Internal Audit Practices and Financial Performance of Deposit Taking Savings and Credit Societies in Western Kenya

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

November, 2024

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DEDICATION

I dedicate this thesis affectionately to my family and friends who have encouraged me all the way and whose encouragement, advice and support have made me compile this proposal.

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ABSTRACT

The main objective of the study was to examine internal audit practices on financial performance of deposit taking savings and credit societies in Western Kenya. The specific objectives were to determine the influence of internal audit independence, internal audit controls, Internal audit timeliness on financial performance of Saccos in Western Kenya. The study also sought to establish moderating effect of top management support on the relationship between internal audit practices and financial performance of deposit taking saccos in western Kenya. The main theory was agency theory and it was supported by contingency theory, signaling theory and upper echelons theory. The study was conducted in Western Region of Kenya comprising of counties of Kakamega, Vihiga, Busia and Bungoma. The study was guided by descriptive survey research design. The study targeted 129 internal auditors, accountants, finance officers and chief executive officers in all the 15 DT-SACCOS. Stratified random and simple sampling techniques were used to select 97 respondents from a target of 129. The study used both secondary and primary data. Self-administered questionnaire structured on 5-point Likert type scale was used. Secondary data was collected using secondary data schedule for a period between 2019 and 2023. Pilot test was done in 3 SACCOs targeting 10 respondents who were not used in the final study. To measure the reliability, Cronbach Alpha technique was employed. The study assessed two types of validity namely; construct and content validity. Data was analyzed using both descriptive and inferential statistics, thus for descriptive mean, standard deviation, frequency and percentages were used. For inferential correlation analysis, multiple and hierarchical regression was used. Data was analyzed using the SPSS 26 software. The results indicated that approximately 69.2% of the variability in financial performance is collectively explained by internal audit practices. A one-unit increase in internal auditor's independence would results to significant increase in financial performance by 0.264 units(P=0.002). A one-unit increase in internal audit control would results to significant increase in financial performance by 0.321 units (P=0.000). A one-unit increase in internal audit timeliness would results to significant increase in financial performance by 0.339 units(P=0.000). Introducing top management support further improved R square to 0.798, P=0.017, indicating that the final model explained 79.8% of the variance in financial performance. Therefore, top management support is a significant predicator moderating variable. The study has provided valuable insights to Sacco management, Board of directors the Society regulatory Authority (SASRA), relevant Ministries and the state corporations.

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ABBREVIATIONS AND ACRONYMS

CEO	Chief Executive Officer
COVID 19	Coronavirus Disease 2019
DT	Deposit Taking.
DTS	Deposit Taking Saccos
DPS	Dividend Per Share
GOK	Government of Kenya
IIA	Institute of Internal Auditors
IAID	Internal audit independence Department
KPMG	Klynveld Peat Marwick Goerdeler
OECD	Organization for Economic Co-operation and Development
PwC	Pricewaterhouse Coopers
RMD	Risk Management Disclosure
ROA	Return On Asset
SACCO	Savings and Credit Co-operative Socieities
SASRA	Sacco Societies Regulatory Authority
SAS	Statements of Auditing Standards
SPSS	Statistical Package for Social Science
VIF	Variance Inflation Factor

OPERATIONAL DEFINITION OF TERMS

Financial Performance: Refers to the actual financial output of the deposit taking Saccos and its determined in the form of interests on members deposits , return on assets and dividend per share (Nyikuli 2022).

Internal Audit Practices: Refers to the effective application of auditing principles as per Sacco laid down procedures and practices which includes; internal audit independence, internal audit controls and internal audit timeliness.(Sasra,2022) .

Internal Audit controls : Refers to the policies, procedures, and mechanisms put in place to ensure the effectiveness, efficiency, and integrity of the internal audit function within a deposit taking Saccos (IIA, 2021)

Internal audit independence: Refers to the autonomy and impartiality of the internal audit function within a deposit taking Saccos in Kenya to discharge its duties and responsibilities objectively without undue influence from management(Sasra,2022)

Internal audit timeliness: Refers to the promptness and efficiency with which internal audit activities are conducted within the deposit taking Saccos (IIA, 2021).

Top Management Support: Refers to the commitment, involvement, and facilitation provided by senior management within a deposit taking Saccos to promote the effectiveness and independence of internal audit function (IIA, 2021).

CHAPTER ONE

INTRODUCTION

1.1 Background to the Study

The Institute for Internal Auditors (2022) defines internal auditing as an independent and objective activity aimed at identifying errors and increasing confidence in the company's information among both internal and external stakeholders, thereby improving the firm's performance. The profession has seen a growing demand from companies worldwide because to the need of implementing an autonomous verification process in order to decrease mistakes in accounting, prevent theft of corporate assets, and combat business crimes (Institute of Internal Auditors, 2022). Numerous multinational corporations worldwide have recognized that conducting audits is an indispensable aspect of running a company, now considered essential in every organization.

According to Ujwary-Gil (2020), internal audit plays a crucial role in identifying and enhancing the growth of a company. They also serve as financial performance advisors by mitigating risks. The significance of internal audits in firms has increased throughout time. The reason for this is that internal audit provides advantages to the company via the assessment of systems (Njung'e, 2019). Internal audit practice is a significant aspect of internal management. It consists of several components, some of which do not impact the performance of deposit accepting SACCOs.

Various contextual reports demonstrate the impact of internal audits on corporate performance. An example, such as the case of the Jordanian Banks by Ahmad (2018), demonstrates that internal audits have a substantial influence on the overall performance of all banks. The absence of adequate audit controls led to investors suffering significant financial losses in various scandals. Specifically, the World Com Scam of 2002 resulted in a loss of $180 billion, the Tyco Scandal of 2002 led to a loss of $150 million, the Heath South Scandal of 2003 (involving the largest publicly traded firm) caused a loss of $1.4 billion, and the America International Group (AIG) scandal of 2005 in the United States resulted in a loss of $3.9 billion (Kabue, 2020).

The government in China is the main driving force behind internal audits, and the status of internal audit organizations has previously been ambiguous, which has somewhat hindered the independence of internal audits. The internal audit agency of publicly listed corporations in China remain within the purview of the company's internal administration. Nevertheless, China has used technical progress, including artificial intelligence and big data, to bolster corporate audit supervision, rectify internal audit deficiencies, and strengthen the internal audit framework of Chinese listed companies (Li, Xu & Li, 2020). Cioban (2015) suggests that a key cause for the lack of alignment between internal audits in public institutions and the performance of the entities is the failure to effectively fulfill advisory duties for most organizations.

In Nigeria, there are ongoing efforts to improve financial practices in the government sector's auditing profession. These efforts include moving away from the traditional focus of the internal audit unit solely on capital administration, due to multiple instances of breaches that have led to the downfall of public entities. Consequently, the government has prioritized the importance of adhering to supervision, maintaining clarity in budgetary management, and ensuring efficiency in internal audits in the public sector (Adekola & Adewale, 2018). Nevertheless, as a result of multiple instances of accounting irregularities leading to the collapse of government institutions, there has been a substantial improvement in the implementation of auditing standards for internal audits in the public sector. This includes a shift away from the traditional focus of the internal audit department solely on asset management (Adekola & Adewale, 2018). In Zimbabwe, the internal audit department at HIVOS was not fully contributing to the organization's performance. This highlights the necessity to enhance the efficacy of internal audit in order to ensure the success of the organization (Mahachi, 2018).

Research has shown that in Kenya, possessing strong educational, professional, and technical skills as an internal auditor is linked to achieving financial success. The effectiveness of internal audit in fulfilling its responsibilities is ensured by competent individuals who ensure timely notification of control breaches and take corrective action to reduce inefficiencies and losses in the company (Njung'e, 2019). Kabue (2020) found that internal audit has effectively improved the performance of government administrative tasks, resulting in a decrease in the occurrence of financial scandals in public institutions. Examples of such scandals include the Sh13 billion loss in corrupt activities in state departments like the National Youth Service, Kenya Pipeline Company, the Anglo-Leasing corruption scandal (Bachelard, 2010), and the recent

KEMSA corruption scandal in the healthcare sector (Office of the Auditor General, 2020).

1.1. 1 Internal Audit practices:

The internal audit practice plays a key role on financial performance of Saccos by improving efficiency of sacco operations and effective utilization of resources(Victorian Auditor-General's Office, 2017). According to Mihret and Admassu (2011) external auditors rely on the efforts and activities of internal auditors and hence internal auditing is vital in supporting the aspect of corporate governance. Thus, companies aiming to enhance the efficiency of their corporate governance should bolster their internal audit function while enhancing the coordination between internal and external audits. Furthermore, the effectiveness of internal audit work directly influences the level of trust placed by external auditors on the work and reports of internal auditors throughout the auditing process of an organization.

Ondieki (2018), defined internal audit as a set of principles for conducting audits, including professional expertise, independence, and controls for the audit team. He also highlighted that Internal audit practices has a positive and significant link with the financial performance of Saccos and commercial banks. Magara (2018) performed a research to examine the correlation between internal controls and financial performance of DT-SACCOs in Kenya. The research found a strong and favorable relationship between internal controls and the financial performance of these SACCOS. Furthermore, the findings indicated that the absence of internal controls will lead to subpar performance of the SACCOs.

1.1.2 Deposit Taking Saccos in Kenya

According to Odhiambo (2018) there are two categories of Saccos ; DT-SACCOs and Non DT- SACCOs . DT-SACCOs are those that takes deposits and withdrawable account savings similar to those offered by Banks and Non-DT SACCOs are strictly limited to the receipt of deposits which are not available for withdrawal but act as collateral for credit facilities.Thus SACCOs have contributed to economic growth by providing funding to enterprises, enabling their members to engage in diverse business activities. This, in turn, has led to job creation, increased government revenue through taxation, and boosted the country's exports. According to SASRA(2023), the total Sacco Assets have significantly grown from 893.3 Billion in 2021 to 971.96 Billion in 2022 and this has played a pivotal role in Kenya’s financial ecosystem. The performance of the SACCOS is measured by how best the entity is generating value for its member’s deposit and share capital and thus it can be calculated by key financial ratios for certain period such as ROA , Dividends per share and profit after taxation (SASRA, 2023)

A report by the SACCO Societies Regulatory Authority (SASRA, 2019) in Kenya revealed that several SACCOs in the country have been engaged in mismanagement, fraudulent activities, and corrupt practices. An example of this is Elimu SACCO, which was found to have used innovative accounting strategies to conceal instances of fraud and failure to repay loans by some members (Kemboi, 2019). According to SASRA report 2020, The Sacco Societies Regulatory Authority (SASRA) has revoked the licenses of three societies; barring them from taking deposits. The three are Nandi Hekima, Miliki Sacco and Sukari Sacco. SASRA said deregistering the Sacco's was necessary since some of them were facing business shrinkage.

The management of Mwalimu Sacco, whether without experience in such purchases or motivated by personal gain, proceeded with the purchase without heeding any warning signs and acquired 75 percent of the bank all at once. It cost Sh2.4 billion. The Co-operative Alliance of Kenya, an umbrella of more than 14 million members of the cooperative movement, was among the first agencies to flag the transaction on grounds that due process was not followed. To handle such cases, the government has spruced up efforts to safeguard the Savings and Credit Co-operative (SACCO) movement in the country by establishing the Sacco societies' fraud investigation unit aimed at boosting investor confidence in the subsector. Ekeza SACCO ceased its operations in 2017 due to transparency issues, which negatively impacted the public perception of SACCOs, fostering a pessimistic outlook. The SASRA report from 2017 shows that the allowance for loan loss, which is a measure of non-performing loans in SACCOs, increased to over Kshs 10.7 billion in 2017. This is a 23.4% increase from the previous year's figure of Kshs 8.6 billion.

The Ukulima Sacco fraud scandal in 2019 is a glaring example of the ineffectiveness of internal audit functions in Kenyan DTS. The Sacco suffered significant financial losses due to fraudulent activities that went undetected by its internal audit function. The lack of independence and autonomy of the internal audit team, coupled with inadequate risk assessment, allowed the fraud to persist for an extended period, resulting in severe financial repercussions for the Sacco and its members. In another case, Tower Sacco faced challenges in its internal audit function when irregularities in the loan portfolio were discovered. The internal audit process failed to identify and address these irregularities promptly, leading to concerns about the effectiveness of the Sacco's risk management practices. This example underscores the importance of a robust internal audit function in ensuring the integrity of loan portfolios and protecting the financial well-being of Sacco members (SASRA, 2023).

Therefore, there is compelling evidence that the effect of an internal audit practices goes a long way in impacting the performance of financial institutions in Kenya. The skills, knowledge and objectivity of qualified internal auditors are important to the firm’s internal audit unit and protect against any threat to controls and efficiency in the management of public resources. Therefore, the current study sought to apply the fundamental concept of internal auditing practices to assess its effect on the financial performance of deposit taking Saccos in Western Kenya.

1.2. Statement of the Problem

Despite of the SACCOs being the key pillars of economic growth in Kenya, in the past decades SACCOs have been struggling financially and some collapsing with members deposits due to ineffective internal audit practices, poor governance, fraud and corruption, regulatory compliance issues, asset quality, Financial mismanagement and inadequate risk management compliance (SASRA 2022). According to SASRA report 2020, among DT-SACCOs that, the Sacco Societies Regulatory Authority (SASRA) has revoked the licenses and barring them from taking deposits includes Sukari sacco from Mumias and hence this implies that western region is no exception of the challenges facing Saccos. SASRA said deregistering the Saccos was necessary since some of them were facing business shrinkage due to ineffective internal audit practices, inadequate risk management compliance and poor governance (SASRA ,2020).

Moreover, a number of SACCOs in Kenya have reported many cases of failures as a result of reasons not yet uncovered. For example, Ekeza SACCO shut down its operation in 2017 for reasons related to transparency and painted a bad picture on the way the public viewed SACCOs which has led to the development of negative view , hence this implied to weak internal controls and lack of internal audit independence. In the same year, Ukulima Sacco suffered significant financial losses due to fraudulent activities that went undetected by its internal audit function. Furthermore, financial performance as measured by return on asset has shown mixed outcome between 2017 and 2021. The return on asset of tier one deposit taking Saccos in Nairobi decreased from 2.02%% in 2017% to 1.94% in 2018 thereafter it increased to 2.53% in 2019, and reduced to 2.04% in 2020 before increasing to 2.29% in 2021 (SASRA, 2022).

Scanty systematically documented information exists that attributes internal audit practice and financial performance of SACCOS financially in Kenya. Some of the studies conducted on have continuously produced mixed results. Kolawole, Daio, Jacob and Aregbesola (2020) found that independence of internal auditor had significant but negative influence on the financial performance of the manufacturing industries in Nigeria. On the other hand, Ugwu, Aikpitanyi and Idemudia (2020) finds that audit timeliness had no significant effect on return on assets, earnings per share and net profit margin of Nigerian banks and similar results were revealed by Mbuti (2019) in regards to internal audit independence. These studies contradicted other researches which have established significant positive effect on financial performance. l-Hadrami, Rafiki and Sarea (2020) found that the internal audit practices have a positive and significant influence on financial performance and similar results were revealed Sishumba, Saidi and Milupi (2022) while investigating the effects of internal audit on the financial performance of commercial banks in Zambia.

Studies have also identified gaps in their researches and suggested for further studies. Mutulu (2021) examined the effect of internal audit on organizational performance of the State Corporations in Kenya. Therefore; the study recommends that further research can be extrapolated to other firms like social enterprises, commercial banks, deposit taking Saccos and other financial institutions. Nyikuli (2022) examined internal audit practices focusing on independence and competence and compliance to standards. However, the study recommended other studies to include other variables which this study sought to fill. Leadise (2022) carried out a direct relationship between the internal audit functions and the performance in state parastatals in Kenya, and suggested that a future study, however, should include a moderating variable to have a model that enhances the predictability of the financial performance. Owing to this backdrop, therefore, the research strived to address the challenges facing DT-SACCOs Performance and fill the literature deficiency of previous researches by conducting the study on the effect of internal audit practices on financial performance of deposit taking savings and credit societies in Western region of Kenya .

1.3 Objectives of the Study

The main objective of the study was to examine effect of internal audit practices on financial performance of deposit taking savings and credit societies in Western Kenya.

This study was guided by the following objectives: -

i. To ascertain effect of internal auditor's independence on financial performance of Deposit Taking saccos in western Kenya
ii. To establish effect of internal Audit controls on financial performance of deposit taking saccos in western Kenya
iii. To determine the effect of internal audit timeliness on financial performance of deposit taking saccos in western Kenya
iv. To establish moderating effect of top management support on the relationship between internal audit practices and financial performance of deposit taking saccos in western Kenya

1.4 Research Hypotheses

$H_{01:}$ Internal audit independence has no significant influence on financial performance of deposit taking saccos in western Kenya.

$H_{02:}$ Internal controls have no significant influence on financial performance of deposit taking saccos in western Kenya.

$H_{03:}$ Internal audit timeliness has no significant influence on financial performance of deposit taking saccos in western Kenya.

$H_{04:}$ Top management support has no significant moderating effect on the relationship between internal audit practices and financial performance of deposit taking saccos in western Kenya.

1.5 Significance of the Study

This has vital significance to scholars, Sacco members, Sacco Management, policy makers and Sacco Board members. The conclusions drawn from this study are anticipated to offer valuable insights to various stakeholders, particularly policymakers involved in the day-to-day regulation of Savings and Credit Cooperatives (SACCOs), such as the Ministry of Trade, Industry and Cooperative Development, the SACCO Societies Regulatory Authority (SASRA), and parliamentary bodies. By gaining a deeper understanding of the pivotal role that internal audit practices play within SACCOs, these entities can make informed decisions to enhance regulatory frameworks and bolster SACCO performance, ultimately contributing to the stability and growth of the cooperative sector.

Furthermore, academia stands to benefit significantly from the study's findings. The integration of these findings into curriculum development for educational institutions in Kenya and beyond has the potential to enrich the academic landscape, providing students with up-to-date knowledge and insights into internal audit practices within SACCOs. Additionally, upcoming researchers in the fields of internal audit practices and SACCO governance may find value in the study's findings as they embark on their own scholarly pursuits. The identification of research gaps and suggested topics for further investigation can serve as a springboard for advancing knowledge and understanding in these domains, ultimately contributing to the expansion of the collective knowledge base.

This study holds vital significance for SACCO management by examining how internal audit practices influence financial performance. It aims to provide insights into enhancing auditor independence, fortifying internal controls, ensuring timely audits, and fostering top management support. By understanding these dynamics, SACCOs in Western Kenya can optimize their internal audit frameworks to bolster financial performance, thereby enhancing sustainability and competitiveness. This research serves as a valuable resource for SACCO management, offering actionable strategies to navigate challenges and capitalize on opportunities in the dynamic financial landscape of the region.

This study is crucial for SACCO members as it sheds light on how internal audit practices impact the financial performance of SACCOs in Western Kenya. By understanding factors like auditor independence, internal controls, and audit timeliness, members can assess the effectiveness of their SACCO's management and financial health. This knowledge empowers members to advocate for transparency, accountability, and improved governance within their SACCOs, ultimately safeguarding their investments and ensuring sustainable growth and prosperity for all members.

For the board of management, this study provides invaluable insights into how internal audit practices influence the financial performance of SACCOs in Western Kenya. By understanding the effects of auditor independence, internal controls, audit timeliness, and top management support, the board can make informed decisions to enhance the efficiency, transparency, and accountability of their SACCO's operations. This knowledge enables the board to implement effective strategies, policies, and governance mechanisms that optimize financial performance, mitigate risks, and foster long-term sustainability and growth for the SACCO and its members.

1.6 Scope of the Study

The research was conducted in Western Region of Kenya comprising of the following counties ;Kakamega, Vihiga, Busia and Bungoma. The study focused on internal audit practices as an independent variable, financial performance as dependent variable and top management support as moderating variable. Internal audit practice was conceptualized as internal audit independence, internal audit control and internal audit timeliness.

The study was guided by descriptive survey research design. The study targeted 129 internal auditors, accountants, finance officers and chief executive officers in all the 15 DT-SACCOS who believed to hold vital information concerning the study and would give the reliable information. Also these Saccos fall under the regulatory oversight of the Sacco Societies Regulatory Authority (SASRA), hence all required financial audited report and other crucial data could be retrieved or obtained from SASRA website. Stratified random and simple sampling techniques were used to select 97 respondents from a target of 129. The study used both secondary and primary data. Self-administered questionnaire structured on 5-point Likert type scale was used. Secondary data was collected using secondary data schedule for a period between 2019 and 2023. The study was conducted between June and August, 2024.

1.7 Limitation of the Study

This study was susceptible to several limitations, primarily stemming from potential non-response among participants who may hesitate to complete the questionnaire. This reluctance was attributed to the sensitive nature of the information being solicited, leading respondents to fear potential repercussions or simply struggling to grasp the questionnaire's content due to their diverse areas of expertise. Consequently, this limitation may result in a diminished sample size, thereby compromising the generalizability of the research findings. To address this challenge, the researcher accompanied the questionnaire with a detailed introductory letter elucidating the research's purpose and emphasizing the utmost confidentiality of the responses. Additionally, the questionnaire was meticulously structured to ensure clarity and comprehensibility for all respondents, thus minimizing the likelihood of misinterpretation (Dillman, Smyth, & Christian, 2014).

CHAPTER TWO

LITERATURE REVIEW

2.1 Introduction

This chapter summarizes the relevant theory, research, conceptual framework, previous investigations, and literature review, as well as identifies the gaps in our understanding.

2.2 Theoretical Review

A theoretical review examines existing theories relevant to a research topic, assessing their development, key concepts, and empirical support. It identifies gaps, inconsistencies, and areas for further exploration, guiding the formulation of hypotheses and the development of a conceptual framework for empirical investigation. In this study theories are presented in regards to their proponents, arguments (tenets), assumptions, critique and its relevance to the study. The main theory was agency theory and it was supported by contingency theory to further internal control variable, signaling theory for internal audit timing and upper echelons theory for top management support.

2.2.1 The Agency Theory

Agency theory, proposed by Jensen and Meckling in 1976, examines the relationship between principals (owners) and agents (managers) within organizations. The theory suggests that conflicts of interest arise due to the differing goals and asymmetric information between principals and agents. Principals seek to maximize their wealth, while agents may pursue their own interests, leading to agency costs such as moral hazard and adverse selection (Nyikuli ,2022).

The theory argues that internal controls, including internal audit practices, serve as mechanisms to mitigate agency conflicts by aligning the interests of principals and agents. Internal audits provide independent assessments of managerial actions, reducing information asymmetry and monitoring agency behavior. By ensuring transparency, accountability, and compliance with organizational goals, internal audit practices help minimize agency costs and improve organizational performance (Hermalin & Weisbach, 2012).

However, agency theory is based on several assumptions that have been subject to critique. Firstly, it assumes that individuals are rational and self-interested actors, which may not always hold true in practice. Critics argue that human behavior is more complex and may involve altruistic motives or social norms (Kagiri, 2023). Additionally, agency theory overlooks the role of external factors such as market competition, regulatory environment, and organizational culture in shaping managerial behavior and organizational outcomes (Mbuti , 2022).

This was the main theory of the study and it has been linked to internal audit independence internal control, internal audit timeliness and moderating effect of top management support. Agency theory suggests that conflicts of interest arise between principals (owners) and agents (managers) due to divergent goals and information asymmetry. In the context of SACCOs, internal auditors serve as agents entrusted with monitoring and reporting financial activities to the board of directors (principals). The independence of internal auditors is crucial for mitigating agency conflicts, as it ensures unbiased reporting and reduces the likelihood of managerial opportunism (Makokha 2022).

According to agency theory, conflicts of interest exist between principals (owners or shareholders) and agents (managers or employees) due to differences in goals and information asymmetry. Effective internal controls act as mechanisms to align the interests of principals and agents by reducing opportunistic behavior and ensuring accountability. In the context of SACCOs, internal controls help mitigate agency conflicts by providing assurance to shareholders that their resources are being managed prudently, ultimately improving financial performance (Nyikuli, 2022).

Agency theory suggests that conflicts of interest arise between principals (owners or shareholders) and agents (managers or employees) due to differences in goals and information asymmetry. Timely internal audits can serve as a monitoring mechanism to reduce agency conflicts by providing up-to-date information to principals about the performance and risk exposure of SACCOs. This timely information enables stakeholders to make informed decisions, ultimately improving financial performance (Idris ,2022).

This theory highlights the potential conflict of interest between management (agents) and members (principals) in SACCOs. Top management support for internal audit practices can strengthen the positive relationship between internal audits and financial performance. When top management actively supports internal audit, it signals their commitment to good governance and reduces the likelihood of resistance or interference with the audit process. This allows internal audits to function more effectively and identify areas for improvement. Top management support legitimizes the internal audit function within the SACCO. This encourages cooperation from different departments, leading to more comprehensive and effective audits, ultimately impacting financial performance positively.

2.2.2 Contingency Theory

Contingency theory, developed primarily by organizational theorists such as Joan Woodward (1958) and Paul Lawrence and Jay Lorsch (1967), posits that organizational practices and structures should be contingent upon internal and external contextual factors. The theory argues that there is no one-size-fits-all approach to organizational design, and the most effective practices depend on the unique circumstances faced by organizations. Contingency theory suggests that various factors, including organizational size, technology, environment, and strategy, influence the effectiveness of organizational practices. For example, larger organizations may require more formalized structures and centralized decision-making processes to manage complexity, while smaller organizations may thrive with more flexible and decentralized structures (Mokono & Nasieku, 2018).

The theory assumes that organizations operate in dynamic environments characterized by uncertainty and change. Therefore, organizational structures and practices should be adaptable and responsive to changing conditions. Contingency theory also emphasizes the importance of fit between organizational characteristics and environmental demands. Organizations that align their structures and practices with the demands of their environment are more likely to achieve high performance (Akumuntu,2022).

However, contingency theory has been subject to critique. Critics argue that the theory's focus on environmental fit overlooks the role of power dynamics, politics, and human agency in shaping organizational outcomes. Additionally, contingency theory has been criticized for its lack of predictive power and inability to provide clear guidelines for practice. Some researchers contend that contingency theory's emphasis on context specificity makes it difficult to generalize findings across different organizational contexts (Mukono &Nasieku, 2018).

Contingency theory suggests that organizational practices should be contingent upon internal and external contextual factors. The effectiveness of internal controls may vary depending on factors such as SACCO size, complexity, and operating environment. For instance, larger SACCOs with more complex operations may require more sophisticated internal control systems to manage risks effectively, whereas smaller SACCOs may benefit from simpler control mechanisms (Donaldson, 2001).

2.3.3 Signaling Theory

Signaling theory, initially proposed by Michael Spence, examines how individuals or organizations convey information to others in situations characterized by information asymmetry. The theory suggests that actors with private information may send signals to external parties to credibly communicate their attributes or intentions. These signals serve to reduce uncertainty and mitigate the adverse effects of asymmetric information.

According to signaling theory, signals are credible when they are costly to produce or difficult to fake. For example, firms may invest in high-quality advertising or branding to signal their commitment to producing superior products or providing excellent customer service. Similarly, job candidates may obtain advanced degrees or certifications to signal their skills and qualifications to potential employers (Bafer & Kleinert,2022).

The theory assumes that individuals or organizations act rationally to maximize their utility or outcomes. In signaling situations, senders of signals seek to convey information that enhances their reputation or credibility. Receivers of signals, meanwhile, interpret signals based on their perceived reliability and relevance. Additionally, signaling theory assumes that information asymmetry exists between senders and receivers, creating the need for signaling mechanisms to reduce uncertainty (Connely et. Al, 2011).

However, signaling theory has been subject to critique. Critics argue that signaling can lead to information distortion or manipulation, as actors may strategically send misleading signals to deceive others. Additionally, signaling theory may overlook the role of trust and social norms in facilitating information exchange. Some researchers also question the practicality of signaling costly attributes, especially in contexts where actors may lack the resources or incentives to signal effectively (Certo, 2022).

This theory suggests that firms communicate information to external stakeholders through their actions. Timely internal audits signal a commitment to strong governance and financial transparency. This can increase investor confidence and potentially lead to better access to capital at favorable rates, improving financial performance. Timely audits demonstrate a proactive approach to risk management and financial health. This can enhance member trust and potentially attract more deposits, positively impacting financial performance.

2.2.4 Upper Echelons Theory

Upper Echelons Theory, introduced by Donald Hambrick and Phyllis Mason in 1984, explores the influence of top executives' characteristics, experiences, and values on organizational decision-making and outcomes. The theory posits that executives' backgrounds and cognitive frameworks shape their perceptions, preferences, and strategic choices, ultimately influencing organizational performance. According to Upper Echelons Theory, executives' demographic characteristics, such as age, education, and tenure, as well as their career experiences and values, play a significant role in shaping their cognitive frames. These cognitive frames, in turn, influence executives' interpretations of organizational situations, their strategic priorities, and their decision-making processes (Liu, 2023).

The theory assumes that executives' cognitive frames are relatively stable and resistant to change, making them enduring features of their decision-making processes. Additionally, Upper Echelons Theory suggests that executives' cognitive frames reflect their unique perspectives and worldviews, which may differ based on their individual backgrounds and experiences (Hambrick, 2018).

However, Upper Echelons Theory has been subject to critique. Critics argue that the theory may oversimplify the complexity of executive decision-making processes by focusing primarily on demographic characteristics and cognitive frames. Additionally, some researchers question the extent to which executives' individual attributes truly drive organizational outcomes, suggesting that other factors, such as organizational structures, industry dynamics, and external pressures, may also play significant roles (Carpenter et al., 2004).

This theory suggests that top management characteristics influence organizational decision-making and performance. Top management with a strong risk management orientation and support for internal audits can foster a culture within the organization that emphasizes risk identification, mitigation, and control. This can lead to improved financial performance by minimizing losses and promoting sound financial practices. Top management understanding of the strategic role of internal audits allows them to align internal audit activities with the SACCO's goals and risk profile. This focused approach ensures audits address areas with the most significant impact on financial performance.

2.3 Conceptual Review

2.3.1 Internal Audit Independence

Internal audit independence refers to the autonomy and impartiality of the internal audit function within an organization. It ensures that internal auditors can perform their duties objectively, without undue influence or constraints, to provide credible and reliable assessments of the organization's operations, controls, and risks. Several key components contribute to internal audit independence, including the appointment process, scope of work, auditors' remuneration, reporting level, unrestricted access to records, and operating free from interference.

The appointment process of internal auditors is crucial in ensuring their independence. Ideally, internal auditors should be appointed by the board of directors or an independent audit committee to maintain independence from management influence (IIA, 2017). This appointment process helps mitigate conflicts of interest and ensures that internal auditors can perform their duties without bias or undue pressure from management (Gill and Sharma (2020).

The scope of internal audit work plays a vital role in maintaining independence. Internal auditors should have a broad mandate to examine all aspects of the organization's operations, including financial reporting, compliance, operational efficiency, and risk management. A comprehensive scope enables internal auditors to identify and address potential issues or weaknesses effectively, enhancing their independence and effectiveness (IIA, 2017).

Auditors' remuneration should be structured in a manner that preserves their independence. Ideally, internal auditors' compensation should be determined independently of management and based on factors such as qualifications, experience, and the complexity of audit assignments. This approach helps prevent conflicts of interest and ensures that auditors remain impartial in their assessments (IIA, 2017).

The reporting level of internal auditors is another critical aspect of independence. Internal audit functions should report directly to the board of directors or an independent audit committee to maintain independence from management influence. Direct reporting lines enable internal auditors to communicate their findings and recommendations freely to oversight bodies, facilitating transparency and accountability (IIA, 2017).

Unrestricted access to records is essential for internal auditors to perform their duties effectively. Internal auditors should have unfettered access to all relevant records, documents, and information necessary to conduct their audits. This access ensures that auditors can obtain accurate and complete data to assess the organization's operations and controls objectively (IIA, 2017).

2.3.2 Internal Audit Controls

Internal audit controls refer to the policies, procedures, and mechanisms put in place to ensure the effectiveness, efficiency, and integrity of the internal audit function within an organization. These controls are designed to safeguard the independence, objectivity, and reliability of internal audit activities, thereby enhancing governance, risk management, and internal control processes. Several key components contribute to internal audit controls, including the appointment process, scope of work, auditors' remuneration, reporting level, access to records, freedom from interference, segregation of duties, risk mitigation planning, integration with audit planning, policies and procedures, authorization and approvals.

Segregation of duties is a fundamental internal audit control mechanism that helps prevent fraud and errors. Internal audit controls should ensure that key duties and responsibilities are divided among different individuals to minimize the risk of unauthorized actions or manipulations. By segregating duties, organizations can enhance accountability and reduce the likelihood of fraudulent activities (IIA, 2017). According to Al-Shammari et al. (2021) the internal audit function is used as a measure of preventing fraud and maintaining the integrity of the audit process.

Risk mitigation planning is integral to internal audit controls as it helps identify, assess, and manage risks effectively. Internal audit functions should develop robust risk management processes to identify potential risks, evaluate their impact and likelihood, and develop strategies to mitigate or manage them. By integrating risk mitigation planning into internal audit activities, organizations can strengthen their resilience and adaptability in the face of uncertainties (IIA, 2017). The effective internal audit functions actively participate in risk assessments and contribute to the development and implementation of risk mitigation strategies, ultimately improving the university's risk management framework (Bett ,2021)

Integration with audit planning ensures that internal audit activities are aligned with organizational objectives and priorities. Internal audit controls should involve systematic planning processes to identify audit priorities, allocate resources effectively, and ensure that audit activities address key risks and objectives. By integrating audit planning with organizational planning processes, internal audit functions can enhance their relevance and value to the organization (IIA, 2017). Internal audit functions plays a role of risk assessments and tailor their audit plans to address the organization's most significant risks(Agarwal,2021) .

Policies and procedures are essential components of internal audit controls as they provide guidance and structure to internal audit activities. Internal audit functions should develop and implement policies and procedures that define the roles, responsibilities, and processes governing internal audit activities. These policies and procedures help standardize internal audit practices, promote consistency, and ensure compliance with professional standards and regulatory requirements (IIA, 2017).

