the influence of internal auditors' personality traits on audit quality in Jordan, revealing that most traits, except extraversion, significantly affect the efficiency of the audit function and, consequently, financial reporting quality. Yachi and Yona (2019) highlighted the relationship between professional competency and the effectiveness of internal audits in enhancing local government openness and accountability in Zimbabwe. Nurdiono and Gamayuni (2018) demonstrated that the competence of internal auditors positively impacts audit quality and local government financial accountability in Lampung Province, with increased auditor expertise leading to more significant audit findings. Finally, Ogega (2017) investigated how risk-based internal audits influence the financial sustainability of NGOs in Nakuru County, establishing that auditor competence, independence, and management support significantly correlate with long-term financial viability.

4.8 Multiple Linear Regressions

The purpose of this study was to explore the impact of risk-based auditing on the financial performance of Savings and Credit Cooperative Organizations (SACCOs) in the western area of Kenya. The accomplishment was attained by the use of conventional multiple regression analyses. The objective of the research was to examine the impact of individual risk-based auditing components on financial performance when all of these constructs were collectively included in the model. This facilitated the determination of the coefficients of the study model, as well as the calculation of the R-squared value, which was then used to test the null research hypotheses. The findings are shown in Table 4.19.

Table 4. 20: Model Summary Risk-based auditing and Financial Performance

					Change Statistics				
Model	**R**	**R Square**	**Adjusted R Square**	**Std. Error of the Estimate**	**R Square Change**	**F Change**	**df1**	**df2**	**Sig. F Change**
1	.849[a]	.721	.708	.49432	.721	55.053	3	64	.000

a. Predictors: (Constant), Internal audit risk capacity, Internal Audit Risk Planning, Internal audit risk management

b. Dependent Variable: Financial Performance

Source: Field Data (2023)

The results shown in Table 4.19 demonstrate that the coefficient of determination (r^2) yielded a value of 0.721, indicating that approximately 72.1% of the observed fluctuations in financial performance can be accounted for by the three predictor variables examined in this study. The remaining 28.9% of the variances in financial performance are attributable to unaccounted factors not included in the model.

Table 4. 21: ANOVA for Risk-based auditing

Model		**Sum of Squares**	**df**	**Mean Square**	**F**	**Sig.**
1	Regression	40.357	3	13.452	55.053	.000[b]
	Residual	15.639	64	.244		
	Total	55.995	67			

a. Dependent Variable: Financial Performance

b. Predictors: (Constant), Internal audit risk capacity, Internal Audit Risk Planning, Internal audit risk management

Source: Field Data (2023)

Based on the findings shown in Table 4.20, ANOVA yielded a significant F test result of $F(3, 67) = 55.053$, $p < .05$. This indicates that the model well explains the variability seen in the dependent variables, thereby supporting its goodness of fit. Risk-based auditing is a valuable tool for predicting the financial performance of Saccos in the Western Region of Kenya.

A regression of the three predictor variables against financial performance established the multiple linear regression model as below as indicated in Table 4.21:

Financial performance $= 0.036 + 0.314\mathbf{X_1} + 0.396\mathbf{X_2} + 0.341\mathbf{X_3}$

$X_1 =$ Internal audit risk planning practices

$X_2 =$ Internal audit risk management

$X_3 =$ Internal audit risk capacity

Table 4. 22: Coefficients of the Independent Variables and Financial performance

Model		Unstandardized Coefficients B	Std. Error	Standardized Coefficients Beta	t	Sig.
1	(Constant)	.036	.299		.120	.905
	Internal Audit Risk Planning	.314	.070	.318	4.468	.000
	Internal audit risk management	.396	.077	.410	5.142	.000
	Internal audit risk capacity	.341	.072	.368	4.729	.000

a. Dependent Variable: Financial Performance

Source: Field Data (2023)

