RELATIONSHIP BETWEEN AUDIT QUALITY, FIRM SIZE AND FINANCIAL PERFORMANCE OF DEPOSIT TAKING SACCOS IN KENYA

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DECLARATION

This Thesis is my own creation, devoid of any sources or assistance other than those explicitly mentioned, and has not been previously submitted for a degree or any other kind of recognition.

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CERTIFICATION

The undersigned certify that he has read and hereby recommend for acceptance of Masinde Muliro University of Science and Technology a Thesis entitled, **"*Relationship Between Audit Quality, Firm Size and Financial Performance of Deposit Taking SACCOs in Kenya.*"**

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DEDICATION

This Thesis is dedicated to the omnipotent Creator who bestowed upon me the physical and mental fortitude to pursue and successfully complete this thesis within the allotted time frame. I am grateful to my family and friends for the support I have gotten throughout this time.

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ABSTRACT

Audits exist because of a separation between the ownership and the control of companies in the modern economy where shareholders or owners have given resources to managers with the aim of maximizing their wealth. They therefore expect the agents to give them authentic reports that are true and perfect. However, an increasing number of Kenyan Saccos are reeling under the weight of mismanagement, fraud and bad loans that have put the Sh1 trillion sector on a path of instability that if not reversed could have damaging contagion on the entire economy. The main objective of the study is to determine the influence of audit quality on performance of deposit taking SACCOs in Kenya. The specific objectives are to determine the influence of auditor's competence and experience on performance of deposit taking SACCOs in Kenya, to determine the influence of auditor's independence on performance of deposit taking SACCOs in Kenya, to determine the influence of internal audit standards financial performance of deposit taking SACCOs in Kenya, to determine the influence of Audit committee characteristics on performance of deposit taking SACCOs in Kenya, and to determine the moderating influence of firm size on the relationship between audit quality and performance of deposit taking SACCOs in Kenya. The research was based on four theories: Agency theory, legitimacy theory, stakeholder theory, and transaction theory. The research philosophy used in this study aligns with the positivist approach. The study used a descriptive survey research approach. The research included both primary and secondary data. The research participants consisted of individuals holding the positions of Finance manager, Head of internal audit, and Chief accountant at deposit accepting SACCOs in Kenya. The sample size consisted of 528 participants. A sample size of 228 was chosen using simple random sampling procedure. A structured-questionnaire was used. A pilot test was conducted in 8 SACCO. The data was analyzed using descriptive and inferential statistics. Descriptive statistics, such as mean, standard deviation, and percentages, were used to summarize the data. For inferential correlation analysis, multiple, hierarchical and step wise regression was used. Data was analyzed using the SPSS 26 software. The results revealed that independent variables used in the research were able to account for about 64.3% (R^2=0.642, P=0.000) of the variations that were noted in the financial performance of Deposit Taking SACCOs in Kenya. A unit increase in auditor's competence and experience leads to a 0.263 unit's improvement in the financial performance (β_1=0.263, p=0.000). A unit increase in internal auditor's independence leads to a 0.343 units improvement in the financial performance (β_2=0.343, P=0.000). a unit increase in internal audit procedures and standards leads to a 0.139 units improvement in the financial performance (β_3=0.139, P=0.010). A unit increase in audit committee characteristics leads to a 0.181 units improvement in the financial performance (β_4=0.181, P=0.015). Hierarchical regression analysis revealed that Sacco size significantly accounts for 3.7% change in financial performance. The research recommended that the internal personnel should possess relevant academic and professional credentials. Saccos should prioritize the promotion of autonomy for both their internal and external auditors, since this has a major impact on their financial performance.

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LIST OF ABBREVIATION AND ACRONYMS

ASE	Amman Stock Exchange
AQ	Audit Quality
BRC	Blue Ribbon Committee
CA	Creative Accounting
CAMA	Companies and Allied Matters Act
CEO	Chief Executive Officer
CFA	Confirmatory Factor Analysis
CMA	Capital Market Authority
DTS	Deposit Taking Sacco
EFA	Exploratory Factor Analysis
EGX	Egyptian Stock Exchange
EPS	Earnings Per Share
FRQ	Financial Reporting Quality
IA	Internal Audit
IAF	Internal Audit Function
IASB	International Accounting Standard Board
IT	Information Technology
KMC	Kenya Meat Commission
NGO	Non-Governmental Organizations
NSE	Nairobi Securities Exchange
OLS	Ordinary Least-Squares

PLS	Partial Least Square
ROA	Return on Assets
ROE	Return on Equity
SACCO	Saving and Credit Cooperative Society
SASRA	SACCO Societies Regulatory Authority
SPSS	Statistical Package for Social Sciences
UK	United Kingdom

OPERATIONALIZE DEFINITION OF TERMS

Deposit Taking Sacco	is a Kenyan Sacco that offers a range of financial services, including deposit acceptance, business loans, vehicle loans, mortgage financing, and basic investment products like as savings accounts and certificates of deposit.
Auditor's Competence	Includes the technical audit abilities of auditors, as well as their knowledge of audit tools and methodologies. Also incorporates their awareness of IT-based accounting and audit systems, in addition to their fundamental audit competencies.
Financial Performance	refers to the measure of a company's financial health, profitability, and efficiency in generating revenue, managing expenses, and creating value for shareholders. It is typically assessed through financial metrics such as net income, return on assets (ROA), return on equity (ROE), revenue growth, profit margins, and cash flow, providing insights into how well the organization achieves its financial goals and sustains its economic viability.
Audit Quality	Audit quality refers to matters that contribute to the likelihood that the auditor will: achieve the fundamental objective of obtaining reasonable assurance that the financial report as a whole is free of material misstatement. Encompass auditors' independence, auditors' competence and experience, Audit procedures and standards, audit committee characteristics.

Auditor's Independence refers to the ability of an auditor to perform their audit duties objectively and impartially, free from any relationships, conflicts of interest, or external pressures that could influence their judgment or compromise the integrity of the audit.

Internal Audit Standards encompasses adherence to professional audit standards, accounting fraud awareness, compliance with audit standards, security of IT based audit systems plus auditors' professional qualifications in deposit taking Saccos in Kenya.

Audit committee characteristics refer to the attributes and qualities that define the composition, structure, and functioning of an audit committee within deposit Taking Saccos in Kenya

Return on Assets is the entire revenue that is owned and managed by a deposit-taking Sacco in Kenya divided by the total assets as of the time of the calculation.

Return on Equity is the entire revenue that is owned and managed by a deposit-taking Sacco institution in Kenya divided by the total equity of the institution.

Firm Size is a term that describes the amount of assets that are held by deposit-taking Saccos in Kenya. An approximate measure of the number of deposit-accepting Saccos in Kenya, it may be determined by taking the natural logarithm of all assets.

CHAPTER ONE

INTRODUCTION

1.1 Background to the Study

The relationship between audit quality, firm size, and financial performance is crucial, as high-quality audits help ensure transparency and accuracy in financial reporting, fostering investor confidence and enhancing firm value. Audit quality, often reflected by an auditor's independence, experience, and adherence to standards, has been shown to positively influence financial performance by reducing risks of financial misstatements and fraud (DeFond & Zhang, 2014; Salehi & Jafarzadeh, 2019). Larger firms, due to their complexity and visibility, often engage reputable audit firms and invest more in audit quality, which further supports strong financial outcomes and regulatory compliance (Al-Rassas & Kamardin, 2016). As stakeholders increasingly prioritize reliable financial information, understanding how firm size and audit quality jointly impact financial performance is essential for firms aiming to maintain stability and growth in competitive markets.

As stated by Salehi and Mansoury (2019), the impression of audit quality may be influenced by several factors, both directly and indirectly. This view might differ across stakeholders based on their degree of engagement in audits and the perspective they use to evaluate audit quality. They were of the opinion that audit quality is known to influence financial reporting and, by extension, investor confidence. Thus, external auditors traditionally have crucial and demanding responsibilities in ensuring the trustworthiness of financial reporting and the excellence of audit procedures. The occurrence of corporate accounting scandals in recent years, together with a need for openness and honesty in financial reporting, has resulted in predictable consequences. The ability to conduct audits is now essential for addressing complex accounting manipulations that have caused confusion in financial statements (Hussainey, 2019).

The need for auditors to improve audit quality is also evident in the 2018 Main Street Investor Survey published by the Center for Audit Quality (CAQ), which surveyed 1,100 investment decision makers with assets of $10,000 or more. More than half of investors (52%) had either some or very little confidence in audited financial information released by publicly traded U.S. companies, and only 35% had a great deal or quite a bit of confidence. In the CAQ survey, investors cited a variety of reasons for having a lack of confidence in audited financial information (Shahzad, Pouw & El-Temtamy, 2018).

Numerous fraud incidences have been reported in major world entities such as Enron, Worldcom, HIH insurance (Australia) and Maxwell among others which has put professional accountants in a critical condition (Prabowo, 2012). Globally, the latest string of accounting problems and stock plunges across the globe yet again bring to the centre stage the role played by the auditor. In one of the most controversial accounting scandals in the past decade, it was discovered in 2001 that Enron had been using accounting loopholes to hide billions of dollars of bad debt, while simultaneously inflating the company's earnings. Like Enron, WorldCom hid their massive debts using sketchy accounting mechanisms. Revisions in financial statements were thus the norm in WorldCom. Profitability was overstated; investors were misled by the opaque nature of its regular operating performance, and in the end, the company and investors paid dearly for it. In 2018, India's securities regulator has banned PricewaterhouseCoopers (PwC) from auditing listed companies in the country for two years after failing to identify accounting fraud at Satyam Computer Services.

In Africa, several accounting scandals have led to partial collapse of public and private organizations (Holtzblatt, Foltin & Tschakert, 2020). For instance, Reserve Bank of Zimbabwe, Cadbury, Board of Oceanic Bank, Intercontinental and Afribank in Nigeria all collapsed partially due to accounting scandals (IMF report, 2016). In 2017, Steinhoff International Holdings (audited by Deloitte), the Johannesburg Stock Exchange (JSE)-listed furniture and clothing retailer, was pushed to the brink of collapse following an accounting scandal that spanned several years. Nwosu-Iheme (2021) in Nigeria indicated that recently, there has been growing concern about ethical and integrity issues in the accounting & auditing profession in public and private on questionable acts. This era has been characterized by a succession of corporate failures, ethical negligence, and auditing and accounting scandals in both developed and developing economies. Notably, certain Nigerian firms, including Cadbury and Afri-bank, have been implicated in these scandals, leading to increased scrutiny of the auditing profession. It is worth mentioning that one of the major auditing firms in Nigeria was involved in these cases.

In Kenya, there have been recent allegations of Accountants and auditing firms of listed businesses engaging in the fraudulent manipulation of company financial records in collaboration with management, to the detriment of shareholders. The disciplinary staff of ICPAK has addressed over 50 instances in the last two years and is now investigating six ongoing cases related to auditing quality. ICPAK [the Institute of Certified Public Accountants of Kenya] (2015) pursed management Haco Tiger Brands and consultancy firm PricewaterhouseCoopers (PwC) over the accounting scandal. The watchdog was investigating the accounting firm PwC's failure to detect the huge and illegal financial adjustments. In the same year, the watchdog opened an investigation into how auditing firm PKF handled the financial statements of Imperial Bank, which was unexpectedly placed under receivership. PKF, as the external auditors, had a duty to point out such financial malpractices in their reports (ICPAK, 2021)

Deloitte and Touche, another of the big accounting firms, has been on the spot over alleged accounting irregularities at sugar miller Mumias, car dealer CMC Holdings, Dubai Bank as well as Tuskys Supermarkets. Uchumi Supermarkets was cooking its books to hide massive losses to mislead investors. Mumias Sugar was also on the regulator's crosshairs for cooking books. Ernst & Young, who was appointed auditor of the East African Portland Cement (EAPCC) in the year to June 2013, has also been accused of covering up financial irregularities at the Athi River-based firm. Ernst & Young was also probed by the Commissioner for Co-operative Development over its role in Mwalimu Sacco's acquisition of a majority stake in Equatorial Commercial Bank (ICPAK, 2021). According to Karuti (2020) many organizations in Kenya have been implicated with massive fraud which has resulted to the collapse of corporations such as Bulk Medicated Ltd and Nyaga Stock brokers where some of their financial statements implied that they were sound despite their internal weakness.

1.1.1 Audit Quality

The quality of an audit includes all the factors that contribute to an atmosphere where quality audits are more likely to be conducted regularly. A high-quality audit is more likely to have been completed by an engagement team that: Demonstrated suitable morals, principles, and demeanor; Had enough training, expertise, and time to complete the audit; Applied a rigorous audit process and quality control procedures that complied with law, regulation and applicable standards; provided useful and timely reports; and interacted appropriately with relevant stakeholders (Abdirahman, 2021).

The ISPPIA (2016) standard number 1210 mandates that an internal auditor has the requisite skills and competences to effectively carry out audit tasks. Internal auditors are advised to get professional certifications and credentials such as the Certified Internal Auditor (CIA) credential, among others. They should possess expertise in assessing fraud risk and have a strong understanding of information technology. Staffing of internal audit with competence staff is very importance as it leads to effective audit department. Internal auditors need to have technical competence and also well updated on all emerging internal audit issues for them to be of value to the organization (Alzeban & Gwilliam, 2014).

As stated by Lindberg and Beck in 2014, auditor independence is often recognized as the fundamental principle of the auditing field, serving as the basis for public confidence. DeAngelo (2011) relates the probability of detection to auditor competence and probability of revelation is associated with auditor independence. According to his argument, larger auditors gain greater independence when they do not have a financial stake in the outcome for their customers. This is because huge multinational accounting firms care about their image and want to keep it by offering high-quality audits (Jeong & Rho, 2014). This independence provides big auditors with stronger negotiation stance with their clients compared with smaller audit firms (Nelson, Elliott &Tarpley, 2012).

Within the context of carrying out their tasks and obligations, internal auditors are required to adhere to a set of principles known as internal audit standards. To a greater degree, however, the extent to which internal audit standards are successful in encouraging value-added activities, such as strategy planning and risk management, has not been adequately examined. This is especially true in the context of developing markets. Standards are principally focused on providing a framework for accomplishing and promoting internal auditing. The Standards are mandatory prerequisites that consist of Statements outlining fundamental standards for the professional conduct of internal auditing and for evaluating its efficiency (Yung, 2008). The Standards are centered on principles and provide a structure for conducting and advocating for internal audits.