Authorization and approvals mechanisms are critical internal audit controls that help ensure the integrity and validity of transactions and activities. Internal audit controls should include robust authorization and approval processes to verify the legitimacy of transactions, ensure compliance with policies and procedures, and prevent unauthorized actions or expenditures. By implementing effective authorization and approval controls, organizations can enhance accountability, transparency, and compliance with regulatory requirements (IIA, 2017).

2.3.3 Internal Audit Timeliness

Internal Audit Timeliness refers to the promptness and efficiency with which internal audit activities are conducted within an organization. Timeliness is essential for ensuring that audit findings are communicated promptly, enabling management to take timely corrective actions and mitigate risks effectively. Several key components contribute to assessing internal audit timeliness, including follow-up procedures, timeliness of reporting, audit cycle time, management response time, and the timeliness resolution of audit issues.

Follow-up procedures refer to the process of monitoring and tracking the implementation of corrective actions in response to previously identified audit findings. Internal audit functions should establish timely follow-up mechanisms to ensure that management addresses identified deficiencies promptly. According to PwC (2022), effective follow-up procedures involve regular communication with management, tracking the status of corrective actions, and escalating unresolved issues as necessary to drive timely resolution.

Timeliness of reporting pertains to the speed with which audit findings, conclusions, and recommendations are communicated to relevant stakeholders, including management and the board of directors. Deloitte (2021) emphasizes the importance of timely reporting in enabling management to make informed decisions and take prompt corrective actions. Internal auditors should strive to communicate findings as soon as possible after completing audit engagements to facilitate timely decision-making and risk mitigation.

Audit cycle time refers to the duration between the initiation and completion of individual audit engagements. It encompasses the planning, fieldwork, reporting, and follow-up phases of the audit process. According to KPMG (2021), reducing audit cycle time is essential for enhancing internal audit efficiency and responsiveness. Shorter audit cycles enable internal auditors to address emerging risks promptly and provide timely insights to stakeholders.

Management response time refers to the speed at which management acknowledges and responds to audit findings and recommendations. Timely management responses are critical for addressing identified deficiencies and implementing corrective actions effectively. According to EY (2022), management should provide clear and actionable responses to audit findings within a reasonable timeframe to demonstrate commitment to addressing internal control weaknesses and improving organizational performance. Rababah and Al-Mughrabi (2020) used the same measure while examining Management Response to Internal Audit: Evidence from Jordan. The study found that a faster management response time to internal audit findings is associated with improved organizational performance, indicating the importance of timely action on audit recommendations. Haron, Yusof and Ali (2017) found a significant positive relationship between the effectiveness of the internal audit function and management response time, suggesting that a well-functioning internal audit function leads to faster management response times.

Timeliness resolution of audit issues reflects the speed at which management implements corrective actions to address identified deficiencies. Internal audit functions should monitor the progress of corrective actions and ensure that management resolves audit issues promptly. Protiviti (2021) emphasizes the importance of establishing clear timelines and accountability mechanisms to facilitate timely resolution of audit issues and prevent recurrence of identified weaknesses.

2.3.4 Top management support

Top Management Support refers to the commitment, involvement, and facilitation provided by senior management within an organization to promote the effectiveness, independence, and value of various functions, including internal audit. It encompasses a range of actions and behaviors aimed at creating an environment conducive to organizational success, ethical conduct, and sound governance practices. Several key components contribute to assessing top management support, including resource allocation, support of professional development, implementation of recommendations, commitment to good governance, and regular open communication.

Resource allocation involves providing the necessary resources, including financial, human, and technological resources, to support the internal audit function effectively.

This includes budgetary allocations for staffing, training, technology, and other resources needed to conduct audits and fulfill the internal audit mandate. According to The Institute of Internal Auditors (IIA), adequate resource allocation is essential for enabling internal audit functions to operate efficiently and effectively, contributing to the achievement of organizational objectives (IIA, 2021).

Top management support should extend to the professional development and growth of internal audit staff. This includes providing opportunities for training, certifications, mentoring, and career advancement. By investing in the development of internal audit professionals, organizations can enhance their knowledge, skills, and capabilities, thereby strengthening the internal audit function and its ability to add value to the organization. As noted by Deloitte (2021), supporting professional development demonstrates a commitment to building a skilled and competent internal audit team capable of addressing evolving risks and challenges effectively.

Top management support is reflected in the commitment to implementing recommendations arising from internal audit findings. This involves taking prompt and decisive action to address identified deficiencies, strengthen internal controls, and improve organizational processes. According to PwC (2022), management's willingness to implement audit recommendations demonstrates a commitment to continuous improvement and accountability, contributing to enhanced organizational performance and risk management.

Top management support is integral to fostering a culture of good governance within an organization. This includes promoting ethical behavior, integrity, transparency, and accountability at all levels of the organization. As emphasized by KPMG (2021), senior management's commitment to good governance sets the tone for the entire organization, influencing decision-making processes, behaviors, and outcomes. By championing good governance practices, management reinforces trust and confidence in the organization's operations and stakeholders.

Top management support entails establishing channels for regular open communication between senior management and the internal audit function. This includes facilitating discussions on audit plans, findings, recommendations, and progress on implementation. Open communication fosters transparency, collaboration, and trust, enabling management to stay informed about key audit matters and providing internal auditors with the support and guidance they need to fulfill their responsibilities effectively. According to EY (2022), regular communication between management and internal audit is essential for ensuring alignment with organizational objectives and priorities, as well as addressing emerging risks and challenges proactively..

2.3.5 Financial Performance

Financial performance refers to the evaluation of a company's ability to generate profits and manage its financial resources effectively. It provides insights into the company's overall health and its ability to create value for its shareholders. Several key indicators are used to assess financial performance, including Dividend Per Share, Interest on Member Deposits, Rate of Rebate, and Return on Assets.

Dividend Per Share (DPS) is a measure of the amount of dividends a company pays out to its shareholders relative to each outstanding share. It is calculated by dividing the total dividends paid by the company by the total number of outstanding shares. DPS reflects the company's commitment to distributing profits to shareholders and is an essential component of total shareholder return. According to Bett (2016), DPS is used as a key measure of profitability and member return on investment.

Interest on member deposits refers to the interest paid by financial institutions, such as banks or credit unions, to their depositors on funds held in deposit accounts. It represents the cost of funds for these institutions and is a significant component of their expenses. Monitoring the interest paid on member deposits is crucial for financial institutions to manage their profitability and liquidity effectively. Interest on Member Deposits is analyzed as a crucial factor in attracting member savings, impacting the capital base and overall financial strength (Bett et al. 2018).

The Rate of Rebate is a financial metric often used in the context of credit unions. It represents the amount of interest or fees refunded to members based on their participation in the credit union and the profitability of its operations. The Rate of Rebate reflects the cooperative nature of credit unions, where members share in the institution's financial success.

Return on Assets (ROA) is a financial ratio that measures a company's profitability relative to its total assets. It indicates how efficiently a company is using its assets to generate profits. ROA is calculated by dividing net income by average total assets. A higher ROA indicates better utilization of assets to generate earnings and is a key indicator of financial performance.

2.4 Empirical Review

2.4.1 Effect of internal Audit Independence on Financial Performance

Walubuka, and Gichana (2019) examined the impact of internal auditors' independence on the financial performance of banks listed on the Nairobi Securities Exchange (NSE). The study was conducted using a Descriptive survey research design. The study's target population consisted of 76 Audit Managers and Internal Auditors. A total of 76 participants were included in the sample, and they were picked using the Census sampling approach. A survey was designed and used to gather primary data from the selected respondents in the final sample. The study found that a lack of independence among internal auditors has a detrimental impact on the financial performance of banks listed on the NSE. The research found that having an internal audit budget to enhance the independence of internal auditors has an impact on the financial performance of commercial banks listed in NSE. The study focuses solely on listed banks at the Nairobi Securities Exchange (NSE), failing to compare or consider internal audit independence across different geographical regions, limiting the generalizability of its findings beyond the NSE such as deposit taking Saccos.

Al-Hadrami, Rafiki, and Sarea (2020) looked at how the competency and independence of the audit committee (AC) affected the investment decisions made by Bahraini-listed businesses. Using a self-administered questionnaire survey, cross-sectional data is obtained using a quantitative manner. Totaling 409 responses from 39 listed firms, a stratified random sample approach is used. The results show that investment decision-making is positively and significantly affected by AC independence and AC competence. While the study examines the impact of audit committee independence and competence on investment decision-making, it lacks a comprehensive discussion on the conceptualization of these variables and their interrelationships.

Applying Standard Chartered as a case study, Sishumba, Saidi, and Milupi (2022) aimed to ascertain the impact of internal audit on the financial performance of Zambian commercial banks. With just three months to gather data, the researcher relied on questionnaires and in-person interviews to compile information from the study's 156 participants representing the sample population. In order to score the respondents' answers, the questionnaire used a five-point Likert scale. According to the results, Standard Chartered's financial performance is significantly improved by impartial internal audits. This was a case study, limiting the generalization of the study findings. The study failed to triangulate results from qualitative and quantitative sources.

In an empirical analysis, Hazaea, Tabash, Khatib, Jinyu, and Al-Kuhali (2020) looked at how the quality of internal audits affected the financial performance of commercial banks in Yemen. A questionnaire designed for this specific purpose was used to gather the main data for the investigation. There were fifty questionnaires given; 42 were collected and will be considered valid for study. Results revealed that sticking to internal auditors' independence has significant impact on banks' financial performance. The study focuses exclusively on Yemeni commercial banks, limiting the generalizability of its findings to other countries or regions with different economic, political, and regulatory contexts. The sample size of 42 retrieved questionnaires may not adequately represent the population of Yemeni commercial banks, raising concerns about the reliability and generalizability of the study's findings.

Researchers Kayode and Oyeshola (2021) looked at how internal audits affected the bottom lines of Nigerian banks that accepted deposits. Fifteen money deposit banks were selected from a pool of twenty-two commercial license banks in Nigeria using a judgmental sampling method and a hypergeometric algorithm. Data was collected via primary sources, namely surveys. Each sampled bank received 15 surveys, however out of a total of 360, only 334 were successfully recovered and deemed usable. Independent internal audits were associated with higher profits for Nigerian money deposit banks (r= 28.9%). The research looks at the correlation between audit quality and bottom line results using regression analysis, it lacks a detailed discussion on potential methodological limitations, such as endogeneity or sample selection biases.

Using Kenya Commercial Bank, Rwanda plc as a case study, Mustari, Rusibana, and Nzamalu (2020) looked at how the internal audit profession affected the earnings of Rwandan commercial banks. With an aim of 87 workers as the sample size, the study utilized a descriptive and correlational research design. The sample was given structured questionnaires, and 79 of them were returned with completed responses. A positive correlation was observed between audit independence and ROA, ROE, and interest margin in the regression equations including this predictor variable. This was a case study, limiting it generalizability and applicability. The sample size of 79 respondents from Kenya Commercial Bank Rwanda plc may not adequately represent the entire population of commercial banks in Rwanda, raising concerns about the reliability and generalizability of the findings.

Listed firms in Nigeria are directly affected by audit quality and its effect on financial performance, according to evidence provided by Ado, Rashid, Mustapha, and Ademola (2020). The research used a panel data technique and 84 NSE-listed businesses with 756 samples across a nine-year span (2010–2018). The study also relied on secondary sources, such as Thompson Reuters DataStream and the listed firms' financial statements, to compile its data. In order to analyze the model, this research uses multiple regression. The findings also show that there is a positive and statistically significant relationship between auditor independence and ROA. Lastly, the impact of auditor independence on financial performance is stronger than that of auditor size. While the research examines the influence of audit quality on the financial performance of listed companies, it lacks a comprehensive discussion on the conceptualization of audit quality and its various dimensions, potentially leading to a limited understanding of the construct.

Kolawole, Daio, Jacob and Aregbesola (2020) examine how good internal audit indicators such as independence influence the financial performance of quoted manufacturing industries in Nigeria. The study employed a descriptive research approach. Ten (10) industries in the consumer-goods sector were randomly selected for the study while secondary data was used to gather information from their published financial statements for the period 2008-2017. The researchers adopted a panel data. The study found that independence of internal auditor had significant but negative influence on the financial performance of the manufacturing industries. The study focuses exclusively on manufacturing industries, neglecting potential differences in internal audit practices and their impact on financial performance across other sectors, such as banking or telecommunications.

The impact of internal auditors' duties on the profitability of universal banks in Ghana was investigated by Angmor and Diaboh (2022). The study used a quantitative approach method. The data was analyzed using SPSS and Amos software. Ten universal banks in Ghana that are supervised by the Bank of Ghana were surveyed to get preliminary statistics. In general, the auditors' competency and independence were positively and significantly correlated with management's support. The research was successful in its aims since it clarified the impact of (IA) functions on the financial results of Ghanaian banks. Internal auditing plays a crucial role in helping banks increase their profits by ensuring auditors are independent, competent, and have the backing of management. Although the research explores the effect of internal auditors' functions on financial performance, it does not critically evaluate alternative theoretical perspectives or consider broader theoretical frameworks that could enrich its analysis.

2.4.2 Effect of internal Audit Controls on Financial Performance

Using the Rwanda Social Security Board as an example, Twagira and Osiemo (2023) looked at how internal auditing processes affected the financial performance of Rwandan public institutions. A combination of descriptive and correlational research methods was used in the study. Using a census-style methodology, all responders were deemed to be part of the sample size, which was 148 people. The research used a basic random sampling technique. The research relied on primary data collected using accurate and valid questionnaires that were pilot tested beforehand. The results showed that there were strong relationships between policy compliance and the separation of responsibilities. Reliability and integrity of information, physical control, and cost compared to intended outcomes were all positively correlated, although cost relative to intended results was not one of them. While the study employs a descriptive and correlational research design, it does not discuss the suitability of these methods for investigating the relationship between internal audit practices and financial performance in SACCOs.

Mursyida and Maulina (2023) examined the role of internal audit and internal control on the quality of financial reports at PT. ABC. In this research, the author uses a quantitative research approach. The types of data for this research are primary data and secondary data. The population in this observation is all employees at PT. The sample selection technique used in this research was a saturated sample or the entire population was sampled, namely 125 people. The research results state that internal audit and internal control have a partial and simultaneous effect on the quality of financial reports. The study focuses on a single company, neglecting the unique characteristics and challenges faced by SACCOs operating in the financial services sector.

The impact of internal audit functions on the financial performance of Nigerian commercial banks was investigated by Ezejiofor and Okolocha (2020). The researchers in this study used a survey methodology. Managers, internal control officials, money transfer officers, and cash officers from seven(7) branches of five(5) chosen commercial banks in Enugu city, Enugu State, Nigeria, make up the study's population. Results showed that commercial banks in Nigeria benefited financially from improved internal audit controls and processes, and this benefit was statistically significant at the 5% level of significance. The study was conducted among commercial banks in Nigeria resulting to geographical and sectoral gaps.

Researchers Sishumba, Saidi, and Milupi (2022) used Standard Chartered as a case study to investigate the impact of internal audit on the financial performance of Zambian commercial banks. Since the researcher only had three months to conduct the research, a combination of questionnaires and in-person interviews proved to be the most efficient means of data collection (1,156 participants). Respondents were asked to score their answers on a five-point Likert scale throughout the survey. A favorable effect on Standard Chartered's bottom line was determined by the examination of internal controls. While the study employs a mixed-methods approach, it does not discuss the suitability of this method for investigating the relationship between internal audit, internal controls, and financial performance in SACCOs.

Cheruiyot, Namusonge and Sakwa (2022) intended to determine whether internal audit practices affect financial performance of county government of Mombasa, Kenya. Descriptive research design was used and a population of 108 employees comprising of internal auditors, finance staff, accountants and Directors of the County Government of Mombasa were targeted as respondents. Stratified sampling was adopted to select 85 respondents. Semi-structured questionnaire was used to collect data while reviewed audited financial reports were used to generate secondary data from Mombasa County Government. From this outcome of research, the researcher concluded that internal audit controls influenced financial performance of county government of Mombasa. The study focuses on the public sector, neglecting the unique characteristics and challenges faced by SACCOs operating in the financial services sector. There was no evidence of qualitative collected from Semi-structured questionnaires.

Abubakar and Omwenga (2021) endeavored to establish the effect of audit function on financial performance of County Governments of Lamu. The researcher adopted a descriptive research design. The target populations of the study were 30 employees drawn from 5 departments in the Ministry of Finance, Budget and planning in the

County Governments of Lamu. Based on the findings of the study, it was concluded that there is a positive relationship between internal audit Risk management and Performance of County Governments of Lamu. The study focuses on the County Governments of Lamu, Kenya, which may not directly represent SACCOs in Western Kenya due to differences in organizational structures, regulatory environments, and operational challenges.

Ibironke and Elewor (2020) studied a few deposit money banks in Ojo and Amuwo Odofin, Lagos, to find out how internal audit control affected the fulfillment of organizational objectives. Using a survey approach, questionnaires were distributed as the main means of gathering data. A total of 160 employees from 10 different banks made up the study's sample size. Statistical information gathered via surveys. Financial institutions' income and profit production are greatly impacted by the combined impact of internal auditing and control. The research does not explicitly discuss the theoretical framework guiding the investigation of internal audit controls and their impact on financial performance, which limits its theoretical foundation in the context of SACCOs.

Kabue (2020) investigate the effects of internal audit on performance of public commissions in Kenya. the target population of the study will be 57 people. Due to the population size of parliamentary commission, the study took the census approach to collect data from all the members of the audit committee in the parliamentary service commission. The study followed a descriptive study design. Primary data was collected by the use of questionnaires. The results indicated that Internal audit controls had a p-value of 0.210 which resulted to positive and but non-significant effect on performance. The study focuses on public commissions in Kenya, which may not directly represent SACCOs in Western Kenya due to differences in organizational structures, regulatory environments, and operational challenges.

The impact of internal audit procedures on the efficiency and effectiveness of Ghanaian banks was investigated by Ofei, Owusu, and Asante (2020). Adopting a quantitative research strategy, the study surveyed 154 people from 5 different banks; inferential statistical tools including regression and correlation were utilized to examine the data. According to the study's findings, Ghanaian banks' financial performance is positively impacted by monitoring, risk assessment, information and communication, but control environment and control activities did not show any significant effect. The study focuses on banks in Ghana, which may not directly represent SACCOs in Western Kenya due to differences in organizational structures, regulatory environments, and operational challenges.

Kolawole, Daio, Jacob and Aregbesola (2020) examine how good internal audit indicators influence the financial performance of quoted manufacturing industries in Nigeria. The study employed a descriptive research approach. Ten (10) industries in the consumer-goods sector were randomly selected for the study while secondary data was used to gather information from their published financial statements for the period 2008-2017. The researchers adopted a panel data. The study found that the internal control system showed positive and significant influence on the financial performance of the manufacturing industries. The study focuses on manufacturing industries in Nigeria, which may not directly represent SACCOs in Western Kenya due to differences in organizational structures, regulatory environments, and operational challenges.

2.4.3 Effect of internal Audit Timeliness on Financial Performance

Arianpoor (2019) assessed the impact of audit timeliness on the financial performance of listed firms on the Tehran Stock Exchange. 126 firms were assessed for this study during 2013-2017. To assess the firm performance, two criteria of ROE and ROA were used, and Audit Report Lag is measured via the number of days between the end of the fiscal year of the firm and the date of the audit report. Results show that audit report lag has a negative and significant relationship with ROA and ROE and a decrease in the number of days spent by independent auditors for signing annual reports would probably lead to the enhancement of firm performance. The study focuses on listed firms, neglecting the unique characteristics and challenges faced by SACCOs operating in the financial services sector.

Ugwu, Aikpitanyi, and Idemudia (2020) aimed to find out how the financial performance of Nigerian money deposit banks was impacted by the characteristics of audit firms. This investigation used a correlational and ex post facto methodology. All money deposit banks that existed as of the conclusion of the 2015 fiscal year were included in the study's population. The research shows that the ROIC, EPS, and net profit margin of Nigerian banks were unaffected by audit report latency. The study focuses on money deposit banks in Nigeria, which may not directly represent SACCOs in Western region of Kenya due to differences in organizational structures, regulatory environments, and operational challenges.

Sabella and Mutmainah (2022) examined the effect of audit characteristics on the financial reporting timeliness in the Nigerian listed non-financial institution. The study selected 450 firm-year observations from 2011 to 2020 using a purposive sampling technique and estimate the model using the Ordinary Least Square Method (OLS). The result reveals that audit price and audit firm size positively affect financial reporting timeliness, while audit tenure is negative but insignificantly related to financial reporting timeliness. The study focuses on local government financial reports in Indonesia, which may not directly represent SACCOs in Western Kenya due to differences in organizational structures, regulatory environments, and operational challenges. The study used audit timeliness as a dependent variable.

Mining businesses listed on the Indonesia Stock Exchange between 2017 and 2019 were the subjects of a research by Saputra and Fadjarenie (2022) that aimed to investigate the influence of internal audit on audit delay. While data analysis procedures including the t test, multiple linear regression test, classical assumption test, and coefficient of determination test are used, the sampling approach employs purposeful sampling. The findings demonstrate that internal audit, as measured by audit committee size, has a significant impact on audit delay. The study focuses on audit delay in Nigeria, which may not directly represent SACCOs in Western region of Kenya due to differences in organizational structures, regulatory environments, and operational challenges. The study used audit timeliness as a dependent variable.

Polii, Morasa and Wokas (2023) aimed to measure the effect of audit delay on the financial statements of the Indonesian manufacturing industry. The population of this study are all manufacturing industries listed on the Indonesia Stock Exchange. The sample of this study is manufacturing companies listed on the Indonesia Stock Exchange in 2018 and 2020. Sample selection using purposive sampling method. The analysis used is multiple regression analysis. The results of this study indicate that solvency and good corporate governance affect the audit delay of financial statements. However, profitability and company size have no effect on audit delay financial statements. The study focuses on mining entities listed on the Indonesia Stock Exchange, which may not directly represent SACCOs in Western Kenya due to differences in organizational structures, regulatory environments, and operational challenges. The study used audit timeliness as a dependent variable.

The purpose of Mbuti's (2019) research was to analyze SACCO financial performance in relation to internal audit reporting. The study used a descriptive survey approach. There are an estimated 400 SACCOs in Murang'a County, and they were all the focus of this investigation. We used stratified sampling to choose 120 SACCOs. Data was collected via a questionnaire. In terms of SACCOs' bottom lines, the research found that internal audit report timeliness and thoroughness mattered significantly. Having said that, SACCOs' financial performance was unaffected by internal audit reporting channels.

The study focuses on SACCOs in Murang’a County, Kenya, which may not fully represent SACCOs in Western Kenya as a whole. While the research examines the influence of internal audit reporting completeness and timeliness on SACCOs' financial performance, it lacks a detailed conceptual discussion on the specific concept of internal audit timeliness and its distinct impact on financial performance within the SACCO context.

Researchers Ogunmodede, Aggreh, Nwokediba, and Udeh (2023) looked at how unusual audit fees mediated the connection between audit delays and companies' financial reporting quality. One hundred and thirteen(131) industrial commodities traded on the Nigerian Exchange formed the study's population. The seven (7) companies who participated in the sample were chosen using a purposeful sampling strategy. The yearly financial reports were used as a secondary source of data. The results showed that the accruals quality of listed industrial commodities in Nigeria is unaffected by the audit report time lag. The study focuses on listed industrial goods firms in Nigeria, which may not directly represent SACCOs in Western Kenya. Differences in organizational structures, regulatory environments, and operational challenges between these contexts could limit the generalizability of findings. Although the study provides empirical evidence on audit delay and financial reporting quality in listed industrial goods firms, it does not explicitly focus on internal audit timeliness as a primary factor influencing financial performance.

Sabella and Mutmainah (2022) discussed the influence of timeliness, and audit opinions on local government financial reports (LKPD). This research is quantitative research with secondary data. The research subjects were district governments in Central Java and the Special Region of Yogyakarta. The sample consists of 50 district government financial reports for the 2018 and 2019 fiscal years selected through a purposive sampling method. The results of the moderation test produce that timeliness is able to moderate the influence of government accounting standards and internal control systems on audit opinions. However, timeliness is not able to moderate the influence of follow-up recommendations on audit opinions. Although the study provides empirical evidence on audit delay and financial reporting quality in listed industrial goods firms, it does not explicitly focus on internal audit timeliness as a primary factor influencing financial performance.

2.4.4 Moderating Effect of Top Management Support on Financial Performance

Ratmono and Darsono (2022) examined the factors influencing (determinants) the effectiveness of the internal audit function in Indonesian local government organizations. The research samples were 137 respondents. This study used primary data in the form of a questionnaire. The hypothesis testing technique used Partial Least Squares-Structural Equation Modelling (PLS-SEM) analysis. The results of statistical tests showed that management support could increase the effectiveness of the internal audit function. The study investigates the relationship between management support, and internal audit effectiveness but does not explore their interaction with financial performance. Thus, it lacks empirical evidence on the moderating effect of top management support on the relationship between internal audit practices and financial performance in SACCOs.

Singh, Ravindran, Ganesan, Abbasi and Haron (2021) investigates factors that are associated with internal audit effectiveness. A total of 102 questionnaires were collected from internal auditors and chief audit executives of 12 multinational companies in Malaysia. The data was analyzed through structural equation modeling by using SmartPLS Software 3.0. The findings reveal that management support, interdepartmental coordination and the support and acceptance of auditees were associated with internal audit effectiveness. The study utilizes structural equation modeling (SEM) based on questionnaire data for analysis. While SEM allows for statistical modeling of complex relationships, the methodological approach may not capture the intricate interplay between internal audit practices, top management support, and financial performance in SACCOs.

Ta and Doan (2022) looked at what makes internal audits in Vietnam successful. The logistics regression model and other analyses were part of the quantitative and qualitative assessments carried out using SPSS software. The 144 answers were gathered from internal auditors of non-financial businesses listed on the Vietnamese stock market in 2021 via semi-structured in-depth interviews and an online survey. The data processing findings showed that the efficacy of internal audits is positively affected by management support for such audits. The focus on non-financial companies in Vietnam overlooks the unique characteristics and operational dynamics of SACCOs in Western Kenya. Thus, the findings may not be directly applicable to SACCOs and may fail to capture the contextual nuances relevant to this sector. The research employs both quantitative and qualitative evaluations, including logistics regression modeling and analyses using SPSS software. While these methods offer insights into factors influencing internal audit effectiveness, they may not fully capture the complexities of the relationship between internal audit practices, top management support, and financial performance in SACCOs.

Shuwaili, Hesarzadeh and Bagherpour Velashani (2023) examined the factors that have an impact on internal audit effectiveness (IAE) in Turkey. The data of research were obtained from 187 internal auditors who are members of The Institute of Internal Auditors-Turkey, working in private sector organizations through the questionnaire prepared as a result of the item pool assessment. The results supported those specifications of internal audit had a direct impact on IAE. The results of study showed that the factors that have an impact on IAE are management's support. The study focuses on Turkey, which may not directly represent the context of SACCOs in Western Kenya. Variations in economic conditions, regulatory frameworks, and organizational structures between Turkey and Kenya could limit the generalizability of findings to the SACCO context. While the research examines factors impacting internal audit effectiveness in Turkish private sector organizations, it does not specifically investigate the moderating effect of top management support on the relationship between internal audit practices and financial performance in SACCOs.

Majid (2023) used descriptive and explanatory research approaches to study what factors influence the efficacy of internal auditing in an Ethiopian commercial bank. The questionnaires were delivered to the chosen samples using either the judgmental or purposive selection approach, or a random sampling technique. From a total population of 160, a sample size of 139 was established using Yamane's (1967) methodology. The required data was gathered using both primary and secondary sources. Results showed that internal audits performed better when they had the backing of upper management. The study was conducted in a commercial bank in Ethiopia, which may not directly represent the context of SACCOs in Western Kenya. Variations in regulatory frameworks, organizational structures, and operational environments between Ethiopia's banking sector and Kenyan SACCOs may limit the applicability of findings to the SACCO context. Although the study investigates factors affecting internal audit effectiveness, it does not explicitly discuss the theoretical frameworks guiding the research. A clearer theoretical foundation could enhance understanding of the moderating role of top management support in SACCOs and provide a more robust theoretical basis for the study's findings.

Yussuf, Tonya and Mohamed (2021) role of internal audit on procurement performance. Quantitative approach was adopted and data were drawn from an explanatory research design sampled with 94 parastatals of Dar es Salaam through questionnaires from head of departments particularly user departments. The findings showed that management support had a significant positive association with procurement performance. The study focuses on procurement performance within parastatals in Dar es Salaam, Tanzania, which may have different organizational structures and regulatory frameworks compared to SACCOs in Western Kenya. Therefore, there's a contextual gap in directly applying the findings to the SACCO context. There's a theoretical gap in explicitly grounding the research within theories that address the role of top management support in enhancing internal audit effectiveness and its impact on financial performance within the SACCO context in Western Kenya.

Ng'endo (2020) sought to assess the determinants of the performance of Internal Auditors in Saccos and focused on Metropolitan National Sacco. The study adopted a descriptive research design with 30 respondents as the target population. The target population involved senior managers and the staff in the Internal Audit department of MNS. The researcher administered a questionnaire to the target population as a tool of collecting data. The study used both quantitative and qualitative methods of data analysis. The study concluded that management support had significant relationships with performance of IAF. However, there's a methodological gap in the absence of a specific focus on investigating the moderating effect of top management support on the relationship between internal audit practices and financial performance within SACCOs using advanced statistical techniques or qualitative analysis.

2.5 Summary and Research Gaps

Studies have identified gaps in their researches and suggested for further studies. Mutulu (2021) investigated the impact of internal audit on the performance of State Corporations in Kenya. Hence, the study suggests that additional research may be extended to other entities such as social enterprises, commercial banks, deposit accepting Saccos, and other financial organizations. Nyikuli (2022) examined internal audit practices focusing on independence and competence and compliance to standards. However, the study recommended other studies to include other variables which this study sought to fill. Leadise (2022) carried out a direct relationship between the internal audit functions and the performance in state parastatals in Kenya, and suggested that a future study, however, should include a moderating variable to have a model that enhances the predictability of the financial performance.

The studies reviewed reveal several empirical and theoretical gaps in understanding the influence of internal audit practices on the financial performance of deposit-taking SACCOs in Western Kenya. Empirically, most studies focus on other financial institutions such as listed banks (Mwiti, Walubuka & Gichana, 2019), Bahraini-listed companies (Al-Hadrami, Rafiki & Sarea, 2020), and commercial banks in Nigeria (Ezejiofor & Okolocha, 2020; Kayode & Oyeshola, 2021), neglecting the specific context of SACCOs. Furthermore, some studies are limited by their narrow scope, such as those conducted as case studies on individual companies (Mursyida & Maulina, 2023; Sishumba, Saidi & Milupi, 2022; Mustari, Rusibana & Nzamalu, 2020) or focusing solely on specific sectors like manufacturing (Kolawole et al., 2020). Theoretical gaps include a lack of comprehensive theoretical frameworks guiding the investigation of internal audit practices and their impact on financial performance, as seen in studies like Ibironke & Elewor (2020) and Angmor & Diaboh (2022). Additionally, there is limited discussion on the conceptualization of key variables such as audit quality (Ado et al., 2020) and internal audit indicators (Kolawole et al., 2020), hindering a deeper understanding of their influence on SACCOs' financial performance. Overall, these gaps underscore the need for further research that considers the unique context of SACCOs and integrates robust theoretical frameworks to advance understanding in this area.

The reviewed studies highlight methodological limitations that need to be addressed in the current research investigating the influence of internal audit practices on financial performance of deposit-taking SACCOs in Western Kenya. Several studies utilize descriptive research designs (Twagira & Osiemo, 2023; Mursyida & Maulina, 2023; Cheruiyot et al., 2022; Abubakar & Omwenga, 2021; Kabue, 2020). While these designs provide insights, a causal research design is more suitable to establish cause-and-effect relationships between internal audit practices and financial performance. Many studies use convenience or purposive sampling methods (Twagira & Osiemo, 2023; Mursyida & Maulina, 2023; Ezejiofor & Okolocha, 2020; Sishumba et al., 2022). The current research should employ a more robust sampling method like random sampling to ensure generalizability. Some studies rely solely on primary data collection through questionnaires (Twagira & Osiemo, 2023; Ezejiofor & Okolocha, 2020; Sishumba et al., 2022; Cheruiyot et al., 2022; Abubakar & Omwenga, 2021; Ibironke & Elewor, 2020; Kabue, 2020). The current research should consider incorporating secondary data from audited financial reports to strengthen the analysis.

Reviewed studies collectively have revealed significant contextual and sectoral gaps concerning the influence of financial performance in deposit-taking SACCOs in Western Kenya. Contextually, these studies primarily focus on various contexts such as listed firms on the Tehran Stock Exchange (Arianpoor, 2019), Nigerian money deposit banks (Ugwu et al., 2020), Indonesian manufacturing industry (Polii et al., 2023), Tanzanian parastatals (Sabella & Mutmainah, 2022), and Nigerian listed industrial goods firms (Ogunmodede et al., 2023). However, they neglect the specific context of deposit-taking SACCOs in Western Kenya, failing to account for their unique organizational structures, regulatory environments, and operational challenges. Sectorally, the studies predominantly concentrate on sectors such as banking, manufacturing, listed firms, and government institutions, overlooking the financial services sector represented by SACCOs in Western Kenya (Arianpoor, 2019; Ugwu et al., 2020; Sabella & Mutmainah, 2022; Saputra & Fadjarenie, 2022; Polii et al., 2023; Mbuti, 2019; Ogunmodede et al., 2023). This oversight limits the applicability of their findings to the SACCO context, as SACCOs operate within a distinct sector with its own set of challenges and dynamics.

The studies by Ratmono and Darsono (2022), Singh et al. (2021), Ta and Doan (2022), Shuwaili et al. (2023), Majid (2023), Yussuf, Tonya, and Mohamed (2021), and Ng'endo (2020) collectively highlight several conceptual gaps regarding the moderating effect of top management support on the relationship between internal audit practices and financial performance in SACCOs. While these studies examine factors influencing internal audit effectiveness and its relationship with various organizational outcomes, there's a notable absence of direct investigation into how top management support moderates this relationship within SACCOs (Ratmono & Darsono, 2022; Singh et al., 2021; Ta & Doan, 2022; Shuwaili et al., 2023; Majid, 2023; Yussuf, Tonya, & Mohamed, 2021; Ng'endo, 2020). Although management support is identified as a significant factor influencing internal audit effectiveness, there's a lack of empirical evidence on its specific moderating role in the context of SACCOs' financial performance.