Based on the findings shown in Table 4.21, it can be seen that the variables of internal audit risk capability and internal audit risk management had a positive but statistically insignificant predictive power, as indicated by a p-value greater than 0.05. In the absence of risk-based auditing, the financial performance is estimated to be 0.036, with a p-value of 0.072. This suggests that the financial performance will have a positive but statistically insignificant relationship. When the capacity and management of internal audit risk are regulated, the practices of internal audit risk planning exhibit a statistically significant effect on financial performance. This was indicated by a beta coefficient of 0.314 and a p-value of 0.000. Therefore, it can be inferred that an incremental unit increase in internal audit risk planning practices will lead to a significanr increase of 0.314 units in financial performance. This finding aligns with the research conducted by Riungu (2018), wherein a regression model was employed to examine the relationship between operational efficiency (dependent variable) and risk-based internal audit (independent variable). The study variables included risk evaluation, internal audit competence, risk-based planning, and adherence to internal auditing standards. It is possible that 18.4% of the operational efficiencies in the DTS may be attributed to the combined influence of the predictor factors. The study conducted by Kabare (2018) aimed to examine the impact of risk-based audit on the financial performance of commercial state enterprises in Kenya. Based on the results obtained, the research has determined that internal audit risk management and yearly risk-based audit planning have had a substantial impact on the financial performance of state firms in Kenya within a three-year timeframe. The findings of this research indicate a significant positive correlation between risk-based audit parameters and the financial performance of state enterprises in Kenya.

When the capacity and planning practices of internal audit risk are regulated, the management of internal audit risk with a beta of 0.396 and a p-value of 0.00 reaches a statistically significant level. This suggests that an incremental increase of one unit in internal audit risk management will lead to a significant increase of 0.396 units in financial performance. The findings are corroborated by Geke's (2017) study, which examined the impact of risk-based internal auditing on the financial performance of publicly owned sugar firms in Kenya. The research findings indicated a statistically significant positive association between internal audit risk management. In their study, Nyarombe, Musau, Kavai, and Kipyegon (2020) examined the impact of the Risk Based Audit Approach on the internal control systems inside government agencies located in Uasin Gishu County. The research findings suggest that the Uasin Gishu County Government departments employ a Risk-Based Audit Approach (RBAA). The strategies implemented include the utilization of a risk register, the incorporation of RBAA in the Audit Charter, the development of an annual audit plan, the provision of reports to committees regarding departmental risk exposures, and the allocation of resources for internal audit activities.

Finally, the control of internal audit risk management and internal audit risk planning practices has a significant impact on internal audit risk capacity. Specifically, the statistical analysis reveals that an increase in internal audit risk capacity by one unit is associated with a significant increase in financial performance by 0.341 units, as indicated by a beta value of 0.341 and a p-value of 0.00. This observation is consistent with The study conducted by Yachi and Yona (2019) examined the influence of professional competency and staffing levels within the internal audit function on transparency and accountability within local authorities in Zimbabwe. The research findings indicated a notable and positive correlation between the various aspects of competence within the internal audit role, namely qualification, experience, and training, and the levels of transparency and accountability seen throughout local authorities in Zimbabwe. It has been observed that it is crucial to increase and sustain a proficient internal audit function in order to augment the efficacy and efficiency of corporate governance processes.

The objective of the study conducted by Nurdiono and Gamayuni (2018) was to provide empirical evidence about the impact of internal auditors' skill on the quality of internal audits in local government. Additionally, the study attempted to explore the potential benefits of this relationship on the accountability of local government entities. The findings of this research provide empirical support for the notion that the competence of internal auditors (inspectors) has a positive and substantial impact on the quality of internal audits. Similarly, the quality of internal audits has a favorable and considerable impact on the financial responsibility of the regency/city of Lampung. The study conducted by Ogega (2017) aimed to investigate the impact of risk-based internal audit on the financial viability of non-governmental organizations. The research conducted in Nakuru County demonstrated that there are strong associations between audit openness auditor competence, auditors' independence, management support, and financial viability of non-governmental organizations.

4.9 Stepwise Regression

Stepwise regression is a statistical method that uses an automated approach to pick predictive variables in a systematic manner in order to build regression models. Following a preset criterion, a variable is assessed for possible inclusion or removal from the set of explanatory variables at each iteration. The results are displayed in Table 4.22.