Due to significant changes in legal requirements and stakeholder demand, audit committee features have become an important pillar in corporate governance structure. A group of qualified professionals that collaborate to safeguard shareholders' interests by meticulous monitoring of financial reporting, internal controls, and risk management to guarantee dependability is what an audit committee (AC) is, according to DeZoort et al. (2002). According to institutional theory, ACs should help the board with tasks like making sure the company's financial statements are accurate, making sure the company complies with all applicable laws and regulations, finding an independent auditor who is qualified and independent, and making sure the company's internal audit and the auditor are both well-supported by solid institutional frameworks (Woodlock, 2006).

1.1.2 Firm Size

Firm size, measured by total assets, market capitalization, or revenue, significantly impacts a company's operational capabilities and resource allocation. Larger firms often face heightened scrutiny from regulators and stakeholders, compelling them to adopt stringent corporate governance and financial reporting standards. This leads to a greater likelihood of engaging reputable auditors, particularly from the Big 4 firms, to mitigate the risks of financial misstatements (Francis et al., 2013). Consequently, firm size plays a crucial role in influencing audit quality, as larger entities can afford premium auditing services.

Financially, larger firms benefit from economies of scale, established market positions, and greater bargaining power, translating to enhanced stability and profitability. Their size enables cost distribution over a broader base, access to better financing options, and a reputation that attracts investors and customers. The superior audit quality associated with larger firms further reinforces financial performance by increasing the credibility of financial statements and fostering investor confidence (Al-Rassas & Kamardin, 2016). However, larger firms also face complexities in maintaining high audit quality across diverse regulatory environments.

1.1.3 Financial performance

There are crucial ramifications for national economic development in the financial performance. The shareholders get their money's worth when the company does well financially. However, institutional failure and crises caused by bad financial performance may stunt economic development (Flamini et al., 2019). Both internal and external variables might impact a company's success. When it comes to financial institutions, macroeconomic issues are beyond their control, but internal factors include things like employee traits that have an impact on performance (Al-Tamimi, 2019).

According to Hansen and Mowen (2015), financial performance is a crucial metric for management. It represents the results achieved by individuals or groups within an organization in relation to their authority and responsibility. These results should be legal and in line with moral and ethical standards. The performance of a company is determined by its capacity to acquire and effectively use economic resources via various strategies in order to establish a competitive edge. Financial success, according to Naser and Mokhtar (2018), is a measure of how well a company's management uses its resources. This performance may be seen in a number of ways, including increases in sales, turnover, employment, or stock prices.

1.1.4 Deposit Taking SACCOs in Kenya

Savings and Credit Cooperative Societies (SACCOs) play a critical role in Kenya's financial landscape, distinguished by their focus on mobilizing savings and providing credit to members. Operating legally under the oversight of the Sacco Societies Regulatory Authority (SASRA), SACCOs are classified into two groups: non-deposit taking and deposit-taking SACCOs, with 176 deposit-taking entities reported in Kenya as of 2021. However, many SACCOs face significant challenges, including mismanagement, fraud, and increasing bad loans, threatening the stability of the sector and the savings of approximately 14 million members. The situation has led the State Department of Co-operatives to collaborate with the Ethics and Anti-Corruption Commission (EACC) to investigate fraudulent activities among officials.

Notable examples of troubled SACCOs include Mwalimu, Ekeza, and Stima Investment Co-operative, which collectively lost members an estimated KSh 3.6 billion due to fraud. Deregistration of SACCOs like Ufundi and Transcom, alongside liquidity issues in others such as Rachuonyo Teachers, indicates the pressing need for corporate governance reform. In 2020, SASRA revoked the licenses of Nandi Hekima, Sukari, and Miliki SACCOs due to severe operational challenges, while 12 others were placed on a watchlist. In 2021, additional deregistrations occurred, including Comoco and Nyamira Tea, underscoring ongoing governance failures within the sector. These developments highlight the urgent need for regulatory oversight to protect member savings and restore confidence in SACCO (SASRA, 2021).

The contrasting findings in studies investigating the impact of internal audit characteristics highlight several gaps in understanding how audit quality affects financial performance across various sectors and countries. For example, Sidiq and Krismiaji (2020) reported a positive and significant relationship between audit committee competency, internal auditor independence, and organizational performance. However, it does not explore the impact of different regulatory environments or industry-specific factors on these relationships, leaving a gap in understanding how these findings apply to organizations with distinct governance structures, such as SACCOs.

In contrast, Junaidu and Kabiru (2022) discovered a weak and negative correlation between internal auditor independence and performance, indicating that independence might not always enhance financial outcomes. Conducted in Nigeria, this study suggests that in some contexts, independence may not significantly influence performance or may even hinder it. This discrepancy with Sidiq and Krismiaji (2020) highlights a contextual gap: while auditor independence is typically seen as beneficial, these findings imply that cultural, organizational, or regulatory differences might moderate its impact.

Elewa and El-Haddad (2019) focused on Egyptian Stock Exchange businesses, finding that neither auditor independence nor competence had any statistically significant effect on financial metrics such as return on assets (ROA) and return on equity (ROE). This finding stands in contrast to studies like Sidiq and Krismiaji (2020) that report positive effects of auditor competency on performance. Elewa and El-Haddad's findings point to a geographical gap—their study suggests that regional economic factors, stock market dynamics, or specific regulatory frameworks might mediate the effect of auditor independence and competence on financial performance, as these factors may differ between countries like Egypt and Indonesia. Furthermore, the study reveals an empirical gap, as the reasons for this lack of impact remain unexplored, leaving room for further research to investigate how local financial regulations or industry practices might influence these audit characteristics' effectiveness.

Finally, Hazaea, Zhu, and Al-Kuhali (2020) conducted a study on Yemeni banks and found that internal audit committee meeting frequency and size had no significant impact on financial performance, contrasting with prior research that often suggests frequent meetings as a marker of higher audit engagement. This finding reveals a theoretical gap: while many studies assume that frequent meetings are inherently beneficial, Hazaea et al.'s research suggests that the quality of meetings or the actions taken as a result may be more crucial than frequency alone. Additionally, the study indicates an empirical gap, as it does not account for the potential moderating effects of meeting quality, committee expertise, or bank-specific governance practices, suggesting that future studies should consider how these factors mediate the relationship between audit committee characteristics and performance across different banking environments.

1.2 Statement of the Problem

According to SASRA report (2021) the comparative growth rates are the key performance parameters and depicts the fact that the DT-SACCOs reported a slower growth rate in all the parameters of performances in 2021 compared to the year 2020. The total assets for DT-SACCOs grew at 10.08% in 2021 compared to 12.75% recorded in 2020. The total deposits for DT-SACCOs on the other hand grew at 9.92% in 2021 which is much lower when compared to a growth rate of 13.41% recorded in 2020. The gross and net loans for DT-SACCOs on the other hand grew at 10% and 8.35% respectively in 2021, both of which reflected lower growth rates.

Mwalimu National Sacco's executives acquired 75% of Aspire Bank for Sh2.4 billion, ignoring audit recommendations and regulatory objections. Metropolitan Sacco’s assets dropped from Ksh. 16.73 billion in 2020 to 10.56 billion in 2021, falling in ranking from 6th to 15th. Due to financial strain, it withheld 50% of members' dividends, then canceled payouts entirely for 2021, despite audit recommendations. Asset discrepancies further raised concerns (SASRA, 2021). SASRA (2018) attributes Kenyan SACCO underperformance to mismanagement, fraud, corruption, and concealed poor performance. Consequently, measures were imposed, including license cancellations, de-registration, and watchlisting of certain SACCOs, notably Elimu, Jumuika, Telepost, Wevarsity, Stake Kenya, and others.

Sidiq and Krismiaji (2020) revealed that performance was positively and significantly affected by the audit committee's competency and the independence of internal auditors. This result goes against what Junaidu and Kabiru (2022) who discovered a weak and negative correlation between internal auditor independence and performance. Further, research by Elewa and El-Haddad (2019) showed that Egyptian Stock Exchange businesses' return on assets (ROA) and return on equity (ROE) were unaffected by the independence and competence of their internal auditors. A research carried out by Hazaea, Zhu, and Al-Kuhali (2020) shown that the performance of Yemeni banks was unaffected by the number and frequency of internal audit committee meetings.

Muchugia (2018) recommends that future studies use other audit quality indicators due to the limitations of comparing audit quality. Serem et al. (2020) indicated that future research should broaden its scope to include Saccos from more areas, according to the report. A thorough study among the Nairobi Securities Exchange's non-listed firms was recommended by Kwabena (2017). Wasonga, Nyamute and Lishenga (2020) recommended that further studies should use both primary and secondary data, a gap which this study seeks to fill.

1.3 Research Objectives

The study was directed by general objective and the specific objectives

1.3.1 General Objective

The main objective of this research was to determine the influence of audit quality, firm size on the financial performance of Deposit Taking SACCOs in Kenya.

1.3.2 Specific Objectives

i) To establish the influence of auditor's competence and experience on financial performance of Deposit Taking SACCOs in Kenya.

ii) To examine the influence of internal auditor's independence on financial performance of Deposit Taking SACCOs in Kenya.

iii) To establish the influence of internal audit procedures and standards on financial performance of Deposit Taking SACCOs in Kenya.

iv) To determine the influence of audit committee characteristics on financial performance of Deposit Taking SACCOs in Kenya.

v) To determine the moderating influence of firm size on the relationship between audit quality and financial performance of Deposit Taking SACCOs in Kenya.

1.4 Research Hypotheses

H_{01}: Auditor's competence and experience has no significant influence on financial performance of Deposit Taking SACCOs in Kenya.

H_{02}: Auditor’s independence has no significant influence on financial performance of Deposit Taking SACCOs in Kenya.

H_{03}: Internal Audit procedures and standards has no significant influence on financial performance of Deposit Taking SACCOs in Kenya.

H_{04}: Audit committee characteristics has no significant influence on financial performance of Deposit Taking SACCOs in Kenya.

H_{05}: Firm size has no significant moderating influence on the relationship between audit quality and financial performance of Deposit Taking SACCOs in Kenya.

1.5 Significance of the Study

Kenyan Saccos who accept deposits should use this study's results and suggestions to update and create new internal rules. The goal of these modifications is to increase the frequency and depth of audits conducted by Saccos across the world, particularly in Kenya, in order to improve their financial performance. The audit committees will benefit greatly from the research's findings since they will be able to implement suitable audit quality measures, which will boost the Saccos' financial performance.

The government of Kenya through the main accounting board ICPAK and SASRA, may use the findings to formulate or review accounting and auditing guidelines with a view to improve the management of professional conduct. Such guidelines would enable identify factors that relate to quality audit which if found to be lacking pose a huge threat.

The findings of this research may be advantageous to SACCO shareholders as they shed light on the significance of audit quality in relation to the performance of SACCOs. Donors, governments, partners, investors, and other stakeholders may find the findings of this study useful, as they highlight the determinants of audit quality and investors may decide whether or not to invest in the SACCOs based on the nature of the challenges they face.

Future researchers, academicians and policy makers who may wish to conduct studies on quality audit may use this research as a foundation and build upon it. This research will offer a basis for comparative information for references or for conducting other studies.

1.6 Scope of the Study

Conceptually, the study will focus on audit quality, firm size and financial performance. There audit quality will be independent variable, firm size moderating variable and financial performance dependent variable. Audit quality will be conceptualized as auditor's competence and experience; auditor's independence; internal audit standards; and committee meetings. Contextually, the study will be conducted among deposit taking Sacco and the geographical scope will Kenya which has 176 DT-Sacco's regulated by SASRA. Methodologically, the study will use both primary data and secondary data. Primary data will be collected from Finance managers, internal auditors and accountants. In regards to time scope, the study will use secondary data collected between 2017 and 2022 to measure firm size and financial performance.

1.7 Limitations of the Study

Some respondents may not be willing to give sensitive financial performance information; this was however mitigated through assurance of the confidentiality of their responses. Also, some respondents may have limited time to respond to the questionnaire due to their busy schedule such cases the researcher will use drop and pick method which will be supplemented by reminders through short messages and calls.

CHAPTER TWO

LITERATURE REVIEW

2.1 Introduction

This chapter examines the literature on the inherent audit quality in the banking and deposit-taking SACCOs industry. The text explores the fundamental ideas that form the basis of banks' risk, establishes a conceptual framework, and examines the research gaps regarding the impact of audit quality on the financial performance of Deposit Taking SACCOs in Kenya.

2.2 Theoretical Framework

The theoretical framework demonstrates the researcher's comprehension of ideas and models pertaining to the study issue and the broader field in which the research is situated (Kiaritha, 2014). Theories provide a comprehensive explanation for the emergence of problems that impact research as a whole. Therefore, it is essential for researchers to have a good understanding of the theories that are relevant to their specific field of study (Kombo & Tromp, 2019). Theoretical framework aids researchers in identifying the variables of the study, establishing a comprehensive framework for data analysis, and selecting an appropriate research design (Aguilar,2019). The choice of a theory is contingent upon its suitability, practicality, and capacity to elucidate the subject matter, which should be pertinent to the research topic's domain and provide a link between the researcher and preexisting knowledge (Hannah, 2015). The theory examined in this are legitimacy theory, stakeholder theory, Transaction cost theory, and Agency theory.

2.2.1 Legitimacy Theory

Legitimacy theory, which originated from the foundational work of Dowling and Pfeffer (1975), explores how organizations strive to align their practices with societal norms and expectations to gain and maintain legitimacy. This theory has evolved over time, with scholars like Suchman (1995) further refining its concepts by distinguishing between different types of legitimacy—pragmatic, moral, and cognitive. These frameworks emphasize that organizations must not only demonstrate compliance with external standards but also resonate with the values and beliefs of their stakeholders to sustain their operations.

The core proposition of legitimacy theory is that organizations operate within a social contract that mandates adherence to the values, norms, and expectations of their stakeholders. When an organization deviates from these societal standards, it risks losing legitimacy, which can lead to negative consequences such as loss of funding, decreased consumer trust, and reputational damage (Suchman, 1995). In this context, maintaining legitimacy is crucial for organizational survival and success, as stakeholders, including investors, regulators, and the community, are more likely to support organizations that are perceived as legitimate and socially responsible (Lindblom, 1994).

Legitimacy Theory suggests that organizations seek to align their values and practices with societal norms and expectations to gain and maintain legitimacy, which is essential for their survival. However, the theory has been critiqued for being overly reactive and image-focused, implying that organizations may prioritize appearing legitimate over substantive change (Suchman, 1995). Critics argue that organizations may selectively disclose or frame information to shape public perception rather than genuinely addressing societal concerns, particularly in corporate social responsibility (CSR) practices (Deegan, 2002). Additionally, Legitimacy Theory lacks specificity in identifying which societal norms are prioritized, as different stakeholder groups may hold varying expectations, complicating practical application (O'Donovan, 2002).