Table 2. 1: Research Gaps

Author	Title	Methodology	Findings	Gaps
Mwiti, Walubuka and Gichana (2019)	Influence of internal auditors' independence on financial performance of listed banks at the Nairobi Securities Exchange (NSE).	This research was guided by Descriptive survey research design. The study's target population constituted of 76 Audit Managers and Internal auditors. A questionnaire was prepared and used for primary data collection	The research established that limited or minimal internal auditors' independence negatively influenced financial performance of listed banks at the NSE.	The study focuses solely on listed banks at the Nairobi Securities Exchange (NSE), failing to compare or consider internal audit independence across different geographical regions, limiting the generalizability of its findings beyond the NSE.
Al-Hadrami, Rafiki and Sarea (2020)	Impact of the audit committee's (AC) independence and competence on the company's investment decision-making in Bahraini-listed companies.	A quantitative method is used, and cross-sectional data are collected through a self-administered questionnaire survey. A stratified random sample technique is adopted with a total of 409 respondents from 39 listed companies	It is found that the AC independence and AC competence have a positive and significant influence on investment decision-making.	While the study examines the impact of audit committee independence and competence on investment decision-making, it lacks a comprehensive discussion on the conceptualization of these variables and their interrelationships.
Sishumba, Saidi and	Effects of internal	The sample population for the	The findings found that	This was a case study, limiting

Milupi (2022)	audit on the financial performance of commercial banks in Zambia with Standard Chartered being the case study	study was 156 respondents and the researcher used a questionnaire and interviews to collect data	internal audit independence have a strong positive impact on the financial performance of Standard Chartered.	the generalization of the study findings. The study failed to triangulate results from qualitative and quantitative sources
Kayode and Oyeshola (2021)	Impact of internal audit on financial performance of money deposit banks in Nigeria	The population of this study was 22 commercial license banks in Nigeria in which 16 money deposit banks were sampled using judgmental sampling technique and hypergeometric formula. Primary data with respect to questionnaires	The result (r= 28.9%) showed that there was a relationship between internal audit independence and the profitability of money deposit banks in Nigeria.	While the study employs regression analysis to examine the relationship between internal audit and financial performance, it lacks a detailed discussion on potential methodological limitations, such as endogeneity or sample selection biases. Financial performance was measured using profitability, ignoring other measures.
Mustari, Rusibana and Nzamalu (2020)	Role played by internal audit profession in the financial performance of commercial	The research used descriptive and correlational research design with a target of 87 employees all taken as the sample for this research.	The regression equations with audit independence as predictor variable showed that they have	This was a case study, limiting it generalizability and applicability

	banks in Rwanda, taking a case of Kenya Commercial Bank, Rwanda plc	Structured questionnaires were distributed to the sample and 79 were filled and returned.	positive coefficient on ROA, ROE and interest margin.	
Twagira and Osiemo (2023)	Effect of internal audit practices on the financial performance of public institutions in Rwanda with reference to Rwanda Social Security Board	The study used both descriptive and correlational research design. The target population 148 using census approach all respondents were considered as the sample size. The study used simple random sampling method. The study employed primary data obtained using questionnaires	Significant positive correlations were found between physical control and reliability and integrity of information, physical control and cost relative to the intended results and not correlation found between physical control and cost relative to the intended results.	This was a case study limiting its applicability Methodologically, the study failed to provide rationale of using two research design There was no triangulation of secondary and primary data.
Mursyida and Maulina (2023)	Role of internal audit and internal control on the quality of financial reports at PT. ABC.	Quantitative research approach. The types of data for this research are primary data and secondary data. The population in this observation is all employees at PT. ABC as many as 125 people.	The research results state that internal audit and internal control have a partial and simultaneous effect on the quality of financial reports.	The study focuses on a single company, neglecting the unique characteristics and challenges faced by SACCOs operating in the financial services sector.
Ezejiofor	Effect of	This study adopted	The analysis	The study focuses

and Okolocha (2020)	internal audit function on financial performance of commercial banks in Nigeria	survey research design. The population of the study consists of seven (7) branches each from five (5) selected commercial banks in Enugu metropolis, Enugu State of Nigeria, which comprises of managers, internal control officers, fund transfer officer, and cash officers	revealed that internal audit control and procedures have positive effect on financial performance of commercial banks in Nigeria and this effect is statistically significant at 5% level of significance	on commercial banks in Nigeria, which may not be directly applicable to SACCOs in Western Kenya due to differences in organizational structures, regulatory environments, and market conditions.
Cheruiyot, Namusonge and Sakwa (2022)	whether internal audit practices affect financial performance of county government of Mombasa, Kenya	Descriptive research design was used and a population of 108 employee. Stratified sampling was adopted to select 85 respondents. Semi-structured questionnaire was used to collect data while reviewed audited financial reports were used to generate secondary data from Mombasa County Government.	Internal audit controls influenced financial performance of county government of Mombasa.	There was no evidence of qualitative collected from Semi-structured questionnaires The study was conducted among county governments with different regulations The study failed to elaborate how financial performance was measured from public sector perspective.
Ibironke and Elewor (2020)	Role of internal audit control on organizational objective achievement	A survey design; primary source of data was used through administration of questionnaires. The study used a sample	It was discovered that the combined role of internal audit and control has a significant	The research does not explicitly discuss the theoretical framework guiding the investigation of

	of selected deposit money banks in Ojo and Amuwo Odofin, Lagos	size of one hundred and sixty (160) staff members in ten (10) banks. The data collected through the distribution of questionnaires	positive influence on revenue and profit generation of the banks.	internal audit controls and their impact on financial performance, which limits its theoretical foundation in the context of SACCOs.
Arianpoor (2019)	Impact of audit timeliness on the financial performance of listed firms on the Tehran Stock Exchange	126 firms were assessed for this study during 2013-2017. To assess the firm performance, two criteria of ROE and ROA were used, and Audit Report Lag is measured via the number of days between the end of the fiscal year of the firm and the date of the audit report	Results show that audit report lag has a negative and significant relationship with ROA and ROE and a decrease in the number of days spent by independent auditors for signing annual reports would probably lead to the enhancement of firm performance	The study focuses on listed firms, neglecting the unique characteristics and challenges faced by SACCOs operating in the financial services sector.
Ugwu, Aikpitanyi and Idemudia (2020)	Effect of audit firm characteristics on financial performance of money deposit banks in Nigeria	The study adopted the ex post facto and correlational research design. The study population comprised all money deposit banks in existence as at 2015 financial year end.	The study finds that audit report lag had no significant effect on return on assets, earnings per share and net profit margin of Nigerian banks.	The study focuses on money deposit banks in Nigeria, which may not directly represent SACCOs in Western Kenya
Sabella and	effect of audit	The study selected 450 firm-year	The result reveals that	The study used audit timeliness

Mutmainah (2022)	characteristics on the financial reporting timeliness in the Nigerian listed non-financial institution	observations from 2011 to 2020 using a purposive sampling technique and estimate the model using the Ordinary Least Square Method (OLS).	audit price and audit firm size positively affect financial reporting timeliness, while audit tenure is negative but insignificantly related to financial reporting timeliness.	as a dependent variable. The study was conducted among non-financial firms
Polii, Morasa and Wokas (2023)	Effect of audit delay on the financial statements of the Indonesian manufacturing industry.	The population of this study are all manufacturing industries listed on the Indonesia Stock Exchange. Sample selection using purposive sampling method.	The results of this study indicate that solvency and good corporate governance affect the audit delay of financial statements.	The study focuses on mining entities listed on the Indonesia Stock Exchange, which may not directly represent SACCOs in Western Kenya due to differences in organizational structures, regulatory environments, and operational challenges.
Mbuti (2019)	Effect of internal audit reporting on financial performance of SACCOs	The researcher employed descriptive survey design. The target population of this study was all the SACCOs in Murang’a County. Stratified sampling was utilized to select a sample of 120 SACCOs. A questionnaire was	The study findings reveal that internal audit report completeness and timeliness of internal audit reporting all had significant effect on financial performance of	The study limited itself to SACCOs in Muranga County The study limited itself to internal audit reports

		used to collect data	SACCOs.	
Ratmon and Darsono (2022)	Factors influencing (determinants) the effectiveness of the internal audit function in Indonesian local government organizations	The research samples were 137 respondents. This study used primary data in the form of a questionnaire. The hypothesis testing technique used Partial Least Squares-Structural Equation Modelling (PLS-SEM) analysis	The results of statistical tests showed that management support could increase the effectiveness of the internal audit function	The study does not explore their interaction with financial performance. Thus, it lacks empirical evidence on the moderating effect of top management support on the relationship between internal audit practices and financial performance in SACCOs.
Singh, Ravindran, Ganesan, Abbasi and Haron (2021)	Factors that are associated with internal audit effectiveness.	A total of 102 questionnaires were collected from internal auditors and chief audit executives of 12 multinational companies in Malaysia. The data was analyzed through structural equation modeling by using SmartPLS Software 3.0.	The findings reveal that management support, interdepartmental coordination and the support and acceptance of auditees were associated with internal audit effectiveness.	The study failed to use top management support as a moderating variable The focus on non-financial companies in Vietnam overlooks the unique characteristics and operational dynamics of SACCOs in Western Kenya.
Majid (2023)	Determinants of internal auditing effectiveness in a commercial bank of	Descriptive and explanatory research methods. A sample size of 139 was determined from the total population 160 and	The study found a significant positive relationship between top management	The study failed to use top management support as a moderating variable. The study did not

	Ethiopia	the questionnaires The primary and secondary sources of data were used to collect the necessary data.	support with internal audit effectiveness.	provide justification of using more than one sampling technique
Yussuf, Tonya and Mohamed (2021)	role of internal audit on procurement performance	Quantitative approach was adopted and data were drawn from an explanatory research design sampled with 94 parastatals of Dar es Salaam through questionnaires from head of departments particularly user departments	The findings showed that management support had a significant positive association with procurement performance.	The study failed to use top management support as a moderating variable. The study focuses on procurement performance within parastatals in Dar es Salaam, Tanzania

2.6 Conceptual framework

A conceptual framework helps the reader to quickly see the proposed relationships between the variables in the study and show the same graphically. In this study, internal controls, internal audit independence and internal audit timeliness were the independent variables while financial performance was the dependent and top management support was moderating variable.

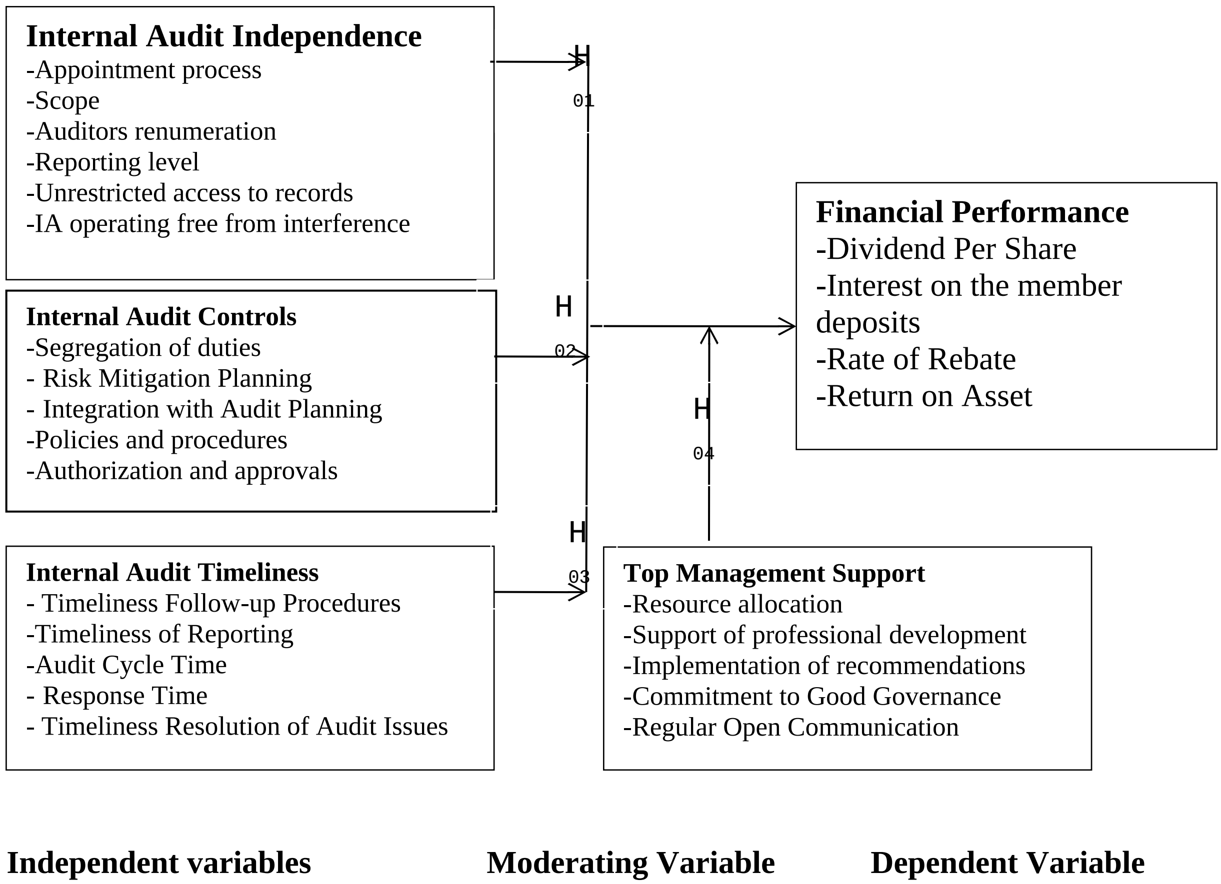


Figure 2.1: Conceptual Framework
Source: Nyikuli (2022)

The conceptual framework presented in the image examines the relationship between various aspects of internal auditing and financial performance, with top management support serving as a moderating variable. This framework proposes that internal audit independence, internal audit controls, and internal audit timeliness significantly influence an organization's financial performance, which is measured through indicators such as Dividend Per Share, Interest on Member Deposits, Rate of Rebate, and Return on Assets. Additionally, the framework suggests that the extent of support provided by top management can either strengthen or weaken these relationships.

Internal audit independence is a critical factor in ensuring that the audit function remains objective and unbiased (Walubuka & Gichana, 2019). Independence allows internal auditors to perform their duties without undue influence, ensuring that their assessments and findings are credible and reliable. According to the literature, when internal auditors operate independently, they are more likely to identify significant risks and issues that could adversely affect financial performance (Al-Hadrami et al., 2020). Alzeban and Gwilliam (2014) argue that the independence of internal auditors enhances the overall credibility of their work, leading to more effective risk management and, consequently, better financial outcomes.

Internal audit controls, another key component of the framework, refer to the effectiveness of the audit procedures in enforcing crucial controls within the organization, such as segregation of duties, risk mitigation, and adherence to policies and procedures (Ezejiofor & Okolocha, 2020). Effective internal audit controls are essential for safeguarding the organization’s assets and ensuring the accuracy and reliability of its financial information. Research by Sishumba et al. (2022) highlights that organizations with strong internal audit controls experience fewer financial misstatements and enjoy better financial performance. These controls help in minimizing risks and ensuring that the organization operates efficiently and in compliance with relevant regulations (Cheruiyot et al., 2022).

Timeliness in internal auditing is also emphasized in the framework. This dimension involves the prompt completion of audit procedures, timely reporting, and the swift resolution of audit issues (Arianpoor. 2019). Timeliness is crucial because it enables organizations to quickly identify and address potential risks before they escalate into more significant problems. Studies show that timely audits are linked to improved financial performance, as they facilitate the prompt implementation of necessary controls and corrective actions. Sabella and Mutmainah (2022) noted that organizations with timely internal audits are better positioned to respond to emerging risks and challenges, thereby enhancing their financial stability and performance.

Top management support is depicted as a moderating variable in the framework, underscoring its importance in the effectiveness of the internal audit function (Shuwailli et al., 2023). Top management's commitment to allocating resources, supporting professional development, and implementing audit recommendations is vital for the success of internal audits. When top management is supportive, internal auditors are more likely to carry out their duties effectively, and their recommendations are more likely to be implemented. Majid (2023) emphasize that the support of top management is crucial for the internal audit function to have a meaningful impact on the organization’s governance and financial performance.

The conceptual framework posits that internal audit independence, controls, and timeliness positively influence financial performance, and this relationship is moderated by the level of top management support (Ratmono & Darsono, 2022). The literature supports the idea that a robust internal audit function, particularly when it is independent, well-controlled, and timely, contributes significantly to the financial health and performance of an organization. Top management’s role in supporting the internal audit function further enhances its effectiveness, leading to better governance and improved financial outcomes for the organization (Singh et al., 2021).

CHAPTER THREE

RESEARCH METHODOLOGY

3.1 Introduction

In this chapter, a comprehensive outline of the analysis methods proposed for the study is presented. The discussion encompasses various key aspects, including, research design, study area, target population, sample size, sampling techniques, data collection instruments, and procedures, piloting, validity and reliability of research instruments, data analysis, and ethical considerations. Each of these components is carefully elaborated to provide a clear understanding of the proposed research methodology.

3.2 Study Area

The research was carried out within the Western Region of Kenya, spanning Kakamega, Vihiga, Busia, and Bungoma counties. This area hosts a total of 15 registered Deposit-taking Savings and Credit Cooperative Organizations (SACCOs). Notable among these are Invest and Grow SACCO, Wevasity SACCO, Afya SACCO, Police SACCO, Ukulima SACCO, Mwalimu National SACCO, Kussco SACCO, and Mudete SACCO in Kakamega County. Vihiga County boasts Vihiga County Farmers SACCO and Vihiga County SACCO, while Faridi SACCO and Elimu SACCO operate in Busia County. Bungoma County is home to Ng'arisha SACCO, Metropolitant SACCO, and Stawisha SACCO. This diversity of SACCOs within the region offers a rich pool of institutions to examine regarding the impact of internal audit practices on their financial performance.

Focusing on this specific geographical area and its SACCOs aims to provide insights tailored to the local context, fostering informed decision-making and enhancing industry practices.

3.3 Research Design

Research design refers to the overall strategy or plan that outlines how a research study was conducted, including the methods and procedures to be used in data collection and analysis (Trochim, 2021). It provides a framework for systematically addressing research questions or objectives and ensures that the study is conducted in a structured and methodical manner. The study adopted descriptive research design. Descriptive survey design deemed to be appropriate since it enables the researcher to conduct study on the phenomena that manipulation of variables is not allowed due to the fact that this study involves human subjects and information required cannot be manipulated and hence gives the actual situation on the ground (Kombo & Tromp, 2006). By employing descriptive design, the study explained the reasons and sources of the observed events, characteristics and correlations. In this research design, the researcher has no control over the independent variable but was able examine data to establish relationship between internal audit practices, top management support and financial performance, providing valuable insights for SACCO management, policymakers, and stakeholders in enhancing organizational effectiveness and sustainability.

The design was appropriate because the data was collected from various respondents at a single point in time and analysed according to set hypotheses. The design is used widely among studies that evaluate the relationship between variables because of its ability to capture important characteristics of a population from their natural settings and improve the credibility of the results and conclusions (Saunders & Tossey, 2015). Other researchers (Endaya & Hanefah, 2016; Kabuye, Nkundabanyanga, Opiso, & Nakabuye, 2017)

3.4 Target Population

The target population refers to the entire group of individuals or elements that a researcher wants to draw conclusions about in a study (Trochim, 2021). It represents the larger group to which the findings of the research are intended to apply (Bryman, 2016). The research centered on 15 deposit-taking SACCOs in Kenya, as indicated by SASRA (2023). It aims to involve 129 individuals, including internal auditors, accountants, finance officers, and chief executive officers from all 15 SACCOs as shown in Table 3.1. These respondents possess valuable expertise and firsthand knowledge about the internal audit practices and financial operations within their respective SACCOs. Their insights can provide comprehensive understanding and perspectives on the relationship between internal audit practices and financial performance. The distribution of respondents per Sacco is as shown in Appendix IV.

Table 3. 1: Target Population

Population Units	Population
Internal Auditors	39
Accountants	45
Finance Officers	30

Chief Executive Officers	15
Total	129

Source: Human Resource Department of Respective Sacco (2023)

3.5 Sample Design and Sampling Procedure

Sampling is the process of selecting a subset of individuals or items from a larger population to represent that population in a research study (Saunders et al., 2018). It involves systematically choosing a sample from the population to make inferences about the population as a whole. Sampling procedure refers to the specific method or technique used to select individuals or items from the population for inclusion in the study (Sekaran & Bougie, 2016). It outlines the steps followed to ensure that the sample is representative of the population and meets the study's objectives. The Krejcie and Morgan formula was employed to ascertain the appropriate population size for this study. This formula is a statistical method commonly utilized in research to determine the optimal sample size required to accurately represent a given population. It considers factors such as the desired level of confidence and the margin of error (Krejcie & Morgan, 1970).

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

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 provided maximum sample size and d is the degree of accuracy expressed as a proportion 0.05

$$S = \frac{3.8416 \text{ X } 129 \text{ X } 0.5 (1- 0.5)}{0.05^2 (129-1) + 3.8416 \text{ X } 0.5(1- 0.5)} = 96.76007498 = 97$$

Respondents.

Stratified random sampling was employed to select 97 respondents, ensuring proportional representation from each SACCO based on the population size of each stratum, as indicated in Table 3.2. This sampling approach enhances the precision and accuracy of the study findings by accounting for variability within the population while maintaining the efficiency of random sampling (Cochran, 1977).

Table 3. 2: Sample Size

Population Units	Target Population	Sample Size
Internal Auditors	39	29
Accountants	45	34
Finance Officers	30	23
Chief Executive Officers	15	11
Total	129	**97**

Source: Researcher (2023)

3.7 Data Collection Instruments and Procedures

3.7.1 Data Type

For this study, both primary and secondary data sources were utilized to comprehensively address the research objectives. Primary data refers to original data collected firsthand by the researcher for a specific purpose, while secondary data refers to existing data collected by others for purposes other than the current study (Flick, 2018). Additionally, secondary data from sources such as regulatory reports, financial statements, and academic literature was utilized to complement the primary data. Secondary data analysis provided contextual information, historical trends, and comparative insights in regards to financial performance within the SACCO sector (Flick, 2018). Integrating both primary and secondary data sources enhanced the comprehensiveness and validity of the study findings.

3.7.2 Primary Data Collection Instrument

The collection of primary data was facilitated through the administration of a self-administered structured questionnaire. This method holds considerable advantages in research due to its ability to ensure control, cost-efficiency, time savings, reduced bias, and extensive geographic coverage, enhancing the reliability and comprehensiveness of gathered data. The questionnaire was organized into four sections. Part 1 focused on gathering general respondent information, while Part 2 captured data related to specific independent variables of the study. Part 3 centered on assessing top management support, and Part 4 gathered information on the financial performance of SACCOs. Utilizing a five-point Likert-type scale ranging from 1 (Strongly Disagree) to 5 (Strongly Agree) enabled the respondents to express their opinions and perceptions effectively.

3.7.3 Secondary Data Collection

The research also incorporated secondary data, focusing specifically on financial performance indicators such as profitability, dividends per share, and interest on member deposits. This secondary data was sourced from the audited financial statements of deposit-taking SACCOs in Kenya. The published reports were accessed from the respective websites of each DT-SACCO, as well as from the SASRA website. The secondary data was derived from published annual reports spanning a five-year period from 2019 to 2023, providing a comprehensive overview of the financial performance trends of SACCOs over this timeframe (Appendix II).

3.7.4 Data Collection Procedures

In this study, quantitative data was gathered through a self-administered questionnaire. To facilitate data collection, the researcher obtained introductory letters from both the University and NACOSTI, granting permission to collect data from the selected respondents. The questionnaires were distributed to the respondents by two research assistants, who later collected them using a drop-and-pick method. Throughout the data collection process, the research assistants supervised to ensure that all questionnaire items are duly responded to. The completed questionnaires were organized and stored separately according to the respective SACCOs. Additionally, secondary data was collected from the individual DT-SACCO websites and the SASRA website, focusing on financial statements. Ratios derived from the financial statements were computed and utilized during the subsequent data analysis phase.

3.8 Reliability and Validity of Instruments

A pilot study was undertaken on a sample of 10 respondents, representing 10% of the total sample size (100), as advocated by Mugenda and Mugenda (2008), in Kisumu County. The piloted respondents were omitted from the primary study sample. This phase occured two weeks before the actual data collection process.

3.8.1 Validity of the Instrument

Validity refers to the degree to which a study accurately measures what it intends to measure (Bryman, 2016). In the context of research, validity ensures that the findings and conclusions drawn from the study are credible and trustworthy. There are various types of validity such as Content Validity, Construct Validity, Criterion Validity, Concurrent Validity, Predictive Validity, Face Validity, Internal Validity and External Validity. The current study used both content and construct validity. Content validity pertains to the extent to which the items included in a measurement instrument adequately represent the content domain being studied (Trochim & Donnelly, 2008). In this study on internal audit practices and financial performance of SACCOs, content validity ensures that the questionnaire items comprehensively covered the relevant aspects of internal audit practices and financial performance specific to SACCOs in Western Kenya. Ismail and Zubairi (2022) propose utilizing a panel of experts to assess content validity thoroughly. In this study, expert judgment of content was sought from supervisors and other knowledgeable individuals affiliated with the School of Business and Economics at Masinde Muliro University of Science and Technology.

Construct validity, on the other hand, refers to the degree to which a measurement instrument accurately measures the theoretical construct or concept it is intended to measure (Trochim & Donnelly, 2008). In this study, construct validity ensured that the questionnaire items effectively capture the underlying theoretical constructs of internal audit practices and financial performance in the context of SACCOs, providing meaningful and valid data for analysis. Factor analysis was employed in this study to establish construct validity. This statistical technique was crucial for determining whether the chosen variables accurately represent the underlying constructs of internal audit practices and financial performance within the context of SACCOs in Western Kenya.

3.8.2 Reliability of the Instruments

Reliability refers to the extent to which a research instrument produces consistent and stable results across repeated measurements. In other words, it assesses the degree to which the instrument can be trusted to yield the same outcomes when administered multiple times under similar conditions. To evaluate reliability in this study, the

Cronbach Alpha technique was utilized. This statistical method calculated the internal consistency of a set of items or questions within a measurement instrument. Cronbach's alpha coefficient was computed from the respondents' responses using the Statistical Package for the Social Sciences (SPSS). According to Ahmad, Yussiff, and Mustapha (2015), Cronbach's alpha values range from unacceptable (below 0.5) to excellent (above 0.9), with higher values indicating greater consistency among the instrument's items in measuring the variables under study. A Cronbach's alpha value of at least 0.7 was generally considered acceptable for research purposes, indicating a high level of internal consistency.

3.9 Data Analysis

Data analysis involves the systematic examination, cleaning, transformation, and modeling of collected data to uncover valuable insights, draw conclusions, and facilitate decision-making. This section majorly concerned with the statistical model or analysis, including the variable measurements, which was used to analyze the data. The study employed both descriptive and inferential statistics. Descriptive analysis such as mean, standard deviation, frequencies and percentages was sed to present quantitative data in form of tables and graphs while inferential analysis included; correlational analysis, multiple and hierarchical regression was utilized. Statistical analysis was conducted using SPSS 26, with the results presented in tables, models, and charts. The data analysis process aligned closely with the study objectives, ensuring that the findings address the research questions effectively.

3.9.1 Analytical Models

The study utilized two model, unmoderated multiple linear regression model and moderated model as shown;

The unmoderated multiple regression equation was as follows:

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

Where Y is the dependent variable (Financial Performance of Sacco)

β_0 is the regression constant,

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

X_1 is Top internal controls

X_2 is Internal audit independence

X_3 is Internal audit timeliness

ε is error term

The moderated multiple regression equation was as follows:

$Y= \beta_0+ \beta_1X_1+\beta_2X_2+ \beta_3X_3 + \beta_4M + \beta_5X_1M+ \beta_6X_2 M + \beta_7X_3M +\varepsilon$

Where Y is the dependent variable (Financial Performance of Sacco)

β_0 is the regression constant,

β_1, to β_7 are the coefficients of independent variables,

X_1 is Top internal controls

X_2 is Internal audit independence

X_3 is Internal audit timeliness

M is the moderator in is case top management support

ε is error term

3.9.2. Multiple Regression Model Assumptions

Diagnostic tests, including Pearson correlation and multiple regression analysis, were run to verify the assumptions before inferential statistics were used. Here is what's involved.

3.9.1 Normality tests

Normality tests are statistical techniques utilized to determine if a dataset conforms to a normal distribution. In regression analysis, these tests are typically conducted on the residuals derived from the regression model. Various normality tests exist, each with distinct advantages and limitations. Among the commonly used tests are the Shapiro-Wilk test and the Kolmogorov-Smirnov test. However, Ghasemi and Zahedias (2012) advocate for visual assessment of normality through Q-Q plots, which depict deviations from the expected line of fit. This method was employed in the present study to evaluate the normality of the data.

3.9.2.2 Multicollinearity

In regression analysis, multicollinearity occurs when two or more independent variables in a model display high correlation, making it challenging to interpret each variable's unique impact on the dependent variable (Kutner et al., 2005). Although multicollinearity does not affect the overall model fit, as measured by the coefficient of determination (R-squared), it significantly undermines the precision and reliability of estimated coefficients (Montgomery et al., 2017). To evaluate multicollinearity, metrics such as Variance Inflation Factor (VIF) and Tolerance level are commonly used (Hair Jr et al., 2019). Acceptable thresholds typically include a VIF value below 10 or a tolerance level exceeding 0.1 (Montgomery et al., 2017). These criteria aid in identifying problematic levels of multicollinearity and guide decisions regarding the inclusion of variables in the regression model.

3.9.2.3 Test of Linearity

The Test of Linearity is a cornerstone assumption in regression analysis, asserting a linear connection between independent variables and the dependent variable (Hair Jr et al., 2019). It serves as a diagnostic tool to ascertain whether this relationship adheres to the assumption of linearity. Detecting deviations from linearity is crucial for upholding the validity and reliability of regression analysis (Montgomery et al., 2017). Failure to satisfy this assumption may lead to biased parameter estimates, potentially resulting in erroneous interpretations and conclusions (Field, 2013). In this study, all predictor variables underwent scrutiny to ascertain if they demonstrate significant correlations with the dependent variable. This evaluation entailed conducting Pearson correlation analysis and employing scatter plots to visually assess the relationships between variables (Tabachnick & Fidell, 2019).

3.9.2.4 Heteroscedasticity Test

Heteroscedasticity refers to the situation in regression analysis where the variance of the errors (residuals) is not constant across all levels of the independent variables (Greene, 2012). In simpler terms, it means that the spread of the residuals changes as the values of the independent variables change. To test for heteroscedasticity, several diagnostic tests can be employed. One common method is the Breusch-Pagan test or its generalized form, the White test (Breusch & Pagan, 1979; White, 1980). These tests examine whether the variance of the residuals is related to the independent variables in the model. Another approach is to visually inspect plots of the residuals against the predicted values or against each independent variable. If the spread of the residuals appears to change systematically across the range of predicted values or independent variables, it suggests the presence of heteroscedasticity. In this study, the presence of heteroscedasticity was assessed using Breusch-Pagan test.

3.10 Ethical Consideration

The research work adhered to established ethical standards, particularly when human subjects are involved, ensuring professionalism throughout the study (American Psychological Association, 2017). Ethical considerations included respecting the anonymity, privacy, and confidentiality of respondents, avoiding deception or exaggeration, and treating participants with dignity (American Psychological Association, 2017). Additionally, any potential conflicts of interest, such as those related to funding, were disclosed or avoided altogether. No pressure or inducement was used to enlist individuals as research subjects (American Educational Research Association, 2011).

Consultation with relevant authorities and committees were conducted, and a research permit was obtained from the National Commission for Science, Technology, and Innovation (NACOSTI) to ensure compliance with regulatory standards (National Commission for Science, Technology and Innovation). Intellectual property rights were respected by acknowledging sources of information and authors (American Psychological Association, 2017). Measures were taken to prevent scientific dishonesty, including plagiarism, fabrication, falsification, faulty data gathering procedures, and misleading authorship (American Psychological Association, 2017).

CHAPTER FOUR

DATA ANALYSIS, FINDINGS AND DISCUSSIONS

4.1 Introduction

This chapter includes the presentation of the study findings obtained after the analysis of data collected as well as discussions of these findings.

4.2 Response Rate

The study administered 97 questionnaires to respondents of the 15-deposit taking Saccos in Western Kenya out of which 69 responded. That is, the researcher was able to obtain data from 71.1% respondents. Response rates between 49% and 59% are considered sufficient, 59% to 69% is considered excellent, and 69% or more is considered extremely high, according to Allen (2016). It was considered very high as the response rate was 71.1%, which was higher than 69%. Researchers felt this level of participation was sufficient to draw valid conclusions about the study's target and sample groups.

Table 4. 1: Response Rate

Questionnaires	Total
Administered	97
Returned	69
Response Rate	71.1%

Source: Field Data (2024)

4.3 Results on Reliability and Validity Testing

The study tested the questionnaire for reliability and validity to ascertain that it could collect data accurately.

4.3.1 Results on Reliability and Validity Testing

The purpose of reliability testing was to determine how consistently different research instruments produced the same findings (Kimberlin & Winterstein, 2008). The purpose of the reliability test was to see how consistent the findings were over a period of time. In order to get Cronbach's Alpha (α), the research used the internal consistency approach. To ensure consistency, a threshold of 0.7 was selected for Cronbach's Alpha. If the tool is not consistent, it will be revised appropriately. Table 4.1 displays the results of the reliability tests.

Table 4. 2: Reliability of Research Instruments

Variable	**Number of Items**	**Cronbach Alpha**	**Verdict**
Internal auditor’s independence	10	0.968	Reliable
Internal audit controls	10	0.977	Reliable
Internal audit timeliness	10	0.956	Reliable
Top management support	10	0.940	Reliable
Financial performance	10	0.965	Reliable

Source: Field Data (2024)

Based on the data presented, the reliability analysis indicates high internal consistency for the measured variables. The Cronbach Alpha values for Internal auditor's independence, Internal audit controls, Internal audit timeliness, Top management support, and financial performance are all above the commonly accepted threshold of 0.7, suggesting strong reliability.