Table 4. 23: Stepwise Regression

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	.569[a]	.324	.314	.75723	.324	31.655	1	66	.000
2	.789[b]	.623	.612	.56979	.299	51.564	1	65	.000
3	.849[c]	.721	.708	.49432	.098	22.364	1	64	.000

a. Predictors: (Constant), Internal Audit Risk Planning

b. Predictors: (Constant), Internal Audit Risk Planning, Internal audit risk management

c. Predictors: (Constant), Internal Audit Risk Planning, Internal audit risk management, Internal audit risk capacity

d. Dependent Variable: Financial Performance

Source: Field Data (2023)

Each independent variable's addition results in an increase in the R2 value, as seen by the data in Table 4.22. For all variables, the statistical analysis shows that, with a 95% confidence level, the F value shows a substantial association between internal audit risk capability, internal audit risk management, and internal audit risk planning practices. For the significant variables, the results show that the coefficient of determination (R2) steadily rises with each stage, eventually hitting 0.721. 32.4% of the variation in the financial performance of Savings and Credit Cooperative Organizations (Saccos) in the Western Region of Kenya may be attributed to internal audit risk planning processes, according to the statistics given above. Additionally, internal audit risk management contributes 29.9% to the model, while the contribution of internal audit risk capacity amounts to 9.8%. This shows that internal audit risk planning practices contributed the highest followed internal audit risk management then lastly by Internal audit risk capacity.

4.10 Testing for Null Hypotheses

The null hypotheses was based on P Values. If P<0.05 then hypothesis is rejected (Uriel, 2017) as illustrated

Table 4. 24*: Null Hypothesis*

Hypothesis	**P<0.05**	**Verdict**
H_{01}: Internal audit risk planning practices has no significant influence on financial performance of Saccos in Western Region, Kenya.	0.000	Rejected
H_{02}: Internal audit risk management has no significant influence on financial performance of Saccos in Western Region, Kenya.	0.003	Rejected
H_{03}: Internal audit risk capacity has no significant influence on financial performance of Saccos in Western Region, Kenya.	0.000	Rejected

Source: Research Data 2022

CHAPTER FIVE

SUMMARY, CONCLUSION AND RECOMMENDATIONS

5.1 Introduction

This chapter provides a comprehensive summary of the content discussed in the preceding chapters. Additionally, this research elucidates the derived conclusions, recommendations, and suggestions for future investigations based on the obtained data.

5.2 Summary of findings

The study's main objective was to establish Effects of risk-based auditing on financial performance of Saccos in Western Region, Kenya. The specific objectives were to establish effects of internal audit risk planning practices on financial performance of Saccos in Western Region, Kenya; to determine the effect of internal audit risk management on the financial performance of Saccos in Western Region, Kenya and to establish effects of Internal audit risk capacity on financial performance of Saccos in Western Region, Kenya. Tests of hypotheses were done at 95 percent confidence levels ($p<0.05$) on the independent and combined effects. The response rate was 75.6%. The overall summary of the findings is that risk-based auditing accounted for 72.1% of the variation in financial performance as obtained from multiple Linear regression. Stepwise regression revealed that internal audit risk planning practices explained 32.4% variance in financial performance of Saccos in Western Region, Kenya, while the contribution of internal audit risk management was 29.9%, the contribution of Internal audit risk capacity to the model was 9.8%.

5.2.1 Influence of internal audit risk planning practices on Financial Performance

The first objective of the study was to determine the effect of internal audit risk planning practices on financial performance of Saccos in Western Region, Kenya. The respondents were in agreement that there are annual plans and programs for individual risk-based audit assignments (Mean=3.57, SD=0.90) and risk-based audit reporting time is defined (Mean=3.62, S. D=1.26). Further, more than half of the respondents were in agreement that risk-based audit reporting time is defined,

The results derived from the inferential analysis indicate a substantial positive correlation between the implementation of internal audit risk planning techniques and financial performance (correlation coefficient R=0.569, p-value=0.000). This suggests that the implementation of enhanced internal audit risk planning methods was associated with a positive impact on financial performance. The R-squared value, which represents the coefficient of determination, suggests that about 32.4% of the variation in financial performance may be attributed to the practices of internal audit risk planning. This relationship was statistically significant, as demonstrated by a p-value of 0.000. This implies that internal audit risk planning practices was a significant predicator of SACCOs in Western Region financial performance. When Internal audit risk capacity and internal audit risk management are controlled, a unit increase of internal audit risk planning practices will result to significant increase in financial performance by 0.314 units (β_1=0.314, P=0.000). Therefore, therefore the study failed to accept the first null hypothesis that posits: **H_{01}:** Internal audit risk planning practices has no significant effect on financial performance of Saccos in Western Region, Kenya.