Legitimacy theory is particularly pertinent to understanding the relationship between audit quality, firm size, and financial performance in Kenya's deposit-taking SACCOs. By ensuring high audit quality—characterized by auditor independence, competent audit committees, and adherence to internal audit standards—SACCOs can enhance their credibility and transparency in financial reporting. This alignment with societal expectations helps build trust among stakeholders and can positively impact financial performance by attracting more members and resources (Abdullah & Ismail, 2019). Moreover, larger SACCOs may experience increased scrutiny from regulators and the public, heightening their need to demonstrate legitimacy through robust auditing practices. Ultimately, legitimacy theory provides a valuable framework for examining how adherence to high auditing standards influences organizational legitimacy and financial success within the SACCO sector in Kenya.

2.2.2 Stakeholder Theory

Stakeholder theory was popularized by R. Edward Freeman in his seminal work, Strategic Management: A Stakeholder Approach, published in 1984. This theory shifted the focus from shareholders as the primary concern of business management to a broader consideration of all stakeholders who have an interest in the organization, including employees, customers, suppliers, and the community. The core proposition of stakeholder theory is that organizations should create value for all stakeholders, not just shareholders. This approach argues that the interests of various stakeholder groups are interconnected, and that businesses thrive when they manage these relationships effectively. Freeman (1984) emphasizes that recognizing and addressing the needs and expectations of stakeholders leads to sustainable business practices, fostering loyalty, trust, and a positive corporate reputation. The theory posits that stakeholders can influence and be influenced by an organization, and thus their engagement is crucial for long-term success and stability.

Stakeholder Theory posits that organizations should manage their relationships with all relevant stakeholders, not just shareholders, to achieve long-term success. While the theory broadens accountability, it has been critiqued for its ambiguity in prioritizing stakeholders and managing competing interests, which can complicate decision-making

(Freeman, 1984; Mitchell et al., 1997). Critics also argue that the theory's emphasis on balancing diverse stakeholder needs may dilute shareholder value, particularly in profit-driven firms (Jensen, 2001). Additionally, Stakeholder Theory lacks clear mechanisms for evaluating or measuring the fulfillment of stakeholder interests, which can result in inconsistent or subjective interpretations of corporate performance (Parmar et al., 2010).

Stakeholder theory is highly relevant to examining the relationship between audit quality, firm size, and financial performance, especially in the context of deposit-taking SACCOs in Kenya. By prioritizing high audit quality—characterized by independence, competence, and adherence to standards—SACCOs can better address the interests and concerns of their diverse stakeholders, including members, regulatory bodies, and the local community. This alignment not only enhances transparency and accountability but also builds trust among stakeholders, ultimately leading to improved financial performance and organizational legitimacy (Harrison et al., 2015). Additionally, larger firms may have a greater capacity to implement stakeholder-oriented practices, as they typically have more resources to engage with stakeholders effectively. Therefore, stakeholder theory provides a comprehensive framework for understanding how audit quality and firm size influence the financial success of SACCOs by highlighting the importance of managing stakeholder relationships.

2.2.3 Institutional Theory

Institutional Theory was largely shaped by the work of John Meyer and Brian Rowan (1977), who emphasized that organizations adopt practices, not solely for efficiency, but to align with social norms and values, thus securing legitimacy within their institutional environment. DiMaggio and Powell (1983) further refined the theory, introducing the concept of "institutional isomorphism," where organizations within an industry conform to similar practices to gain legitimacy, regardless of their direct impact on efficiency.

Institutional Theory asserts that organizations adhere to standardized structures and practices to align with societal norms and gain legitimacy, which may be equally or more influential than efficiency motives (Scott, 2014). For SACCOs, adherence to internal audit standards and procedures aligns their financial practices with industry expectations, enhancing their perceived reliability and commitment to governance. Through this lens, adopting recognized audit practices helps SACCOs secure a trusted position in the financial services sector, which can boost their attractiveness to stakeholders and potentially improve financial performance (Greenwood et al., 2017).

Institutional Theory suggests that organizations adopt structures and practices to conform to the institutional environment, thus enhancing legitimacy and stability. While widely applied, the theory has been criticized for downplaying agency, implying that organizations passively conform to norms rather than strategically responding to or shaping their environment (DiMaggio & Powell, 1983). Critics also argue that

Institutional Theory overemphasizes stability and resistance to change, potentially overlooking the dynamic ways in which organizations innovate or deviate from norms (Greenwood & Hinings, 1996). Furthermore, it is criticized for its focus on homogeneity across organizations within an institutional field, which may overlook significant diversity and variability in organizational behavior (Oliver, 1991).

Applying Institutional Theory to SACCOs in Kenya highlights the significance of adopting standardized internal audit procedures and practices, as these contribute to stakeholder trust and regulatory compliance (Mokhtar et al., 2020). Kenyan Deposit Taking SACCOs that align with standardized internal audit practices, particularly those recommended by regulatory bodies, signal a commitment to transparency and reliability. This alignment is particularly important in financial institutions where trust and credibility are central to attracting and retaining members and investors. Adherence to institutionalized audit standards also reduces the risk of mismanagement or fraud, further safeguarding the SACCO's financial health. In this way, the theory underscores how institutional pressures shape internal audit practices within SACCOs, ultimately supporting their financial stability and performance (Almutairi & Quttainah, 2021; Mohamed et al., 2023).

2.2.4 Agency Theory

Agency theory was propagated by Jensen and Meckling (1976). Agency theory describes managers as agents and stakeholders as principals because many decisions that affect the principal financially are made by the agents. An essential tenet of agency theory is the idea that managers may have their own self-interests at heart. The theory indicates that by identifying two main conflicts between parties to a company, firstly, between the managers and shareholders, and secondly, between the shareholders and the creditors. The interests of principals and agents need to be matched to overcome their different preferences regarding firm activity and different attitudes towards risk exposure. Since information asymmetry argues that the principal and agent hold different amounts of information (normally the agent has access to more information than the principal), it is difficult and expensive for the principal to monitor the agent‘s behavior (Chen, Wang & Wang, 2021).

Agency theory assists to elaborate responsibilities and role given by an organization to internal auditors apart from explaining and predicting internal audit existence. In addition, agency theory predicts how organizational change is likely to affect functioning of internal audit (Fayezi, O'Loughlin & Zutshi, 2018). Further he proposes in the interests of management as well as the third party an auditor is appointed. A SACCO is regarded as a web of contracts. Various groups for example the bankers, suppliers, employees and customers make some type of SACCO contribution for a given price. The role of management is to organize these contracts and groups and also try to maximize them and ensure value money by ensuring we have; low price purchased supplies, loans at low interest rates, greater share prices, high dividend to members, high returns on investments and reduction of operation cost.

Value of shareholders is increased by cost of beneficial agency, undesirable agency cost happens when actions of management conflict with interest of shareholder (Chen, Wang & Wang, 2021). This occurs when managers put ahead their own interests of interest of the owner such as altering earnings on short-term at the expense of performance which is long-term so as to attain a bonus. The theory predicts how change of an organization is likely to affect function of financial management. The need for audit services is the main reason why third parties (interested parties) participate in the SACCO. From management, these parties demand accountability in return for their SACCO investment.

Agency Theory examines the relationship between principals (owners) and agents (managers), emphasizing mechanisms to align agents' interests with those of principals. The theory has been criticized for its assumption of self-interest and opportunism in agents, which may not accurately reflect real organizational behavior (Perrow, 1986). Additionally, its heavy focus on financial incentives and control mechanisms tends to overlook non-financial motivators, such as organizational culture and ethics, that can also influence behavior (Eisenhardt, 1989). Critics further argue that Agency Theory's focus on shareholder interests may ignore broader stakeholder considerations, limiting its applicability in stakeholder-driven organizations, such as cooperatives (Davis et al., 1997).

Agency theory was used in this study to show the effect of audit quality specifically auditor's competency and experience, independence, internal audit standards and committee characteristics on financial performance of SACCOs. Through issuance of periodic financial reports accountability is achieved. The report maybe not portray the exact financial situation of an organization and also may be biased since it is the management which give the information hence need for quality independent internal audit is essential so as to facilitate reliability of the provided information. Auditors should at all-time try to meet public expectations with regard to audit assurance audit. A basis for rich research is provided by Agency theory which can be beneficial to both the professions in the internal audit and SACCOs hence the importance of employing this particular theory in this investigation.

2.3 Conceptual Review

This section introduced the key concepts central to the study: the independent variable (Audit Quality), the moderating variable (Firm Size), and the dependent variable (Financial Performance). Each concept is discussed in detail, including their definitions, relevance to the research, and the specific methods by which they will be measured and analyzed within the context of this study.

2.3.1 Auditor's competency and experience

As stated by Arens et al (2012), competence refers to the specific knowledge and abilities required to successfully do the activities that constitute one's employment. Competency in the internal audit field refers to the acquisition of specific knowledge and skills that improve the overall quality of internal auditing. According to Mahzan and Hassan (2015), the phrase "comprises" when discussing internal auditing encompasses a wide range of competencies, including knowledge, skills, and competence. The credibility of the auditor is often seen as a sign of how well they can detect fraud or mistakes. Furthermore, it is an essential component for determining the efficacy of internal audits. The importance of internal auditors having the necessary knowledge, abilities, and credentials to improve their operational effectiveness is highlighted by the Institute of Internal Auditors (IIA), a prominent organization that sets standards for internal auditing (Bello, Ayoib, & Zalina, 2017).

The nature of competence auditing means that a loss of confidence and reputation or a reduction in trust, for whatever reason, undermines its effectiveness. Perception matters. Whatever the regulatory background and the requirements of financial reporting, it is important not to lose sight of the fact that auditing is a practical discipline that relies on human beings (Borris, 2014). Competence in auditing is more important or under such public scrutiny. In this era of the global economy, shareholder confidence in financial information can impact across markets with an immediacy and force which can either boost share prices or wipe billions off the value not just of companies but whole market sectors. Even for the smallest companies, confidence in the financial systems and safeguards within which they operate is pivotal to that stability. The company audit is one such safeguard and now is a good time to re-examine what it represents (De Angelo, L. 2011). Competence in Auditing produces qualitative financial reports which in turn prevent financial crises (Kaklar et al., 2013).

According to Palmrose (2008) audit quality from the perspective of providing assurance that the financial statements will contain no material misstatements. By extrapolation, the reliability of financial statements is reflected in audit quality practices adopted in their preparation. Competence in auditing plays a key role in contributing to the credibility of the financial statements on which they are reporting. High-quality audits support financial stability. As the global auditing standard-setter, the IAASB has a public interest responsibility to develop standards and guidance for auditors to facilitate high-quality audits being achieved which in turn builds public trust and confidence in financial statements and financial reporting more broadly. In addition, audit quality when considered in conjunction with auditor independence; impact the confidence level which users of financial statements have in financial reports (Al Khaddash eta, 2013).

According to Choi and Jeter (2012), if there is no competence in auditing, auditor quality is endangered, audit reports provide a lower level of assurance to users of financial statements. In other words, qualified audit reports as a consequence of poor audit quality, lead to reduction in the demand for shares of an organisation in the stock exchange. The disruptive consequences of the worldwide financial crisis have emphasized the crucial significance of proficiency in auditing. The quality of financial reporting for public firms is contingent upon the contribution of external audits in supporting it.

2.3.2 Auditor's independence

Lacking a generally accepted definition and interpretation, the concept of independence is intrinsically vague and nebulous (Wines, 2012). Being free from management interference when conducting internal audits and writing audit reports is what we mean when we talk about independence (Cooper et al., 2019). Ensuring the quality of internal audits relies heavily on their independence. For auditors, it is the bedrock of their work (Chun, 2007). Among the several acknowledged catalysts, the internal audit role stands out (Alzeban and Gwilliams, 2014). The ability to think, propose, and identify things without bias or suspicion is an essential trait for an internal auditor to have. Maintaining the auditor's impartiality is critical to the effective performance of internal auditing duties. For the credibility of auditor reports, it is also essential. Lack of actual or perceived independence on the part of auditors would damage the reliability of audit findings, which would erode confidence among creditors and investors. The auditor's position inside the business and their ability to remain objective are the two main sources of independence. If auditors can avoid bias, prejudice, and conflicts of interest while maintaining total objectivity and impartiality, then we may say that they are independent.

The primary objective of an independent auditor is to enhance the quality of financial reporting by optimizing the efficacy and efficiency of the audit process. This is achieved by ensuring that the auditor maintains an appropriate level of professional detachment from the client, therefore safeguarding their integrity and preserving their unbiased judgment. Tobi and colleagues (2016). As stated by Jackson (2008). The autonomy of auditors plays a crucial role in maintaining the trust of users in the audited financial accounts. Auditor independence may be influenced by variables such as offering non-audit services to the customer and having connections with the client company. Furthermore, if the auditors exceed the expected duration of their engagement with a client, known as prolonged audit tenure, it may compromise their independence. Regulators established guidelines to govern the interaction between the auditor and the customer.

According to Sawyer (2005). Independence in internal auditing has proved that it is of value to the organization and earn a reputation in the organization. Independence of internal auditors greatly enables then to produce the right and accurate audit reports that greatly improve decision making of an organization thus stimulating growth and performance in general. The requirement of focusing more on enhancing organizational performance is something that is well recognized around the globe. Most of the institutions perform poorly because of poor audit reports associated with corruption among self interest groups concerning the business finances. There is need for the independence in compiling the audit reports (Angus and Mohammed, 2011).

Effective internal auditing undertakes an independent evaluation of financial and operating information of systems and procedures to provide useful recommendations for improvements as required. The independence of internal auditing greatly contributes to the effectiveness of each audit in particular and the organization at large (Dittenhofer, 2001). He also observed that if internal auditing quality is maintained, it will contribute to the appropriateness of procedures and operations of the auditor and therefore independence in internal auditing contributes to effectiveness of the audit and the organization as a whole.

2.3.3 Internal Audit procedures and Standards.

An internal audit should be governed by guidelines that demonstrate its effectiveness. The internal audit standards are mandatory regulations that provide the necessary foundation for the professional practice of internal auditing. These standards, which are principles-based and include codes of conduct, are crucial for evaluating both the performance of organizations and individuals in this field (Abdullatif and Kawuq 2015; Mihret and Grant 2017; Plant et al. 2019).

As to the Institute of IIA (2015), the standards' framework comprises of two primary groups. The first category consists of the standards for characteristics, which include the requirements pertaining to the attributes of both firms and individuals engaged in internal audits. These standards are further comprised into nineteen (19) fundamental sub-standards that together constitute the attribute standards. The second category pertains to performance standards, which provide the benchmarks of excellence for evaluating the effectiveness of these services and outline the objective of internal audits. The performance standards consist of a total of thirty-three (33) basic sub-standards.