The high reliability coefficients (0.940 to 0.977) across all variables imply that the survey items within each variable consistently measure the same underlying construct. This reliability enhances the confidence in the consistency and dependability of the data collected for internal auditor's independence, internal audit controls, internal audit timeliness, top management support, and financial performance. In conclusion, the results affirm that the survey instruments used for each variable are reliable and internally consistent. Researchers and practitioners can trust the obtained data to make informed assessments and decisions regarding internal audit practices, top management support, and financial performance within the context of the study.

4.3.1 Factor Analysis

The underlying structure of a collection of observable variables may be explored using factor analysis, a statistical dimension reduction approach. A fundamental tenet of measurement theory is the idea of unidimensionality, which states that any given collection of components of a measuring device will all be measuring the same thing. It is necessary for a variable to be unidimensional in order to investigate interrelationships; that is, all of the data pieces must assess the same characteristics. Without presumptive models or theories, exploratory factor analysis classifies things according to their degree of similarity and finds underlying factors. This reduces a huge number of variables to a small number of aspects that are easier to understand and work with (Leech, Barrett and Morgan, 2011). You may see KMO and Bartlett's Test in Table 4.2.

Table 4. 3: KMO and Bartlett's Test

Kaiser-Meyer-Olkin Measure of Sampling Adequacy.		.856
Bartlett's Test of Sphericity	Approx. Chi-Square	918.994
	Df	45
	Sig.	.000

Source: Field Data (2024)

The Kaiser-Meyer-Olkin (KMO) Measure of Sampling Adequacy values for financial performance was 0.856 an indicative of highly adequate sampling. Additionally, Bartlett's Test of Sphericity for each variable resulted in statistically significant p-values (all < 0.05), suggesting that the correlation matrix is not an identity matrix, and there are significant relationships among the variables. The high KMO values and significant Bartlett's Test results affirm the appropriateness of the data for factor analysis. The variables are suitable for further exploration and factor extraction. Researchers can proceed with confidence in conducting factor analysis on these variables within the study context.

The factor loadings were defined as follows by Hair et al., (2010) and Tabachnick and Fidell (2007): 0.32 (poor), 0.45 (fair), 0.55 (good), 0.63 (very good), or 0.71 (excellent). However, researchers consider a level of 0.4 or 0.5 to be strong for explanatory purposes. All the indicators of the various constructs were subjected to confirmatory factor loading analysis using SPSS version 26. Under CFA, the observed items are expected to load the latent variable above 0.4 as indicated in Appendix VII and summary is shown in Table 4.3

Table 4. 4: Factor Loadings

	Factor Loadings
	1
The dividend per share paid by the SACCO is fair and commensurate with its performance.	.777
The SACCO effectively utilizes its profits to reward members through dividends.	.853
The SACCO's dividend payout policy is transparent and communicated effectively to members.	.797
The interest rates offered on member deposits by the SACCO are competitive with other financial institutions.	.901
The SACCO effectively manages its liquidity to ensure consistent interest payments to members.	.846
The rebate offered by the SACCO is sufficient to offset transaction costs and encourage member loyalty.	.877
The SACCO's rebate policy is transparent and easily understood by members.	.903
The rebate offered by the SACCO is competitive compared to other financial institutions.	.939
The SACCO's management effectively utilizes its assets to generate returns for members	.912
The return on assets achieved by my SACCO demonstrates its efficient use of resources.	.965

Extraction Method: Principal Component Analysis.
a. 1 components extracted.

Source: Field Data (2024)

All factors for financial performance exhibited strong and acceptable factor loadings, indicating that the selected items reliably measure their respective constructs. This indicates that the factors provide a substantial representation of the overall variability in the observed variables. No items were dropped during the factor analysis, implying that all items contribute meaningfully to their respective factors. In conclusion, the factor analysis confirms the reliability and validity of the selected factors and their constituent items. Researchers can confidently utilize these factors—Internal auditor's independence, Internal audit controls, Internal audit timeliness, Top management support, and financial performance in further analyses and discussions related to the study's objectives.

4.4 Analysis on Respondents Background Information

The study sought for background information of the respondents as gender, age, level of academic qualifications attained, and the period in their current organization. The data obtained was analysed and presented in Table 4.6.

Table 4. 5: Gender of Respondents

Gender	Frequency	Percent
Male	50	72.5
Female	19	27.5
Total	69	100.0

Source: Field Data (2024)

The table 4.6 reveals that 72.5% of the respondents are male, while 27.5% are female. This indicates a higher representation of men in the study sample. The majority of respondents being male suggests that men might be more involved in roles related to internal audit and financial management within the SACCOs studied. This could influence the perspectives and insights shared about internal audit practices and financial performance.

Table 4. 6: Age of the Respondents

Age	Frequency	Percent
25-34 years	10	14.5
35-44 years	26	37.7
45-54 years	31	44.9
Above 54 Years	2	2.9
Total	69	100.0

Source: Field Data (2024)

The age distribution of respondents in the study on internal audit practices and financial performance of deposit-taking Savings and Credit Societies (SACCOs) in Western Kenya reveals a diverse range of professional experiences. Among the 82 respondents, 14.5% are aged between 25 and 34 years. This relatively small proportion suggests that younger professionals have less representation in the study, potentially indicating a lower level of engagement from newer entrants to the field. A significant 37.7% of respondents are in the 35-44 years age range. This group constitutes a considerable portion of the sample, reflecting a mid-career demographic with substantial experience and likely a balanced perspective on internal audit practices and financial management.

The largest segment of respondents, 44.9%, falls into the 45-54 years age bracket. This indicates that the study primarily includes seasoned professionals with extensive experience, who are likely to bring deep insights and a comprehensive understanding of the internal audit landscape.

In contrast, only 2.9% of respondents are aged above 54 years, highlighting minimal representation of the senior-most professionals or retirees. This low percentage suggests that the study may not fully capture the perspectives of the very senior or retired individuals who could offer valuable historical insights and long-term perspectives.

Table 4. 7: Education of Respondents

Education	Frequency	Percent
Diploma	5	7.2
Bachelor’s degree	39	56.5
Master’s Degree	23	33.3
PhD	2	2.9
Total	**69**	100.0

Source: Field Data (2024)

The educational background of respondents in the study on internal audit practices and financial performance of deposit-taking Savings and Credit Societies (SACCOs) in Western Kenya provides a snapshot of their academic qualifications. Among the 69 respondents, 7.2% hold a diploma, reflecting a smaller proportion of individuals with this level of education. A substantial 56.5% of respondents possess a bachelor’s degree, indicating that this is the most common educational qualification among the study participants. This suggests a strong foundation of general higher education among the respondents, which is likely to influence their understanding and approach to internal audit practices.

Additionally, 33.3% of respondents have a master's degree. This significant percentage highlights the presence of advanced academic qualifications within the respondent pool, suggesting a high level of expertise and specialized knowledge in internal audit and financial management. Finally, only 2.9% of respondents hold a PhD, indicating a limited number of individuals with the highest academic qualification in the study sample. This low percentage suggests that while advanced degrees are present, they are not the predominant qualification among the respondents. Overall, the educational distribution of respondents demonstrates a well-educated sample with a predominant presence of bachelor's and master's degree holders. This background is likely to impact the depth of analysis and insights provided in the study, reflecting a mix of foundational and advanced knowledge in internal audit practices and financial performance.

Table 4. 8: Period of Service

Period of Service	**Frequency**	**Percent**
1-5 years	4	5.8
6-10 years	34	49.3
11-15 years	23	33.3
Over 15 years	8	11.6
Total	69	**100.0**

Source: Field Data (2024)

The period of service of the respondents in the study on internal audit practices and financial performance of deposit-taking Savings and Credit Societies (SACCOs) in Western Kenya illustrates a diverse range of professional experience levels. Among the 69 respondents, 5.8% have served in their roles for 1-5 years. This small proportion

indicates that only a few individuals are relatively new to their positions, which might mean they bring a fresh perspective but potentially less experience. A substantial 49.3% of respondents have been in their roles for 6-10 years. This group represents nearly half of the sample and reflects a significant amount of experience, suggesting a solid understanding of internal audit practices and financial management within SACCOs.
Another notable 33.3% have served for 11-15 years. This demographic comprises respondents with extensive experience, likely offering deep insights and a thorough understanding of the nuances of internal audit and financial performance. Finally, 11.6% of respondents have been in their roles for over 15 years. This group represents the most experienced professionals in the sample, providing valuable long-term perspectives and historical context to the study. Overall, the period of service distribution highlights a range of experience levels, from relatively new to highly seasoned professionals. This diversity in service duration contributes to a broad spectrum of insights and expertise in evaluating internal audit practices and financial performance within SACCOs.

4.5 Descriptive Statistics for Variables

Quantitative methods yielded descriptive statistics from the data analysis in the research. The connection between the Dependent Variable (DV) and the Independent Variables (IVs) was examined using these descriptive statistics to draw inferences and make generalizations. The research examined the data in light of the goals in an attempt to determine the correlations. Specifically, the aims of the research were well-aligned with the questions. The survey used a 5-point Likert scale (from 1 to 5), with the following possible responses: strongly Disagree = 1; Disagree= 2; 3=Not Sure; Agree =4: Strongly Agree = 5.

4.5.1 Descriptive Statistics for Internal auditor's independence

The first objective was to establish the influence of internal auditor's independence on financial performance of deposit taking Saccos. The respondents were asked to indicate the level of agreement from strongly disagree (1) to strongly agree (5) in relation to ten statements related internal auditor's independence. The results are as shown in Table 4.9.

Table 4. 9: Descriptive Statistics for Internal auditor's independence

	Internal auditor's independence	5	4	3	2	1	Mean	Stdev
1	The transparent and impartial appointment process of internal auditors enhances confidence in their independence	39.1 (27)	42 (29)	14.5 (10)	1.4 (1)	2.9 (2)	4.13	0.92
2	The involvement of independent committees in the appointment process of internal auditors strengthens their autonomy and impartiality	42 (29)	30.4 (21)	8.7 (6)	15.9 (11)	2.9 (2)	3.93	1.19
3	Providing internal auditors with unrestricted access to conduct a broad and comprehensive audit scope allows for a more thorough assessment financial risks and controls	36.2 (25)	36.2 (25)	11.6 (8)	11.6 (8)	4.3 (3)	3.88	1.16
4	Granting internal auditors, the autonomy to determine their audit scope ensures they can focus on critical areas and identify potential issues that management may overlook.	34.8 (24)	39.1 (27)	13 (9)	10.1 (7)	2.9 (2)	3.93	1.08
5	The transparent and merit-based approach to determining auditors' remuneration reinforces their independence and commitment to upholding financial integrity.	34.8 (24)	47.8 (33)	7.2 (5)	7.2 (5)	2.9 (2)	4.04	0.99
6	The fair and competitive remuneration provided to internal auditors ensures their independence and motivates them to perform their duties diligently	39.1 (27)	37.7 (26)	7.2 (5)	13 (9)	2.9 (2)	3.97	1.12
7	The direct reporting of internal audit findings to the audit committee or board of directors enhances the independence of auditors and ensures unbiased assessment	43.5 (30)	30.4 (21)	11.6 (8)	11.6 (8)	2.9 (2)	4.00	1.14

8	The independent reporting level of internal audit functions contributes to providing unbiased insights and recommendations to key stakeholders.	37.7 (26)	43.5 (30)	10.1 (7)	5.8 (4)	2.9 (2)	4.07	0.990
9	The unrestricted access granted to internal auditors to records and information ensures their autonomy and enables thorough examination of financial records.	36.2 (25)	43.5 (30)	13 (9)	2.9 (2)	4.3 (3)	4.04	1.006
10	The policy of providing internal auditors with unrestricted access to records promotes transparency and accountability,	44.9 (31)	31.9 (22)	8.7 (6)	11.6 (8)	2.9 (2)	4.04	1.130

Source: Field Data (2024)

The first statement, “The transparent and impartial appointment process of internal auditors enhances confidence in their independence,” received a mean score of 4.13, indicating a strong level of agreement among respondents. A significant portion, 81.1%, of respondents rated this statement with a 4 or 5, demonstrating a consensus that transparency and impartiality in the appointment process are crucial for maintaining auditor independence. The standard deviation of 0.92 suggests moderate variability in opinions, with a small percentage of respondents expressing neutral (14.5%) or disagreeing (4.3%) views. This result underscores the belief that an unbiased and open appointment process for internal auditors is essential in reinforcing the auditors' independence. This independence is critical because it helps auditors perform their duties without external pressures or conflicts of interest, thereby building trust and confidence in their assessments.

The second statement, “The involvement of independent committees in the appointment process of internal auditors strengthens their autonomy and impartiality,” had a mean score of 3.93. A majority of respondents, 72.4%, agreed or strongly agreed with this statement, although a notable 15.9% disagreed. The standard deviation of 1.19 reflects a higher level of variability in responses compared to other statements. This suggests that while many see the inclusion of independent committees as a beneficial step towards ensuring auditor autonomy and impartiality, some respondents may question the effectiveness or practicality of such committees. It could be that certain individuals feel that these committees might not fully guarantee independence or might themselves be subject to biases or influence.

For the third statement, “Providing internal auditors with unrestricted access to conduct a broad and comprehensive audit scope allows for a more thorough assessment of financial risks and controls,” the mean score was 3.88. The responses showed that 72.4% of respondents rated this statement with a 4 or 5, indicating agreement that unrestricted access contributes to a more effective audit. The standard deviation of 1.16 points to a fair amount of disagreement, with 15.9% expressing a negative view. The result highlights the perceived importance of granting internal auditors the freedom to access various areas within an organization to conduct a thorough and effective audit. However, the disagreement suggests concerns over potential issues like security risks or the practicality of implementing such extensive access in every situation.

The fourth statement, “Granting internal auditors the autonomy to determine their audit scope ensures they can focus on critical areas and identify potential issues that management may overlook,” had a mean score of 3.93, reflecting a strong level of agreement among respondents. About 73.9% agreed or strongly agreed, while only 13% disagreed. The standard deviation of 1.08 signifies moderate variability in opinions. This result indicates that respondents generally believe that auditors should have the freedom to set their audit priorities. By doing so, auditors can focus on areas that they deem most critical, potentially catching issues that management might not prioritize. This autonomy is viewed as essential for ensuring a comprehensive and unbiased audit process.

The fifth statement, “The transparent and merit-based approach to determining auditors' remuneration reinforces their independence and commitment to upholding financial integrity,” received a mean score of 4.04. A significant 82.6% of respondents rated this statement with a 4 or 5, suggesting broad agreement that remuneration transparency is key to maintaining auditor independence. The standard deviation of 0.99 reflects some variability but indicates that most respondents concurred with the statement. This finding suggests that respondents believe a transparent and merit-based remuneration system is crucial for ensuring that auditors remain unbiased and committed to their duties. Such a system can prevent conflicts of interest, where auditors might be swayed by financial incentives to overlook certain issues or align too closely with management interests.

In response to the sixth statement, “The fair and competitive remuneration provided to internal auditors ensures their independence and motivates them to perform their duties diligently,” the mean score was 3.97. A substantial 76.8% agreed or strongly agreed with this statement, though 15.9% disagreed. The standard deviation of 1.12 indicates a moderate spread of opinions. These results highlight the perceived importance of compensating auditors fairly to ensure their independence. Adequate remuneration is seen as a motivator for auditors to diligently fulfill their responsibilities without undue influence from financial pressures. However, the disagreements suggest that some respondents might feel that financial compensation alone isn't sufficient to guarantee independence or motivation.

The seventh statement, “The direct reporting of internal audit findings to the audit committee or board of directors enhances the independence of auditors and ensures unbiased assessment,” achieved a mean score of 4.00, with 73.9% agreeing or strongly agreeing. The standard deviation of 1.14 reflects some diversity in opinions, with 23.2% of respondents expressing neutrality or disagreement. This result indicates that a majority of respondents view direct reporting as crucial for maintaining auditor independence. By reporting directly to the board or audit committee, auditors can deliver unbiased assessments without interference from management. The neutrality or disagreement may stem from potential concerns about how these reporting lines are managed in practice.

For the eighth statement, “The independent reporting level of internal audit functions contributes to providing unbiased insights and recommendations to key stakeholders,” the mean score was 4.07, with 81.2% of respondents agreeing or strongly agreeing. The standard deviation of 0.99 suggests moderate variability in opinions, with a small percentage of respondents feeling neutral or disagreeing. The results underscore the belief that maintaining an independent reporting structure is essential for auditors to deliver unbiased insights and recommendations. This independence ensures that auditors can provide objective evaluations that inform key stakeholders without undue influence from internal or external pressures.

The ninth statement, “The unrestricted access granted to internal auditors to records and information ensures their autonomy and enables thorough examination of financial records,” received a mean score of 4.04. A significant 79.7% of respondents rated this statement with a 4 or 5, indicating agreement on the importance of access to records. The standard deviation of 1.01 highlights moderate variability. This result indicates a strong belief among respondents that unrestricted access to records is vital for auditor autonomy and thoroughness in financial examinations. The slight variability suggests some respondents might have concerns about the implications of such unrestricted access, such as potential security or privacy issues.

Lastly, the tenth statement, “The policy of providing internal auditors with unrestricted access to records promotes transparency and accountability,” had a mean score of 4.04, with 76.8% agreeing or strongly agreeing. The standard deviation of 1.13 reflects some diversity in responses, with a minority expressing neutrality or disagreement. These results highlight the perceived role of unrestricted access in fostering transparency and accountability within organizations. By allowing auditors to access necessary records freely, organizations can demonstrate a commitment to transparent practices, thus enhancing trust in their financial reporting and governance.

To enhance the independence of internal auditors in deposit-taking SACCOs in Western Kenya, the following steps were taken; Ensure that the audit committee is composed of knowledgeable, independent members who can support the internal audit function. Invest in the training and development of internal auditors to enhance their professionalism and adherence to ethical standards. Develop and enforce clear charters that define the scope and authority of the internal audit function. Provide sufficient resources, including staff and technology, to enable auditors to perform their duties effectively. Conduct regular assessments of the independence and effectiveness of the internal audit function.

Enhancing the independence of internal auditors led to several positive outcomes for financial performance. Auditors can more effectively identify and mitigate risks, protecting the SACCO from financial losses. Stronger internal controls can reduce the likelihood of errors and fraud, leading to more reliable financial reporting. A robust and independent audit function can enhance the reputation of the SACCO, attracting more members and investors. Avoiding fines and penalties by ensuring the SACCO operates within legal and regulatory frameworks. Overall, strengthening the independence of internal auditors is crucial for maintaining the integrity of the financial reporting process and contributing to the long-term financial performance and stability of deposit-taking SACCOs.

4.5.2 Descriptive statistics for Internal audit controls

The second objective was to establish the effect of Internal audit controls on financial performance of deposit taking Saccos. The respondents were asked to indicate the level of agreement from strongly disagree (1) to strongly agree (5) in regard to 10 statements related to Internal audit timeliness. The results are as shown in Table 4.10.

Table 4. 10: Descriptive Results for Internal audit controls

	Internal audit controls	5	4	3	2	1	Mean	Stdev
1	The segregation of duties ensures that financial transactions are adequately supervised and reduces the risk of errors or fraud.	30.5 (25)	18.3 (15)	35.4 (29)	8.5 (7)	7.3 (6)	3.56	1.22
2	The clear division of responsibilities among staff members contributes to better financial performance by minimizing the likelihood of unauthorized activities.	25.6 (21)	35.4 (29)	18.3 (15)	14.6 (12)	6.1 (5)	3.60	1.20
3	Risk mitigation planning processes effectively identify and address potential threats to financial performance in a timely manner.	28 (23)	23.2 (19)	35.4 (29)	7.3 (6)	6.1 (5)	3.60	1.15
4	The proactive approach to risk mitigation planning demonstrates a commitment to maintaining stable and sustainable	30.5 (25)	25.6 (21)	28 (23)	9.8 (8)	6.1 (5)	3.65	1.19

	performance.							
5	The integration of internal audit planning with overall business objectives enhances the effectiveness of financial performance management.	30.5 (25)	26.8 (22)	25.6 (21)	9.8 (8)	7.3 (6)	3.63	1.22
6	Integrating internal audit findings into the financial planning helps management identify areas for improvement and make informed decisions	30.5 (25)	22 (18)	29.3 (24)	11 (9)	7.3 (6)	3.57	1.24
7	Well-defined policies and procedures provide clear guidance on financial transactions, promoting consistency and accuracy in performance.	32.9 (27)	20.7 (17)	29.3 (24)	11 (9)	6.1 (5)	3.63	1.22
8	Establishing clear and well-documented policies and procedures for financial activities helps to ensure consistent financial practices and minimizes the risk of errors or irregularities	34.1 (28)	18.3 (15)	29.3 (24)	11 (9)	7.3 (6)	3.61	1.264
9	The strict adherence to authorization and approval protocols fosters a culture of accountability and integrity	31.7 (26)	25.6 (21)	24.4 (20)	12.2 (10)	6.1 (5)	3.65	1.339
10	The effective control over authorization and approvals minimizes the risk of unauthorized transactions and mismanagement.	30.5 (25)	18.3 (15)	35.4 (29)	8.5 (7)	7.3 (6)	3.56	1.22

Source: Field Data (2024)

The first statement, “The segregation of duties ensures that financial transactions are adequately supervised and reduces the risk of errors or fraud,” received a mean score of 3.56. This score reflects a moderate level of agreement among respondents regarding the effectiveness of segregating duties as a control measure. Specifically, 48.8% of respondents rated the statement with a 4 or 5, indicating agreement, while 35.4% gave a neutral response, and 15.8% disagreed (rated 2 or 1). The standard deviation of 1.22 suggests a relatively high level of variability in the responses. The results suggest that while many respondents recognize the value of segregating duties to mitigate errors or fraud, there is a significant portion who either remain neutral or disagree, indicating potential skepticism about its sufficiency or implementation in practice. This could imply that, although segregation is seen as an important control measure, some organizations may face challenges in applying it effectively.

The second statement, “The clear division of responsibilities among staff members contributes to better financial performance by minimizing the likelihood of unauthorized activities,” received a mean score of 3.60. Here, 61% of respondents expressed agreement (rating 4 or 5), while 18.3% were neutral, and 20.7% disagreed. The standard deviation of 1.20 suggests moderate variability in opinions. This indicates that a clear division of responsibilities is generally perceived as beneficial for improving financial performance and preventing unauthorized activities. However, the responses also highlight that a considerable number of respondents either do not feel strongly about its effectiveness or have concerns about its real-world application, reflecting potential gaps in implementation or understanding.

The third statement, “Risk mitigation planning processes effectively identify and address potential threats to financial performance in a timely manner,” garnered a mean score of 3.60, with 51.2% of respondents agreeing (rating 4 or 5) and 35.4% being neutral. Approximately 13.4% disagreed with the statement. The standard deviation of 1.15

indicates a moderate spread in responses. This suggests that while many believe risk mitigation processes are crucial in identifying threats, there is significant neutrality and some disagreement, indicating room for improvement in how these processes are implemented or perceived. This variability might point to differing levels of maturity in risk management practices across organizations.

In the fourth statement, “The proactive approach to risk mitigation planning demonstrates a commitment to maintaining stable and sustainable performance,” respondents gave a mean score of 3.65. A majority, 56.1%, agreed or strongly agreed, while 28% remained neutral, and 15.9% disagreed. The standard deviation of 1.19 shows moderate variability. This reflects a positive perception of proactive risk management as an essential strategy for maintaining stability and sustainability. However, the presence of neutrality and disagreement suggests that while the intent of proactivity is valued, the execution might not always meet expectations, indicating potential gaps in strategy or communication.

For the fifth statement, “The integration of internal audit planning with overall business objectives enhances the effectiveness of financial performance management,” the mean score was 3.63. Here, 57.3% of respondents agreed, 25.6% were neutral, and 17.1% disagreed. The standard deviation of 1.22 points to some variability in opinions. This result highlights the belief that aligning audit planning with business goals can enhance financial performance management. However, the neutrality and disagreement suggest that achieving such integration may be challenging, possibly due to organizational silos or differing priorities between audit functions and business units.

The sixth statement, “Integrating internal audit findings into the financial planning helps management identify areas for improvement and make informed decisions,” received a mean score of 3.57. A majority of 52.5% agreed, 29.3% were neutral, and 18.3% disagreed. The standard deviation of 1.24 indicates relatively high variability. These findings suggest that many respondents see value in incorporating audit insights into financial planning, recognizing it as a tool for informed decision-making. However, the substantial neutrality and disagreement highlight potential challenges in effectively utilizing audit findings, possibly due to communication issues or reluctance to act on recommendations.

The seventh statement, “Well-defined policies and procedures provide clear guidance on financial transactions, promoting consistency and accuracy in performance,” had a mean score of 3.63, with 53.6% agreeing and 29.3% neutral. About 17.1% disagreed. The standard deviation of 1.22 suggests a moderate spread of responses. This result indicates a general consensus that clear policies and procedures are vital for ensuring consistent and accurate financial transactions. Nonetheless, the neutrality and disagreement suggest that some organizations may face difficulties in defining or adhering to such guidelines, potentially leading to inconsistencies.

The eighth statement, “Establishing clear and well-documented policies and procedures for financial activities helps to ensure consistent financial practices and minimizes the risk of errors or irregularities," received a mean score of 3.61. A majority of 52.4% agreed, 29.3% were neutral, and 18.3% disagreed. The standard deviation of 1.26 shows some variability. The results reflect a positive perception of well-documented policies as a means to ensure consistency and reduce risks. However, the variability in responses suggests that not all organizations may be effectively implementing or perceiving the benefits of such documentation, highlighting potential gaps in policy formulation or enforcement.

The ninth statement, "The strict adherence to authorization and approval protocols fosters a culture of accountability and integrity," achieved a mean score of 3.65. Here, 57.3% agreed, 24.4% were neutral, and 18.3% disagreed. The standard deviation of 1.34 indicates considerable variability in opinions. This reflects a general agreement that strict adherence to authorization protocols promotes accountability and integrity. However, the diversity in responses suggests that adherence might not be consistent across all organizations, leading to varying perceptions of its effectiveness.

Lastly, the tenth statement, "The effective control over authorization and approvals minimizes the risk of unauthorized transactions and mismanagement," received a mean score of 3.56. A total of 48.8% agreed, 35.4% were neutral, and 15.8% disagreed. The standard deviation of 1.22 points to a moderate level of variability. These findings highlight the belief that effective control over authorizations is essential for reducing unauthorized activities. However, the high level of neutrality and some disagreement indicate that many respondents may feel current practices are insufficient or inconsistently applied, reflecting potential gaps in control mechanisms.

Internal audits uncovered fraudulent transactions such as embezzlement, loan fraud, or ghost employees. Corrective actions included strengthening internal controls, conducting employee background checks, and implementing fraud prevention training. Deficiencies in internal controls can lead to errors, inefficiencies, and increased risk exposure. Corrective actions involved implementing segregation of duties, improving documentation, and enhancing oversight. Internal audits identified instances where the SACCO is not adhering to regulatory requirements. Corrective actions included implementing new policies and procedures, providing training to staff, and engaging with regulatory authorities. Internal audits uncovered inefficiencies in processes and procedures. Corrective actions involved process reengineering, automation, and performance improvement initiatives.

4.5.3 Descriptive statistics for Internal audit timeliness

The third objective was to establish the effect of Internal audit timeliness on financial performance of deposit taking Saccos. The respondents were asked to indicate the level of agreement from strongly disagree (1) to strongly agree (5) in regard to 10 statements related to Internal audit timeliness. The results are as shown in Table 4.11. The first statement, "The internal audit team's timely follow-up on audit issues demonstrates a proactive approach towards addressing potential financial risks and opportunities," received a mean score of 4.01. This score indicates a strong agreement among respondents, with 70.7% rating it 4 or 5, indicating confidence in the internal audit team's proactive approach. Only 24.4% of respondents expressed neutrality, and a mere 4.9% disagreed (rating 2 or 1). The standard deviation of 1.01 suggests moderate variability in opinions. The results suggest that most respondents believe timely follow-up on audit issues is vital for proactively managing financial risks and opportunities. The high mean score indicates that respondents feel internal audit teams are generally effective in maintaining this timeliness, reflecting positively on the organization's commitment to proactive risk management.

Table 4. 11: Descriptive statistics for Internal audit timeliness

	Internal audit timeliness	5	4	3	2	1	Mean	Std Dev
1	The internal audit team's timely follow-up on audit issues demonstrates a proactive approach towards addressing potential financial risks and opportunities.	39 (32)	31.7 (26)	24.4 (20)	1.2 (1)	3.7 (3)	4.01	1.01
2	Implementing efficient follow-up procedures for audit observations helps management address identified weaknesses before they escalate into significant financial problems.	39 (32)	24.4 (20)	19.5 (16)	13.4 (11)	3.7 (3)	3.82	1.20
3	The internal audit team consistently provides timely reports on audit findings, allowing swift corrective actions to be taken.	34.1 (28)	24.4 (20)	20.7 (17)	17.1 (14)	3.7 (3)	3.68	1.22
4	Timely reporting of audit findings by the internal audit team facilitates proactive measures to address financial challenges and capitalize on opportunities.	30.5 (25)	37.8 (31)	28 (23)	0 (0)	3.7 (3)	3.91	0.96
5	The internal audit cycle time is efficient, allowing for timely identification and resolution of audit issues	34.1 (28)	32.9 (27)	26.8 (22)	2.4 (2)	3.7 (3)	3.91	1.02
6	The internal audit team maintains a streamlined audit cycle time, enabling timely assessments of financial processes and controls	37.8 (31)	26.8 (22)	24.4 (20)	4.9 (4)	6.1 (5)	3.85	1.17
7	Promptly responds to audit findings and recommendations, demonstrating a commitment to addressing auditing concerns	36.6 (30)	22 (18)	18.3 (15)	17.1 (14)	6.1 (5)	3.66	1.30
8	The SACCO exhibits responsiveness to internal audit findings, facilitating timely implementation of corrective measures	39 (32)	18.3 (15)	22 (18)	15.9 (13)	4.9 (4)	3.71	1.272
9	Audit issues identified by the internal audit team are promptly resolved	39 (32)	24.4 (20)	18.3 (15)	14.6 (12)	3.7 (3)	3.80	1.211
10	Timely resolution of audit issues reflects a culture of accountability and effectiveness, driving continuous improvement in auditing processes	34.1 (28)	41.5 (34)	13.4 (11)	7.3 (6)	3.7 (3)	3.95	1.053

Source: Field Data (2024)

The second statement, "Implementing efficient follow-up procedures for audit observations helps management address identified weaknesses before they escalate into significant financial problems," garnered a mean score of 3.82. A total of 63.4% of respondents agreed (rating 4 or 5), while 19.5% remained neutral, and 17.1% disagreed. The standard deviation of 1.20 reflects a fair degree of variability in responses. This result underscores the importance of having efficient follow-up procedures to manage weaknesses identified in audits. While the majority recognizes the value of these procedures, the notable percentage of neutrality and disagreement suggests that some organizations may still face challenges in implementing or perceiving the efficacy of these procedures. This could point to areas for improvement in communication or execution of follow-up protocols.

The third statement, "The internal audit team consistently provides timely reports on audit findings, allowing swift corrective actions to be taken," received a mean score of 3.68. Agreement was expressed by 58.5% of respondents (rating 4 or 5), while 20.7% were neutral, and 20.8% disagreed. The standard deviation of 1.22 indicates moderate variability. These findings suggest that while a majority perceives internal audit reporting as timely, a significant number do not fully agree, highlighting potential inconsistencies in report delivery or communication. Organizations may need to assess the timeliness of their audit reporting processes and ensure that corrective actions are communicated swiftly to maintain trust and effectiveness.

For the fourth statement, "Timely reporting of audit findings by the internal audit team facilitates proactive measures to address financial challenges and capitalize on opportunities," the mean score was 3.91. Here, 68.3% agreed (rating 4 or 5), none were neutral, and 3.7% disagreed. The standard deviation of 0.96 suggests less variability and a more consistent agreement among respondents. The high level of agreement and low variability indicate that respondents generally see timely audit reporting as crucial for proactive financial management. This reflects positively on organizations that prioritize prompt reporting, enabling them to address challenges and seize opportunities effectively.

The fifth statement, "The internal audit cycle time is efficient, allowing for timely identification and resolution of audit issues," achieved a mean score of 3.91. A significant 67% of respondents agreed, 26.8% were neutral, and only 6.1% disagreed. The standard deviation of 1.02 indicates moderate consistency in responses. This suggests that respondents generally perceive the internal audit cycle as efficient, facilitating timely issue identification and resolution. However, the presence of neutral responses indicates that some organizations may still have room for improving cycle efficiency, possibly through optimizing processes or resource allocation.

The sixth statement, "The internal audit team maintains a streamlined audit cycle time, enabling timely assessments of financial processes and controls," received a mean score of 3.85. A total of 64.6% agreed (rating 4 or 5), while 24.4% were neutral, and 11% disagreed. The standard deviation of 1.17 reflects moderate variability. These findings highlight that while many respondents recognize the value of a streamlined audit cycle for timely assessments, a notable number remain neutral or disagree, suggesting variability in how streamlined processes are perceived or implemented across organizations. This points to potential opportunities for organizations to enhance their audit cycle efficiency further.

The seventh statement, "Promptly responds to audit findings and recommendations, demonstrating a commitment to addressing auditing concerns," had a mean score of 3.66. Agreement was expressed by 58.6% of respondents, 18.3% were neutral, and 23.2% disagreed. The standard deviation of 1.30 indicates a higher level of variability in opinions. The responses suggest that while many see a prompt response to audit findings as a sign of commitment, there is significant variability in perceptions, with a considerable number of respondents feeling the responses are not prompt enough. This points to potential challenges in responsiveness or communication that organizations may need to address.

The eighth statement, "The SACCO exhibits responsiveness to internal audit findings, facilitating timely implementation of corrective measures," received a mean score of 3.71. A total of 57.3% agreed (rating 4 or 5), while 22% were neutral, and 20.8% disagreed. The standard deviation of 1.27 suggests moderate variability. This indicates that while many respondents view SACCOs (Savings and Credit Cooperative Organizations) as responsive to audit findings, enabling timely corrective measures, there is a significant portion who either remain neutral or disagree. This highlights potential differences in how responsiveness is perceived or executed, suggesting areas for improvement in responsiveness and corrective action implementation.