5.2.2 Effect of Internal audit risk management on the Financial Performance

The second objective of the study was to analyze the effect of Internal audit risk management on financial performance of Saccos in Western Region, Kenya. Respondents agreed that risk identification and management is a responsibility of all employees of the organization, risk is analyzed, level is identified by the impact/likelihood e.g., high, medium, low; risk-based audit annual plans are done by the management and implementation of audit recommendation by the management done, estimate the importance of a risk, evaluate the possibility of occurring risk and attention to how manage the risk.

Financial outcomes were shown to be positively related to effective internal audit risk management (R=0.714, P=0.000), as deduced from the inferential findings. This suggests that better financial outcomes might be achieved by investing more in internal audit risk management. With a R square of 0.50.9 and a significance level of 0.000, internal audit risk management can be shown to account for up to 50.9% of the variance in financial performance. Financial success among SACCOs in the Western Region was therefore strongly correlated with their ability to control internal audit risk. A 0.396-unit (2=0.396, P0.0001) improvement in financial performance may be expected from a one-unit increase in internal audit risk management, assuming that both internal audit risk planning methods and internal audit risk capacity are under control. Consequently, there was enough evidence to disprove the second null hypothesis, which stated: **H_{02}:** Internal audit risk management has no significant effect on financial performance of Saccos in Western Region, Kenya.

5.2.3 Effect of Internal audit risk capacity on financial performance

The third objective of the study was to analyze the effect of Internal audit risk capacity on financial performance of Saccos in Western Region, Kenya. The participants concurred that the management has implemented protocols to authenticate the qualifications of auditors. The extent of an internal auditor's commitment to ongoing professional development, as indicated by the number of hours dedicated to it, may serve as an indicator of their professional competence. It is only through the expertise and proficiency of a capable internal auditor that fraudulent activities can be detected and preempted, underscoring the significance of this role.

The inferential results revealed that there is direct relationship between Internal audit risk capacity and financial performance (R=0.671, P=0.000). This implies that increase in Internal audit risk capacity would results to increase in the financial performance. The coefficient of determination through the R square value revealed that up to 45.0% of variation in financial performance is significantly accounted for by internal audit risk planning practices (R^2=0.450, P=0.000). This postulates that Internal audit risk capacity is useful predicator of SACCOs in Western Region financial performance. When internal audit risk planning practices and internal audit risk management are controlled, a unit increase of Internal audit risk capacity will result to significant increase in financial performance by 0.341 units (β_3=0.341, P=0.000). Therefore, there was adequate evident to reject the third null hypothesis that posits: **H_{03}:** Internal audit risk capacity has no significant effect on financial performance of Saccos in Western Region, Kenya.

5.3 Conclusion

The research findings indicate that the risk planning strategies used by internal auditors have a notable impact on the financial performance of Saccos in the Western Region of Kenya. Savings and Credit Cooperatives (Saccos) implement yearly plans and procedures for conducting individual audit assignments based on risk assessment. These audits are carried out with a predetermined reporting timeline that aims to improve the financial performance of Saccos.

The research findings also indicate that the management of internal audit risk has a noteworthy impact on the financial performance of Savings and Credit Cooperative Organizations (Saccos) in the Western Region of Kenya. Risk identification and management is a crucial task that falls upon all workers of the Saccos in order to optimize financial performance. Moreover, the Saccos demonstrate the capability to fulfill their financial responsibilities within the specified time frame.

In conclusion, the research determined that the capability of internal audit risk has a substantial impact on the financial performance of Saccos in the Western Region of Kenya. Proficient and capable internal auditors has the ability to identify and mitigate fraudulent activities, therefore assuming a crucial responsibility in relation to financial performance. The quantity of time allocated to engaging in ongoing professional development activities serves as an indicator of an internal auditor's level of professional competence.

5.4 Recommendations

The study's conclusion presents policy and practical suggestions that are drawn from the particular goals outlined earlier.

With respect to the first objective, the research suggests that the management of Sacco should adopt risk-based audits, accompanied by comprehensive planning including all stakeholders, in order to promote openness and accountability. In addition, it is essential for the management to prioritize prompt resolution of audit inquiries.

With respect to the second objective, the research suggests that it is advisable for Saccos' management to ensure that the identification and management of risks are seen as the collective duty of all workers within the Saccos. In addition, it is important to do a thorough analysis of risks, with particular attention to determining their degree based on the effect and probability, such as categorizing them as high, medium, or low.