Where internal audit standards are reliable and must be relied upon by internal auditors of any institution. These standards are the basis for the work of any internal auditor. Which is an base factor in strengthening the internal audit profession (Abdolmohammadi & Sarens, 2011), whereas Internal audit standards are the rules by which the internal auditor's operations can be evaluated, as compliance with them leads to the achievement of the objectives of this function (Ajila & Zaqeeb, 2017).

According to the International Accounting Standard Board (IASB), the quality of financial reporting cannot be determined solely by qualitative characteristics. As a result, experts in this field have begun conducting studies to identify the quantitative elements or factors that influence the quality of financial reporting. These influences are then used as measures of financial reporting quality (Herath & Albarqi, 2017).

Jarah, Al-Zaqeba, and Al-Jarrah (2022) posited that adhering to internal auditing standards while doing auditing work greatly enhances the efficacy of the auditing process. In a study conducted by Rahmatika (2014) in the United Kingdom (UK), it was discovered that adhering to professional standards is the primary factor that contributes to the increased value of internal auditing (IA). The IIA (2008) publishes standards for audits and audit-related services, which include attribute, performance, and implementation requirements. Formal auditing standards generally acknowledge that internal auditors also provide services related to non-financial information. Auditors must carry out their work in a fair and consistent manner, following all applicable rules and regulations for their profession. As a result, the methods and rigor of internal auditing will be used to evaluate and improve governance, control, and risk management. While there may be some variation in how internal auditing is actually carried out, it is crucial for internal auditors to follow the guidelines laid out by the IIA in their International Standards for the Professional Practice of Internal Auditing (Standards) in order to do their jobs well (IIA, 2010).

2.3.4 Audit Committee Characteristics

Personalities of the audit committee and Verify reliability Audit committees are intended to have frequent meetings in accordance with the Blue-Ribbon Committee's recommendations so that they may effectively carry out their oversight responsibilities (Abbott et al. 2002). Based on common sense and the assumption that greater time for deliberation and decision-making is inherent in more frequent meetings, a committee or group is likely to do better than one that does not. Financial reporting, auditing, internal control systems, and regulatory compliance are the main areas that audit committees aim to oversee (Ofoeda, 2017). According to Bouaine and Hrichi (2019), audit committees are an additional tool for protecting shareholders' interests. The audit committee is seen as an independent observer that helps to address agency issues and optimize corporate performance. Therefore, the creation of an audit committee increases the trust of shareholders and capital markets (Bouaine & Hrichi, 2019). Audit committees are increasingly recognized as a crucial component of contemporary control systems and governance practices. Public accountability and the credibility of disclosed financial data are both greatly supported by their work (Ashari & Krismiaji, 2020). According to Herdjiono and Sari (2017), one of the most important roles of audit committees is to protect the independence of external auditors so that they may carry out their work without being swayed by management. A solution to this agency conflict, according to Jensen and Meckling (1976), is the use of audit committees. An organization's financial performance may be greatly improved by paying close attention to the audit committee's membership and characteristics (Deloitte, 2018).

Bryan, Liv, and Tiras (2004) as cited in Madawaki and Amran (2013) observed that companies with audit committees that meet regularly experienced improved quality because of better transparency in reporting. They also found out that those audit committees that regularly meet are able to perform monitoring tasks more effectively than audit committees that are irregular in meeting. They recommended that such meetings should not be reactive in nature but proactive if it must be termed effective. Similarly, casual empirics suggested that committee meetings should be complementary to size criteria. That is, if audit committee size is small (in size), they would require more time to meet so as to do what probably a large sized committee would do in less time. Blue Ribbon Committee (BRC) specifically stated that audit committees should meet at least quarterly and this they argued shows the level of diligence expected from audit committees.

The efficacy of an audit committee was measured by Mohiuddin and Karbhari (2010) using the following criteria: size, frequency of meetings, members' qualifications and financial understanding, and the committee's independence. Woodlock (2006) goes on to say that having competent and independent members is the first step in successful audit committee supervision. The claim made by DeZoort et al. (2002) is that independent AC safeguards shareholder interests by ensuring strong risk management, effective internal controls, and good financial reporting. According to Mohiuddin and Karbhari (2010), the audit committee's size, number of meetings per year, independence of members, and qualifications of members were the criteria utilized to assess the effect on the research variables.

2.3.5 Firm Size

The most fundamental question underlying firm policy is at what size is firm efficiency maximized. The expansion of the size of the firm increases its efficiency up to a certain level where any further increase becomes harmful since bureaucratic and other managerial issues and challenges set in. Hence the relationship between size and efficiency is nonlinear in nature. We utilize the logarithm of the assets of the firm (logarithm) and their square so as to curb this likely non-linear association (Yuqi, 2007). According to Amato and Burson (2007), the size of an organization is primarily determined by the amount of assets it owns. An argument can be made that the larger the assets a firm owns, the more its ability to undertake a large number of projects with greater returns in comparison with small firms with a smaller amount of assets. Additionally, the bigger the firm, the larger the amount of collateral that can be pledged in a move to access credit facilities in comparison to their smaller competitors (Njoroge, 2014). Lee (2019) concluded that the amount of assets in control of a firm has an influence on the level of profitability of the said firm from one year to the next.

Customer deposits are a vital indicator of firm size in financial institutions, particularly within banks and savings and credit cooperative organizations (SACCOs), as they reflect the institution's ability to attract and maintain a substantial customer base. A significant volume of customer deposits not only suggests a larger market presence but also enhances the institution's capacity to leverage these funds for loans and investments, thereby driving growth and profitability (Dibbo et al., 2021). Furthermore, institutions with higher deposit levels can benefit from economies of scale, allowing them to reduce operational costs and improve competitive positioning by offering better rates and services to customers (Hassan & Aliyu, 2020). Additionally, customer deposits serve as a financial cushion, contributing to the institution's stability during economic fluctuations, which is crucial for maintaining stakeholder confidence and ensuring long-term sustainability (Omodero & Olayiwola, 2020). Thus, customer deposits are not only a measure of firm size but also an essential component of financial health and operational capacity in the competitive financial sector.

2.3.6 Financial Performance

Financial performance can be synonymous with how well a corporate organization is doing in achieving its financial targets and shareholders' expectations. Corporate financial performance can be looked at as the level of performance of an organization at a point in time. This could be measured in terms of overall profits and losses or asset utilization (Iliemena & Ijeoma, 2019). The measures of financial performance of an organization are as varied as the motive for the measurement. Financial performance measures quantitatively compare the performance of an organization against predetermined standards. Indices of measure include but not limited to return on Equity (ROE) and Return on Assets (ROA). However, our current study adopts dividends per share, and interest on member's deposits to measure financial performance.

Dividend per Share (DPS) is the metric represents the portion of a company's earnings that is distributed to shareholders, expressed on a per-share basis. DPS is a crucial indicator for investors as it reflects the company's profitability and its commitment to returning value to shareholders. A consistently high or growing DPS often signals strong financial health and can attract more investors, enhancing the firm's market value (Brealey et al., 2020).

Interest on Members' Deposits refers to the interest income generated from deposits made by members in savings and credit cooperative organizations (SACCOs). The ability to offer competitive interest rates on member deposits can significantly influence customer satisfaction and retention. Moreover, the interest earned from these deposits contributes to the institution's revenue, impacting its overall financial performance. A higher interest income indicates effective asset management and can enhance the organization's ability to reinvest in growth opportunities (López & Rodríguez, 2021).

Surplus refers to the net income generated by an organization after all expenses, taxes, and obligations have been paid. In the context of SACCOs and other financial institutions, a surplus is crucial as it indicates financial stability and the capacity to fund future growth initiatives or distribute dividends to members. Consistently achieving a surplus can enhance the institution's reputation and trustworthiness in the eyes of stakeholders, reinforcing its competitive position (Olawale & Garba, 2022).

Membership is the number of members in a SACCO or cooperative is another significant measure of financial performance. An increasing membership base indicates the institution's popularity and effectiveness in meeting the financial needs of its community. Higher membership levels can lead to increased deposits and, consequently, higher revenue through interest income. Additionally, a larger member base often reflects customer satisfaction and loyalty, essential for long-term financial success (Karanja, 2020).

2.4 Empirical Review

This section provides an in-depth review of previous empirical studies related to the study's specific objectives, examining relevant research at the global, regional, and local levels. Through this comprehensive review, the study identifies key themes, trends, and differing viewpoints across various contexts, enabling a deeper understanding of the topic's complexity. The studies are synthesized and critically analyzed, focusing on the strengths, limitations, and methodologies employed in past research. This critique allows for the identification of significant gaps in the literature—specifically, areas where current knowledge is limited or inconsistent thereby justifying the need for the present study and clarifying its unique contribution to the field.

2.4.1 Influence of auditor's competence and experience on financial performance

Ibrahim, Mansor, and Ahmad (2020) looked at how internal audit affects financial reporting quality. This study relied on a descriptive research strategy. All businesses included in the Nigerian Manufacturers Association's database made up the bulk of the population. Use of primary and secondary sources for data collection. Relevant information was gathered via the use of questionnaires. The data gathered was analyzed using both quantitative and qualitative techniques. The factors under investigation were independent. Researchers found that auditors' professional competence, independence, and backing from upper management were significant predictors of high-quality financial reporting.

A study by Albawwat, Al-Hajaia, and Al Frijat (2021) looks at how internal auditors' personalities affect how well their job is done. Financial reporting quality is also investigated in relation to these interrelated aspects. Data for this study came from 193 internal auditors working for Jordanian companies registered on the Amman Stock Exchange. The participants were queried using a questionnaire. By using partial least squares structural equation modeling, the study model is both validated and monitored.

Aside from the extraversion characteristic, the results show that all of the other evaluated personality traits of internal auditors significantly impact the effectiveness of the internal audit responsibility. These results also show that personality traits have an indirect impact on financial reporting quality effectiveness via the efficiency of internal auditing. Yachi and Yona (2019) looked at the relationship between accountableness and transparency in Zimbabwean local governments and the degree of professional competence and staffing within the internal audit function. Survey data gathered from focus groups and semi-structured questionnaires were analyzed using multivariate and regression software. Results showed that local governments in Zimbabwe are more open and accountable when it comes to internal auditing when certain competency factors including education, work experience, and certification are in place. Improving and maintaining a pool of qualified internal auditors is essential to bolstering the effectiveness and efficiency of firm governance procedures.

The purpose of Nurdiono and Gamayuni's (2018) research was to provide evidence about how competent internal auditors affect the quality of audits conducted by local governments. They also examined how this relationship might benefit the accountability of local government. The research was conducted on the whole population of inspectorates in the regency/city of Lampung Province, using route analysis via Partial Least Square (PLS) methodology. The study's findings provide factual proof that the competence of internal auditors (inspectors) has a favorable and substantial impact on the quality of internal audits. Greater internal auditor skill is positively correlated with improved audit quality, as shown by the quantity of findings identified by internal audit. Through a descriptive and verificative analysis of all Province/City/Regency Inspectorates in Lampung, it is evident that the internal auditors (inspectorate) has sufficient competence. However, there are some places where the auditors lack competence due to inadequate education levels and skills. Bengrich and El Ghadouia (2020) looked at the whole impact of internal audit on the performance of businesses in the Souss Massa region of Morocco. The writers evaluated the internal audit by looking at the credentials of the head of the audit, the size of the audit, the auditor's expertise, and their experience. Regardless, they considered monetary and economic performance as well as social and environmental performance when evaluating the overall performance. The study's results showed a strong positive relationship between internal audit and monetary, social, and economic success. Internal audit and environmental performance were shown to be negatively correlated, on the other hand. Financial and commercial performance may be well explained by the characteristics of internal audit, according to the authors. Public and Para public enterprises in Cameroon were the subjects of a research by Boubakary (2020) that examined the connection between internal audit and their performance. According to the study's results, internal auditing significantly improves the sample's financial performance when considering criteria like the size of the internal audit department, the auditor's ability, experience, and independence. To improve financial performance and achieve extra value, the study's authors stated that it is important to create an internal audit with auditors holding the aforementioned profile.

A study by Astro, Marwa and Wahyud (2019) aimed to analyze and get empirical evidence about the effect of competence, experience, independence, due professional care, and integrity on with auditor ethics as a moderating variable. The data used in the study was primary data obtained through questionnaires obtained from external auditors in South Sumatra, Indonesia. The sample used was 97 auditors. The analytical tool used in this study was multiple linear regression analysis with moderating variables which are estimated using Ordinary Least Square (OLS). The results of the study show that the variables of competence, due professional care, and integrity significantly affect audit quality, the form of positive influence. Experience and independence variables do not significantly affect audit quality. Auditor ethics variables do not significantly moderate competence, experience, independence, due professional care, integrity to audit quality.

The purpose of Akangwagye's (2022) research was to identify any associations between the financial health of commercial banks operating in Kampala Central Division and audit quality. The study surveyed 24 commercial banks in the central division of Kampala using a cross-sectional and correlational quantitative approach. A total of 26 commercial banks were considered for this selection. Results from the research of correlation coefficients showed that commercial banks' financial success was positively and significantly correlated with team competence. This provides evidence that improving one variable improves the other. Furthermore, the hierarchical regression analysis indicates that audit quality combined with team competence have a greater predictive potential on the financial performance. Therefore, it’s worth recommending that the management of the commercial banks should ensure that they hire quality audit firms and ensure that employees who work in the internal audits are well qualified and they should do this by tracking their history and also how big they are in dealing with different bigger audits.

Bello, Ahmad, and Yusof (2018) examine federal institutions in Nigeria to determine how top-down support affects the relationship between internal quality traits and organizational performance. A total of forty Nigerian colleges that are under the jurisdiction of the federal government participated in the study as senior-level internal audit specialists. For the purpose of this analysis, four hundred samples were chosen. A questionnaire instrument was used to produce the data. The findings showed that federal universities in Nigeria were significantly and favorably affected by the mix of internal audit size, internal audit independence, and internal audit competency, as well as by the backing of upper management. Consequently, federal universities in Nigeria should make increasing the size, independence, and competency of their internal audit departments a top priority. This can be achieved by implementing effective mechanisms to ensure the continued utilization and maintenance of these qualities, resulting in improved internal audit service delivery and efficiency.

Alsughayer (2021) performed a study to examine how an auditor's competence, honesty, and ethics affect the quality of audits, as seen by auditors. The data was gathered via questionnaires sent to auditors at auditing companies located in Saudi Arabia. The sample size consisted of 102 auditors. The research conducted a survey of several external auditors in order to investigate the features of their audit process that contribute to the attainment of audit quality. The results demonstrate that the attributes of proficiency, honesty, and moral principles have a substantial influence on the quality of audits. The results suggest that the key factors influencing audit quality are auditors' ongoing enhancement and training initiatives, methods of executing their responsibilities, and adherence to a code of conduct.