The ninth statement, "Audit issues identified by the internal audit team are promptly resolved," received a mean score of 3.80. Agreement was expressed by 63.4% of respondents (rating 4 or 5), 18.3% were neutral, and 17.1% disagreed. The standard deviation of 1.21 reflects moderate variability in responses. These findings suggest that while many respondents believe in prompt resolution of audit issues, there is a noticeable portion who either remain neutral or disagree, indicating that resolution times might not always meet expectations. This highlights the need for organizations to evaluate and possibly improve their resolution processes to enhance perceptions of timeliness.

Finally, the tenth statement, "Timely resolution of audit issues reflects a culture of accountability and effectiveness, driving continuous improvement in auditing processes," achieved a mean score of 3.95. Here, 75.6% agreed (rating 4 or 5), 13.4% were neutral, and 11% disagreed. The standard deviation of 1.05 suggests a fairly consistent agreement. This strong agreement indicates that respondents generally associate timely resolution of audit issues with a culture of accountability and effectiveness. The high mean score reflects positively on organizations that prioritize timely issue resolution, as it is seen as a driver of continuous improvement in auditing processes.

Response times to internal audit findings and suggestions in SACCOs differ depending on the severity, magnitude, and intricacy of discovered problems. Though many SACCOs endeavor to act expediently, bureaucratic hurdles, budget constraints, and administrative obstacles occasionally cause delays. Slow reaction times may engender negative ramifications, such as waning donor faith, reduced membership, impaired fiscal performance, or heightened susceptibility to fraud. Organizations can stimulate rapid responses by imposing finite targets for rectification inspires urgency and dedication. Further earmarking sufficient capital allocations to tackle pressing matters conveys commitment and supports swifter resolution, tracking metrics tied to audit efficacies holds executives accountable for swift interventions and embedding explicit reference to corrective actions in performance criteria fortifies motivation.

4.5.4 Descriptive statistics for Top management support

The fifth objective was to evaluate the moderating effect of top management support principles on the relationship between internal audit practices and financial performance of deposit taking Saccos. The respondents were asked to indicate the level of agreement from strongly disagree (1) to strongly agree (5) in regard to top management support among deposit taking Saccos in Western Kenya. The results are as shown in Table 4.12.

Table 4. 12: Descriptive statistics for Top management support

	Top management support	5	4	3	2	1	Mean	Stdev
1	Top management effectively allocates financial resources to support initiatives aimed at improving the internal audit practice	26.8 (22)	31.7 (26)	20.7 (17)	18.3 (15)	2.4 (2)	3.62	1.14
2	Top management's commitment to providing adequate resources for internal audit activities enables a more comprehensive assessment of the SACCO's financial health.	41.5 (34)	31.7 (26)	15.9 (13)	8.5 (7)	2.4 (2)	4.01	1.07
3	The top management fosters a culture of continuous learning and skill development, which contributes to improved internal audit practice	37.8 (31)	15.9 (13)	28 (23)	15.9 (13)	2.4 (2)	3.71	1.20
4	Top management's support for ongoing professional development of internal audit staff equips them with the skills necessary to provide valuable insights	34.1 (28)	28 (23)	23.2 (19)	11 (9)	3.7 (3)	3.78	1.14
5	Top management's consistent implementation of recommendations arising from internal audits strengthens internal audit's role in promoting sound financial practices and achieving financial objectives.	32.9 (27)	30.5 (25)	30.5 (25)	3.7 (3)	2.4 (2)	3.88	1.00
6	The top management acts promptly on recommendations to enhance financial performance, demonstrating a proactive approach.	42.7 (35)	23.2 (19)	15.9 (13)	15.9 (13)	2.4 (2)	3.88	1.20
7	The top management upholds high standards of governance, which fosters trust among stakeholders	40.2 (33)	35.4 (29)	14.6 (12)	7.3 (6)	2.4 (2)	4.04	1.04
8	Top management's unwavering commitment to good governance principles (transparency, accountability, etc.) fosters a culture	34.1 (28)	22 (18)	25.6 (21)	15.9 (13)	2.4 (2)	3.70	1.173

	of ethical behavior and responsible decision-making							
9	Regular and open communication between top management and the internal audit team fosters collaboration and ensures internal audits are aligned with the SACCO's strategic financial objectives.	43.9 (36)	30.5 (25)	12.2 (10)	11 (9)	2.4 (2)	4.02	1.111
10	The top management maintains transparent communication channels that enable staff to understand and contribute to the auditing objectives	39 (32)	26.8 (22)	22 (18)	9.8 (8)	2.4 (2)	3.90	1.107

Source: Field Data (2024)

The first statement, "Top management effectively allocates financial resources to support initiatives aimed at improving the internal audit practice," received a mean score of 3.62. A total of 58.5% of respondents rated it 4 or 5, suggesting a reasonable level of agreement that top management is investing adequately in internal audit practices. However, 20.7% remained neutral, and 20.7% disagreed (ratings of 2 or 1). The standard deviation of 1.14 indicates a moderate spread in responses. This suggests that while a majority of respondents perceive top management as supportive in resource allocation, a significant portion either have reservations or are indifferent. This could point to potential variability in resource allocation practices across different organizations, where some may not prioritize financial support for internal audit initiatives as strongly as others. Such findings indicate opportunities for further improvement in resource commitment to bolster internal audit practices across the board.

The second statement, "Top management's commitment to providing adequate resources for internal audit activities enables a more comprehensive assessment of the SACCO's financial health," achieved a mean score of 4.01. This high score reflects strong agreement, with 73.2% of respondents rating it 4 or 5. Only 15.9% were neutral, and 10.9% disagreed. The standard deviation of 1.07 reflects moderate consistency in responses. These findings suggest that respondents generally believe top management is committed to providing the necessary resources for comprehensive internal audit assessments. This high level of agreement points to an acknowledgment of the importance of resource allocation in enhancing the internal audit's capacity to evaluate financial health effectively. Organizations seem to recognize the value of equipping audit teams with the means to conduct thorough assessments.

For the third statement, "The top management fosters a culture of continuous learning and skill development, which contributes to improved internal audit practice," the mean score was 3.71. Agreement was expressed by 53.7% of respondents, while 28% were neutral, and 18.3% disagreed. The standard deviation of 1.20 indicates moderate variability in responses. This suggests that while a majority perceive top management as supportive of continuous learning, there remains a substantial portion who are either neutral or disagree. This highlights potential gaps in how skill development and continuous learning initiatives are perceived or implemented across different organizations. Encouraging a stronger culture of learning could lead to improved internal audit practices by equipping auditors with updated skills and knowledge.

The fourth statement, "Top management's support for ongoing professional development of internal audit staff equips them with the skills necessary to provide valuable insights," achieved a mean score of 3.78. Agreement was shown by 62.1% of respondents (rating 4 or 5), 23.2% remained neutral, and 14.7% disagreed. The standard deviation of 1.14 indicates moderate variability in responses. The findings suggest that while many respondents view top management as supportive of professional development, a notable number remain neutral or disagree. This points to potential inconsistencies in how professional development is supported or perceived across different organizations, indicating room for enhancing training opportunities and aligning them more closely with organizational needs.

The fifth statement, "Top management's consistent implementation of recommendations arising from internal audits strengthens internal audit's role in promoting sound financial practices and achieving financial objectives," received a mean score of 3.88. A total of 63.4% of respondents agreed (rating 4 or 5), while 30.5% were neutral, and 6.1% disagreed. The standard deviation of 1.00 suggests low variability in responses. These results indicate that respondents generally see top management as consistent in implementing audit recommendations, which in turn strengthens the role of internal audit. This high level of agreement points to an understanding that acting on audit insights is crucial for promoting sound financial practices and achieving organizational goals. However, the presence of a considerable neutral stance suggests that some respondents may perceive inconsistencies in implementation practices.

The sixth statement, "The top management acts promptly on recommendations to enhance financial performance, demonstrating a proactive approach," achieved a mean score of 3.88. Here, 65.9% of respondents agreed (rating 4 or 5), 15.9% were neutral, and 18.3% disagreed. The standard deviation of 1.20 reflects moderate variability. The responses suggest that a majority perceive top management as proactive in enhancing financial performance by acting on audit recommendations. This reflects a commitment to leveraging audit insights for continuous improvement. However, the significant percentage of disagreement highlights potential gaps in responsiveness or communication that organizations may need to address to ensure timely action on audit findings.

The seventh statement, "The top management upholds high standards of governance, which fosters trust among stakeholders," received a mean score of 4.04. A substantial 75.6% of respondents agreed (rating 4 or 5), 14.6% were neutral, and only 9.7% disagreed. The standard deviation of 1.04 suggests moderate consistency in responses. This indicates strong agreement that top management's commitment to high governance standards is recognized and appreciated by respondents, contributing to stakeholder trust. The low level of disagreement and high mean score reflect positively on organizations that prioritize governance, aligning with principles of transparency and accountability to maintain trust and integrity.

For the eighth statement, "Top management's unwavering commitment to good governance principles (transparency, accountability, etc.) fosters a culture of ethical behavior and responsible decision-making," the mean score was 3.70. Agreement was expressed by 56.1% of respondents, 25.6% were neutral, and 18.3% disagreed. The standard deviation of 1.17 indicates moderate variability. These results suggest that while many respondents perceive top management as committed to good governance, a notable portion remain neutral or disagree. This indicates variability in how governance principles are perceived or applied across organizations. Enhancing communication and enforcement of governance standards could further strengthen ethical behavior and responsible decision-making within organizations.

The ninth statement, "Regular and open communication between top management and the internal audit team fosters collaboration and ensures internal audits are aligned with the SACCO's strategic financial objectives," received a mean score of 4.02. A significant 74.4% of respondents agreed (rating 4 or 5), 12.2% were neutral, and 13.4% disagreed. The standard deviation of 1.11 indicates moderate variability. These findings highlight a strong belief in the importance of communication between top management and the internal audit team. Respondents see this as crucial for aligning audits with strategic objectives, promoting collaboration and understanding. However, the presence of disagreement suggests that some organizations may face challenges in maintaining effective communication, potentially affecting the alignment and effectiveness of audit efforts.

The tenth statement, "The top management maintains transparent communication channels that enable staff to understand and contribute to the auditing objectives," achieved a mean score of 3.90. Agreement was expressed by 65.8% of respondents (rating 4 or 5), 22% were neutral, and 12.2% disagreed. The standard deviation of 1.11

reflects moderate variability. This suggests that while many respondents recognize transparent communication as a strength, a significant portion remains neutral or disagrees. This highlights potential gaps in communication practices, where clearer channels could foster greater understanding and engagement with auditing objectives across the organization. Enhancing transparency may lead to improved collaboration and alignment with strategic goals.

Senior leaders and executives in deposit-taking SACCOs demonstrate their commitment to promoting good financial performance in several ways such as vision articulation: They set clear, ambitious, and realistic financial goals, communicating these aspirations to stakeholders and steering the institution towards fulfilling them. Executives ensure adherence to sound financial management practices, implementing robust internal controls, and championing accountability in handling monetary resources. Top management keeps abreast of sector trends, technological advancements, and regulatory updates, disseminating relevant intelligence to empower informed decision-making. Leaders create environments that encourage creative thinking, experimentation, and product diversification, fueling growth and adaptation in dynamic markets. Executives build strategic networks with regulators, government agencies, regional trade blocs, and international peers to learn from shared experiences, exchange ideas, and jointly overcome industry challenges.

4.5.5 Descriptive statistics for Financial Performance

The general objective of the study was to investigate the influence of internal audit practices on financial performance of deposit taking Saccos. The respondents were asked to indicate the level of agreement from strongly disagree (1) to strongly agree (5) in regard to financial performance of deposit taking Saccos. The results are as shown in Table 4.13.

Table 4. 13: Descriptive statistics for Financial performance

	Financial performance	**5**	**4**	**3**	**2**	**1**	**Mean**	**Stdev**
1	The dividend per share paid by the SACCO is fair and commensurate with its performance.	0 (0)	40.2 (33)	41.5 (34)	11 (9)	7.3 (6)	3.15	0.89
2	The SACCO effectively utilizes its profits to reward members through dividends.	0 (0)	39 (32)	36.6 (30)	7.3 (6)	17.1 (14)	2.98	1.08
3	The SACCO's dividend payout policy is transparent and communicated effectively to members.	0 (0)	40.2 (33)	23.2 (19)	20.7 (17)	15.9 (13)	2.88	1.12
4	The interest rates offered on member deposits by the SACCO are competitive with other financial institutions.	0 (0)	35.4 (29)	22 (18)	26.8 (22)	15.9 (13)	2.77	1.10
5	The SACCO effectively manages its liquidity to ensure consistent interest payments to members.	0 (0)	37.8 (31)	42.7 (35)	14.6 (12)	4.9 (4)	3.13	0.84
6	The rebate offered by the SACCO is sufficient to offset transaction costs and encourage member loyalty.	0 (0)	40.2 (33)	32.9 (27)	15.9 (13)	11 (9)	3.02	1.01
7	The SACCO's rebate policy is transparent and easily understood by members.	0 (0)	45.1 (37)	29.3 (24)	18.3 (15)	7.3 (6)	3.12	0.96
8	The rebate offered by the SACCO	0	37.8	32.9	14.6	14.6	2.94	1.058

	is competitive compared to other financial institutions.	(0)	(31)	(27)	(12)	(12)		
9	The SACCO's management effectively utilizes its assets to generate returns for members	0 (0)	40.2 (33)	32.9 (27)	13.4 (11)	13.4 (11)	3.00	1.042
10	The return on assets achieved by my SACCO demonstrates its efficient use of resources.	0 (0)	37.8 (31)	32.9 (27)	23.2 (19)	6.1 (5)	3.02	0.929

Source: Field Data (2024)

The first statement, "The dividend per share paid by the SACCO is fair and commensurate with its performance," received a mean score of 3.15. Notably, none of the respondents rated it a 5, but 81.7% rated it either a 3 or 4, indicating a moderate level of agreement regarding the fairness of the dividends in relation to the SACCO's performance. Meanwhile, 18.3% of respondents rated it a 2 or 1, expressing disagreement. The standard deviation of 0.89 suggests relatively consistent opinions among respondents. These results indicate a general perception that the SACCO's dividends are somewhat aligned with its financial performance, though the absence of ratings at 5 suggests that many respondents feel there might be room for improvement in ensuring that dividends are entirely fair and reflective of actual performance. The presence of a significant minority that disagrees highlights possible concerns about how dividends are calculated and distributed, which may require more transparency or adjustments in dividend policies.

The second statement, "The SACCO effectively utilizes its profits to reward members through dividends," achieved a mean score of 2.98. Similar to the first statement, none of the respondents rated it a 5, while 75.6% rated it either a 3 or 4, indicating some level of satisfaction. However, 24.4% disagreed, with ratings of 2 or 1. The standard deviation of 1.08 reflects greater variability in responses compared to the first statement. These findings suggest that while a majority feel the SACCO is using profits effectively for dividends, a significant portion of respondents are not fully satisfied. The variation in responses could indicate differing experiences among members, where some may feel adequately rewarded while others do not. This discrepancy could be due to varying expectations or a lack of clarity in how profits are distributed as dividends.

The third statement, "The SACCO's dividend payout policy is transparent and communicated effectively to members," had a mean score of 2.88. Again, none of the respondents gave a rating of 5, and only 63.4% rated it a 3 or 4, indicating a moderate level of agreement. A notable 36.6% disagreed, suggesting dissatisfaction with the transparency and communication of the dividend policy. The standard deviation of 1.12 indicates moderate variability in opinions. These results highlight a potential issue with how the dividend payout policy is perceived, suggesting that many respondents feel it lacks transparency or is not communicated effectively. This perception can lead to misunderstandings or mistrust among members, emphasizing the need for clearer communication and better alignment of the policy with member expectations to enhance understanding and satisfaction.

The fourth statement, "The interest rates offered on member deposits by the SACCO are competitive with other financial institutions," received a mean score of 2.77. Once again, none of the respondents rated it a 5, and only 57.4% rated it a 3 or 4. A significant

42.7% disagreed, indicating dissatisfaction with the competitiveness of interest rates. The standard deviation of 1.10 reflects moderate variability. These findings suggest a widespread belief that the interest rates offered by the SACCO may not be competitive with those of other financial institutions. This perception might lead to potential member dissatisfaction, as competitive interest rates are a crucial factor for members when deciding where to deposit their funds. The SACCO might need to reevaluate its interest rate policies to remain competitive and retain member trust.

The fifth statement, "The SACCO effectively manages its liquidity to ensure consistent interest payments to members," achieved a mean score of 3.13. Similar to previous statements, none of the respondents rated it a 5, but 80.5% rated it a 3 or 4, indicating a general agreement that the SACCO manages its liquidity well enough to meet interest payment obligations. Only 19.5% disagreed. The standard deviation of 0.84 suggests relatively consistent responses. These results indicate a relatively positive perception of the SACCO's liquidity management practices, with most respondents believing that it effectively ensures consistent interest payments. This suggests a level of confidence in the SACCO's ability to manage its financial obligations and maintain liquidity, which is vital for financial stability and member satisfaction.

The sixth statement, "The rebate offered by the SACCO is sufficient to offset transaction costs and encourage member loyalty," had a mean score of 3.02. No respondents rated it a 5, while 73.1% rated it a 3 or 4, indicating a moderate level of agreement. However, 26.9% disagreed, reflecting dissatisfaction with the sufficiency of rebates. The standard deviation of 1.01 indicates moderate variability in responses. These findings suggest that while many respondents feel the rebates are adequate to offset transaction costs and promote loyalty, a significant number do not. This could indicate a need for the SACCO to reassess its rebate policies, ensuring they are competitive and appealing enough to retain members and encourage continued engagement.

The seventh statement, "The SACCO's rebate policy is transparent and easily understood by members," achieved a mean score of 3.12. Similar to previous statements, no respondents rated it a 5, and 74.4% rated it a 3 or 4, indicating a reasonable level of agreement. A notable 25.6% disagreed, suggesting some dissatisfaction with the transparency and clarity of the rebate policy. The standard deviation of 0.96 reflects moderate variability. These results highlight a potential need for improved communication regarding the SACCO's rebate policy. While many respondents find it transparent and understandable, a significant portion does not, indicating possible areas for enhancing clarity and ensuring members are fully aware of how rebates are determined and distributed.

The eighth statement, "The rebate offered by the SACCO is competitive compared to other financial institutions," had a mean score of 2.94. As with previous statements, no respondents rated it a 5, and 70.7% rated it a 3 or 4, indicating a moderate level of agreement. However, 29.3% disagreed, reflecting concerns about the competitiveness of the rebates. The standard deviation of 1.058 indicates moderate variability in opinions. These findings suggest a perception that the SACCO's rebates may not be as competitive as those offered by other financial institutions. This perception could impact member satisfaction and loyalty, as competitive rebates are a significant factor for members when comparing financial institutions. The SACCO may need to reevaluate its rebate offerings to remain competitive and appealing to its members.

The ninth statement, "The SACCO's management effectively utilizes its assets to generate returns for members," received a mean score of 3.00. Once again, no respondents rated it a 5, but 73.1% rated it a 3 or 4, indicating some level of agreement. A total of 26.9% disagreed, expressing concerns about asset utilization. The standard deviation of 1.042 suggests moderate variability in responses. These results indicate that while many respondents feel the SACCO's management effectively utilizes assets to generate returns, a significant portion remains dissatisfied. This could highlight potential inefficiencies or opportunities for improvement in asset management practices, emphasizing the need for better alignment with member expectations and financial objectives.

The tenth statement, "The return on assets achieved by my SACCO demonstrates its efficient use of resources," achieved a mean score of 3.02. As with previous statements, no respondents rated it a 5, and 70.7% rated it a 3 or 4, indicating a moderate level of agreement. However, 29.3% disagreed, reflecting concerns about resource efficiency. The standard deviation of 0.929 indicates relatively consistent responses. These findings suggest a general belief that the SACCO's return on assets reflects efficient resource use, but there remains a notable portion of respondents who are not convinced. This could point to perceived inefficiencies or areas for improvement in how resources are utilized to achieve financial returns, highlighting the need for more transparent and effective asset management strategies.

Table 4. 14: Secondary Data of Deposit Taking Saccos in Western Kenya between 2019 and 2023

Stats	Total Deposit	Dividend Per Share	Interest on Member Deposits	ROA
Min	0.03	0.0466	1.253515	0.023029
Max	47.29	0.879532	21.7726	0.4
Mean	8.127032	0.184517	7.775949	0.159782
Sd	11.36196	0.24138	2.787482	0.054919

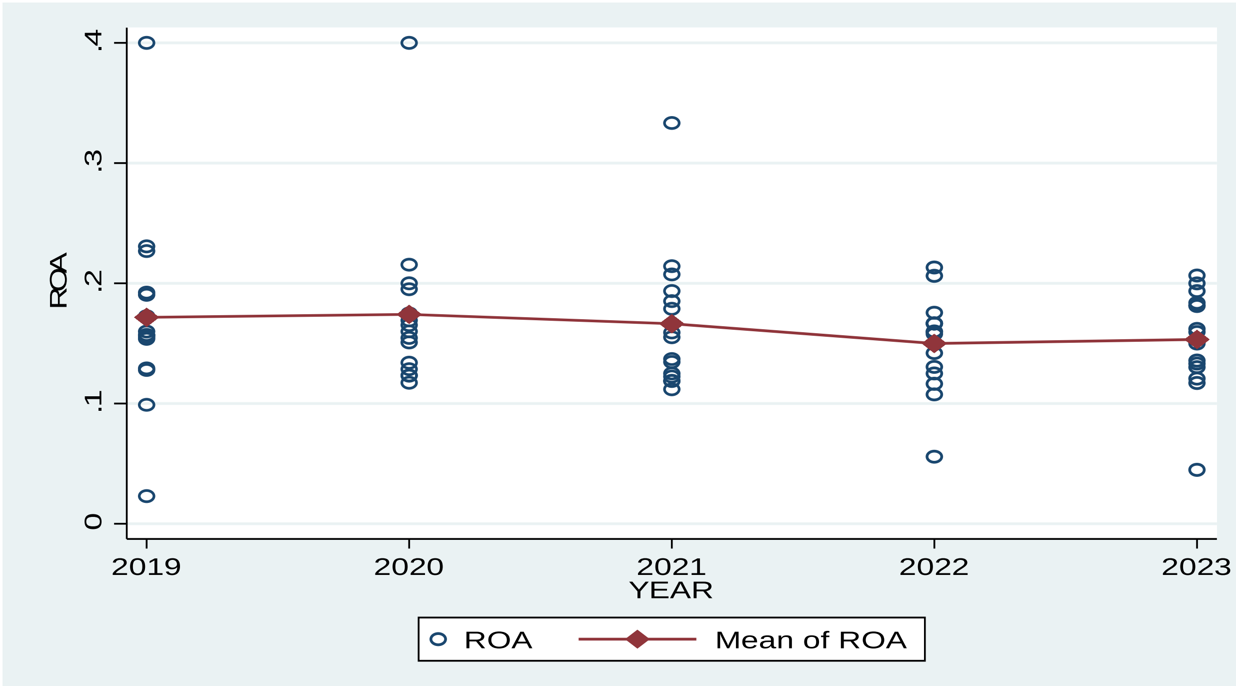
Source: Field Data (2024)

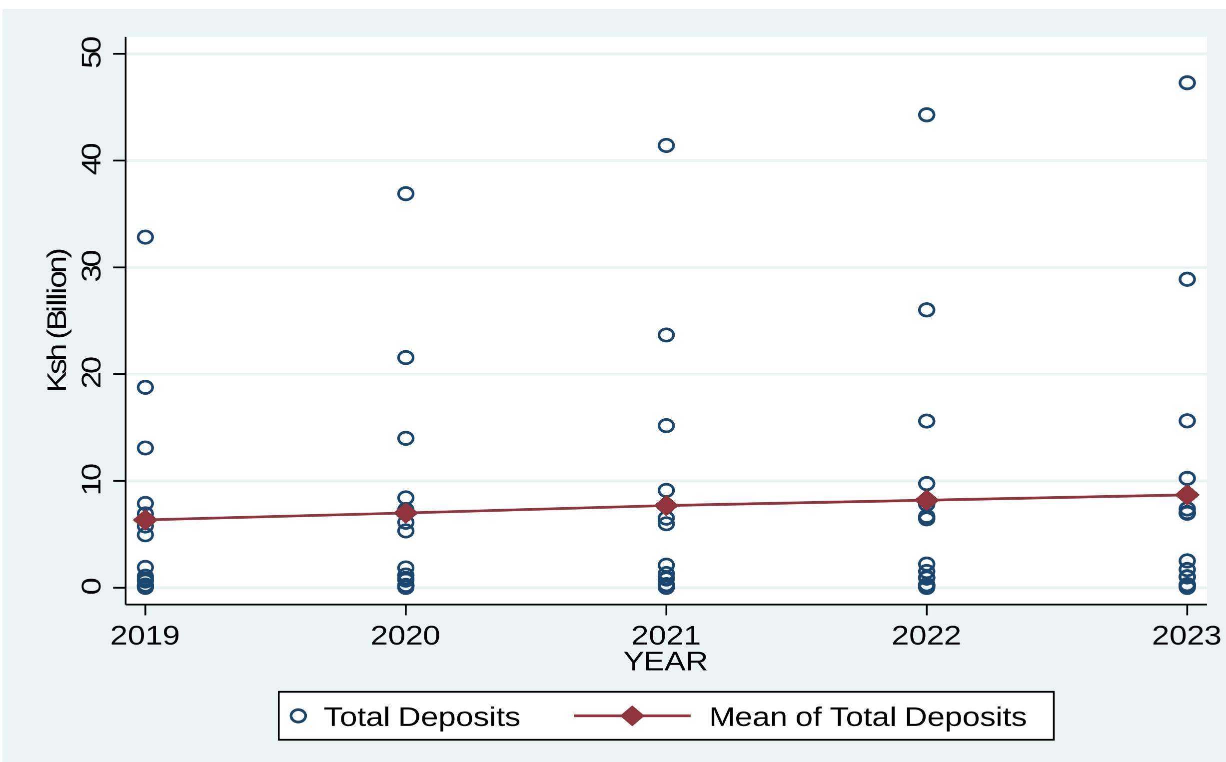
The total deposits across these SACCOs varied widely, with a minimum value of 0.03 million and a maximum of 47.29 million. The mean value of 8.127 million indicates the average level of deposits held by these institutions during the period. The relatively high standard deviation of 11.361 million suggests significant variability among the SACCOs in terms of deposit size. This variability may reflect differences in the scale and growth of these institutions, possibly influenced by their geographical location, market strategy, and member engagement practices.

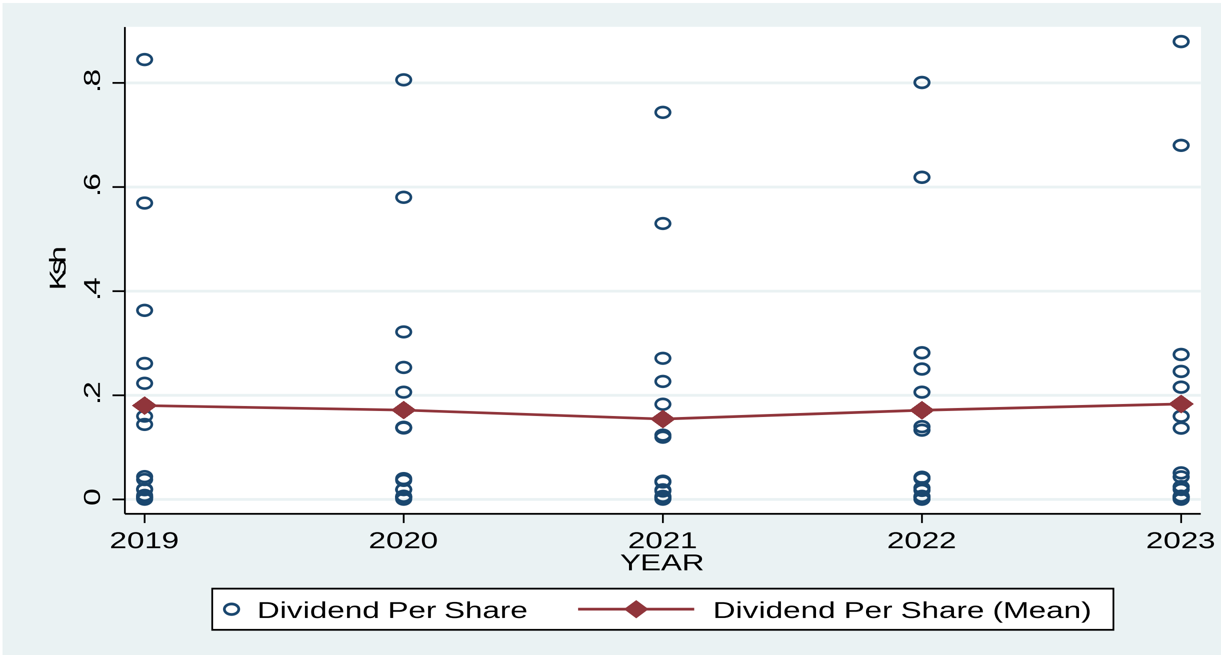
The dividend per share data reveals a range from 0.000466 to 0.879532, with a mean of 0.184517. The standard deviation of 0.24138 indicates considerable variation in the dividends paid across different SACCOs. Such variability can be attributed to differences in financial performance, profitability, and dividend policies among these organizations. SACCOs with higher profitability and more robust financial health likely distribute higher dividends, while others may struggle to offer competitive payouts due to financial constraints or strategic priorities focused on reinvestment.

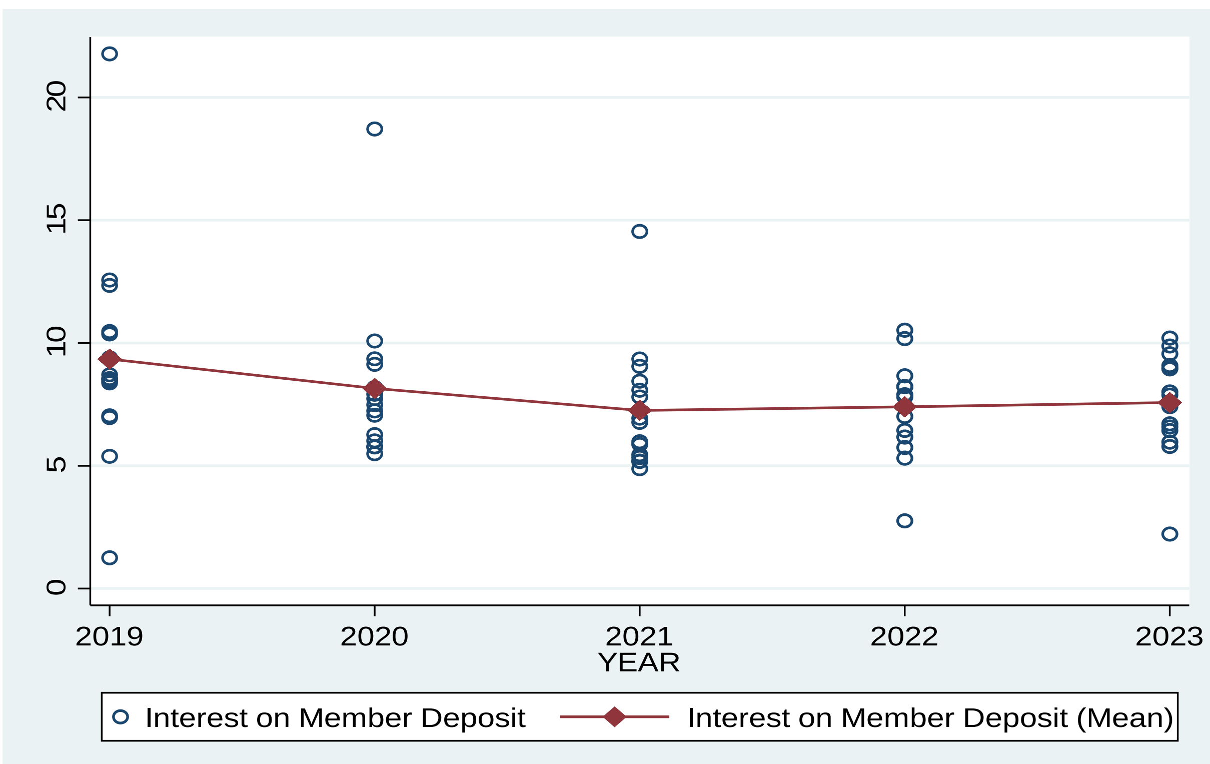
The interest on member deposits shows a wide range between 1.25% and 21.77%, with an average interest rate of 7.78%. The standard deviation of 2.79% suggests some level of diversity in interest offerings, though less variability compared to total deposits and dividends per share. This range indicates that while most SACCOs offer competitive interest rates that can attract and retain member deposits, there are still considerable differences in how these rates are structured. These differences might be influenced by individual SACCO strategies, competitive positioning, market conditions, and risk assessments.

The return on assets (ROA) ranges from 0.023029 to 0.4, with a mean ROA of 0.159782, indicating the average efficiency of these SACCOs in utilizing their assets to generate returns. The standard deviation of 0.054919 shows moderate variability in ROA among the SACCOs, suggesting differences in operational efficiency and profitability. A higher ROA generally reflects better financial management and asset utilization, indicating more effective strategies in maximizing returns from available resources. Conversely, a lower ROA may highlight challenges in resource allocation, cost management, or revenue generation.


ROA
0
.1
.2
.3
.4
2019
2020
2021
2022
2023
YEAR
ROA
Mean of ROA


Ksh (Billion)
0
10
20
30
40
50
2019
2020
2021
2022
2023
YEAR
Total Deposits
Mean of Total Deposits


Ksh
0
.2
.4
.6
.8
2019
2020
2021
2022
2023
YEAR
Dividend Per Share
Dividend Per Share (Mean)


0
5
10
15
20
2019
2020
2021
2022
2023
YEAR
Interest on Member Deposit
Interest on Member Deposit (Mean)

4.6 Pearson Correlation Analysis

The study computed Pearson correlation coefficient (r) to show the strength and direction of the relationship between Internal auditor's independence and financial performance.