Finally, it is essential for the management to develop and implement standards in order to effectively authenticate the credentials of auditors. Moreover, due to the multifaceted nature of internal auditing, it is essential to undergo recurrent training sessions to guarantee that professionals maintain the necessary degree of proficiency to effectively execute auditing tasks.

5.5 Suggestion for further studies

This study sought to found out the influence of risk-based auditing on financial performance of saccos in western region, Kenya. Conceptually, the study limited itself to internal audit risk planning practices, Internal audit risk capacity and internal audit risk management. These three variables explained up to 72.1% of variation in financial performance. Further study can focus on other variables such as internal audit standards and risk assessments.

The study did not include moderating or mediating variables. Researchers should therefore consider introducing other variables in similar studies especially firm specific factors such as Sacco Size.

Contextually, the study limited itself to Saccos in Western Kenya in Kakamega, Bungoma, Busia and Vihiga County regulated by SASRA. Further studies should consider other financial institutions such as microfinance banks and commercial banks regulated by Central Bank of Kenya.

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APPENDICES

APPENDIX I: LETTER OF INTRODUCTION

Name of the Sacco……………..

P.O. Box ………………………

Dear Respondent,

I am a student pursuing a Master's Degree in Business Administration- Accounting Option at Masinde Muliro University of Science and Technology. I am required to undertake a research thesis as partial fulfillment for the award of this degree.

I have selected your institution as one of the respondents, and kindly request for your response through questionnaires. The information collected will be treated with utmost confidentiality and will be used solely for the purpose of this research only.

I wish your firm fruitful business.

Yours Sincerely

Alex Mahiva

0721-623-929

APPENDIX II: RESEARCH QUESTIONNAIRE

SECTION A: DEMOGRAPHIC INFORMATION

1. Gender [ ] Male [ ] Female

2. Respondents highest educational qualification

[ ] O Level [ ] Certificate [ ] Diploma

[ ] Bachelor [ ] Masters [ ] PhD

4. How many years have you been in this institution?

[ ] Less than a year [ ] From 1 to 5 years

[ ] From 6 to 10 years [ ] Above 10 years

SECTION B

CATEGORY I: INTERNAL AUDIT RISK PLANNING

In this section please tick (√) the most appropriate response for each of the questions in the table below. **5** Strongly Agree **SA**, **4 A**gree A, **3** Sometimes Agree **STA, 2** Disagree D**A**, **1** Strongly disagree **SD**

Statements	**5**	**4**	**3**	**2**	**1**
8. Risk based audit reporting time is defined					
9. Risk based audit planning is practiced to enhance transparency and accountability					
10. There are annual plans and programs for individual risk-based audit assignments					
11. Risk based audit annual plans are discussed with the management					
12. There is timely action on audit queries					
13. Audit recommendations are implemented by the Management					

CATEGORY II: INTERNAL AUDIT RISK MANAGEMENT

Please tick (√) the most appropriate response for each of the questions in the table below. **5** Strongly Agree **SA**, **4 A**gree A, **3** Sometimes Agree **STA, 2** Disagree D**A**, **1** Strongly disagree **SD**

Statements	**5**	**4**	**3**	**2**	**1**
9. Risk identification and management is a responsibility of all employees of the organization					
10. The Sacco is able to meet its obligations as they fall due					
11. Credit risk policy is key for the Sacco. Credit history, capacity to repay, capital, collateral and loan condition play vital role					
12. Risk is analyzed, level is identified by the impact/likelihood e.g. high, medium, low.					
13. Action on audit queries is done on time					
14. Risk Based audit Annual plans are done by the Management					
15. Implementation of audit recommendation by the Management done, Estimate the importance of a risk, evaluate the possibility of occurring risk and attention to how manage the risk					
16. Risk matrix is available and shows degrees of likelihood and impact and plots risk scores.					