A study by Meidawati and Assidiqi (2019) aimed to determine the effects of audit fees, auditor's competence, independence, and ethics, as well as time budget pressure on audit quality. The research used quantitative method. The population was the auditors who worked in Accounting Firms in Semarang City, Indonesia. The sample method used was simple random sampling, including a total of 45 respondents. The data were gathered by disseminating the questionnaires to many auditors employed at the accounting companies. The data were examined by the use of multiple regression analysis. The research findings revealed that competence, auditor ethics, and time budget constraints positively influenced audit quality.

2.4.2 Influence of internal Independence on financial performance

The dependability of financial statements at Islamic banks in Jordan was investigated by Jarah, Jarrah, Al-Zaqeba, and Al-Jarrah (2022) to determine how internal audit (IA) may reduce the effect of creative accounting (CA). A survey methodology was used in the research project. All auditors now employed by Jordanian Islamic banks make up the population. Using a basic random selection procedure, 100 auditors were chosen from a total of 143 auditors. According to the results, Islamic banks in Jordan were able to reduce the effect of CA on the reliability of their financial statements thanks to IA, which includes qualities like objectivity, impartiality, professionalism, independence, and verifiability.

The effect of impartiality and independence on the effectiveness of internal audits was studied by Tahajuddin and Kertali (2018) in the Malaysian setting. Internal auditors associated with the Institute of Internal Auditors Malaysia (IIAM) were polled utilizing a questionnaire in a quantitative manner. A grand total of 119 responses were deemed genuine. According to the findings, a successful internal audit is associated with an independent audit. Still, it is not certain that impartiality in internal audits correlates with their efficacy. By highlighting the relevance and influence of internal audit traits on improving internal auditor efficiency, this study provides helpful insights to academics and practitioners in the subject of internal auditing. Companies traded on the Nairobi Stock Exchange were the focus of Kwabena's (2017) investigation on the relationship between internal audit quality and financial performance. The research found that the financial performance of the companies it looked at was significantly affected by the quality of the job done by internal auditors. Internal auditors' level of expertise was one of the criteria considered. A return on assets (ROA) metric was used for this purpose. A positive and large effect on financial performance is associated with competent auditors, according to the study.

The correlation between internal auditing and the efficiency of Kenyan government agencies was the subject of study by Muchiri and Jagongo (2017). The purpose of this research is to determine how the independence of the audit committee and the competence and objectivity of the internal auditor affect ROI. Following the guidelines of a case study, the researchers collected information from only one government agency, the Kenya Meat Commission (KMC). The results showed that the internal audit characteristics were not significantly related to financial results. Internal auditing does not impact ROI, to put it plainly. The authors suggested that KMC's in-house auditors work to increase their expertise and autonomy.

As evidence, Ado, Rashid, Mustapha, and Ademola (2020) show that audit quality has a direct impact on the financial performance of listed firms in Nigeria. The research used a panel data technique and 84 NSE-listed businesses with 756 samples across a nine-year span (2010–2018). Listed firms' financial statements and Thompson Reuters DataStream were also used for this study's secondary data. There is a stronger correlation between auditor independence and financial performance than between auditor size and financial success. Findings from this study will help executives and managers of publicly traded firms in Nigeria prioritise auditor independence. One further recommendation from the report is that leaders choose audit companies whose honesty and reliability are beyond doubt. Furthermore, it will aid decision-making for policy-makers and related agencies.

The objective of Abdirahman's (2021) study was to ascertain how the quality of audits affected the financial performance of Kenyan SACCOs that accepted deposits. A total of forty-two commercial banks in Kenya that are both registered and regulated were the subjects of this cross-sectional study. Officers serving on audit committees and in the audit department were the primary subjects of the study. Using a basic random selection method, a total of 199 respondents were selected for the study. Questionnaires were distributed in order to collect first-hand information for the study. According to the results of this research, auditor independence and conformity with auditing standards are the two most important factors in determining audit quality. The research concluded that businesses may guarantee high-quality audits by fostering an atmosphere that encourages auditor independence. It also suggested that audit personnel should be provided with practice chances to acquire the necessary expertise and, in turn, enhance their performance.

Enekwe et al. (2020) looked at how listed Nigerian manufacturing companies fared financially in relation to the quality of their internal audits. The effect of internal auditors and the degree to which they are independent on ROA is the subject of this study. The results showed that high-quality internal audits had a noticeable and positive effect on financial performance. Research by Ike, Salama, and Ngbede (2020) looked at how audit quality affected the efficiency of Nigerian money deposit banks. This study relied on secondary data collected between 2019 and 2019 from the Statistical Bulletin of the Central Bank of Nigeria. At a 5% threshold of significance ($p<0.05$), the chi-square test yielded a significant result of 2.129942. That the error terms are unrelated to the independent variables is supported by the data is evident from this. The results also suggest that a fixed effect regression model would be the best fit for this set of data. As a consequence, the study's findings were explained by means of fixed effect regression analysis. The selected Nigerian money deposit banks' Return on Assets are significantly and positively affected by auditor independence, according to statistical study ($p<0.05$).Continuous monitoring and review by an external independent auditor with supervision responsibilities may mitigate the adverse impact of audit committee membership on the performance of banks, as measured by the return on assets of the chosen banks, according to the researcher.

An investigation of the impact of audit quality on the financial performance of deposit-taking SACCOs in Kenya's North Rift Region was carried out by Serem, Fwamba, and Benedict (2020). The objective of this study was to find out how North Rift Region deposit-taking SACCOs' financial performance was affected by auditor independence. A descriptive cross-sectional research strategy was used in this study. A total of 266 people from the 16 North Rift Region of Kenyan Deposit-Taking SACCOs that have been formally recognized were the subjects of the study. The 48 participants in the research were drawn from the pool of 48 Deposit-Taking SACCOs' chief executive officers, financial officers, and internal auditors. We used a purposive sampling strategy to find our participants. Data was derived from both primary and secondary sources. Results showed that for Deposit-Taking SACCOs in Kenya's North Rift Region, auditor independence had a small but positive effect on financial performance. Findings from this study highlight the need for auditor independence and other provisions of the professional code of ethics that both auditors and digital technology specialists (DTSs) should work to uphold. In cases when the auditor and client have a close connection, this becomes even more crucial to ensure that the audit job remains honest and impartial. In their 2019 research, Elewa and El-Haddad used a panel data approach to look at how the quality of internal audits affected company performance. In compiling this report, the authors examined the financial records of non-financial firms trading on the EGX 100. The internal auditor's independence and level of expertise are the two main considerations. Return on assets (ROA) and return on equity (ROE) are the dependent variables in this research. Consistent with the results of the random-effects model, there is no statistically significant relationship between the firm's ROA and ROE and the independence and expertise of the internal auditors. Researchers Mburunga et al. (2019) looked at how banks traded on the Nairobi Stock Exchange fared financially in relation to the independence of their internal auditors. Financial performance of banks listed on the Nairobi Stock Exchange was the primary subject of this study, which aimed to examine the influence of internal auditor independence. Agency and market power theory provided the groundwork for this. The internal audit department's budgetary allocations served as the basis for the independence assessment, while the return on assets (ROA) served as the basis for the evaluation of financial performance. Publicly traded banks' bottom lines are significantly affected by the internal audit budget, according to the survey. This budget determines the independence of internal auditors.

2.4.3 Influence of Internal Audit Procedures and Standards on financial performance

Kaawaase, Nairuba, Akankunda, and Bananuka (2021) aim to examine the correlation between the quality of internal audits and the quality of financial reporting in Uganda's financial institutions. The research design of this study is cross-sectional and correlational. The research included a questionnaire survey targeting Chief Finance Officers, Senior Accountants, and Internal Audit Managers from financial institutions in Uganda. The results indicate that there is a robust relationship between financial reporting quality and internal audit standards.

The impact of internal auditing standards on financial reporting quality was examined by Alzeban (2019). A total of 142 chief audit executives from Saudi listed corporations and their respective annual reports were consulted for this study. FRQ is measured using two proxies, namely discretionary accruals and accruals quality. The results indicate that organizations that exhibit greater adherence to IA guidelines have improved FRQ. Furthermore, they suggest that the correlation between IA proficiency and adherence to standards directly affects FRQ. Moreover, the results provide proof that FRQ is elevated in firms whose IA departments possess formal documentation, aligning well with the ISPPIA. These findings maintain their resilience after further investigation. El Gharbaoui and Chraibi (2021) performed a critical analysis of the current body of literature about the correlation between the quality of internal audits and financial performance. Their objective was to provide valuable insights into this connection based on prior academic research. A thorough literature review was conducted utilizing 37 academic articles and dissertations published between 2019 and 2020. These works were culled from a variety of sources. Both financial performance and the quality of internal audits have been the subject of much research, and the results show that several schools of thought have contributed to this body of knowledge. There is a distinct need to develop a comprehensive model that integrates both ideas. The essay not only emphasized the current deficiencies in the literature but also suggested potential directions for future study in these domains. The primary objective of this research is to establish a statistically significant correlation between audit quality and the efficiency of SACCOs that take deposits. The effect of internal audit on commercial banks' bottom lines was the subject of research by Akande (2019). The primary objective of this study is to analyze the effect of internal audits on the financial performance of commercial banks in Nigeria and to determine the scope of this function. The audit found that internal auditors caught every case of fraud, which had an effect on financial results. In addition, it should be mentioned that performance is positively affected by following internal auditing standards and using related services.

The effect of audit quality on the financial performance of Nigerian enterprises dealing in industrial items was studied by Iliemena and Okolocha (2019). In order to measure audit quality, the researchers looked at audit firm rotation (AFR) and audit fees (AUF), whereas return on assets (ROA) was used to evaluate financial success. Focusing on the years 2012–2018, the study used descriptive and ex-post facto research methodologies. Listed on the Nigerian Stock Exchange as of September 4th, 2019, twenty-four industrial goods enterprises make up the study's population and sample. Both the audit fee and the rotation of audit firms significantly affect ROA positively, according to our study's results. On this premise, we have deduced that audit quality significantly affects financial performance for the better. Among medium-sized manufacturing businesses in Nairobi County, Thumbi (2016) sought to investigate the relationship between the internal audit function and their financial performance. According to the study's findings, internal auditing has a positive and substantial effect on financial performance. The results show that the financial performance of the businesses in the research is favorably connected with the independent components of internal auditing, which include professional competence, internal control, independence of internal auditing, and internal auditing standards. Funds invested in strong internal control systems were associated with better financial success, according to the study. The results showed that the audited companies were very successful financially because they adhered to standards of honesty, ethics, expertise of the auditor, control activities, monitoring, and the use of information and communication technology. Additionally, the study's financial performance metrics are positively correlated with the internal audit control activities.

2.4.4 Influence of Audit Committee Characteristics on financial performance

Using data from 2010 to 2019, Amahalu (2020) looked at how audit quality affected the bottom lines of publicly listed Nigerian corporations. Size of the audit committee, independence of the internal auditors, and financial understanding of the audit committee were the three variables that were examined in this study as they relate to return on assets. For the years 2010–2019, this study relied on panel data collected from the financial statements of six different publicly traded corporations. An Ex-Post Facto research approach was used in the study. Return on assets was positively and statistically affected by audit committee size, internal auditor independence, and audit committee financial expertise at the 5% level of significance. Conglomerates in Nigeria should follow the rules of the Companies and Allied Matters Act (CAMA) to the letter, according to the study. This act mandates the presence of six members, three of whom must be shareholders and three of whom must be directors, with equal representation of each.

Mehran, Zubair, and Ahmed (2022) looked at how audit quality and CEO remuneration affected company performance. First, there is audit quality as an independent variable; this is assessed by audit fees, the size of the audit committee, and the rotation of audit firms. Income per share (EPS) and return on assets (ROA) are the dependent variables in this study since they are indicators of how well a company is doing financially. The information comes from PSX-listed non-financial enterprises. The sample size of this study is 70 firms. Still, financial institution statistics aren't there since we didn't think they were relevant to our research. Secondary sources, namely the annual reports of PSX-listed businesses, provide the data used in the research. Everything from 2010 all the way up to 2019 is covered by the data. We find that the size of the audit committee is positively correlated with ROA and EPS (earnings per share) via looking at the results of the fixed-effect model. This association is very significant. Yet, audit rotation and the audit fee have a little effect on ROA and EPS. The purpose of the study by Oduor, Adoyo, and Mule

(2022) was to assess how certain characteristics of audit committees affected the financial results of Western Kenyan SACCOs that accepted deposits. In this study, we looked at agency through the lens of economic value added. In order to collect and analyze primary and secondary data, a correlational research strategy was used. To get people in the neighborhood to fill out surveys, the researchers utilized a method called purposive sampling. One hundred twenty people with managerial roles within the SACCO made up the sample. With the use of a census survey, 93% of the people who were asked to participate in the study actually did so. Financial performance was shown to be significantly affected by audit committee characteristics, which accounted for 65.1% of the variance. Prioritizing the implementation of internal control measures and improving the audit committee's performance, especially in terms of independence and expertise, should be the focus of SACCOs, according to the research.

Ahmeti, Ahmeti, and Aliu (2022) looked at how audit quality affected the bottom lines of publicly listed companies in Uganda and Botswana. Over the course of five years, from 2014 to 2018, the study gathered information from both financial and non-financial companies that were listed on the stock exchanges of Botswana and Uganda.Auditor size and audit fees were employed as proxies for audit quality in the regression analysis, while return on assets and Tobin's Q were utilized as indicators of company success. The examination also took the firms' complexity, risk, and growth into consideration. Business financial performance is negatively affected by audit quality, according to the study, albeit this effect is not statistically significant. Auditing is an effective tool for corporate governance in Sub-Saharan African capital markets, according to the study's findings.

Alshouha, Ismail, Mokhtar, and Rashid (2021) state that, particularly in emerging countries like Jordan, there is an absence of studies examining the connection between audit quality and the performance of companies. This is what prompted us to conduct the current study and provide empirical support in this area. Information for this study comes from 88 non-financial Jordanian companies that were listed on the Amman Stock Exchange (ASE) between 2019 and 2018. There were 880 observations in all during the research. The study analyzed the gathered data using the panel data approach, taking into account its fundamental properties. According to the results, AQ has a major and positive impact on monetary success. Additionally, ASE-listed companies' financial performance is positively affected by liquidity and cash flow from financing activities. Contrarily, there is no association between financial success and the degree of debt or the size of the organization.