Table 4. 15: Correlation between Internal auditor's independence and Financial performance

		IAI	IAC	IAT	TMS
IAI: Internal auditor's independence	Pearson Correlation	1			
	Sig. (2-tailed)				
	N	69			
IAC: Internal audit controls	Pearson Correlation	.321**	1		
	Sig. (2-tailed)	.007			
	N	69	69		
IAT: Internal audit timeliness	Pearson Correlation	.541**	.342**	1	
	Sig. (2-tailed)	.000	.004		
	N	69	69	69	
TMS: Top management support	Pearson Correlation	.452**	.596**	.694**	1
	Sig. (2-tailed)	.000	.000	.000	
	N	69	69	69	69
Financial performance	Pearson Correlation	.615**	.644**	.683**	.755**
	Sig. (2-tailed)	.000	.000	.000	.000
	N	69	69	69	69

Source: Field Data (2024)

Table 4.15 Shows that internal auditor's independence is moderate and positively correlated to financial performance ($r = 0.615; p < 0.05$). Thus, improvement in Internal auditor's independence would improve financial performance of deposit taking Saccos. This suggests that greater independence of internal auditors is strongly associated with better financial outcomes. The results are supported by Ado, Rashid, Mustapha and

Ademola (2020) revealed that auditor independence is also seen to be positive and statistically significantly related to the ROA. Finally, auditor independence is found to be more powerful than auditor size on the financial performance. However, Kolawole, Daio, Jacob and Aregbesola (2020) found that independence of internal auditor had significant but negative influence on the financial performance of the manufacturing industries.

When a similar analysis was done to show the relationship between internal audit controls and financial performance, the study found out that there was equally a moderate positive relationship ($r = 0.644$; $p < 0.05$) between the two variables. Effective internal audit controls are strongly related to improved financial performance, indicating their critical role in ensuring accurate financial reporting and management. The results are supported by Sishumba, Saidi and Milupi (2022) found that internal controls have a strong positive impact on the financial performance of Standard Chartered. However, Kabue (2020) indicated that Internal audit controls had a p-value of 0.210 which resulted to positive and but non-significant effect on performance.

Similarly, the correlation coefficient between internal audit timeliness and financial performance positive and strong ($r = 0.683$, $p < 0.05$). This implies that improvement in internal audit timeliness would results to significant improvement in financial performance. Timeliness in internal audits is crucial for identifying and addressing issues promptly, which is strongly linked to better financial results. The results are supported by Mbuti (2019) revealed that internal audit report completeness and timeliness of internal audit reporting all had significant effect on financial performance of SACCOs. However, Ogunmodede, Aggreh, Nwokediba and Udeh (2023) revealed that the audit report time lag has no significant effect on the accruals quality of listed industrial goods in Nigeria.

Lastly, there was a significant strong positive relationship between top management support and financial performance ($r = 0.755$; $p < 0.05$). This implies that improvement in top management support would results to improvement in financial performance. This indicates that strong support from top management is the most strongly associated with better financial outcomes among the internal audit factors measured. The results are supported by Ng'endo (2020) who concluded that management support had significant relationships with performance of IAF. Ta and Doan (2022) revealed management support for internal audit has a positive influence on internal audit effectiveness

4.7 Diagnostic Test for Linear Regression Analyses

Diagnostic tests for linear regression analyses are crucial tools for assessing model assumptions and validity. They help identify potential issues that could compromise the trustworthiness of results and guide model refinement

4.7.1 Normality Test

However, Ghasemi and Zahedias (2012) advocate for visual assessment of normality through Q-Q plots, which depict deviations from the expected line of fit. This method was employed in the present study to evaluate the normality of the data.

Table 4. 16: Tests of Normality

	Kolmogorov-Smirnov[a]			Shapiro-Wilk		
	Statistic	**df**	**Sig.**	**Statistic**	**df**	**Sig.**
Internal auditor's independence	.146	69	.001	.884	69	.000
internal Audit controls	.136	69	.003	.903	69	.000
internal audit timeliness	.154	69	.000	.873	69	.000
Top Management Support	.118	69	.019	.923	69	.000
Financial Performance	.170	69	.000	.883	69	.000

a. Lilliefors Significance Correction

Source: Field Data (2024)

These results in Table 4.16 indicated that the data for each variable significantly deviates from a normal distribution. Specifically, all p-values from the K-S and S-W tests are less than 0.05, which suggests that the assumption of normality is not met for these variables. This non-normality implies that the distributions of these variables are not symmetrical or bell-shaped, and they may have skewness or kurtosis that deviates from the normal curve. However, Ghasemi and Zahedias (2012) advocate for visual assessment of normality through Q-Q plots, which depict deviations from the expected line of fit. This method was employed in the present study to evaluate the normality of the data.

The straight line in the plot represents the expected distribution if the data were perfectly normally distributed. The dots represent the actual observed values from the dataset. Most of the points are relatively close to the line, suggesting that the data is generally normally distributed. Based on the visual inspection of the Q-Q plots, the distribution of the variables appeared to be approximately normal with some minor deviations.

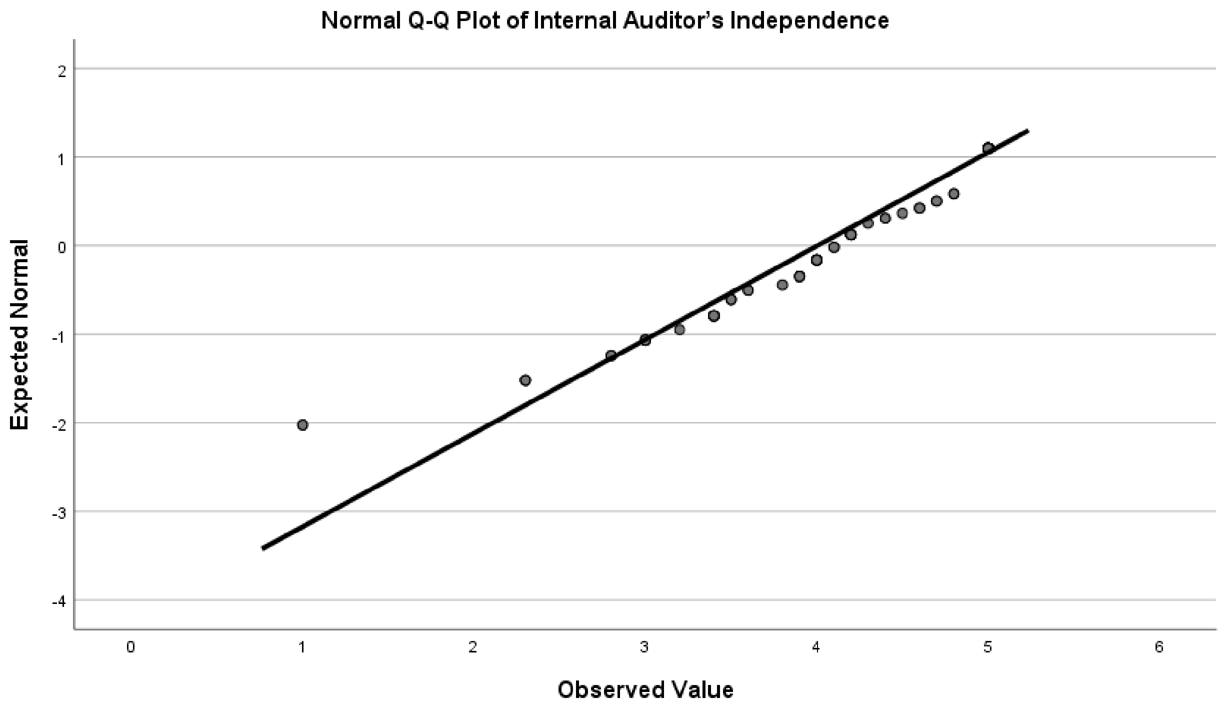


Figure 4. 1: Normal Q-Q Plot of Internal Audit Independence

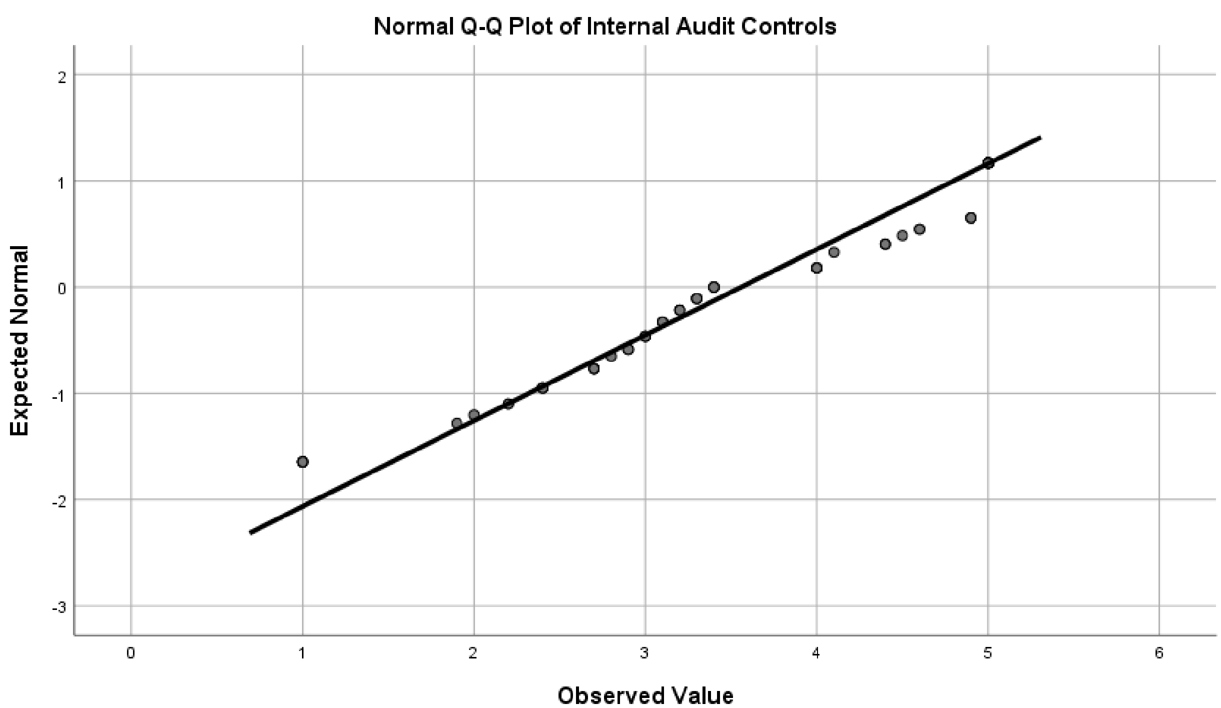


Figure 4. 2: Normal Q-Q Plot of Internal Audit Control

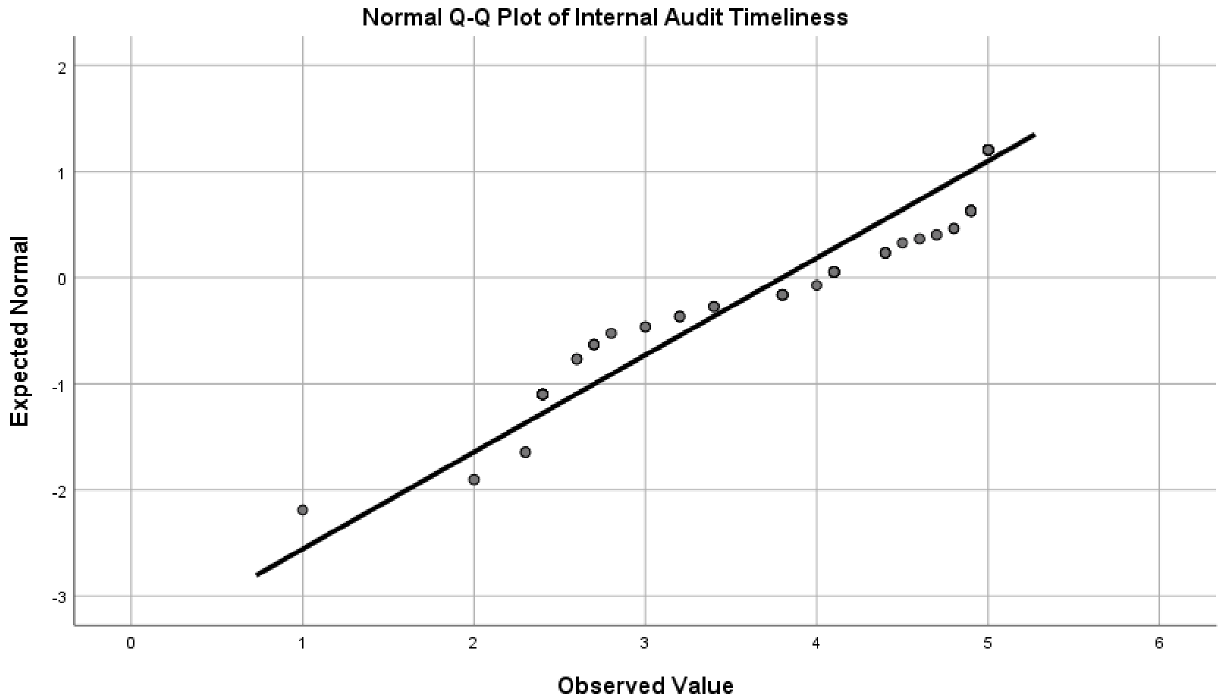


Figure 4. 3: Normal Q-Q Plot of Internal Audit Timeliness

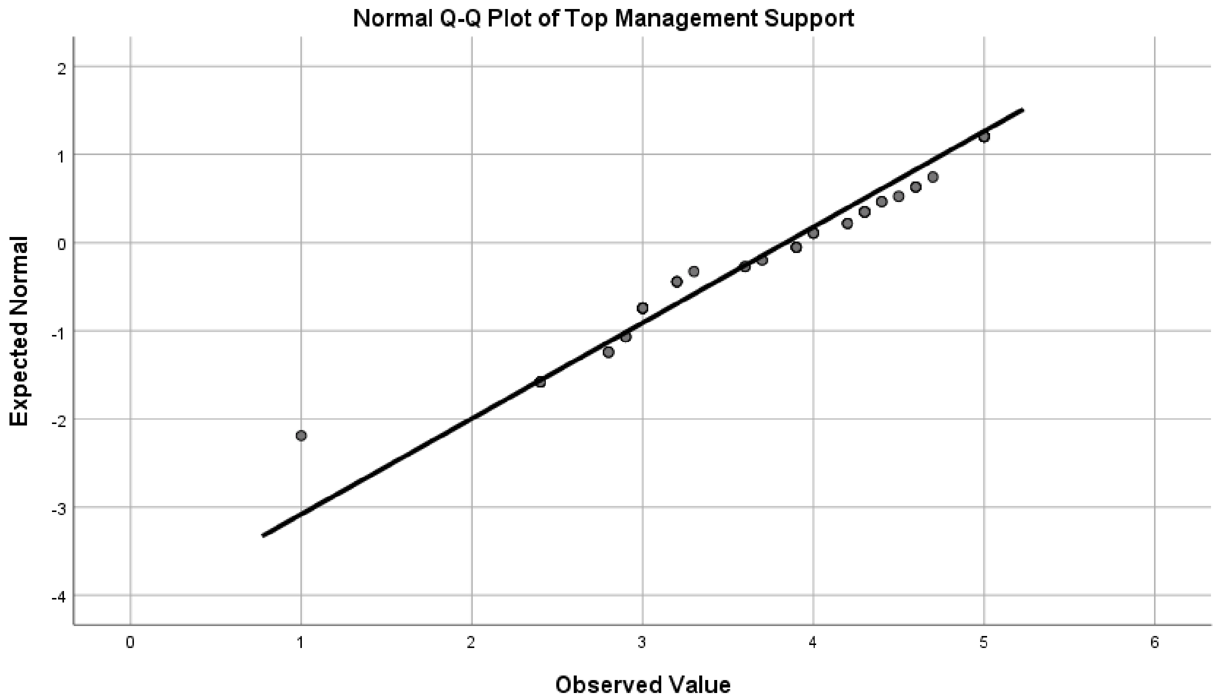


Figure 4. 4: Normal Q-Q Plot of Top Management Support

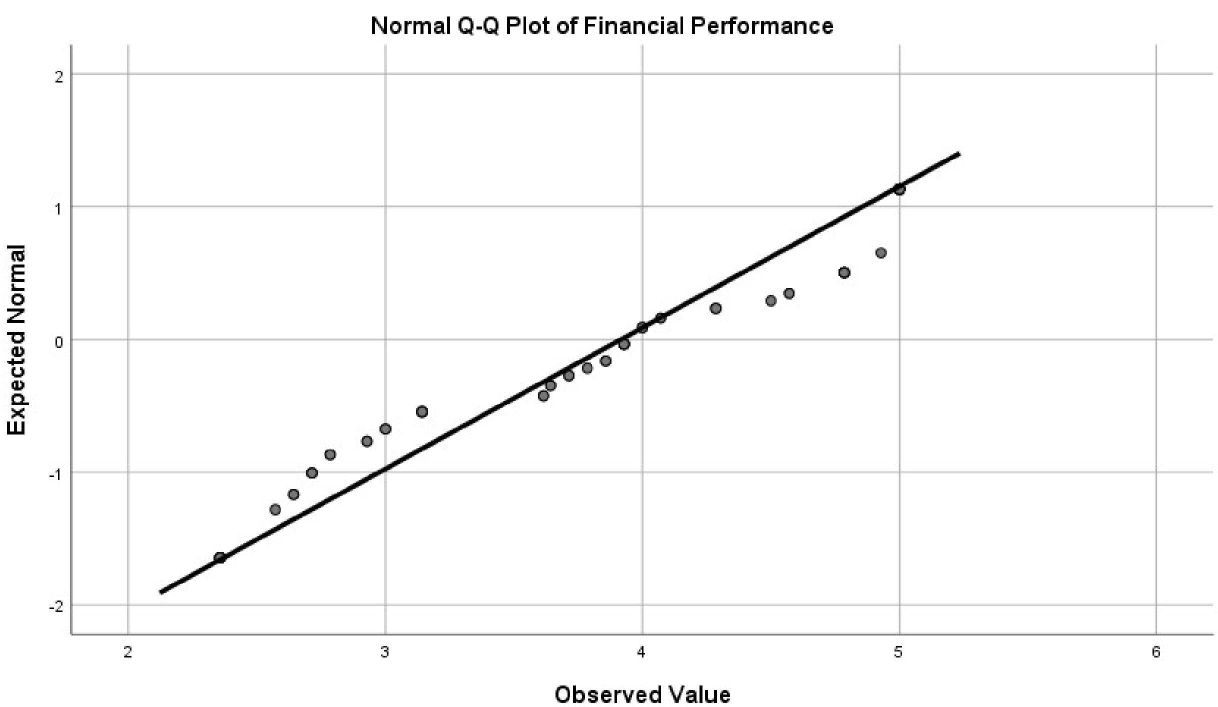


Figure 4. 5: Normal Q-Q Plot of Financial Performance

4.7.2 Linearity Test

Based on the scatter plots proposed by Gill et al. (2010), the researcher looked for a linear association between financial performance and three aspects of internal audit practices: the independence of the auditor, the quality of the controls in place, and the timeliness of audits. The strength of the association between the two variables is shown by how near the data points are to creating a straight line when plotted. When the data points form a straight line extending from the origin to high y-values, it is stated that the variables are positively correlated. The variables are negatively correlated if the data points on the y-axis go from high to low. The results show that the independent variable (internal audit procedures) and the dependent variable (financial performance) are positively correlated in this research. The results are shown in Figure 4.2.

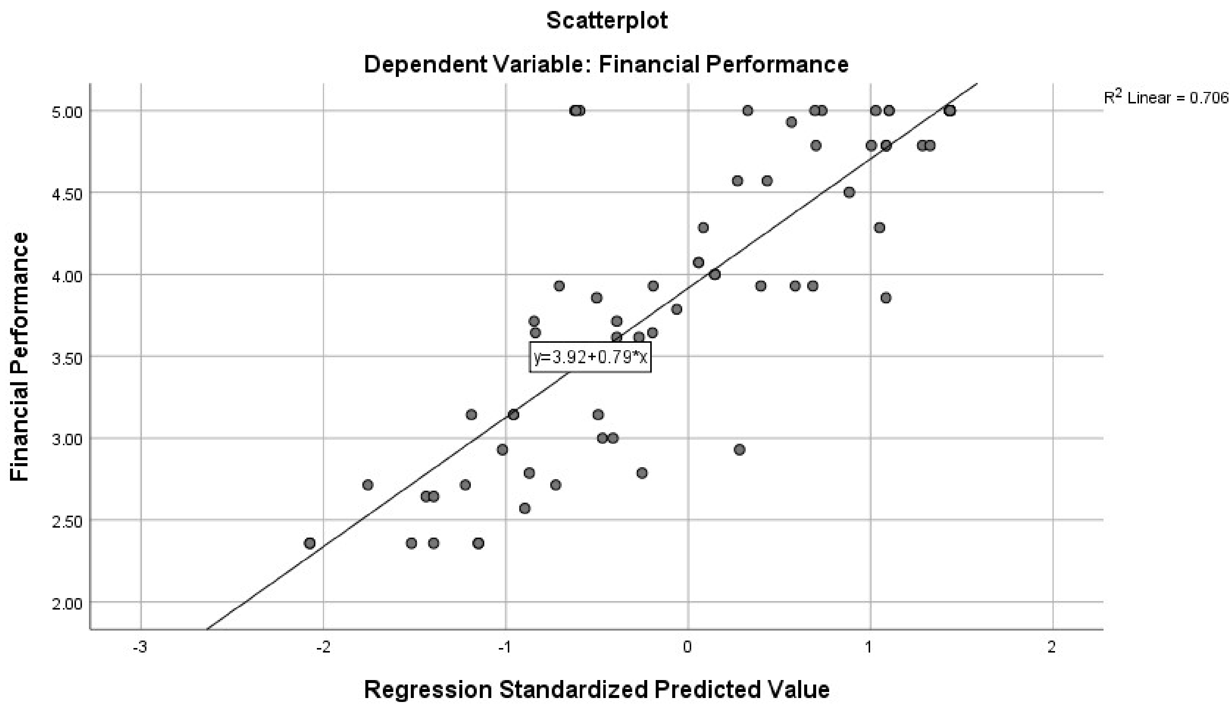


Figure 4. 6: Linearity Using Scatter Plot

Source: Field Data (2024)

4.7.3 Multi-collinearity Test

In a multicollinear model, there is a high degree of correlation between at least two independent variables. The interpretation of the regression coefficient as an indication of predicting factors becomes more complicated as multicollinearity grows because it causes the coefficient to vary (Cooper and Schindler, 2011). In order to check for multicollinearity, we used either tolerance values or variance inflation factors (VIF). As a general rule, multi-collinearity is not an issue when either the VIF values are fewer than 10 or the tolerance values are less than 1.

Table 4. 17: Multicollinearity Statistics

Variable	Tolerance	VIF
Internal auditor's independence	.687	1.456
Internal audit timeliness	.857	1.167
Internal audit controls	.676	1.480

Source: Field Data (2024)

According to Table 4.17, the tolerance values for the present research were between 0.691 and 0.934, which is more than 0.2. As a result, the VIF was between 1.167 and 1.480, which is lower than the necessary threshold value of 10 and even lower than 5. The lack of collinearity between the independent variables was shown by this.

4.7.4 Homoscedastic Test

The Breusch-Pagan Test for Heteroskedasticity was used to check for heteroskedasticity in regression models. Researchers use this test to identify whether the variance of the errors in a regression model is constant across all levels of the independent variables. If the p-value associated with the White test is below a chosen significance level (commonly 0.05), it may indicate the presence of heteroskedasticity, suggesting that the assumption of homoskedasticity is violated. If the p-value is above the significance level, researchers may conclude that there is no evidence of heteroskedasticity.

Table 4. 18: Heteroskedasticity Test

Breusch-Pagan Test for Heteroskedasticity[a,b,c]		
Chi-Square	**df**	**Sig.**
2.448	1	.118

a. Dependent variable: Financial performance
b. Tests the null hypothesis that the variance of the errors does not depend on the values of the independent variables.

c. Design: Intercept + internal auditor's independence + internal audit controls + internal audit timeliness + internal auditor's independence * internal audit controls + internal auditor's independence * internal audit timeliness + internal audit controls * internal audit timeliness+ internal auditor's independence * internal audit controls * internal audit timeliness

Source: Research Data (2024)

In Table 4.18, since the p-value (0.118) is greater than the typical significance level of 0.05, we fail to reject the null hypothesis. This indicates that there is no significant evidence of heteroscedasticity in the model. The variance of the errors does not appear to depend on the values of the independent variables in this model.

4.8 Linear Regression Analyses

Regression analysis was done to determine the influence of independent variables on the dependent variable. These analyses yielded R which is the coefficient of correlation and R square which is the coefficient of determination. Other results of interest were Significance level (P-value), B coefficients and F statistics.

4.7.1 Influence of Internal Auditor's Independence on Financial Performance

Regression analysis was done to determine the influence of Internal auditor's independence on the financial performance of deposit taking Saccos. Results were presented in Table 4.19.

Table 4. 19: Regression Model Internal auditor's independence

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.615[a]	.378	.369	.74655

a. Predictors: (Constant), Internal auditor's independence
b. b. Dependent Variable: Financial performance

Source: Field Data (2024)

The presented regression model examines the relationship between the predictor variable, internal auditor's independence, and the dependent variable, financial performance. The coefficient of determination (R Square) is 0.378, indicating that approximately 37.8% of the variability in financial performance is explained by internal auditor's independence.

Table 4. 20: Internal auditor's independence-ANOVA

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	22.692	1	22.692	40.740	.000[b]
	Residual	37.342	67	.557		
	Total	60.048	68			

a. Dependent Variable: Financial performance
b. Predictors: (Constant), Internal auditor's independence

Source: Field Data (2024)

From the ANOVA table significance of the model had a value ($F(1,68)= 40.740$, $p < 0.05$) this shows that model was significant at 95% confidence level hence the model is feasible therefore good fit for this study. These results suggest that the variation in financial performance can be significantly attributed to the predictor variable, internal auditor's independence. The model demonstrates a strong fit, as evidenced by the substantial F-statistic and its associated low p-value. Overall, the ANOVA results provide statistical confirmation that internal auditor's independence is a meaningful predictor of financial performance in the context of the study.

Table 4. 21: Internal auditor's independence -Regression Coefficients

Model		Unstandardized Coefficients		Standardized Coefficients		
		B	Std. Error	Beta	t	Sig.
1	(Constant)	1.472	.393		3.742	.000
	Internal auditor's independence	.610	.096	.615	6.383	.000

a. Dependent Variable: Financial performance

Source: Field Data (2024)

The constant term (1.472) represents the estimated financial performance when the predictor variable (internal auditor's independence) is zero. The coefficient for internal auditor's independence is 0.610, indicating that for each unit increase in internal auditor's independence, financial performance is expected to increase by 0.610 units. The standardized coefficient (Beta) is 0.492, emphasizing the strength and direction of the relationship. A Beta value above 0 suggests a positive impact on financial performance. The t-statistic of 6.383 is highly significant ($p < 0.05$), confirming that internal auditor's independence significantly influences financial performance. The regression equation to estimate the financial performance of deposit taking Saccos as a result of Internal auditor's independence was hence stated as:

Financial performance = 1.472+0.610 Internal auditor's independence

The results suggest that internal auditor's independence has a positive and statistically significant effect on financial performance in deposit taking Saccos. An increase in internal auditor's independence is associated with a substantial positive impact on financial performance. The results are supported by Al-Hadrami, Rafiki and Sarea (2020) who found that the AC independence and AC competence have a positive and significant influence on investment decision-making. Sishumba, Saidi and Milupi (2022) found that internal audit independence has a strong positive impact on the financial performance of Standard Chartered. Hazaea, Tabash, Khatib, Jinyu and Al-Kuhali (2020) revealed that sticking to internal auditors' independence has significant impact on banks' financial performance. Kayode and Oyeshola (2021) showed that there was a relationship between internal audit independence and the profitability of money deposit banks in Nigeria.

On the other hand, research by Mwiti, Walubuka, and Gichana (2019) found that the financial performance of NSE-listed banks was adversely affected by the independence of their internal auditors. Specifically, the research found that commercial banks listed on NSE had better financial performance when they had an internal audit budget, which is a way to make internal auditors more independent. Kolawole, Daio, Jacob and Aregbesola (2020) found that independence of internal auditor had significant but negative influence on the financial performance of the manufacturing industries.

4.7.2 Influence of Internal Audit Controls on Financial Performance

Regression analysis was done to determine the influence of Internal audit controls on the financial performance of deposit taking Saccos. The results are as shown in Table 4.22, 4.23 and 4.24.

Table 4. 22: Model Summary for Internal audit controls

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.644[a]	.415	.406	.72418

a. Predictors: (Constant), Internal audit controls
b. Dependent Variable: Financial performance

Source: Field Data (2024)

The results of the regression model indicate the relationship between internal audit controls and financial performance in deposit taking Saccos. The coefficient of determination (R Square) is 0.415, suggesting that approximately 41.5% of the variability in financial performance can be explained by internal audit controls. This implies a moderate effect, indicating that other factors not included in the model contribute to financial performance. While internal audit controls is a significant factor, there are other contributors to financial performance not captured in this model.

Table 4. 23: ANOVA Results for Internal audit controls

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	24.911	1	24.911	47.499	.000[b]
	Residual	35.138	67	.524		
	Total	60.048	68			

a. Dependent Variable: Financial performance
b. Predictors: (Constant), Internal audit controls

Source: Field Data (2024)

From the ANOVA table significance of the model had a value ($F(1,68)= 47.499$, $p < 0.05$) this shows that model was significant at 95% confidence level hence the model is feasible therefore good fit for this study. The ANOVA results strongly support the overall significance of the regression model. The remarkably low p-value signifies the statistical significance of the relationship between Internal audit controls and financial performance, affirming the robustness and reliability of the model.

Table 4. 24: Regression Coefficient for Internal audit controls

		Unstandardized Coefficients		Standardized Coefficients		
Model		B	Std. Error	Beta	t	Sig.
1	(Constant)	2.179	.267		8.171	.000
	Internal audit controls	.488	.071	.644	6.892	.000

a. Dependent Variable: Financial performance

Source: Field Data (2024)

The constant (2.179) represents the estimated financial performance when internal audit controls is zero, though this scenario might be impractical or non-meaningful in the context of the study. The unstandardized coefficient for internal audit controls is 0.488, indicating that for each unit increase in internal audit controls, the financial performance is expected to increase by 0.488 units. The t-statistic (6.892) assesses whether the coefficient for internal audit controls is significantly different from zero. With a p-value of 0.000 (less than the conventional significance level of 0.05), internal audit controls are deemed a significant predictor of financial performance. The regression equation to estimate the financial performance of deposit taking Saccos as a result of Internal audit controls was hence stated as:

Financial performance = 2.179+0.488 Internal audit controls

The results affirm that internal audit controls significantly influenced financial performance in deposit taking Saccos. The results are supported by Ezejiofor and Okolocha (2020) who revealed that internal audit control and procedures have positive effect on financial performance of commercial banks in Nigeria and this effect is statistically significant at 5% level of significance. Sishumba, Saidi and Milupi (2022) found that internal controls have a strong positive impact on the financial performance of Standard Chartered. Cheruiyot, Namusonge and Sakwa (2022) concluded that internal audit controls influenced financial performance of county government of Mombasa. Abubakar and Omwenga (2021) concluded that there is a positive relationship between internal audit Risk management and Performance of County Governments of Lamu.

However, Mursyida and Maulina (2023) stated that internal audit and internal control have a partial and simultaneous effect on the quality of financial reports. Kabue (2020) indicated that Internal audit controls had a p-value of 0.210 which resulted to positive and but non-significant effect on performance. Ofei, Owusu and Asante (2020) indicated that there is a strong positive effect of monitoring, risk assessment and information and communication on the financial performance of banks in Ghana, whereas there was no significant effect of control environment and control activities on the financial performance of banks in Ghana.

4.7.3 Influence of Internal Audit Timeliness on Financial Performance

Simple linear regression analysis was done to determine the influence of internal audit timeliness on the financial performance of deposit taking Saccos. The results are as shown in Table 4.25.

Table 4. 25: Model Summary for Internal audit timeliness

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.683[a]	.467	.459	.69143

a. Predictors: (Constant), Internal audit timeliness
b. Dependent Variable: Financial performance

Source: Field Data (2024)

The coefficient of determination (R Square) stands at 0.467, indicating that approximately 46.7% of the variability in financial performance can be explained by variations in internal audit timeliness. This suggests a moderately strong association between the two variables. The model, with Internal audit timeliness as a predictor, exhibits a notable ability to explain variations in financial performance.

Table 4. 26: ANOVA for Internal audit timeliness

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	28.017	1	28.017	58.603	.000[b]
	Residual	32.031	67	.478		
	Total	60.048	68			

a. Dependent Variable: Financial performance
b. Predictors: (Constant), Internal audit timeliness

Source: Field Data (2024)

From the ANOVA table significance of the model had a value ($F(1,68)= 58.603$, $p < 0.05$) this shows that model was significant at 95% confidence level hence the model is feasible therefore good fit for this study. The results suggest that the regression model, incorporating internal audit timeliness as a predictor, significantly explains the variance in financial performance in deposit taking

Table 4. 27: Regression Coefficients for Internal audit timeliness

		Unstandardized Coefficients		Standardized Coefficients		
Model		B	Std. Error	Beta	t	Sig.
1	(Constant)	1.689	.303		5.579	.000
	Internal audit timeliness	.587	.077	.683	7.655	.000

a. Dependent Variable: Financial performance

Source: Field Data (2024)

The constant term (1.689) represents the estimated financial performance when Internal audit timeliness is zero. However, in practical terms, this value may not hold much significance, given that Internal audit timeliness is a positive variable. The unstandardized coefficient for Internal audit timeliness is 0.587, indicating that for each unit increase in internal audit timeliness, financial performance is expected to increase by 0.587 units. The t-value of 7.655 is associated with a p-value of 0.000, indicating that the relationship between Internal audit timeliness and financial performance is statistically significant. The regression equation to estimate the financial performance of deposit taking Saccos as a result of Internal audit timeliness was hence stated as:

Financial performance = 1.689+0.587 Internal audit timeliness

The regression results underscore the critical role of Internal audit timeliness in determining financial performance. The statistically significant coefficients and standardized values emphasize the relevance of Internal audit timeliness as a predictor. There was a substantial relationship between the financial performance of SACCOs and the quality and timeliness of internal audit reports (Mbuti, 2019). Having said that, SACCOs' financial performance was unaffected by internal audit reporting channels. Saputra and Fadjarenie (2022) demonstrate that internal audit, as measured by audit committee size, has a significant impact on audit delay. However, Arianpoor (2019) showed that audit report lag has a negative and significant relationship with ROA and ROE and a decrease in the number of days spent by independent auditors for signing annual reports would probably lead to the enhancement of firm performance. Ugwu, Aikpitanyi and Idemudia (2020) found that audit report lag had no significant effect on return on assets, earnings per share and net profit margin of Nigerian banks.