CATEGORY III: INTERNAL AUDIT RISK CAPACITY

Please tick (√) the most appropriate response for each of the questions in the table below. **5** Strongly Agree **SA**, **4 A**gree A, **3** Sometimes Agree **STA, 2** Disagree D**A**, **1** Strongly disagree **SD**

Statements	**5**	**4**	**3**	**2**	**1**
9. The management has established protocols for the purpose of verifying the credentials of auditors.					
10. The number of hours spent on continuing professional development might be a reflection of an internal auditor's professional competency					

11. The presence of a qualified internal auditor and chairman may improve the overall quality of financial reporting and discourage unethical business practices.					
12. The team members tasked with conducting the audit are highly qualified professionals with a deep grasp of internal auditing's terminology, principles, and methods.					
13. Only a skilled and competent internal audit can discover and prevent fraudulent conduct, which is why this role is so important.					
14. Because internal auditing requires a wide range of abilities, repeated trainings are required to ensure that professionals continue to have the requisite level of expertise to carry out auditing activities successfully.					
15. The county governments' auditors have the necessary professional qualifications to carry out their auditing responsibilities					
16. In general, having an organization's internal audits carried out by staff members who are professionally qualified and competent can assist a company in achieving relevance, reliability, comparability, understandability, and timeliness, all of which contribute to overall performance.					

CATEGORY IV: FINANCIAL PERFOMANCE

Please tick (√) the most appropriate response for each of the questions in the table below. **5** Strongly Agree **SA**, **4** **A**gree A, **3** Sometimes Agree **STA, 2** Disagree D**A**, **1** Strongly disagree **SD**

Statements	**5**	**4**	**3**	**2**	**1**
9. The capital base of deposit taking Sacco has consistently increased					
10. Profitability of deposit taking Saccos have consistently increased					
11. Customer service shave improved with increase in innovations like ATMs					

12. Sacco membership has expanded over years					
13. Customer services have improved with adequate increase					
14. Renumeration of employees in deposit taking saccos is adequate					
15. Dividend per share of deposit taking saccos has consistently increased					
16. . interest on members deposits has been increasing over years					

CATEGORY IV: FINANCIAL PERFORMANCE

	2018	**2019**	**2020**	**2021**	**2022**
Profitability					
No of membership					
Increase in dividend					

APPENDIX III. LIST OF DEPOSIT TAKING SACCOS IN WESTERN REGION

1. Invest and Grow Sacco in Kakamega County
2. Ng'arisha Sacco in Bungoma County
3. Wevasity Sacco in Kakamega County
4. Afya Sacco branch in Kakamega County
5. Police Sacco branch in Kakamega County
6. Ukulima Sacco branch in Kakamega County
7. Mwalimu National Sacco branch in Kakamega County
8. Kussco sacco branch in Kakamega County
9. Mudete Sacco in Kakamega County
10. Vihiga County Farmers Sacco in Vihiga Couny
11. Vihiga County Sacco in Vihiga County;
12. Faridi Sacco in Busia County
13. Elimu Sacco in Busia County
14. Metropolitant Sacco in Bungoma County
15. Stawisha Sacco in Bungoma County.

APPENDIX IV. NACOSTI PERMIT

REPUBLIC OF KENYA

NATIONAL COMMISSION FOR SCIENCE, TECHNOLOGY & INNOVATION

Ref No: 242002

Date of Issue: 11/August/2023

RESEARCH LICENSE

This is to Certify that Mr.. Alex Mahiva Simbiri of Masinde Muliro University of Science and Technology, has been licensed to conduct research as per the provision of the Science, Technology and Innovation Act, 2013 (Rev.2014) in Kakamega on the topic: INFLUENCE OF RISK BASED AUDITING ON FINANCIAL PERFORMANCE OF SACCOS IN WESTERN REGION, KENYA for the period ending : 11/August/2024.

License No: NACOSTI/P/23/28357

242002

Applicant Identification Number

Director General
NATIONAL COMMISSION FOR SCIENCE, TECHNOLOGY & INNOVATION

Verification QR Code

NOTE: This is a computer generated License. To verify the authenticity of this document, Scan the QR Code using QR scanner application.