From 2019 to 2018, forty non-financial firms listed in Nigeria were studied by Soyemi, Tiamiyu, and Omale (2021) to determine the impact of audit quality on financial performance. Audit costs, audit committee expertise, audit committee financial literacy, auditor length of service, and audit company size are all factors that contribute to an audit's overall quality. A measure of financial performance that was used was operating cash flow. The audited financial statements and annual reports of the companies who participated in the research provided the secondary data used in the analysis, namely panel data. The companies were selected via a stratified sampling method. It was shown that the quantity of cash produced from operations is significantly and favorably affected by the size of the audit company and the duration of the audit. In addition, the associations between operational cashflow, audit committee experience, and audit fees were small but positive. Furthermore, the relationships between company size and operational cashflow were negative and statistically insignificant. Hence, this study recommends establishing permanent rules regarding the length of time an audit must last for professional companies, and it also encourages the Big Four to remain actively involved in order to boost their financial performance.

In their 2018 study, Ezejiofor and Erhirhie looked at how audit quality affected the bottom lines of Nigerian deposit money institutions. The size and independence of the audit committee were the determinants of the quality of the internal audit. Return on equity (ROE) was used as a statistic to assess financial success. Institutions' financial performance is positively and significantly affected by the quality of their internal audits, according to this study's results. Based on this, the authors suggested that these institutions increase the size of their internal audit department by recruiting more highly qualified individuals. Muchiri and Jagongo (2017) looked at how internal audits affect the efficiency of Kenyan government agencies. Investigating how the competence and independence of the audit committee and the internal auditor affect ROI is central to the research objectives. Researchers employed a case study methodology, collecting information from only one government agency—the Kenya Meat Commission (KMC)—to draw their conclusions. Results showed no statistically significant relationship between internal audit characteristics and bottom-line results. To put it simply, ROI is unaffected by internal audits. The authors emphasized the need of KMC's internal auditors being more competent and independent.

2.4.5 Influence of Audit Quality on financial performance

The research conducted by Isah and Muhammad (2019) investigated the impact of audit quality on the financial performance of Deposit Money Banks (DMBs) listed in Nigeria. The research used secondary data sourced from the published financial statements and annual reports of fourteen publicly traded Deposit Money Banks (DMBs) in Nigeria spanning the period from 2007 to 2017. The research used Generalized Least Square Regression to ascertain the impact of audit quality on the Financial Performance of listed Deposit Money Banks (DMBs) in Nigeria. The study results indicate a significant and positive association between audit fees and the financial performance of listed Deposit Money Banks (DMBs) in Nigeria. On the other hand, there is a significant and negative association between the promptness of audit reports and the financial performance of listed Deposit Money Banks (DMBs) in Nigeria. Therefore, the study indicates that the management of publicly traded Deposit Money Banks (DMBs) in Nigeria should improve the financial performance of their companies by increasing the audit fees paid to the audit firm responsible for their respective organizations. Furthermore, it is crucial for the indicated Deposit Money Banks to regularly adhere to the specified timeline for the audit report.

Tarmidi, Fitria and Ahmad (2019) aimed to determine investor reactions to financial performance information and audit quality. The uniqueness of this research is the 2AI method between financial performance and quality audit so that this study can produce information about how 1) investor reaction to high financial performance with high audit quality, 2) investor reaction to high financial performance but low audit quality, 3) investor reaction to low financial performance with high audit quality, 4) investor reaction to low financial performance with low audit quality. The results showed that investors only react to high financial performance but low audit quality with negative react, it shows that investors are concerned about audit procedures in assessing the company's financial performance. The firm's strong profitability, along with its poor audit quality, attracts more investor interest. However, the perceived worth of the company is really damaging to investors due to its questionable quality. The effect of audit quality on the performance of Vietnamese enterprises listed on the Hanoi Securities Trading Floor was investigated empirically by Phan, Lai Le, and Tran (2020). Using SPSS 22 and Smart PLS 3.0, the study analyzes data from 228 enterprises listed on the Hanoi Securities Trading Floor in order to meet the article's aims. Companies listed on the Hanoi Securities Trading Floor seem to have benefited financially from high-quality audits, according to the results.

Research conducted by Talab et al. (2018) aimed to investigate the connection between Iraqi company performance, shareholder structure, and the internal audit function. Publicly traded companies in Iraq were the subject of an investigation of the effects of corporate governance systems on their financial performance. Particularly examined were the effects of public and private ownership on business performance, as well as the internal audit role. There was a positive and statistically significant relationship between internal audit and performance, according to the research's linear regression analysis. Listed companies with an internal audit department must be doing very well since they have such a strong system of controls in place. The study's findings have shed light on the need of establishing an internal audit function, especially for organizations that do not already have one, and have offered useful insights to decision makers and management of listed enterprises in Iraq.

Companies traded on the Nairobi Securities Exchange had their financial performance studied by Kwabena (2017) in relation to the quality of their internal audits. The population consisted of all the companies registered on the Nairobi securities market. The data used consisted of both primary and secondary sources. Relevant information was gathered via the use of questionnaires. The audited and published financial accounts of companies listed on the NSE yielded information on their financial performance. The data gathered was analyzed using both quantitative and qualitative techniques. Results showed that the independent factors of financial performance, which include support from upper management, independence of auditors, professional competence of auditors, and quality of work, were significantly correlated with one another.

Financial performance of banks in Nigeria was studied by Ogbodo (2017) in relation to audit quality. This research aims to assess the relationship between internal audit quality and three key performance indicators: operational profit margin ratios, cash generation, and return on assets (ROA). The study's results suggest that the quality of audits had a significant and advantageous effect on both the return on assets and the operational profit margin. Nevertheless, it had little impact on the banks' cash generating ratio. The research suggests the adoption of strong corporate governance standards in banks to develop a self-regulatory structure and deter unethical conduct.

2.4.6 Moderating Influence of Firm Size on the Relationship between Audit Quality and Financial Performance

Madawaki, Ahmi and Ahmad (2022) focused on the moderating effect of corporate culture, size and technology on the relationship between Internal Audit function and Business Performance. Thirty-two (32) quoted manufacturing companies constituted the study sample. Data collection was done by means of questionnaire. It was found that corporate culture and organizational technology positively moderates the influence of internal audit function on business performance whereas, regarding organizational size it was found that it does not influence the relationship between internal audit function and business performance. In conclusion, the more manufacturing firms' culture place increasing value on accountability, the more their internal audit function positively influence business performance. It was recommended that firms should encourage corporate values to guide employee behaviour on issues of accountability and transparency and manufacturing companies should procure modern technological infrastructure that enhances audit function and tracking of intended and unintended derivations and wrong usage and misrepresentations in business operations.

Shatnawi, Hanefah, Eldaia and Alaaraj (2022) sought to determine the effect of ACE on financial performance (FP) of companies listed on Amman Stock Exchange (ASE). It also aims to examine the moderating effect of firm size between ACE and FP in Jordan. This study uses data from 2019 to 2017 with 92 selected firms cover a period of 9 years of companies listed in ASE in industrial and service sectors. Data was analyzed using STATA. The findings demonstrated that ACE has a significant relationship with ROA, ROE, and Tobin's Q. In terms of moderating effect, the findings showed that firm size positively moderated the effect of ACE on ROA and ROE in Jordan. However, it did not support the moderating role between ACE and Tobin's Q. Decision makers have to enforce the implementation of ERM in Jordanian companies to improve the FP.

Trilaksana and Fadjarenie (2021) aimed to analyze the effect of auditor reputation on performance by using firm size as a moderator. The study was conducted on 49 mining companies using certain criteria. Multiple Linear Regression Analysis and Moderated Regression Analysis (MRA) were used for data analysis techniques. The results showed that the reputation of auditors had a significant effect on profitability. Firm size is also able to be a moderator for profitability and audit delay, while auditor reputation has no effect.

The purpose of Saleh's research in 2021 was to examine how audit methodology relates to earnings comparability. As a moderating variable, the study also looks at how certain firm-specific traits affect this association. A total of 1,039 firm-pair year observations were derived from the sample of 57 non-financial enterprises that were listed on the

Egyptian Stock Exchange (EGX) from 2016 to 2019 for this research. Researchers found that when looking at the variations in discretionary accruals across business-pairs, a good indicator of audit style is whether or not each firm-pair is audited by the same audit firm. This, in turn, has a beneficial influence on earnings comparability. Also, when considering the moderating factors of company size, the favorable impact of audit style on earnings comparability is much stronger. However, when considering the moderating variables of leverage and profitability, this effect remains unchanged.

Putra, Sumadi and Pratiwi (2018) aimed to prove the influence of internal auditors on audit delay and also to prove the moderate effect of audit complexity and firm size on the influence of internal auditors on firm performance. This research was conducted on all public companies listed in the Indonesia Stock Exchange during 2013 until 2015. The study found that the audit delay of public companies ranges from 6 days to 179 days. The results showed that internal auditors, audit complexity, and firm size proved to have an effect on audit delay. The results also show that only firm size has a moderating effect on the influence of internal auditors on performance.

Santosa (2020) sought to investigate the influence of business size as a moderating factor on the relationship between financial parameters and the value of Islamic firms. Examine the impact of company size moderation on the correlation between financial features, corporate governance, and firm value. This research utilizes secondary data extracted from financial accounts and examines it using the panel data approach over a span of six years. The sample selection is organized using the purposive sampling approach, specifically targeting individuals from the Islamic index component community. The variables of leverage, profitability, and efficiency have a notable and favorable impact on the value of Islamic firms. However, the variables of liquidity and audit committee do not have a significant influence. company size moderators amplify the impact of independent factors, such as liquidity and audit committees, on company value, resulting in a positive effect.

Lawal (2018) examined the impact of Audit Quality on the Financial Performance of construction companies listed in Nigeria. The research used an exploratory methodology, using secondary data obtained from the financial statements of the selected construction enterprises. The study population consists of all the listed construction enterprises in Nigeria, from which four were selected as samples. The data analysis included the use of descriptive statistics, correlation, and regression. The study concluded that the length of audit engagement and the fee imposed for the audit do not have a significant impact on the financial performance of construction companies listed in Nigeria. Nevertheless, the magnitude of the audit company does significantly impact the financial performance of the aforementioned construction enterprises listed in Nigeria. The study indicates that the Board of Directors should give priority to assessing the magnitude of the audit company as a means to improve the quality of their audits and, therefore, their financial performance.

2.5 Critique of Existing Literature

Ahmet, Kalimash, Skender, and Aliu (2022) set out to determine how internal audits affected the bottom lines of Kosovo's insurance companies. According to the results of the questionnaire survey, the researcher discovered that professional competence significantly boosted financial company performance, however internal audit efficiency negatively impacted it. Although not statistically significant, an inverse correlation was found between financial performance, internal audit independence, and criteria for internal auditing.

Researchers Momoh and Kayode (2021) looked at how audit quality affected the success of certain Nigerian businesses. The main objective was to analyze how the performance of certain Nigerian manufacturing businesses listed on the Nigerian Stock Exchange (NSE) was affected by audit quality, which was determined by the number of workers in the audit firms. Return on equity served as a surrogate for performance evaluation. From 2019 to 2018, a whole decade was included by the research. Application of ordinary least squares to linear regression. Regression analysis was used to examine the hypotheses. The empirical results show that the amount of staff in audit firms is a good indicator of audit quality, which in turn affects company performance, namely return on equity. This was seen in a subset of Nigerian industrial firms. Findings show a favorable and statistically significant relationship between audit firms' staff counts and their return on equity performance.

Matoke and Omwenga (2016) set out to investigate the link between high-quality audits and successful financial outcomes. This was accomplished by examining the following factors: net profit margin, auditor experience, audit team characteristics, and auditor independence in Kenyan publicly listed firms. The study used multiple linear regression analysis to look at the data. A robust and statistically significant correlation between audit quality and financial success was discovered in the study. Additionally, it showed that companies with more independent auditors tend to be more profitable. At South Sulawesi's Financial and Development Supervisory Board, Ishak (2018) set out to determine how auditor experience, workload, and motivation all played a role in the reliability of audit results. Auditors from South Sulawesi's Financial and Development Supervisory Board made up the study's population. Based on the study findings, the quality of the audit results was significantly affected by the factors of simultaneous audit experience, workload, and motivation auditor. An F-value of 14.482 and a correlation value of 0.000 were shown in the statistical analysis, suggesting a substantial association between these factors and the audit findings. The results show that audit experience significantly affects audit quality ($p = 0.002$). Nevertheless, with a value of 0.122, workload does not significantly impact audit quality. Conversely, with a coefficient of 0.011, auditor motivation significantly affects audit quality. Further, the results indicated that the most dominant variable influence on the value of Quality Audit Standards largest beta coefficient 0.368 or 36.8%, is Motivation Auditor.

Ogega (2018) carried out a study to examine the influence of, Internal Auditors Competency on financial sustainability of NGOs in Nakuru County Kenya. Theory underpinning this study is Auditing Theory. From each NGO the researcher targeted three officials namely program managers, grants managers and accountants. 237 officials were the targeted population. Data collection was done through use of questionnaires constructed on a likert scale. IBM software was used for analyzing the collected data. The study established, auditor competency, with financial sustainability of non-governmental organization in Nakuru County. Correlation analysis showed that auditors' competence had a significant influence on financial sustainability of NGOs in Nakuru County. The study is of significance to Government as it would assist in formulating effective policies on issues appertaining to the NGOs finances. The study recommended that the organizations should ensure that internal auditors department operates independently without undue influence. Also the researcher recommended that the internal auditors department should ensure they recruit competent auditors in the organizations with sufficient knowledge and skills to ensure that the audit process is accurate and giving an accurate position of the financial standing of the organization.

Ngunjiri (2021) set out to determine how factors such an external auditor's expertise, length of service, auditing process, and independence affected the bottom lines of Kenyan publicly listed firms. The theories of agency and stakeholder salience provided the theoretical framework for the investigation. A descriptive research strategy was used in the study. All sixty-three companies trading on the NSE made up the research population. A secondary data collecting sheet was used to get information on financial performance, and a questionnaire was used to gather information about external auditor characteristics. Research methods that were used to examine the gathered data included descriptive statistics and multiple linear regression. The study found that businesses listed at the NSE had much better financial performance when auditors were competent, used an independent methodology, and were independent. Companies listed on the NSE did not see a substantial impact on their financial performance from the external auditors' expertise.

2.6 Summary and Research Gaps

Research by a number of academics has looked at how internal audits affect companies' bottom lines. Finding ways to increase productivity while decreasing expenditure is one goal of an effective internal audit. The firm may also be shielded from possible losses that might harm its financial performance, according to Subhi and Stanišić (2016). Value for shareholders may be increased by an efficient and successful internal audit function (Awdat, 2015). However, improving the company's financial performance is closely tied to an effective internal audit function (Feizizadeh, 2012). Effective and perceived qualities, often called apparent quality, are necessary for auditing to provide desirable results. Audit quality has a significant impact on an organization's operational efficiency since auditor qualities show up in the company's financial reporting. Financial report quality is enhanced when audit quality is high because it limits profit manipulation more effectively (Ching, Teh, San & Hoe, 2015). Much has been said about the relationship between audit quality and its impact on financial performance, but very little is really known about it. Little consensus on this cause-and-effect relationship persists after more than 20 years of research. Therefore, it is crucial to thoroughly investigate how quality audits affect the bottom lines of companies, especially deposit-accepting SACCOs.