4.8 Multiple Linear Regressions

Objective of this study sought objective of the study was to examine internal audit practices on financial performance of deposit taking savings and credit societies in Western Kenya. This was achieved by carrying out standard multiple regressions. The study was interested in knowing the effect is it or influence of each of internal audit practices constructs on financial performance when all these constructs were entered as a block on the model. This aided in coming up with the coefficients of the study model as well as R square of the study hence, test the null research hypotheses. The results are as shown in Table 4.28.

Table 4. 28: Model Summary Multiple Linear Regression

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.832[a]	.692	.678	.54328

a. Predictors: (Constant), Internal audit timeliness, Internal auditor's independence, Internal audit controls
b. Dependent Variable: Financial performance

Source: Field Data (2024)

The multiple regression analysis explores the combined effect of internal audit timeliness, internal auditor's independence, and internal audit controls on financial performance in deposit taking Saccos. The coefficient of determination (R Square) stands at 0.692, indicating that approximately 69.2% of the variability in financial performance is collectively explained by these predictors. The remaining 31.8% of the variations in financial performance is explained by other factors not captured in the model. The adjusted R Square (0.692) considers the number of predictors and provides a more conservative estimate of the model's explanatory power. This adjustment guards against overestimation that can occur when adding more predictors. This emphasizes the importance of a comprehensive approach to financial performance.

Table 4. 29: ANOVA for Multiple Linear Regression

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	42.371	3	14.124	51.932	.000[b]
	Residual	17.678	65	.272		
	Total	60.048	68			

a. Dependent Variable: Financial performance
b. Predictors: (Constant), Internal audit timeliness, Internal auditor’s independence, Internal audit controls

Source: Field Data (2024)

The analysis of variance (ANOVA) results for the model with financial performance as the dependent variable and multiple predictors (Internal audit timeliness, Internal auditor’s independence, and Internal audit controls) provides valuable insights into the overall model's significance. The regression model's ability to explain variance in financial performance is supported by the significant F-statistic of 51.932 ($p < 0.05$). This indicates that, collectively, the predictors contribute significantly to explaining the variation in financial performance. The ANOVA results F (3, 65) =51.932, $p < .05$ suggest that the combined effect of internal audit timeliness, internal auditor’s independence, and Internal audit controls significantly influences financial performance. The model demonstrates its ability to explain and predict variations in financial performance among the studied deposit taking Saccos in Western Kenya.

Table 4. 30: Coefficients of the Independent Variables and Financial performance

Model	Unstandardized Coefficients B	Unstandardized Coefficients Std. Error	Standardized Coefficients Beta	t	Sig.
1 (Constant)	.432	.301		1.435	.156
Internal auditor’s independence	.264	.081	.266	3.270	.002
Internal audit controls	.321	.055	.424	5.828	.000
Internal audit timeliness	.339	.070	.394	4.818	.000
a. Dependent Variable: Financial performance					

Source: Field Data (2024)

A regression of the three predictor variables against financial performance established the multiple linear regression model as indicated in Table 4.30:

Financial performance = $0.432 + 0.264\,\mathbf{X_1} + 0.321\,\mathbf{X_2} + 0.339\,\mathbf{X_3}$

$X_{1=}$ Internal auditor’s independence

$X_{2=}$ Internal audit controls

$X_{3=}$ Internal audit timeliness

From table 4.30, internal auditor’s independence, internal audit timeliness, and internal audit controls carried positive and significant predictive power ($P<0.05$). The unstandardized coefficients provide insights into the magnitude of each predictor's effect on the dependent variable. The constant term (0.432) represents the expected value of the dependent variable (financial performance) when all predictor variables are zero. However, it is not statistically significant ($p = 0.156$), indicating that the model does not require a non-zero intercept.

The unstandardized coefficient (B = 0.264) signified a one-unit increase in internal auditor's independence would results to significant increase in financial performance by 0.264 units. The positive coefficients and significant t-value ($t = 3.270$, $p < 0.05$) imply that increased internal auditor's independence positively impacts financial performance. The results are supported by Ado, Rashid, Mustapha and Ademola (2020) revealed that auditor independence is also seen to be positive and statistically significantly related to the ROA. Finally, auditor independence is found to be more powerful than auditor size on the financial performance. Sishumba, Saidi and Milupi (2022) found that internal audit independence has a strong positive impact on the financial performance of Standard Chartered. Hazaea, Tabash, Khatib, Jinyu and Al-Kuhali (2020) revealed that sticking to internal auditors' independence has significant impact on banks' financial performance. However, Mwiti, Walubuka and Gichana (2019) established that limited or minimal internal auditors' independence negatively influenced financial performance of listed banks at the NSE. Kolawole, Daio, Jacob and Aregbesola (2020) found that independence of internal auditor had significant but negative influence on the financial performance of the manufacturing industries.

The unstandardized coefficient (B = 0.321) internal audit controls indicate a positive effect on financial performance. Therefore, a one-unit increase in internal audit control would results to significant increase in financial performance by 0.321 units. The t-value ($t = 5.828$, $p = 0.000$) is statistically significant, suggesting that internal audit controls contributed significantly to financial performance. The findings are in line with Cheruiyot, Namusonge and Sakwa (2022) who concluded that internal audit controls influenced financial performance of county government of Mombasa. Abubakar and Omwenga (2021) concluded that there is a positive relationship between internal audit Risk management and Performance of County Governments of Lamu. Ibironke and Elewor (2020) discovered that the combined role of internal audit and control has a significant positive influence on revenue and profit generation of the banks. However, Kabue (2020) indicated that Internal audit controls had a p-value of 0.210 which resulted to positive and but non-significant effect on performance. Ofei, Owusu and Asante (2020) indicated that there was no significant effect of control environment and control activities on the financial performance of banks in Ghana.

The unstandardized coefficient ($B = 0.339$) for internal audit timeliness highlighted a substantial positive effect on financial performance. Hence, a one-unit increase in internal audit timeliness would results to significant increase in financial performance by 0.339 units. The t-value ($t = 4.818$, $p < 0.05$) is highly significant, indicating that effective internal audit timeliness significantly predicts higher financial performance. The results concurred with by Mbuti (2019) reveal that internal audit report completeness and timeliness of internal audit reporting all had significant effect on financial performance of SACCOs. However, internal audit reporting channels did not have a significant influence on financial performance of SACCOs. Saputra and Fadjarenie (2022) demonstrate that internal audit, as measured by audit committee size, has a significant impact on audit delay. However, Arianpoor (2019) showed that audit report lag has a negative and significant relationship with ROA and ROE and a decrease in the number of days spent by independent auditors for signing annual reports would probably lead to the enhancement of firm performance. Ugwu, Aikpitanyi and Idemudia (2020) found that audit report lag had no significant effect on return on assets, earnings per share and net profit margin of Nigerian banks.

4.9 Hierarchical Linear Regression

Top management support was used as moderating variable in this study. This section presents the findings of the moderating influence of top management support on the relationship between internal audit practices and financial performance. This was achieved through hierarchical regression analysis where top management support constructs were controlled. The equation used to measure the moderating influence was:

$$\mathbf{Y = \beta_0+\beta_1X_1+\beta_2X_2+\beta_3X_3 + \beta_4Z+\beta_5X_1 Z +\beta_6X_2 Z + \beta_7X_3 Z + \varepsilon}$$

Where X = Independent variables (Internal auditor’s independence, Internal audit controls & Internal audit timeliness)

Z = Moderating variable (Top management support)

Y = Financial performance

A regression analysis was performed and the betas examined for the strength, direction and significance of the relationship. This entailed three models as explained here. In the first model, the independent variables in this case internal audit practices (Internal auditor’s independence, Internal audit controls and Internal audit timeliness) were added leading to model one. Secondly, the moderator was added as additive variable in this case top management support to yield model 2. Lastly, the interaction effect of independent and moderating variables was entered in the model. This is the cross product of top management support and individual independent variables. This resulted in model three of the study. If this relationship is not statistically significant, there can be no moderating effect. The results are as follows

Table 4. 31: Model Summary for Hierarchical Regression Analysis

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	.832[a]	.692	.678	.54328	.692	48.779	3	65	.000
2	.852[b]	.727	.710	.51607	.034	8.036	1	64	.006
3	.877[c]	.768	.742	.48667	.042	3.655	3	61	.017

a. Predictors: (Constant), Internal Auditor’s Independence, Internal Audit Controls, Internal Audit Timeliness
b. Predictors: (Constant), Internal Auditor’s Independence, Internal Audit Controls, Internal Audit Timeliness, Top Management Support
c. Predictors: (Constant), Internal Auditor’s Independence, Internal Audit Controls, Internal Audit Timeliness, Top Management Support, IAT*TMS, IAC*TMS, IAI*TMS
e. Dependent Variable: Financial Performance

Source: Field Data (2024)

Model 1: Internal Audit Practices (Independent Variables)

The first model introduces internal audit practices as an additional predictor (Internal Auditor’s Independence, Internal Audit Controls, Internal Audit Timeliness). Therefore, the model consists of three independent variables. The R Square Change (0.692) and F Change (48.779) statistics suggest that the inclusion of internal audit practices improves the model's explanatory power.

Model 3: Adding Top Management Support (Moderating Variable)

The third model introduces top management support as an additional predictor. Therefore, the model consistsed of three independent variables and moderating variable. The R Square Change (0.034) and F Change (8.036) statistics suggested that the inclusion of top management support moderately improves the model's explanatory power. The R Square increases to 0.727, signifying a better fit.

Model 3: Interaction Terms

The final model incorporates specific interaction between independent and moderating variables, namely internal auditor's independence interaction top management support, internal audit controls interaction top management support, and internal audit timeliness interaction top management support. This enhances the model's explanatory capability significantly (R Square Change = 0.042, F Change = 3.655, $p < 0.05$). The R Square further improves to 0.768, indicating that the full model, with all predictors, explains 76.8% of the variance in financial performance. The results suggest that top management support play a crucial moderating role in the relationship between internal audit practices and financial performance.

Table 4. 32: ANOVA Results for Hierarchical Regression Analysis

Model		Sum of Squares	Df	Mean Square	F	Sig.
1	Regression	43.192	3	14.397	48.779	.000[b]
	Residual	19.185	65	.295		
	Total	62.378	68			
2	Regression	45.333	4	11.333	42.553	.000[c]
	Residual	17.045	64	.266		
	Total	62.378	68			
3	Regression	47.930	7	6.847	28.909	.000[d]
	Residual	14.448	61	.237		
	Total	62.378	68			

a. Dependent Variable: Financial Performance

Source: Field Data (2024)

Model 1: Internal audit practices Effect Significance

The first model includes basic predictors (Constant, Education level, length of service, Internal audit timeliness, Internal auditor's independence, Internal audit controls). The ANOVA indicates a significant regression ($F(3,65) = 48.779$, $p < 0.05$), suggesting that the combination of these predictors significantly explains the variance in Financial performance.

Model 2: Top management support Effect Significance

The second model introduces top management support as an additional predictor. The ANOVA for Model 2 shows a significant improvement ($F(4,64) = 42.553$, $p < 0.05$) over Model 2. This implies that top management support contributes significantly to explaining financial performance beyond the initial predictors.

Model 3: Interaction Terms Effect Significance

The third model incorporates interaction terms between internal audit practices components and top management support principles. The ANOVA for Model 3 reveals a substantial improvement (F(7,61) = 48.779, $p < 0.05$) over Model 3. This indicates that the interaction terms further enhance the model's ability to predict financial performance, suggesting a moderating effect of top management support on the relationship between internal audit practices and financial performance.

The hierarchical regression results underscore the importance of considering top management support in understanding the link between internal audit practices and financial performance. The significant improvements in model fit with the introduction of top management support and interaction terms highlight the nuanced relationship between these variables. This suggests that the effectiveness of internal audit practices in enhancing financial performance may be contingent on the presence and quality of top management support practices within deposit taking Saccos in Western Kenya.

Table 4. 33: Regression Coefficients for Moderating Variable of Top management support

Model		**Unstandardized Coefficients**		**Standardized Coefficients**		
		B	**Std. Error**	**Beta**	**t**	**Sig.**
1	(Constant)	.358	.313		1.144	.257
	Internal Auditor’s Independence	.289	.084	.286	3.446	.001
	Internal Audit Controls	.312	.057	.404	5.441	.000
	Internal Audit Timeliness	.336	.073	.384	4.591	.000
2	(Constant)	.065	.315		.207	.837
	Internal Auditor’s Independence	.280	.080	.277	3.504	.001
	Internal Audit Controls	.218	.064	.283	3.423	.001
	Internal Audit Timeliness	.193	.086	.220	2.240	.029

	Top Management Support	.316	.111	.304	2.835	.006
3	(Constant)	-1.606	1.419		-1.132	.262
	Internal Auditor's Independence	1.041	.361	1.029	2.883	.005
	Internal Audit Controls	.445	.285	.576	1.558	.124
	Internal Audit Timeliness	-.528	.302	-.603	-1.752	.085
	Top Management Support	.913	.396	.879	2.306	.025
	IAI*TMS	-.224	.106	-1.422	-2.114	.039
	IAC*TMS	-.069	.076	-.529	-.908	.367
	IAT*TMS	.183	.072	1.339	2.549	.013

a. Dependent Variable: Financial Performance

Source: Field Data (2024)

Model 1: Internal audit practices Effect

The first model includes internal auditor's independence, internal audit controls, and internal audit timeliness as predictors as well as predicators in model 1. The coefficients indicate that internal auditor's independence ($\beta = 0.254$, $p < 0.05$), internal audit controls ($\beta = 0.301$, $p <0.05$), and internal audit timeliness ($\beta = 0.314$, $p < 0.05$) positively contribute to financial performance. This model sets the baseline for assessing the impact of top management support.

Model 2: Adding Top management support

The second model introduced top management support as a predictor and assesses its main. The coefficients reveal that, with the addition of top management support, internal auditor's independence ($\beta = 0.242$, $p < 0.05$) and internal audit controls ($\beta = 0.195$, $p <0.05$) maintained their positive effects on financial performance. However, internal audit timeliness becomes non-significant ($P=0.067$).

Model 3: Interaction Terms

The third model expands on the third by adding specific top management support interaction terms. The results indicate a significant positive effect of internal auditor's independence ($P<0.05$) and internal audit timeliness ($p < 0.05$) on financial performance. However, internal audit controls ($P=0.094$) do not significant influence financial performance of deposit taking Saccos.

Notably, the study established that the interaction of top management support and internal audit practices constructs have significant moderating effect, meaning that as top management support changes, the level of internal audit practices construct effect on financial performance also changes significantly. However, only one interaction term had a positive significant moderating effect on financial performance, Internal audit timeliness and top management support implying that a unit increase in top management support was significantly cause the level of Internal audit timeliness effect on financial performance to significantly increase by 0.194 units ($P = 0.006$). On the other hand, internal auditor's independence and top management support interaction had an insignificant negative moderating effect implying that a unit increase in top management support was significantly cause the level of internal auditor's independence effect on financial performance to insignificantly decrease by 0.130 units ($P =0.202$). Similarly, internal audit controls and top management support interaction had an insignificant negative moderating effect implying that a unit increase in top management support was significantly cause the level of internal audit controls effect on financial performance to significantly decrease by 0.085 units (P = 0.243).

The regression model is as shown below

$Y = \alpha + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + \beta_4 Z + \beta_5 X_1 Z + \beta_6 X_2 Z + \beta_7 X_3 Z + \varepsilon$

$Y = 0.157 + 0.692X_1 + 0.461X_2 - 0.620X_3 + 0.591Z - 0.130X_1 Z - 0.085X_2 Z + 0.194X_3 Z$

Where

Y=Financial performance of deposit taking Saccos

X_1=Internal auditor's independence

X_2= Internal audit controls

X_3= Internal audit timeliness

Z= Top management support

The hierarchical linear regression results unveil the intricate interplay between internal audit practices, top management support, and financial performance in deposit taking Saccos. The moderation analysis reveals that top management support moderates the impact of internal audit timeliness on financial performance. The findings are corroborated by Bello, Ahmad, and Yusof (2018), who demonstrated that the combination of internal audit competence, internal audit independence, and internal audit size, together with top management support, has a substantial and favorable impact on the performance of Nigerian federal universities. Che-Ahmad and Yusof (2017) demonstrated that top management support acts as a moderating factor in the link between the independent variables and organizational performance. They also found that internal audit quality has a positive and substantial impact on organizational performance.

Madawaki, Ahmi, and Ahmad (2022) found a strong and meaningful correlation between the quality of work performed by internal auditors, internal control activities, coordination between internal and external auditors, and financial reporting quality (FRQ). This discovery was further reinforced by the presence of senior management support as a moderator. Poltak, Sudarma, and Purwanti (2019) shown that the efficacy of internal audits is favorably influenced by the connection between internal auditors and external auditors, organizational independence, and auditee perceptions. Nevertheless, the managerial assistance cannot function as a moderating variable.

4.10 Stepwise Regression

Stepwise regression is a method of fitting regression models in which the choice of predictive variables is carried out by an automatic procedure. In each step, a variable is considered for addition to or subtraction from the set of explanatory variables based on some pre-specified criterion. The results are as shown in Table 4.34.

Table 4. 34: Stepwise Regression

					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	.624[a]	.389	.380	.75425	.389	42.649	1	67	.000
2	.770[b]	.593	.580	.62045	.204	33.013	1	66	.000
3	.832[c]	.692	.678	.54328	.100	21.080	1	65	.000

a. Predictors: (Constant), Internal Auditor’s Independence

b. Predictors: (Constant), Internal Auditor's Independence, Internal Audit Controls
c. Predictors: (Constant), Internal Auditor's Independence, Internal Audit Controls, Internal Audit Timeliness
Dependent Variable: Financial performance
Source: Field Data (2024)

Acting as a solitary predictor, internal audit independence establishes a sturdy foundation, accounting for 38.9% of the variance in financial performance (R Square = 0.389). This highlights its pivotal role in fostering financial performance. The F Change statistic of 42.649 with a p-value of 0.000 unequivocally underscores the statistical significance of internal audit independence's contribution.

The introduction of internal audit's control into the model amplifies its explanatory power, collectively accounting for 59.3% of the variance in financial performance (R Square = 0.593). The significant F Change statistic (33.013, p-value = 0.000) demonstrates that internal audit controls exert its unique influence of 20.4% (R^2=0.204), beyond merely complementing internal audit independence.

The addition of internal audit timeliness further refines the model's precision, collectively explaining 69.2% of the variance in financial performance (R Square = 0.692). While its contribution is more subtle (R Square Change = 0.100), its statistical significance (F Change = 21.080, p-value = 0.000) reinforces the notion that internal audit timeliness plays a vital role in financial performance.

The stepwise regression reveals a sequential augmentation of the model, with each step introducing a new variable that enhances the understanding of the relationship between internal audit practices and financial performance. The stepwise process identifies Internal audit independence (38.9%), followed by Internal audit controls (20.4%) and Internal audit timeliness (10.0%), as pertinent predictors in explaining the variance in financial performance. The significant F-change statistics at each step underscore the importance of these internal audit practices components in influencing the financial performance of deposit taking Saccos.

4.11 Testing for null hypotheses

The null hypotheses were based on B Coefficient significance level wheeby P<0.05 then hypothesis is reject as illustrated hereunder (Uriel, 2013)

Table 4. 35: Null Hypotheses

Hypothesis	**t>1.96**	**Verdict**
H_{01}: Internal auditor's independence has no significant influence on financial performance of deposit taking Saccos.	.002	Rejected
H_{02}: Internal audit controls has no significant influence on financial performance of deposit taking Saccos.	.000	Rejected
H_{03}: Internal audit timeliness has no significant influence on financial performance of deposit taking Saccos.	.000	Rejected
H_{04}: Top management support has no significant moderating effect on the relationship between internal audit practices and financial performance of deposit taking Saccos.	.000	Rejected

Source: Research Data 2024

CHAPTER FIVE

SUMMARY, CONCLUSION AND RECOMMENDATIONS

This chapter gives an overview of what has been covered in the previous chapters. It also highlights the conclusions made based on the findings of the study as well as the recommendations and suggestion for future studies.

5.1 Summary of findings

The study's main objective was to examine the effect internal audit practices on financial performance of deposit taking savings and credit societies in Western Kenya. The specific objectives were to ascertain effect of internal auditor's independence on financial performance, to establish effect of internal audit controls on financial performance, to determine the effect of internal audit timeliness on financial performance and to establish moderating effect of top management support on the relationship between internal audit practices and financial performance of deposit taking saccos in western Kenya. Tests of hypotheses were done at 95 percent confidence levels ($p<0.05$) on the independent and combined effects. The summary of the findings is equally presented in the same manner in the subsequent sections.

5.1.1 Influence of Internal auditor's independence on financial performance

The first objective of the study was to ascertain effect of internal auditor's independence on financial performance of Deposit Taking saccos in western Kenya. Majority of the respondents confirmed that the transparent and impartial appointment process of internal auditors enhances confidence in their independence (Mean=4.13, S.D=0.92), the transparent and merit-based approach to determining auditors' remuneration reinforces their independence and commitment to upholding financial integrity (Mean=4.04, S.D=0.99) and the independent reporting level of internal audit functions contributes to providing unbiased insights and recommendations to key stakeholders (Mean=4.07, S.D=0.99)

The inferential results revealed that there is direct relationship between internal auditor’s independence and financial performance of deposit taking Saccos (R=0.615, P=0.000). This implies that increase in internal auditor’s independence would result in increase in the financial performance of deposit taking Saccos. The coefficient of determination through the R square indicated that up to 37.8% of change in financial performance of deposit taking Saccos is significantly accounted for by internal auditor’s independence (R^2=0.378, P=0.000). This implies that internal auditor’s independence is a significant predicator of financial performance of deposit taking Saccos. When Internal audit timeliness and Internal audit controls are controlled, a unit increase of Internal auditor’s independence will result in significant increase in financial performance by 0.264 units (β_1=0.264, P=0.001). Therefore, the study failed to accept the first null hypothesis that posits: **H_{01}:** Internal audit independence has no significant influence on financial performance of deposit taking saccos in western Kenya

5.1.2 Influence of Internal audit controls on the financial performance

The second objective of the study was to establish effect of internal Audit controls on financial performance of deposit taking saccos in western Kenya. Majority of the respondents were in agreement that the proactive approach to risk mitigation planning demonstrates a commitment to maintaining stable and sustainable performance (Mean=3.65, S.D=1.19), The integration of internal audit planning with overall business objectives enhances the effectiveness of financial performance management (Mean=3.63, S.D=1.22) and The strict adherence to authorization and approval protocols fosters a culture of accountability and integrity (Mean=3.65, S.D=1.34).

The inferential results revealed that there is direct relationship between internal audit controls and financial performance of deposit taking Saccos (R=0.644, P=0.000). This implies that increase in internal audit controls would result in increase in the financial performance of deposit taking Saccos. The coefficient of determination through the R square indicated that up to 41.5% of change in financial performance of deposit taking Saccos is significantly accounted for by Internal audit controls (R^2=0.415, P=0.000). This implies that internal audit controls are a significant predicator of financial performance of deposit taking Saccos. When Internal auditor's independence and Internal audit timeliness are controlled, a unit increase of Internal audit controls will result in significant increase in financial performance by 0.321 units (β_1=0.321, P=0.000). Therefore, there was sufficient evident to reject the third null hypothesis that posits: $\mathbf{H_{02:}}$ Internal controls have no significant influence on financial performance of deposit taking saccos in western Kenya.

5.1.3 Influence of Internal audit timeliness on financial performance

The third objective of the study was to determine the effect of internal audit timeliness on financial performance of deposit taking saccos in western Kenya. Majority of the respondents confirmed that the internal audit team's timely follow-up on audit issues demonstrates a proactive approach towards addressing potential financial risks and opportunities (Mean=4.01, S.D=1.01), Timely resolution of audit issues reflects a culture of accountability and effectiveness, driving continuous improvement in auditing processes (Mean=3.95, S.D=1.05) and Timely reporting of audit findings by the internal audit team facilitates proactive measures to address financial challenges and capitalize on opportunities (Mean=3.91, S.D=0.96)

The inferential results revealed that there is direct relationship between Internal audit timeliness and financial performance of deposit taking Saccos (R=0.631, P=0.000). This implies that increase in internal audit timeliness would result in increase in the financial performance of deposit taking Saccos. The coefficient of determination through the R square value revealed that up to 46.7% of variation in financial performance of deposit taking Saccos is significantly accounted for by Internal audit timeliness (R^2=0.467, P=0.000). This postulates that internal audit timeliness is useful predicator of financial performance of deposit taking Saccos. When internal auditor's independence and internal audit controls are controlled, a unit increase of internal audit timeliness will result in significant increase in financial performance by 0.339 units (β_2=0.339, P=0.000). Therefore, there was adequate evidence to reject the third null hypothesis that posits; **$H_{03:}$** Internal audit timeliness has no significant influence on financial performance of deposit taking saccos in western Kenya.

5.1.4 Moderating effect of top management support on the relationship between top management support and financial performance

The fifth objective of the study was to establish moderating effect of top management support on the relationship between internal audit practices and financial performance of deposit taking saccos in western Kenya. Majority of the respondents were in agreement that top management's commitment to providing adequate resources for internal audit activities enables a more comprehensive assessment of the SACCO's financial health (Mean=4.01, S.D=1.07), The top management upholds high standards of governance, which fosters trust among stakeholders (Mean=4.04, S.D=1.04) and Regular and open communication between top management and the internal audit team fosters collaboration and ensures internal audits are aligned with the SACCO's strategic financial objectives (Mean=4.02, S.D=1.11)

The correlation analysis revealed that there is direct relationship between top management support and financial performance of deposit taking Saccos (R=0.755, P=0.000). This implies that increase in top management support would result in increase in the financial performance of deposit taking Saccos. Top management support significantly accounts for additional 4.0% change in financial performance bringing the overall percentage change which is accounted for by top management support in the model to be 76.1% (R^2=0.761, P=0.002). Top management support interaction internal audit practices construct significantly accounts for additional 3.8% change in financial performance bringing the overall percentage change which is accounted for by the study model to be 79.8% (R^2=0.798, P=0.000).

Only one interaction term had a positive significant moderating effect on financial performance, Internal audit timeliness and top management support implying that a unit increase in top management support will significantly cause the level of Internal audit timeliness effect on financial performance to significantly increase by 0.194 units (P = 0.006). On the other hand, internal auditor's independence and top management support interaction had an insignificant negative moderating effect implying that a unit increase in top management support will insignificantly cause the level of internal auditor's independence effect on financial performance to significantly decrease by 0.130 units. Similarly, internal audit controls and top management support interaction had an insignificant negative moderating effect implying that a unit increase in top management support will significantly cause the level of internal audit controls effect on financial performance to insignificantly decrease by 0.085 units. Therefore, there was sufficient evident to reject the fifth null hypothesis that posits: **H_{04}:** Top management support has no significant moderating effect on the relationship between internal audit practices and financial performance of deposit taking saccos in western Kenya.

5.2 Conclusion

Internal auditor’s independence has significant relationship with financial performance of deposit taking Saccos. This postulates that increase in internal auditor’s independence would result in significant increases in financial performance of deposit taking Saccos. The study concludes that transparent appointment and remuneration processes for internal auditors enhance their independence, fostering confidence and integrity. Additionally, the independent reporting structure ensures unbiased insights for stakeholders, emphasizing the importance of transparency and autonomy in internal audit practices to strengthen financial oversight and management within SACCOs.

Internal audit controls have a significant positive effect on financial performance of deposit taking Saccos. Inferential results solidify a direct relationship between internal audit controls and financial performance, signifying that an increase in internal audit controls positively influences the financial performance of deposit taking Saccos. The study concludes that the proactive approach to risk mitigation planning demonstrates a strong commitment to maintaining stable performance. Additionally, integrating internal audit planning with business objectives improves financial management, while strict adherence to authorization and approval protocols fosters a culture of accountability and integrity within SACCOs.

Internal audit timeliness has significant positive effect on financial performance of deposit taking Saccos. The study concludes that the internal audit team's timely follow-up on audit issues showcases a proactive approach to financial risks. Timely resolution of audit issues reflects accountability and drives continuous improvement. Additionally, prompt reporting of audit findings enables proactive measures to address financial challenges and seize opportunities within SACCOs.

The study concluded that top management support has significant moderating effect on the relationship between internal audit practices and financial performance. Top management support was able to explain additional variation of internal audit practices on financial performance. Examining the moderating effects of top management support on the relationship between internal audit practices and financial performance, the study identifies specific interactions. Notably, internal audit timeliness and top management support have a positive moderating effect, indicating that an increase in top management support significantly amplifies the impact of internal audit timeliness on financial performance. Conversely, interactions involving internal auditor’s independence and internal audit control with top management support show an insignificant negative moderating effect. The study concludes that top management's commitment to providing resources for internal audits allows for a thorough assessment of financial health. Additionally, management's high governance standards foster stakeholder trust, and regular communication with the audit team enhances collaboration, ensuring audits align with SACCO's strategic financial objectives.

5.4 Recommendations

From the conclusion, the study derived both policy and practical recommendations are derived based on the specific objectives as follows.

SACCOs management should provide internal auditors with unrestricted access to conduct a broad and comprehensive audit scope, which allows for a thorough assessment of financial risks and controls. This unrestricted access ensures that auditors can effectively identify vulnerabilities and recommend appropriate safeguards without interference.

SACCOs management should implement robust authorization and approval protocols to minimize the risk of unauthorized transactions and mismanagement. Regular audits and reviews must be conducted to ensure compliance and identify areas for improvement within these controls. Additionally, it is crucial to enhance the segregation of duties within financial processes to prevent errors and fraud. By clearly defining roles and responsibilities among different individuals, SACCOs can minimize conflicts of interest and ensure that financial transactions are properly supervised and validated.

SACCOs management should prioritize timely reporting of audit findings to facilitate swift corrective actions. Implementing efficient reporting protocols ensures that management can address issues before they escalate, thereby enhancing the organization's financial performance. Additionally, management must establish procedures for prompt response to audit findings and recommendations, demonstrating a commitment to addressing auditing concerns in a timely manner.

It is crucial for top management to commit to providing sufficient financial and human resources for internal audit activities especially through continuous professional development of the internal audit staff. This support enables a more comprehensive assessment of the SACCO's financial health and enhances the effectiveness of audit practices. Additionally, top management should uphold high standards of governance, including principles of transparency, accountability, and ethical behaviour.

5.5 Suggestion for further studies

This research found that the combination of internal audit processes and top management support was a major factor in explaining the difference in financial performance of deposit accepting Saccos. Nevertheless, the research factors accounted for 79.8% of the difference in the financial performance of deposit taking Saccos. Therefore, it can be inferred that there are other more factors that contribute to the profitable performance of deposit accepting Saccos in Western Kenya, apart from internal audit processes and top management support. In comparable studies, researchers may try incorporating other factors, apart from moderating variables, to determine their impact on business performance.

Other researchers may also explore using other statistical methods, such as structural equation modeling, to analyze data in a systematic manner. An exclusively qualitative approach would provide a comprehensive understanding of the correlation between internal audit processes, top management support, and the financial success of deposit-taking Saccos. Future research may also aim to examine the factors contributing to both major and negligible effects of the interaction term when it is coupled with other variables.

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using adequate citations and references, define and discuss Financial Performance using 500 words under the following guidelines. present in a continuous prose

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APPENDICES

APPENDIX I: INTRODUCTORY LETTER

Renson Wekesa,

P.o Box 1199,

BUNGOMA

0707822003

Wekesarenson@yahoo.com

The Chief Executive Officer,

NACOSTI,

P.o Box 30623-00100,

NAIROBI.

Dear Sir/Madam,

RE: PERMISION FOR DATA COLLECTION:

Iam a postgraduate students at the Masinde Muliro University of Science and Technology. I hereby kindly request for your permission to gather Primary and Secondary data from Saving and Credit Societies organizations that will enable me accomplish the study **on the effects of Internal Audit Practice on financial performance of Savings and Co-operative Societies in Western Kenya**. Any data collected will be treated with a lot of confidentiality and to be utilized for academic purpose only. The findings of the study to be given to you upon request.

Any consideration and co-operation accorded to me will be highly appreciated.

Thank you in advance.

Yours Faithfully,

0707822003

Renson Wekesa Nyongesa

APPENDIX II: RESEARCH QUESTIONNAIRE

SECTION I. BACKGROUND INFORMATION

1. What is your gender?

   Male [ ] Female [ ]

2. What is your age? Below 25years [ ] 25-34 years [ ] 35-44 years

   45-54 years [ ] Above 55years [ ]

3 a) What is your highest level of education?

Secondary education [ ] Certificate [ ]

Diploma [ ] Bachelor's degree [ ] Masters Degree [ ]

Others vb) If other, please explain ……………………………………………..

………………………………………………………………………………..