See overleaf for conditions

THE SCIENCE, TECHNOLOGY AND INNOVATION ACT, 2013 (Rev. 2014)
Legal Notice No. 108: The Science, Technology and Innovation (Research Licensing) Regulations, 2014

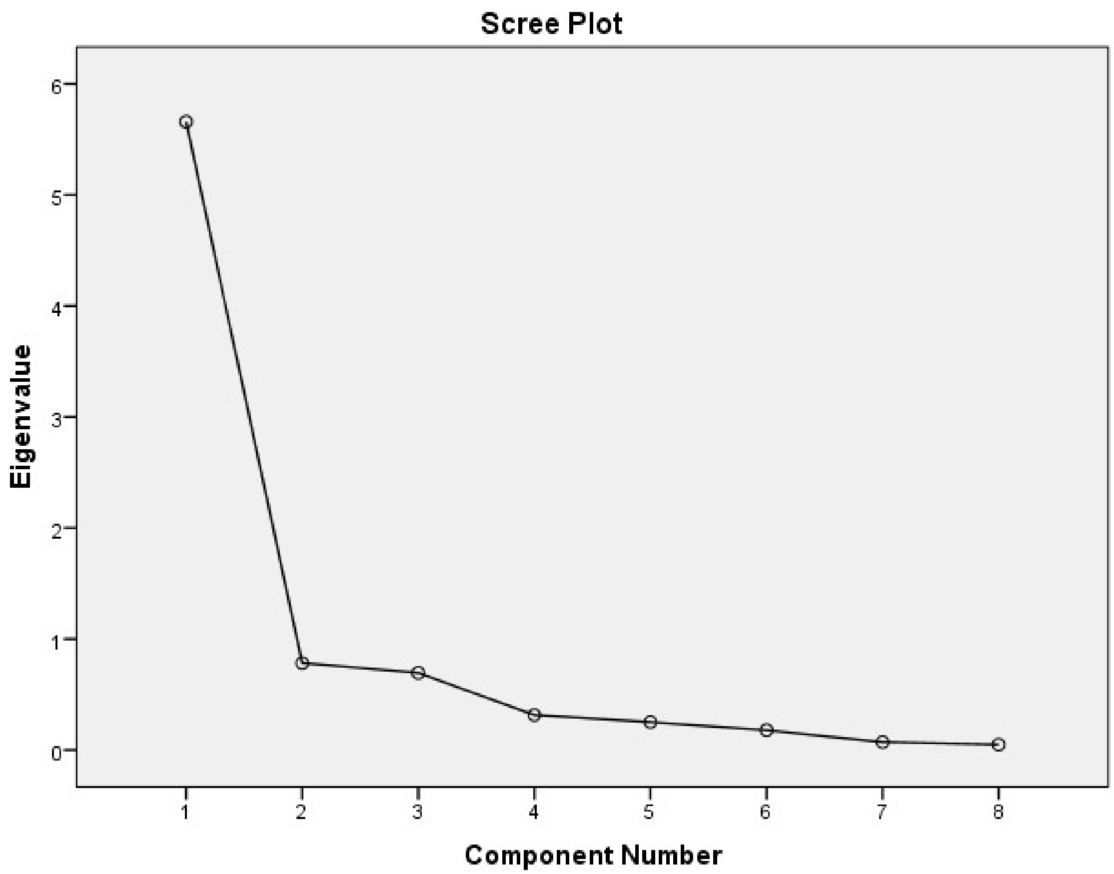
The National Commission for Science, Technology and Innovation, hereafter referred to as the Commission, was the established under the Science, Technology and Innovation Act 2013 (Revised 2014) herein after referred to as the Act. The objective of the Commission shall be to regulate and assure quality in the science, technology and innovation sector and advise the Government in matters related thereto.