The literature on the influence of audit characteristics on financial performance reveals contextual gaps specific to Deposit Taking SACCOs in Kenya. Numerous studies have examined related themes across various sectors, but most have focused on contexts outside SACCOs or Kenya. For example, research by Ibrahim, Mansor, and Ahmad (2020) on Nigerian companies and by Albawwat, Al-Hajaia, and Al Frijat (2021) on Jordanian firms revealed that auditor competence and independence are key factors in audit quality and financial reporting quality(gaps). Similarly, studies in Zimbabwe (Yachi & Yona, 2019) and Morocco (Bengrich & El Ghadouia, 2020) examined the role of auditor qualifications and independence on financial performance but focused on local governments and industrial firms, respectively. A study by Kwabena (2017) investigated internal audit quality and its effect on financial performance in Kenyan government agencies, but its findings may not be fully applicable to SACCOs due to different governance structures and objectives(gaps). These findings underscore the contextual gap in understanding how auditor characteristics specifically impact SACCOs, given their unique cooperative and regulatory environment in Kenya.

Empirical and methodological gaps are also prominent in the current literature, which often employs descriptive or cross-sectional designs that limit causal and longitudinal insights. Studies like those by Nurdiono and Gamayuni (2018) in Indonesia and by Astro, Marwa, and Wahyud (2019) in South Sumatra examined auditor competence, independence, and integrity through survey data and regression analysis but lacked longitudinal approaches that could capture changes over time(gaps). Additional studies, such as those by Meidawati and Assidiqi (2019) on Indonesian accounting firms and Abdirahman (2021) on Kenyan SACCOs, relied on questionnaires, which can introduce subjectivity and limit the depth of analysis(gaps). The reliance on these methods suggests a need for mixed-methods or longitudinal research to capture sustained impacts of audit characteristics on SACCO financial performance. Few studies have explored how longitudinal models or time-series data might provide more nuanced insights into the ongoing influence of factors like auditor competence and independence.

Theoretical and geographical gaps also emerge, as existing studies often apply agency and stakeholder theories without consideration of stewardship theory, which may be more relevant for cooperative structures like SACCOs. For instance, studies in the region, such as those by Akangwagye (2022) in Uganda and Oduor, Adoyo, and Mule (2022) in Western Kenya, applied agency theory but did not account for SACCO-specific dynamics like mutual benefit and member-focused governance(gaps). Geographically, while some East African research has covered audit quality and financial performance, most focuses on non-SACCO sectors like government and commercial banking (Muchiri & Jagongo, 2017; Mburunga et al., 2019)(gaps). This creates a gap in understanding how theoretical models and audit practices apply within the SACCO context in Kenya, where factors like firm size and governance structures may significantly influence audit outcomes.

Table 2. 1: Summary of Research Gaps

Researcher	Focus of Study	Methodology/ Approach	Findings	Knowledge Gap
Abdirahman (2021)	To establish the effects of audit quality on the financial performance of licensed commercial banks in Kenya.	Cross sectional research design. Primary data was collected 42 registered and licensed commercial banks in	The main drivers of audit quality espoused by the findings of the current study are compliance with auditing standards and auditor independence	There's need to expand the scope beyond the two variables that were used. The theories used were not linked to the study variables such as lending credibility theory
Ado et al. (2020)	The direct influence of audit quality on the financial performance of listed companies Nigeria	Panel data approach, the study employed 84 companies listed on the NSE with 756 samples for the period of nine years which is from 2010 to 2018econdary data	The results reveal that audit fee shows a positively and insignificant relationship with ROA. Auditor independence is also seen to be positive and statistically significantly related to the ROA	The study proposed that the executives should engage the services provided by audit firms whose integrity and character is unquestionable.
Ahmeti, Ahmeti and Aliu (2022)	Analyzed the impact of audit quality on firm performance of listed companies in Botswana, and Uganda	Descriptive research design The study sampled domestically listed financial and non-financial companies on the stock exchanges of Botswana and Uganda for the five years 2014-2018	Audit quality is a negative but non-significant predictor of firm performance for financial performance.	Auditor size and fees may not be appropriate measures of audit quality. The study recommended that further studies should use other proxies of audit quality

Akande (2019)	Analyzed the effect of internal audit on financial performance of commercial banks, specifically internal audit.	The study focused on commercial banks Secondary data	The study revealed that frauds were all revealed by internal auditors, which directly impacts financial performance. Also, that internal auditing standards and related services positively influence performance.	Primary data will be collected The study recommended that further studies should be conducted in other financial institutions
Akangwagye 2022)	Relationship between audit quality and financial performance of commercial Banks in Kampala Central Division	Cross sectional and correlation quantitative design using 24 commercial Banks in Kampala central 24 commercial banks in Kampala central division that were drawn from a population of 26commercial banks	Positive and significant relationships between audit quality, team competence and financial performance of commercial Banks	This was a desktop review with empirical findings making it difficult to generalize the finding since it lacked methodological support.
Alshouha et al. (2021)	To assess the impact of audit quality on the performance of companies particularly in Jordan and developing countries in general	Panel data approach This study relies on data collected from the annual reports of 88 non-financial Jordanian companies listed on the Amman Stock Exchange (ASE) from 2019 to 2018	The results showed there is significant and positive impact of AQ and financial performance.	Need to establish if the same applies to deposit taking SACCOs The study recommended that further studies should other measures of financial performance other than Tobin Q
Amahalu (2020)	The effect of audit quality on the financial performance of quoted	Ex-Post Facto research design was employed. Panel data were used in this study, which was obtained from the	The results showed that audit committee size, Internal Auditor Independence, and audit committee financial	Current studies will use the same variables but on SACCOs.

	conglomerates in Nigeria from 2010-2019	annual reports and accounts of six (6) sampled quoted conglomerates for the periods 2010-2019.	expertise have a significant positive effect on return on assets at 5% level of significance respectively.	The study did not specify which companies were targeted.
Bello, Ahmad and Yusof (2018)	Examines the moderating effects of top management support in the relationship between internal quality dimensions and organizational performance in Nigerian federal universities	Questionnaire instrument was used in generating the data having subjected to Exploratory Factor Analysis (EFA) and Confirmatory Factor Analysis (CFA).	Internal audit competence internal audit independence and internal audit size should be given more attention and mechanism through which these qualities can be employed and sustained for more internal audit service delivery and efficiency in Nigerian federal universities	The study was conducted in non-financial institution The study did not test direct effect of audit quality on organizational performance The study used non-financial performance measures
Bengrich and El Ghadouia (2020)	To establish the influence of internal audit on the overall performance of companies in the Souss Massa region in Morocco	A census study	Found a significant positive effect between internal audit and economic and financial performance, as well as social performance, and a negative effect between internal audit and environmental performance.	The study was not specific on which companies were sampled and the number of companies The study did not indicate which indicators were used to measure economic, financial and social performance May be difficult to generalize census results
Boubakary (2020)	To establish the effect of internal audit and the	Descriptive research design	The results of the study showed that internal auditing,	Studied non-profit making organizations.

	performance of public and Para public enterprises in Cameroon.		through characteristics such as the size of the internal audit department, the competence, experience and independence of the internal auditor, has a positive and significant influence on the financial performance of the sample studied.	The study recommended that further studies should focus on audit quality
Elewa and El-Haddad (2019)	Investigated the effect of internal audit quality on corporate performance: a panel data approach	Panel data, secondary data used, These authors used the financial statements of non-financial firms listed under Egyptian Stock Exchange (EGX 100	The results were consistent with the results of the random-effects model, internal auditor independence and experience have a non-significant impact on the firm's ROA and ROE.	Only tested internal auditor independence and experience. There are more factors to be looked at. The study focused on non-financial firms
Enekwe et al (2020)	Studied the effect of internal audit quality on the financial performance of listed manufacturing companies in Nigeria	Descriptive research design	The results of the study showed that internal audit quality influenced positively and significantly the financial performance.	Only two variables were utilized.
Ezejiofor and Erhirhie (2018)	Examined the effect of audit quality on financial performance of deposit money banks in Nigeria.	Ex-post facto research design was adopted for the study. All the quoted deposit money banks were used as sample for the study. Data were extracted from annual reports and accounts of the sampled banks.	The results of this study revealed that the quality of internal audit has a significant positive effect on the financial performance of the banks studied.	Current study to use primary data and be conducted in SACCOs. The study did not indicate how audit quality was conceptualized

Hazaea et al (2020)	To establish the impact of internal audit quality on the financial performance of Yemeni commercial banks.	The primary data for the study were collected through a questionnaire prepared for this purpose. Fifty questionnaires were distributed out of which forty-two were retrieved and valid in the analysis process.	Results revealed that sticking to standards internal audit, internal auditors' independence and quality governance have significant impact on banks' financial performance, while the size of internal audits committees, as well as their meeting, frequently has insignificant positive impact on banks' performance.	The study recommended that further studies should be conducted in developing and emerging economies Need to challenge this by studying SACCOs. The study reported mixed findings in regards audit quality and financial performance
Ike, Salama and Ngbede (2020)	To establish the effect of audit quality on performance of Money Deposit Banks in Nigeria.	The study used secondary data obtained from the Central Bank of Nigeria Statistical Bulletin for the period of 2019-2019	The researcher concluded that there is strong evidence to conclude that audit quality plays an important role in maintaining confidence in the trustworthiness and reliability of financial statements emanating from the banks	The researcher recommended that the negative effect of audit committee composition on bank performance proxied by the return on asset of the selected banks can be moderated if constant monitoring and evaluation is employed by external independent auditor with and oversight function
Iliemena and Okolocha (2019)	The effect of audit quality on financial performance of industrial goods companies in Nigeria	We adopted a descriptive and Ex-post facto research designs while the scope of the study covered 2012-2018. The population and	Results show audit firm rotation and audit fees both have significant positive effect on return on asset	Current study will expound on the audit quality variables used.

		sample of study consists of twenty-four industrial goods companies listed on Nigerian Stock Exchange as at 4th September 2019.		The study used two research designs descriptive and Ex-post facto research designs with providing adequately justification
Isah and Muhammad (2019)	Investigated the impact of audit quality on financial performance of listed Deposit Money Banks (DMBs) in Nigeria	Secondary data was used	The study concludes that audit fee and audit report timeliness were key drivers of financial performance of listed DMBs in Nigeria.	More variables should be included. Primary data to be collected
Kwabena (2017)	The study examined The Effects of Internal Audit Quality on Financial Performance of Firms Listed at the Nairobi Securities Exchange	Data used was both primary and secondary.	The independent variables studied: Top management support, auditor's independence, professional proficiency of auditors and auditor's quality of work were found to have a significant relationship with financial performance.	Current study to use secondary data and the study to be conducted in SACCOs.
Lawal (2018)	Examined the impact of Audit Quality on Financial Performance of listed construction companies in Nigeria	Ex post Facto, secondary data was obtained from the financial statements	The study found that audit tenure and audit fee have no significant impact on financial performance of listed construction companies in Nigeria, while audit firm size has significant impact on	Current study will use primary data and will be conducted in SACCOs

			financial performance of the listed construction companies in Nigeria	
Mahachi (2018)	Determined the impact of internal Audit Effectiveness on Organizational Performance of NGOs.	Primary data used	This study showed that the effectiveness of internal auditing significantly promotes the performance of NGOs. The findings confirmed that management support, independence, and internal auditor competencies enhance internal audit effectiveness.	NGOs are generally non-profit making. There is need to confirm with profit making organizations.
Matoke and Omwenga (2016)	Sought to establish the relationship between audit quality and financial performance of listed companies in Nairobi Securities Exchange	Used secondary data	Findings of the study indicate that the effect of audit quality on financial performance is positive and significant and the greater the degree of an auditors' independence, the greater the propensity o f a firm making substantial net profit margins	Current study to use primary data and be conducted in SACCOs.
Mburunga et al (2019)	To assess the effect of internal auditor independence and financial performance of banks listed on the Nairobi Stock Exchange	A survey study	The survey concluded that the internal audit budget that determines the independence of internal auditors has a significant influence on the	The study recommended that further studies to be conducted on other variables such as auditor's competence.

			financial performance of publicly traded banks.	Current study to be more detailed and be conducted in SACCOs
Mehran, Zubair and Ahmed (2022)	Analyzed the influence of audit quality and CEO remuneration on firm performance.	The data is drawn from PSX-listed non-financial firms. The sample size consists of 70 firms for this study. The data taken for analysis is secondary data, and the time frame is 10 years from 2010 to 2019.	Audit committee size is positively and significantly related to both ROA and EPS. CEO remuneration is positively and significantly related to ROA as a measure of firm performance but not EPS.	A narrow methodological scope. However, the data does not incorporate the figures of financial firms as they were not relevant for this research.
Muchiri and Jagongo (2017)	The objectives that guided the research are based on the effect of the competence and independence of the internal auditor, and the independence of the audit committee on the return on investment.	The researchers used a case study research design. The sample size was all fifty-seven-management staff at KMC. Open and close ended questionnaires were used to collect primary data from the respondents. The data collected was quantitative	The results showed that the relationship between internal audit characteristics and financial performance was not significant. In other words, internal auditing does not impact return on investment.	The research was a case study, data was collected from a single public institution. The study recommended that future study involving other factors that may influence financial performance of public institutions may be viable.
Muchugia (2018)	To find out the correlation between external audit quality and financial performance of banks in Kenya	The study used descriptive research design and both primary and secondary data	The study established that there is an affirmative correlation between financial performance and compliance with auditing standards, auditor independence, auditor	Current study to use same variables but on SACCOs. The study focused on the quality of external audit

			professional competence and experience and a negative relation with provision of non-audit services.	
Newman and Comfort (2018)	Examined the potential value creation of an effective and quality internal audit function within an organization, and also to investigate its impact on its financial performance.	A quantitative research approach was adopted. The research targeted 40 Employees in management positions, audit department and finance department. Questionnaires were administered to a selected sample size of 25 African Sun Limited employees.	The size of the internal audit department, the competence and experience of the internal auditors, which represent the characteristics of internal auditing, were tested against the performance of the company and it was found that internal auditing had a positive relationship with performance.	Current study to use primary data. The study focused on value creation of audit function while the current study will focus on audit quality
Oduor, Adoyo and Mule (2022)	To assess the effect of Audit committee characteristics on the financial performance of deposit taking SACCOs in Western Kenya.	Correlational research design. Census survey technique	Audit committee characteristics affected financial performance and has a strong effect on financial performance.	Need to check how the audit committee's effectiveness with focus on independence and expertise
Ogbodo (2017)	The main objective of this study is to determine the impact of internal audit quality on return on assets (ROA), cash generation, and operating profit	A survey study	The results of the study showed that while audit quality had a significant positive effect on return on assets and operating profit margin, it had no effect on the banks' cash generation ratio.	More measures of internal audit quality to be incorporated.