3. How long have you worked for this Sacco?

   Below 1 year [ ] 1-5 years [ ] 6-10 years [ ]

   11-15 years [ ] Over 15years [ ]

SECTION II

Please indicate on scale of 1 to 5 whether you Strongly Agree (SA), Agree (A), Not sure (NS), disagree (D) or strongly disagree (SD) to the following statements relating to financial performance.

	a) **Internal Audit Independence**	**SA**	**A**	**NS**	**D**	**SD**
1	The transparent and impartial appointment process of internal auditors enhances confidence in their independence					
2	The involvement of independent committees in the appointment process of internal auditors strengthens their autonomy and impartiality					
3	Providing internal auditors with unrestricted access to conduct a broad and comprehensive audit scope allows for a more thorough assessment financial risks and controls,					
4	Granting internal auditors, the autonomy to determine their audit scope ensures they can focus on critical areas and identify potential issues that management may overlook.					

5	The transparent and merit-based approach to determining auditors' remuneration reinforces their independence and commitment to upholding financial integrity.					
6	The fair and competitive remuneration provided to internal auditors ensures their independence and motivates them to perform their duties diligently					
7	The direct reporting of internal audit findings to the audit committee or board of directors enhances the independence of auditors and ensures unbiased assessment					
8	The independent reporting level of internal audit functions contributes to providing unbiased insights and recommendations to key stakeholders.					
9	The unrestricted access granted to internal auditors to records and information ensures their autonomy and enables thorough examination of financial records.					
10	The policy of providing internal auditors with unrestricted access to records promotes transparency and accountability,					

What steps can be taken to enhance the independence of internal auditors in deposit taking SACCOs in Western Kenya? How would these changes impact their contribution to financial performance?

____

____

What measures are taken to protect their autonomy and prevent undue pressure?

____

____

Have you observed any instances where the lack of independence of internal auditors affected the financial performance of deposit taking SACCOs in Western Kenya? Could you provide specific examples?

____

____

	b) Internal controls	**SA**	**A**	**NS**	**D**	**SD**
1	The segregation of duties ensures that financial transactions are adequately supervised and reduces the risk of errors or fraud.					
2	The clear division of responsibilities among staff members contributes to better financial performance by minimizing the likelihood of unauthorized activities.					
3	Risk mitigation planning processes effectively identify and address potential threats to financial performance in a timely manner.					

4	The proactive approach to risk mitigation planning demonstrates a commitment to maintaining stable and sustainable performance.					
5	The integration of internal audit planning with overall business objectives enhances the effectiveness of financial performance management.					
6	Integrating internal audit findings into the financial planning helps management identify areas for improvement and make informed decisions					
7	Well-defined policies and procedures provide clear guidance on financial transactions, promoting consistency and accuracy in performance.					
8	Establishing clear and well-documented policies and procedures for financial activities helps to ensure consistent financial practices and minimizes the risk of errors or irregularities					
9	The strict adherence to authorization and approval protocols fosters a culture of accountability and integrity					
10	The effective control over authorization and approvals minimizes the risk of unauthorized transactions and mismanagement.					

Can you describe any recent cases where internal audit controls detected weaknesses or discrepancies in the financial performance of deposit taking SACCOs in Western Kenya? How were these issues addressed? ____

How often are internal audit controls reviewed and updated in deposit taking SACCOs? ____

Looking ahead, what trends do you anticipate will shape the future of internal audit controls in deposit taking SACCOs in Western Kenya? ____

	c) Internal audit timeliness	SA	A	NS	D	SD
1	The internal audit team's timely follow-up on audit issues demonstrates a proactive approach towards addressing potential financial risks and opportunities.					
2	Implementing efficient follow-up procedures for audit observations helps management address identified					

	weaknesses before they escalate into significant financial problems.					
3	The internal audit team consistently provides timely reports on audit findings, allowing swift corrective actions to be taken.					
4	Timely reporting of audit findings by the internal audit team facilitates proactive measures to address financial challenges and capitalize on opportunities.					
5	The internal audit cycle time is efficient, allowing for timely identification and resolution of audit issues					
6	The internal audit team maintains a streamlined audit cycle time, enabling timely assessments of financial processes and controls					
7	Promptly responds to audit findings and recommendations, demonstrating a commitment to addressing auditing concerns					
8	The SACCO exhibits responsiveness to internal audit findings, facilitating timely implementation of corrective measures					
9	Audit issues identified by the internal audit team are promptly resolved					
10	Timely resolution of audit issues reflects a culture of accountability and effectiveness, driving continuous improvement in auditing processes					

How quickly does deposit taking SACCOs respond to internal audit findings and recommendations? Are there any consequences for slow response times, and how can organizations incentivize prompt action? ____
____
____

Once internal audit issues have been raised, what mechanisms are in place to track progress toward resolution? ____
____
____

Finally, looking forward, what priorities should deposit taking SACCOs focus on to optimize internal audit timeliness and maximize financial performance____
____

SECTION III: TOP MANAGEMENT SUPPORT AS A MODERATOR

	Top Management Support	SA	A	NS	D	SD
1	Top management effectively allocates financial resources to support initiatives aimed at improving the internal audit practice					
2	Top management's commitment to providing adequate resources for internal audit activities enables a more comprehensive assessment of the SACCO's financial health.					
3	The top management fosters a culture of continuous learning and skill development, which contributes to improved internal audit practice					
4	Top management's support for ongoing professional development of internal audit staff equips them with the skills necessary to provide valuable insights					
5	Top management's consistent implementation of recommendations arising from internal audits strengthens internal audit's role in promoting sound financial practices and achieving financial objectives.					
6	The top management acts promptly on recommendations to enhance financial performance, demonstrating a proactive approach.					
7	The top management upholds high standards of governance, which fosters trust among stakeholders					
8	Top management's unwavering commitment to good governance principles (transparency, accountability, etc.) fosters a culture of ethical behavior and responsible decision-making					
9	Regular and open communication between top management and the internal audit team fosters collaboration and ensures internal audits are aligned with the SACCO's strategic financial objectives.					
10	The top management maintains transparent communication channels that enable staff to understand and contribute to the auditing objectives					

In what ways do senior leaders and executives in deposit taking SACCOs demonstrate commitment to promoting good financial performance?
____

____

Can you speak to any notable instances where top management implemented internal audit recommendations in deposit taking SACCOs? What was the outcome, and what lessons can be learned?

____

____

Looking ahead, what best practices or approaches should top management adopt to continue driving strong financial performance in deposit taking SACCOs in Western Kenya?

____

____

SECTION IV: FINANCIAL PERFORMANCE

	Financial performance	**SA**	**A**	**NS**	**D**	**SD**
1	The dividend per share paid by the SACCO is fair and commensurate with its performance.					
2	The SACCO effectively utilizes its profits to reward members through dividends.					
3	The SACCO's dividend payout policy is transparent and communicated effectively to members.					
4	The interest rates offered on member deposits by the SACCO are competitive with other financial institutions.					
5	The SACCO effectively manages its liquidity to ensure consistent interest payments to members.					
6	The rebate offered by the SACCO is sufficient to offset transaction costs and encourage member loyalty.					
7	The SACCO's rebate policy is transparent and easily understood by members.					
8	The rebate offered by the SACCO is competitive compared to other financial institutions.					
9	The SACCO's management effectively utilizes its assets to generate returns for members					
10	The return on assets achieved by my SACCO demonstrates its efficient use of resources.					

THANKS FOR PARTICIPATING

APPENDIX III: SECONDARY DATA COLLECTION TOOL

	2019	2020	2021	2022	2023
Total Assets					
Net Income					
Dividend Per Share					
Interest on members Deposits					
Members Deposits					
Rate of rebate					

APPENDIX IV: RESPONDENTS PER SACCO

	Internal Auditors	Accountants	Finance Officers	Chief Executive Officers	Total
Invest and Grow Sacco	4	3	3	1	11
Wevasity Sacco	3	3	2	1	9
Afya Sacco	3	3	2	1	9
Police Sacco	3	3	2	1	9
Ukulima Sacco	3	3	2	1	9
Mwalimu National Sacco	3	3	2	1	9
Kussco sacco	2	3	2	1	8
Mudete Sacco	1	3	2	1	7
Vihiga County Farmers Sacco	1	3	1	1	6
Vihiga County Sacco	1	3	2	1	7
Faridi Sacco	3	3	2	1	9
Elimu Sacco	3	3	2	1	9
Ng’arisha Sacco	3	3	2	1	9
Metropolitan Sacco	3	3	2	1	9
Stawisha Sacco	3	3	2	1	9
Total	**39**	**45**	**30**	**15**	**129**

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

	COUNTY	**Tier**
Invest and Grow Sacco	Kakamega	Large
Wevasity Sacco	Kakamega	Small
Afya Sacco	Kakamega	Large
Police Sacco	Kakamega	Large
Ukulima Sacco	Kakamega	Large
Mwalimu National Sacco	Kakamega	Large
Kussco sacco	Kakamega	Medium
Mudete Sacco	Vihiga	Small
Vihiga County Farmers Sacco	Vihiga	Small
Vihiga County Sacco	Vihiga	Small
Faridi Sacco	Busia	Medium
Elimu Sacco	Busia	Medium
Ng’arisha Sacco	Bungoma	Medium
Metropolitan Sacco	Bungoma	Large
Stawisha Sacco	Bungoma	Small

APPENDIX VI: RELIABILITY TEST

	Cronbach's Alpha if Item Deleted
The transparent and impartial appointment process of internal auditors enhances confidence in their independence	.969
The involvement of independent committees in the appointment process of internal auditors strengthens their autonomy and impartiality	.962
Providing internal auditors with unrestricted access to conduct a broad and comprehensive audit scope allows for a more thorough assessment financial risks and controls,	.964
Granting internal auditors, the autonomy to determine their audit scope ensures they can focus on critical areas and identify potential issues that management may overlook.	.965
The transparent and merit-based approach to determining auditors' remuneration reinforces their independence and commitment to upholding financial integrity.	.962
The fair and competitive remuneration provided to internal auditors ensures their independence and motivates them to perform their duties diligently	.963
The direct reporting of internal audit findings to the audit committee or board of directors enhances the independence of auditors and ensures unbiased assessment	.963
The independent reporting level of internal audit functions contributes to providing unbiased insights and recommendations to key stakeholders.	.961
The unrestricted access granted to internal auditors to records and information ensures their autonomy and enables thorough examination of financial records.	.967
The policy of providing internal auditors with unrestricted access to records promotes transparency and accountability,	.963

Internal Audit Control	Cronbach's Alpha if Item Deleted
The segregation of duties ensures that financial transactions are adequately supervised and reduces the risk of errors or fraud.	.975
The clear division of responsibilities among staff members contributes to better financial performance by minimizing the likelihood of unauthorized activities.	.977

Risk mitigation planning processes effectively identify and address potential threats to financial performance in a timely manner.	.975
The proactive approach to risk mitigation planning demonstrates a commitment to maintaining stable and sustainable performance.	.974
The integration of internal audit planning with overall business objectives enhances the effectiveness of financial performance management.	.975
Integrating internal audit findings into the financial planning helps management identify areas for improvement and make informed decisions	.973
Well-defined policies and procedures provide clear guidance on financial transactions, promoting consistency and accuracy in performance.	.974
Establishing clear and well-documented policies and procedures for financial activities helps to ensure consistent financial practices and minimizes the risk of errors or irregularities	.973
The strict adherence to authorization and approval protocols fosters a culture of accountability and integrity	.973
The effective control over authorization and approvals minimizes the risk of unauthorized transactions and mismanagement.	.974

Internal Audit Timeliness	**Cronbach's Alpha if Item Deleted**
The internal audit team's timely follow-up on audit issues demonstrates a proactive approach towards addressing potential financial risks and opportunities.	.950
Implementing efficient follow-up procedures for audit observations helps management address identified weaknesses before they escalate into significant financial problems.	.951
The internal audit team consistently provides timely reports on audit findings, allowing swift corrective actions to be taken.	.952
Timely reporting of audit findings by the internal audit team facilitates proactive measures to address financial challenges and capitalize on opportunities.	.947
The internal audit cycle time is efficient, allowing for timely identification and resolution of audit issues	.954
The internal audit team maintains a streamlined audit cycle time, enabling timely assessments of financial processes and controls	.955
Promptly responds to audit findings and recommendations, demonstrating a commitment to addressing auditing concerns	.955
The SACCO exhibits responsiveness to internal audit findings, facilitating timely implementation of corrective measures	.950
Audit issues identified by the internal audit team are promptly resolved	.951
Timely resolution of audit issues reflects a culture of accountability and effectiveness, driving continuous improvement in auditing processes	.953

Top Management Support	Cronbach's Alpha if Item Deleted
Top management effectively allocates financial resources to support initiatives aimed at improving the internal audit practice	.941
Top management's commitment to providing adequate resources for internal audit activities enables a more comprehensive assessment of the SACCO's financial health.	.939
The top management fosters a culture of continuous learning and skill development, which contributes to improved internal audit practice	.931
Top management's support for ongoing professional development of internal audit staff equips them with the skills necessary to provide valuable insights	.942
Top management's consistent implementation of recommendations arising from internal audits strengthens internal audit's role in promoting sound financial practices and achieving financial objectives.	.928
The top management acts promptly on recommendations to enhance financial performance, demonstrating a proactive approach.	.931
The top management upholds high standards of governance, which fosters trust among stakeholders	.933
Top management's unwavering commitment to good governance principles (transparency, accountability, etc.) fosters a culture of ethical behavior and responsible decision-making	.930
Regular and open communication between top management and the internal audit team fosters collaboration and ensures internal audits are aligned with the SACCO's strategic financial objectives.	.934
The top management maintains transparent communication channels that enable staff to understand and contribute to the auditing objectives	.931

Financial Performance	**Cronbach's Alpha if Item Deleted**
The dividend per share paid by the SACCO is fair and commensurate with its performance.	.966
The SACCO effectively utilizes its profits to reward members through dividends.	.963
The SACCO's dividend payout policy is transparent and communicated effectively to members.	.965
The interest rates offered on member deposits by the SACCO are competitive with other financial institutions.	.960
The SACCO effectively manages its liquidity to ensure consistent interest payments to members.	.963
The rebate offered by the SACCO is sufficient to offset transaction costs and encourage member loyalty.	.961

The SACCO's rebate policy is transparent and easily understood by members.	.960
The rebate offered by the SACCO is competitive compared to other financial institutions.	.958
The SACCO's management effectively utilizes its assets to generate returns for members	.959
The return on assets achieved by my SACCO demonstrates its efficient use of resources.	.957

APPENDIX VII: FACTOR ANALYIS

Internal Audit Independence

KMO and Bartlett's Test		
Kaiser-Meyer-Olkin Measure of Sampling Adequacy.		.869
Bartlett's Test of Sphericity	Approx. Chi-Square	849.660
	df	45
	Sig.	.000

Communalities

	Initial	Extraction
The transparent and impartial appointment process of internal auditors enhances confidence in their independence	1.000	.584
The involvement of independent committees in the appointment process of internal auditors strengthens their autonomy and impartiality	1.000	.846
Providing internal auditors with unrestricted access to conduct a broad and comprehensive audit scope allows for a more thorough assessment financial risks and controls,	1.000	.773
Granting internal auditors, the autonomy to determine their audit scope ensures they can focus on critical areas and identify potential issues that management may overlook.	1.000	.737
The transparent and merit-based approach to determining auditors' remuneration reinforces their independence and commitment to upholding financial integrity.	1.000	.856
The fair and competitive remuneration provided to internal auditors ensures their independence and motivates them to perform their duties diligently	1.000	.810
The direct reporting of internal audit findings to the audit committee or board of directors enhances the independence of auditors and ensures unbiased assessment	1.000	.805
The independent reporting level of internal audit functions contributes to providing unbiased insights and recommendations to key stakeholders.	1.000	.893
The unrestricted access granted to internal auditors to records and information ensures their autonomy and enables thorough examination of financial records.	1.000	.649
The policy of providing internal auditors with unrestricted access to records promotes transparency and accountability,	1.000	.825

Extraction Method: Principal Component Analysis.

Component Matrix[a]

	Component 1
The transparent and impartial appointment process of internal auditors enhances confidence in their independence	.764
The involvement of independent committees in the appointment process of internal auditors strengthens their autonomy and impartiality	.920
Providing internal auditors with unrestricted access to conduct a broad and comprehensive audit scope allows for a more thorough assessment financial risks and controls,	.879
Granting internal auditors, the autonomy to determine their audit scope ensures they can focus on critical areas and identify potential issues that management may overlook.	.858
The transparent and merit-based approach to determining auditors' remuneration reinforces their independence and commitment to upholding financial integrity.	.925
The fair and competitive remuneration provided to internal auditors ensures their independence and motivates them to perform their duties diligently	.900
The direct reporting of internal audit findings to the audit committee or board of directors enhances the independence of auditors and ensures unbiased assessment	.897
The independent reporting level of internal audit functions contributes to providing unbiased insights and recommendations to key stakeholders.	.945
The unrestricted access granted to internal auditors to records and information ensures their autonomy and enables thorough examination of financial records.	.805
The policy of providing internal auditors with unrestricted access to records promotes transparency and accountability,	.908
Extraction Method: Principal Component Analysis.	
a. 1 components extracted.	

Internal Audit Control

KMO and Bartlett's Test		
Kaiser-Meyer-Olkin Measure of Sampling Adequacy.		.891
Bartlett's Test of Sphericity	Approx. Chi-Square	1165.923
	Df	45
	Sig.	.000

Communalities

	Initial	Extraction

The segregation of duties ensures that financial transactions are adequately supervised and reduces the risk of errors or fraud.	1.000	.827
The clear division of responsibilities among staff members contributes to better financial performance by minimizing the likelihood of unauthorized activities.	1.000	.693
Risk mitigation planning processes effectively identify and address potential threats to financial performance in a timely manner.	1.000	.822
The proactive approach to risk mitigation planning demonstrates a commitment to maintaining stable and sustainable performance.	1.000	.839
The integration of internal audit planning with overall business objectives enhances the effectiveness of financial performance management.	1.000	.773
Integrating internal audit findings into the financial planning helps management identify areas for improvement and make informed decisions	1.000	.915
Well-defined policies and procedures provide clear guidance on financial transactions, promoting consistency and accuracy in performance.	1.000	.866
Establishing clear and well-documented policies and procedures for financial activities helps to ensure consistent financial practices and minimizes the risk of errors or irregularities	1.000	.875
The strict adherence to authorization and approval protocols fosters a culture of accountability and integrity	1.000	.872
The effective control over authorization and approvals minimizes the risk of unauthorized transactions and mismanagement.	1.000	.823

Extraction Method: Principal Component Analysis.

Component Matrix[a]

	Component
	1
The segregation of duties ensures that financial transactions are adequately supervised and reduces the risk of errors or fraud.	.909
The clear division of responsibilities among staff members contributes to better financial performance by minimizing the likelihood of unauthorized activities.	.833
Risk mitigation planning processes effectively identify and address potential threats to financial performance in a timely manner.	.906
The proactive approach to risk mitigation planning demonstrates a commitment to maintaining stable and sustainable performance.	.916

The integration of internal audit planning with overall business objectives enhances the effectiveness of financial performance management.	.879
Integrating internal audit findings into the financial planning helps management identify areas for improvement and make informed decisions	.956
Well-defined policies and procedures provide clear guidance on financial transactions, promoting consistency and accuracy in performance.	.931
Establishing clear and well-documented policies and procedures for financial activities helps to ensure consistent financial practices and minimizes the risk of errors or irregularities	.935
The strict adherence to authorization and approval protocols fosters a culture of accountability and integrity	.934
The effective control over authorization and approvals minimizes the risk of unauthorized transactions and mismanagement.	.907

Extraction Method: Principal Component Analysis.
a. 1 components extracted.

Internal Audit Timeliness

KMO and Bartlett's Test		
Kaiser-Meyer-Olkin Measure of Sampling Adequacy.		.794
Bartlett's Test of Sphericity	Approx. Chi-Square	1006.235
	df	45
	Sig.	.000

Communalities

	Initial	Extraction
The internal audit team's timely follow-up on audit issues demonstrates a proactive approach towards addressing potential financial risks and opportunities.	1.000	.768
Implementing efficient follow-up procedures for audit observations helps management address identified weaknesses before they escalate into significant financial problems.	1.000	.901
The internal audit team consistently provides timely reports on audit findings, allowing swift corrective actions to be taken.	1.000	.817
Timely reporting of audit findings by the internal audit team facilitates proactive measures to address financial challenges and capitalize on opportunities.	1.000	.911
The internal audit cycle time is efficient, allowing for timely identification and resolution of audit issues	1.000	.901
The internal audit team maintains a streamlined audit cycle time, enabling timely assessments of financial processes and controls	1.000	.899
Promptly responds to audit findings and recommendations, demonstrating a commitment to addressing auditing concerns	1.000	.710

The SACCO exhibits responsiveness to internal audit findings, facilitating timely implementation of corrective measures	1.000	.858
Audit issues identified by the internal audit team are promptly resolved	1.000	.908
Timely resolution of audit issues reflects a culture of accountability and effectiveness, driving continuous improvement in auditing processes	1.000	.682

Extraction Method: Principal Component Analysis.

Rotated Component Matrix[a]

	Component
The internal audit team's timely follow-up on audit issues demonstrates a proactive approach towards addressing potential financial risks and opportunities.	.639
Implementing efficient follow-up procedures for audit observations helps management address identified weaknesses before they escalate into significant financial problems.	.902
The internal audit team consistently provides timely reports on audit findings, allowing swift corrective actions to be taken.	.839
Timely reporting of audit findings by the internal audit team facilitates proactive measures to address financial challenges and capitalize on opportunities.	.781
The internal audit cycle time is efficient, allowing for timely identification and resolution of audit issues	.907
The internal audit team maintains a streamlined audit cycle time, enabling timely assessments of financial processes and controls	.919
Promptly responds to audit findings and recommendations, demonstrating a commitment to addressing auditing concerns	.745
The SACCO exhibits responsiveness to internal audit findings, facilitating timely implementation of corrective measures	.834
Audit issues identified by the internal audit team are promptly resolved	.904
Timely resolution of audit issues reflects a culture of accountability and effectiveness, driving continuous improvement in auditing processes	.622

Top Management Support

KMO and Bartlett's Test		
Kaiser-Meyer-Olkin Measure of Sampling Adequacy.		.838
Bartlett's Test of Sphericity	Approx. Chi-Square	687.204
	Df	45
	Sig.	.000

Communalities

	Initial	Extraction
Top management effectively allocates financial resources to support initiatives aimed at improving the internal audit practice	1.000	.443
Top management's commitment to providing adequate resources for internal audit activities enables a more comprehensive assessment of the SACCO's financial health.	1.000	.504
The top management fosters a culture of continuous learning and skill development, which contributes to improved internal audit practice	1.000	.747
Top management's support for ongoing professional development of internal audit staff equips them with the skills necessary to provide valuable insights	1.000	.453
Top management's consistent implementation of recommendations arising from internal audits strengthens internal audit's role in promoting sound financial practices and achieving financial objectives.	1.000	.880
The top management acts promptly on recommendations to enhance financial performance, demonstrating a proactive approach.	1.000	.762
The top management upholds high standards of governance, which fosters trust among stakeholders	1.000	.671
Top management's unwavering commitment to good governance principles (transparency, accountability, etc.) fosters a culture of ethical behavior and responsible decision-making	1.000	.776
Regular and open communication between top management and the internal audit team fosters collaboration and ensures internal audits are aligned with the SACCO's strategic financial objectives.	1.000	.660
The top management maintains transparent communication channels that enable staff to understand and contribute to the auditing objectives	1.000	.748

Extraction Method: Principal Component Analysis.

Component Matrix[a]

	Component
	1
Top management effectively allocates financial resources to support initiatives aimed at improving the internal audit practice	.665
Top management's commitment to providing adequate resources for internal audit activities enables a more comprehensive assessment of the SACCO's financial health.	.710
The top management fosters a culture of continuous learning and skill development, which contributes to improved internal audit practice	.864
Top management's support for ongoing professional development of internal audit staff equips them with the skills necessary to provide valuable insights	.673

Top management's consistent implementation of recommendations arising from internal audits strengthens internal audit's role in promoting sound financial practices and achieving financial objectives.	.938
The top management acts promptly on recommendations to enhance financial performance, demonstrating a proactive approach.	.873
The top management upholds high standards of governance, which fosters trust among stakeholders	.819
Top management's unwavering commitment to good governance principles (transparency, accountability, etc.) fosters a culture of ethical behavior and responsible decision-making	.881
Regular and open communication between top management and the internal audit team fosters collaboration and ensures internal audits are aligned with the SACCO's strategic financial objectives.	.812
The top management maintains transparent communication channels that enable staff to understand and contribute to the auditing objectives	.865

Extraction Method: Principal Component Analysis.
a. 1 components extracted.

Financial Performance

KMO and Bartlett's Test		
Kaiser-Meyer-Olkin Measure of Sampling Adequacy.		.856
Bartlett's Test of Sphericity	Approx. Chi-Square	918.994
	Df	45
	Sig.	.000

Communalities

	Initial	Extraction
The dividend per share paid by the SACCO is fair and commensurate with its performance.	1.000	.604
The SACCO effectively utilizes its profits to reward members through dividends.	1.000	.728
The SACCO's dividend payout policy is transparent and communicated effectively to members.	1.000	.635
The interest rates offered on member deposits by the SACCO are competitive with other financial institutions.	1.000	.812
The SACCO effectively manages its liquidity to ensure consistent interest payments to members.	1.000	.716
The rebate offered by the SACCO is sufficient to offset transaction costs and encourage member loyalty.	1.000	.770
The SACCO's rebate policy is transparent and easily understood by members.	1.000	.815

The rebate offered by the SACCO is competitive compared to other financial institutions.	1.000	.881
The SACCO's management effectively utilizes its assets to generate returns for members	1.000	.832
The return on assets achieved by my SACCO demonstrates its efficient use of resources.	1.000	.931

Extraction Method: Principal Component Analysis.

Component Matrix[a]

	Component
	1
The dividend per share paid by the SACCO is fair and commensurate with its performance.	.777
The SACCO effectively utilizes its profits to reward members through dividends.	.853
The SACCO's dividend payout policy is transparent and communicated effectively to members.	.797
The interest rates offered on member deposits by the SACCO are competitive with other financial institutions.	.901
The SACCO effectively manages its liquidity to ensure consistent interest payments to members.	.846
The rebate offered by the SACCO is sufficient to offset transaction costs and encourage member loyalty.	.877
The SACCO's rebate policy is transparent and easily understood by members.	.903
The rebate offered by the SACCO is competitive compared to other financial institutions.	.939
The SACCO's management effectively utilizes its assets to generate returns for members	.912
The return on assets achieved by my SACCO demonstrates its efficient use of resources.	.965

Extraction Method: Principal Component Analysis.
a. 1 components extracted.

APPENDIX VIII: RAW DATA

SACCO	Year	Total Assets	Total Deposits	Total Income	Dividend	Interest On Dividend	ROA
Afya	2019	17.56	13.09	2.27	0.36	7.04	0.13
Elimu	2019	1.1	0.83	0.19	0.02	9.40	0.17
Faridi	2019	0.97	0.63	0.22	0.02	12.35	0.23
Invest And Grow (Ig)	2019	8.72	4.96	1.37	0.16	8.55	0.16
KUSSACO	2019	7.58	5.79	0.75	0.14	5.39	0.10
Vihiga County Sacco	2019	0.21	0.14	0.02	0.04	1.53	0.10
Kenya National Police Dt	2019	28.95	18.77	4.63	0.57	8.71	0.16
Metropolitan	2019	13.65	6.93	2.12	0.26	8.45	0.16
Mudete	2019	0.26	0.19	0.05	0.00	10.47	0.19
Mwalimu National	2019	45.16	32.83	1.04	0.84	1.25	0.02
Ngarisha	2019	2.34	1.08	0.54	0.04	12.56	0.23
Stawisha	2019	0.21	0.14	0.04	0.00	10.37	0.19
Ukulima	2019	11.18	7.89	1.43	0.22	6.96	0.13
Vihiga County Farmers	2019	0.05	0.03	0.02	0.00	1.77	0.40
Wevarsity	2019	0.39	0.26	0.06	0.01	8.37	0.15
Afya	2020	19.05	13.99	2.45	0.32	6.02	0.13
Elimu	2020	1.21	0.89	0.2	0.02	7.73	0.17
Faridi	2020	1.16	0.72	0.25	0.02	10.08	0.22
Invest And Grow (IG)	2020	9.48	5.33	1.43	0.14	7.06	0.15
KUSSACO	2020	8.35	6.13	0.98	0.14	5.49	0.12
Vihiga County Sacco	2020	0.26	0.18	0.04	0.04	1.24	0.15
Kenya National Police Dt	2020	34.82	21.55	5.89	0.58	7.91	0.17
Metropolitan	2020	15.15	7.32	2.03	0.25	6.27	0.13
Mudete	2020	0.3	0.21	0.06	0.00	9.36	0.20
Mwalimu National	2020	52.03	36.9	6.41	0.81	5.76	0.12
Ngarisha	2020	2.87	1.2	0.56	0.04	9.13	0.20
Stawisha	2020	0.25	0.17	0.04	0.00	7.49	0.16
Ukulima	2020	11.91	8.42	1.47	0.21	5.77	0.12
Vihiga County Farmers	2020	0.05	0.03	0.02	0.00	18.72	0.40
Wevarsity	2020	0.4	0.22	0.07	0.01	8.19	0.18
Afya	2021	19.88	15.18	2.36	0.27	5.18	0.12
Elimu	2021	1.23	0.92	0.22	0.02	7.80	0.18

Faridi	2021	1.35	0.82	0.28	0.02	9.05	0.21
Invest And Grow (Ig)	2021	10.48	5.99	1.41	0.12	5.87	0.13
KUSSACO	2021	8.58	6.52	0.96	0.12	4.88	0.11
Vihiga County Sacco	2021	0.06	0.04	0.03	0.04	5.98	0.50
Kenya National Police Dt	2021	39.05	23.67	6.06	0.53	6.77	0.16
Metropolitan	2021	16.73	7.64	1.99	0.23	5.19	0.12
Mudete	2021	0.31	0.22	0.06	0.00	8.44	0.19
Mwalimu National	2021	57.73	41.42	7.22	0.74	5.46	0.13
Ngarisha	2021	2.94	1.33	0.63	0.03	9.35	0.21
Stawisha	2021	0.27	0.18	0.05	0.00	8.08	0.19
Ukulima	2021	12.74	9.12	1.56	0.18	5.34	0.12
Vihiga County Farmers	2021	0.06	0.03	0.02	0.00	14.54	0.33
Wevarsity	2021	0.44	0.3	0.07	0.01	6.94	0.16
Afya	2022	20.87	15.61	2.43	0.28	5.75	0.12
Elimu	2022	1.31	0.97	0.23	0.02	8.66	0.18
Faridi	2022	1.6	0.91	0.33	0.02	10.18	0.21
Invest And Grow (Ig)	2022	11.69	6.45	1.66	0.14	7.01	0.14
KUSSACO	2022	9.29	6.68	1	0.13	5.31	0.11
Vihiga County Sacco	2022	0.08	0.06	0.02	0.04	7.90	0.25
Kenya National Police Dt	2022	44.09	26.02	7.04	0.62	7.88	0.16
Metropolitan	2022	10.56	7.82	0.59	0.25	2.76	0.06
Mudete	2022	0.38	0.23	0.06	0.00	7.79	0.16
Mwalimu National	2022	60.6	44.29	7.58	0.80	6.17	0.13
Ngarisha	2022	3.33	1.52	0.71	0.04	10.52	0.21
Stawisha	2022	0.3	0.21	0.05	0.00	8.22	0.17
Ukulima	2022	13.79	9.76	1.8	0.21	6.44	0.13
Vihiga County Farmers	2022	0.06	0.03	0.01	0.00	8.22	0.17
Wevarsity	2022	0.42	0.29	0.07	0.01	8.22	0.17
Afya	2023	20.94	15.63	2.79	0.28	6.58	0.13
Elimu	2023	1.38	1.04	0.25	0.02	8.95	0.18
Faridi	2023	1.85	1.01	0.34	0.02	9.08	0.18
Invest And Grow (Ig)	2023	12.96	7.04	1.76	0.16	6.71	0.14
KUSSACO	2023	9.56	6.98	1.12	0.14	5.79	0.12
Vihiga County	2023	0.09	0.08	0.03	0.05	7.88	0.33

Sacco							
Kenya National Police Dt	2023	48.98	28.89	7.94	0.68	8.01	0.16
Metropolitan	2023	10.02	7.39	0.45	0.25	2.22	0.04
Mudete	2023	0.4	0.23	0.06	0.00	7.41	0.15
Mwalimu National	2023	64.06	47.29	7.74	0.88	5.97	0.12
Ngarisha	2023	3.68	1.71	0.76	0.04	10.20	0.21
Stawisha	2023	0.31	0.21	0.06	0.00	9.56	0.19
Ukulima	2023	14.66	10.25	1.91	0.22	6.44	0.13
Vihiga County Farmers	2023	0.05	0.04	0.01	0.00	9.88	0.20
Wevarsity	2023	0.44	0.3	0.08	0.01	8.98	0.18

APPENDIX IX: DATA COLLECTION AUTHORIZATION

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MASINDE MULIRO UNIVERSITY OF SCIENCE AND TECHNOLOGY (MMUST)
SCHOOL OF BUSINESS AND ECONOMICS (SOBE)

REF: MBA/G/01-70508/2022 **DATE:** 9TH JULY, 2024

TO: **RENSON NYONGESA**

SUBJECT: **SUCCESSFUL DEFENCE OF RESEARCH PROPOSAL, RENSON NYONGESE REG. NO. MBA/G/01-70508/2021**

The above subject refers.

Following your successful defense of your research proposal titled **"INTERNAL AUDIT PRACTICES AND FINANCIAL PERFORMANCE OF SACCOS IN WESTREN KENYA."** before the School of Business and Economics Graduate Studies Committee, your research proposal is hereby submitted to Director School of Graduate Studies for documentation and processing. Your supervisors are **Dr Maniagi Musiega** and **Dr. KWENDO EVANS.**

On behalf of the School of Business and Economics Graduate Studies Committee, you are hereby permitted to proceed and collect the data needed to complete your thesis.

By copy of this letter, relevant institutions/bodies are humbly requested to assist you in achieving your endeavor.

DR DISHON MUNUHE WANJERE
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APPENDIX X: NACOSTI PERMIT

REPUBLIC OF KENYA

NATIONAL COMMISSION FOR SCIENCE,TECHNOLOGY & INNOVATION

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