CONDITIONS OF THE RESEARCH LICENSE

1. The License is granted subject to provisions of the Constitution of Kenya, the Science, Technology and Innovation Act, and other relevant laws, policies and regulations. Accordingly, the licensee shall adhere to such procedures, standards, code of ethics and guidelines as may be prescribed by regulations made under the Act, or prescribed by provisions of International treaties of which Kenya is a signatory to
2. The research and its related activities as well as outcomes shall be beneficial to the country and shall not in any way;
    i. Endanger national security
    ii. Adversely affect the lives of Kenyans
    iii. Be in contravention of Kenya's international obligations including Biological Weapons Convention (BWC), Comprehensive Nuclear-Test-Ban Treaty Organization (CTBTO), Chemical, Biological, Radiological and Nuclear (CBRN).
    iv. Result in exploitation of intellectual property rights of communities in Kenya
    v. Adversely affect the environment
    vi. Adversely affect the rights of communities
    vii. Endanger public safety and national cohesion
    viii. Plagiarize someone else's work
3. The License is valid for the proposed research, location and specified period.
4. The license any rights thereunder are non-transferable
5. The Commission reserves the right to cancel the research at any time during the research period if in the opinion of the Commission the research is not implemented in conformity with the provisions of the Act or any other written law.
6. The Licensee shall inform the relevant County Director of Education, County Commissioner and County Governor before commencement of the research.
7. Excavation, filming, movement, and collection of specimens are subject to further necessary clearance from relevant Government Agencies.
8. The License does not give authority to transfer research materials.
9. The Commission may monitor and evaluate the licensed research project for the purpose of assessing and evaluating compliance with the conditions of the License.
10. The Licensee shall submit one hard copy, and upload a soft copy of their final report (thesis) onto a platform designated by the Commission within one year of completion of the research.
11. The Commission reserves the right to modify the conditions of the License including cancellation without prior notice.
12. Research, findings and information regarding research systems shall be stored or disseminated, utilized or applied in such a manner as may be prescribed by the Commission from time to time.
13. The Licensee shall disclose to the Commission, the relevant Institutional Scientific and Ethical Review Committee, and the relevant national agencies any inventions and discoveries that are of National strategic importance.
14. The Commission shall have powers to acquire from any person the right in, or to, any scientific innovation, invention or patent of strategic importance to the country.
15. Relevant Institutional Scientific and Ethical Review Committee shall monitor and evaluate the research periodically, and make a report of its findings to the Commission for necessary action.

National Commission for Science, Technology and
Innovation(NACOSTI),
Off Waiyaki Way, Upper Kabete,
P. O. Box 30623 - 00100 Nairobi, KENYA
Telephone: 020 4007000, 0713788787, 0735404245
E-mail: dg@nacosti.go.ke
Website: www.nacosti.go.ke

APPENDIX V: SCREE PLOT



APPENDIX VI: RESPONDENTS PER SACCO

	Internal Auditors	Accountants	Finance Officers	CEO	Credit Officers	Finance managers	Total
Invest and Grow Sacco	1	6	1	1	1	1	11
Wevasity Sacco	1	3	1	1	1	1	8
Afya Sacco	1	3	1	1	1	1	8
Police Sacco	1	3	1	1	1	1	8
Ukulima Sacco	1	3	1	1	1	1	8
Mwalimu National Sacco	1	3	1	1	1	1	8
Kussco sacco	1	3	1	1	1	1	8
Mudete Sacco	1	3	1	1	1	1	8
Vihiga County Farmers Sacco	1	3	1	1	1	1	8
Vihiga County Sacco	1	3	1	1	1	1	8
Faridi Sacco	1	3	1	1	1	1	8
Elimu Sacco	1	3	1	1	1	1	8
Ng'arisha Sacco	1	4	1	1	1	1	9
Metropolitan Sacco	1	3	1	1	1	1	8
Stawisha Sacco	1	3	1	1	1	1	8
Total	15	49	15	**15**	15	15	124

APPENDIX VII: SACCOS PER COUNTY IN WESTERN KENYA AND THEIR CLASSIFICATION

<table>
<tr><th></th><th>COUNTY</th><th>Tier</th></tr>
<tr><td>Invest and Grow Sacco</td><td rowspan="7">Kakamega</td><td>Large</td></tr>
<tr><td>Wevasity Sacco</td><td>Small</td></tr>
<tr><td>Afya Sacco</td><td rowspan="4">Large</td></tr>
<tr><td>Police Sacco</td></tr>
<tr><td>Ukulima Sacco</td></tr>
<tr><td>Mwalimu National Sacco</td></tr>
<tr><td>Kussco sacco</td><td>Medium</td></tr>
<tr><td>Mudete Sacco</td><td rowspan="3">Vihiga</td><td rowspan="3">Small</td></tr>
<tr><td>Vihiga County Farmers Sacco</td></tr>
<tr><td>Vihiga County Sacco</td></tr>
<tr><td>Faridi Sacco</td><td rowspan="2">Busia</td><td rowspan="3">Medium</td></tr>
<tr><td>Elimu Sacco</td></tr>
<tr><td>Ng’arisha Sacco</td><td rowspan="3">Bungoma</td></tr>
<tr><td>Metropolitan Sacco</td><td>Large</td></tr>
<tr><td>Stawisha Sacco</td><td>Small</td></tr>
</table>