	margin ratios in Nigerian banks.			
Ogbodo and Akabuogu (2018)	The authors examined the effect of internal audit department size on return on assets (ROA), the impact of Internal Auditor Independence on return on equity (ROE), and the impact of audit committee size on profit margin of Nigerian banks	The population of the study consists of sixteen deposit money banks quoted on the Nigerian Stock Exchange. Data for the study were extracted through the financial statement of the banks from 2008 to 2017 and was tested with regression statistical	The results of the study showed that the size of the internal audit department has positive significant effects on return on assets, also, the independence of the audit committee has positive significant effect on return on equity. Also, the size of the audit committee also has a positive significant impact on the profit margin.	Primary data will be collected and the study be conducted in SACCOs. The study used both profit margin and return on equity to measure performance.
Phan, Lai Le and Tran (2020)	An empirical investigation on the effect of audit quality on performance of companies listed in Hanoi Securities Trading Floor, Vietnam.	The study conducts a comprehensive analysis of data based on 228 companies listed on Hanoi Securities Trading Floor using software SPSS 22 and Smart PLS 3.0.	The results indicate that audit quality positively impacted the financial performance of the companies listed on Hanoi Securities Trading Floor. The results also indicate that audit quality also positively impacted to customer loyalty and employee satisfaction.	The study used non-financial measure to measure performance.
Serem, Fwamba and Benedict (2020)	To establish the impact of audit quality on financial performance of Deposit-Taking SACCOs in North Rift Region, Kenya	Descriptive cross- sectional design. The target population for the study was 266 staff of all the 16 registered Deposit-Taking SACCOs in North Rift Region,	It emerged that audit fees, audit firm tenure and audit firm experience have a significant positive influence on financial performance of	The study was conducted in North rift and therefore, suggested that further studies should conducted in a wider scope.

		Kenya. The sample size was 48 respondents comprising of chief executive officers, finance officers and internal auditors of the Deposit-Taking SACCOs selected using purposive sampling method. Primary and secondary data was used. Questionnaires collected primary data while audited annual financial statements of SACCOs provided secondary data	Deposit-Taking SACCOs in North Rift Region, Kenya. Auditor independence had an insignificant positive influence	The study did not indicate unit of analysis since the presentation of data was based on respondents instead of DT-Sacco's Current study will expound on more variables of audit quality, with firm size being a mediator variable.
Soyemi, Tiamiyu and Omale (2021)	To examine the influence of audit quality on financial performance of 40 quoted nonfinancial firms in Nigeria for 10 years from 2019 to 2018.	Secondary data, panel in nature, were gathered from annual reports and audited accounts of these firms that were selected using a stratified sampling technique.	There were insignificant and positive relationships between audit fees, audit committee experience and operating cash flow, as well as insignificant and negative relationships between firm size and operating cash flow.	Study was on nonfinancial firms but current study will be on deposit taking SACCOs.
Talab et al (2018)	The study examined the effect of internal audit function, government ownership and private ownership on the performance of the organization in Iraq.	Secondary data was used The study utilized data extracted from the annual report of public listed companies on the Iraqi Stock Exchange between the periods of 2012-20l 5.	The result obtained from the linear regression of the study revealed a significant positive relationship between internal audit and performance.	Current study to use primary data The study was conducted in non-financial firms The study focused on listed firms only in Iraq

Tarmidi et al (2019)	To determine investor reactions to financial performance information and audit quality.	Secondary data used	The results showed that investors only react to high financial performance but low audit quality with negative react, it shows that investors are concerned about audit procedures in assessing the company's financial performance.	The study did not indicate which firms were targeted and study period for secondary data Current study will use primary data
Ugwu, Aikpitanyi and Idemudia (2020)	Establish the impact of audit quality on the financial performance of all the 15 listed DMBs in Nigeria: variables were audit firm size, joint audit and audit fee	Secondary data were used, which were extracted from the financial statements of the listed DMBs. The study employed correlation and ex-post facto research designs	Established that there is a significant and positive relationship between audit firm size and ROA, negative and significant relationship between joint audit and ROA and negative and insignificant relationship between audit fee and ROA.	There is need to expound on the independent variables used, other the ones mentioned. The study recommended that further studies should focus on other measures of financial performance.

2.7 Conceptual Framework

A conceptual framework is a visual depiction of the connections between variables in a study, derived from the researchers' understanding of the research topic (Borg, 2005). The study focused on the dependent variable of financial performance, which was assessed using two measures: return on assets (ROA) and return on equity. The independent variables in the study were the audit quality, which included internal audit standards, auditor's competence and experience, audit committee characteristics, and auditor's independence. The moderating variable of firm size will be included. Performance of the SACCOs will be measured in terms of dividends per share paid to the members, interest on members’ deposits, surpluses or deficits, and the SACCO membership.

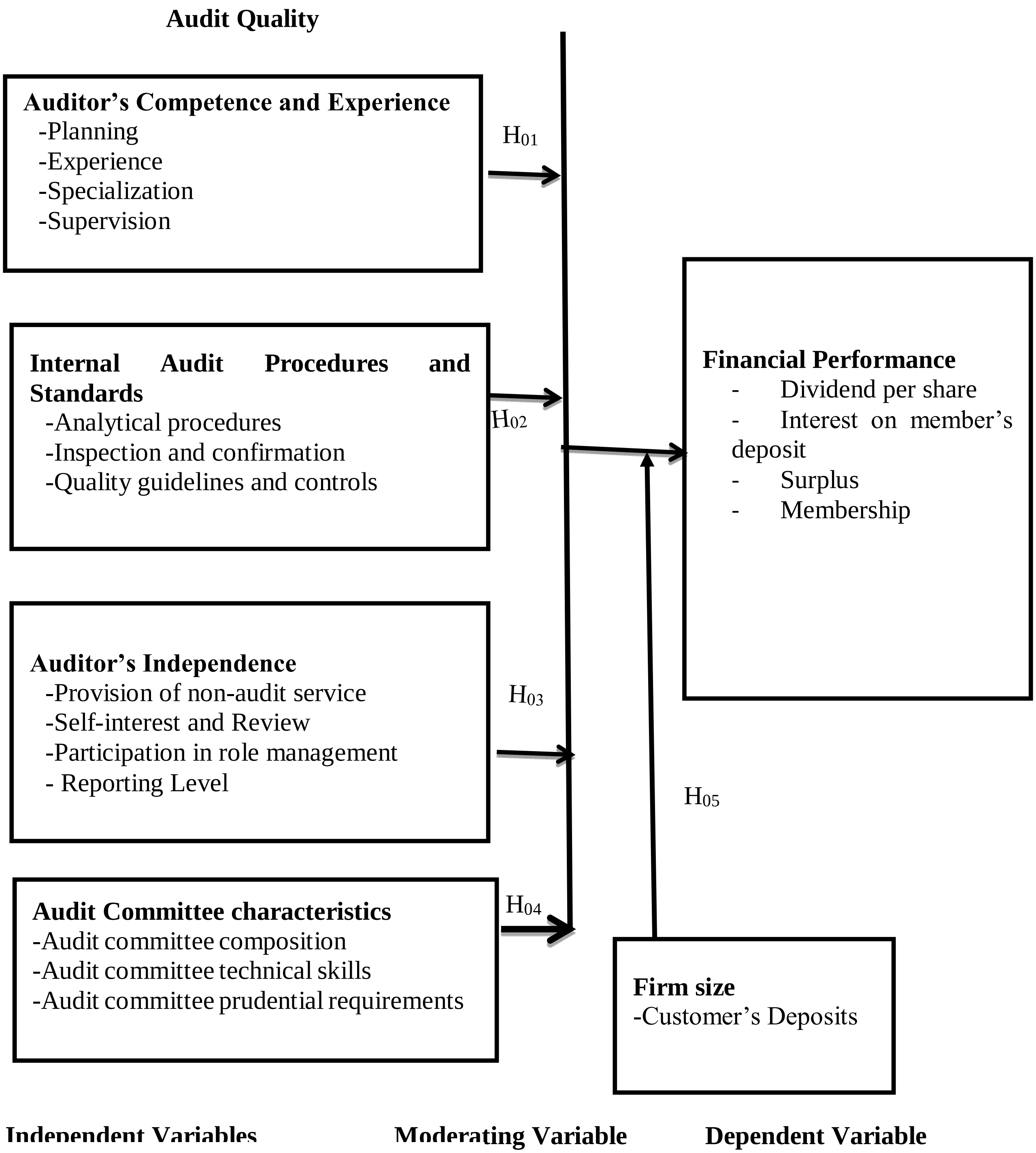

Figure 2.1: Conceptual Framework

Source: Own Conceptualisation

CHAPTER THREE

RESEARCH METHODOLOGY

3.1 Introduction

This chapter specifically examined the procedures used to gather, process, and analyze data in order to achieve the study goals. The chapter covers the use of data collecting devices and techniques, as well as the identification of the target population for the research sample. This was accomplished by examining the research and sample designs used in the study, as well as the methods of data collecting and analysis utilized.

3.2 Study Area

The research was carried out in Kenya focusing on 176 SASRA licensed DT-SACCO for the financial year ending 31st December 2023 as indicated in Appendix 4. The Deposit Taking Sacco's (DTS) besides the basic savings and credit products, also provide basic 'banking' services (demand deposits, payments services and channels such as quasi banking services commonly knowna ATMs) and operate FOSA.

3.3 Research Design

Research design refers to the systematic organization of various factors involved in the collecting and analysis of data, with the goal of effectively combining the research's objective and economic considerations (Upagade & Shende, 2012). The study utilized a descriptive survey research approach, which incorporates many world perspectives according to Creswell (2006). Sekaran and Bougie (2011) contend that the use of a descriptive survey design facilitates comprehension of the attributes of a group in a certain scenario and aids in methodical analysis of various components of that scenario. The descriptive survey research design focuses on the attributes of individuals and the whole sample. It offers valuable information that is beneficial for problem-solving. The expression might take the shape of either qualitative or quantitative data, which provide factual and practical information (John & Kahn, 2007). The descriptive survey study design utilizes the scientific method to thoroughly analyze and evaluate source materials, interpret findings, and make generalizations and predictions (Neeru, 2012).

A descriptive survey is appropriate for examining the relationship between audit quality, firm size, and financial performance of deposit-taking SACCOs in Kenya as it effectively gathers information on the population's characteristics. This method allows for the quantification of variables such as audit independence, competence, firm size (measured by customer deposits), and financial performance indicators like dividends. Additionally, it can collect both qualitative and quantitative data, providing comprehensive insights into the interrelations among these factors. Finally, the survey method is practical for efficiently gathering data across multiple SACCOs, enhancing the generalizability of the findings.

3.4 Research Philosophy

This thesis is based on the research philosophy of positivism. Positivist researchers use a systematic approach to doing research, which involves defining a study subject, formulating research hypotheses, and selecting an appropriate technique. Positivism allows individuals to use statistical methods to evaluate hypotheses and analyze research data obtained via quantitative research methodologies. Positivists, who hold the belief that reality is stable and can be viewed objectively, say that phenomena can be separated and observations can be replicated (Creswell, 2006). This process involves the deliberate alteration of reality by modifying the independent variable. Its purpose is to discover patterns and establish connections among the fundamental components of the social realm (Wilfred, 2006).

The positivist research philosophy, which emphasizes objective measurement and statistical analysis of quantifiable variables (Saunders et al., 2019), is suitable for studying the relationship between audit quality (audit independence, audit committee characteristics, auditor competence, internal audit standards), firm size, and financial performance in Deposit Taking SACCOs in Kenya, as it enables a structured, empirical examination of these factors and their impact on organizational outcomes (Bryman & Bell, 2015; Creswell & Creswell, 2018).

Empirical studies employing the philosophy of positivism have emerged in various contexts. A global study by Raza et al. (2021) investigated digital transformation's impact on firm performance across industries in different countries, utilizing quantitative data analysis. In Africa, Chinomona and Sandada (2020) explored service quality and customer satisfaction in Zimbabwe's banking sector, collecting numerical data through surveys. Locally, Juma and Karanja (2020) examined corporate governance's influence on the financial performance of Kenyan SMEs, applying a positivist framework with regression analysis. These studies exemplify the effectiveness of positivism in analyzing relationships and causality across diverse settings.

3.5 Target Population

In their work, Mugenda and Mugenda (2021) define a population as a collective of individuals or entities that share specific observable characteristics. Zikmund et al. (2020) agree that a population encompasses all elements within a defined area of study or "universe." Additionally, Lavrakas (2020) describes a population as a collection of individual items, which may be either finite or infinite in number. Recent studies emphasize the significance of accurately defining the population to ensure valid and reliable research outcomes (Rahi, 2020; Gaur & Gaur, 2021). The analysis included 168 deposits from SACCOs in Kenya, which were obtained from the SASRA data mentioned in Appendix 4 (SASRA, 2023). The sample frame included financial managers, internal auditors, and accountants located at the headquarters of the 176 SACCOs, totaling 528 individuals who had crucial knowledge on the performance and audit issues of the SACCOs, as shown in Table 3.1.

Table 3. 1: Sample Size

Category	Target Population
Finance Managers	176
Head of Internal Auditors	176
Chief Accountants	176
Total	**528**

Source: SASRA (2023)

3.6 Sample Size and Sampling Techniques

3.6.1 Sample Size

A sample is defined as a subset of a statistical population that is examined to obtain comprehensive information that can be generalized to the entire population (Bryman & Bell, 2021). This process allows researchers to make inferences applicable to the broader population of interest (Saunders et al., 2020). A sample consists of representative units selected from the overall population, and the methods of sample selection can vary in terms of cost, effort, and required expertise. The quality of the sample is determined by its representativeness concerning the variables being studied (Creswell & Creswell, 2021). All secondary DTSs were required to have published accounts for the years 2018 to 2022 in order to be included. The sample size for main data was obtained using Yamane's formula, which is a method for estimating sample size (Yamane, 1967). The specific sample size utilized in the research is shown below.

$$n = \frac{N}{1 + \mathrm{N}(e^2)}$$

Where;

n= sample size

N= population

e= Margin of error, taken as 0.05

Substituting the values in the formula;

$$n = \frac{528}{1+528(0.05^2)} = 227.5862069$$

n = 228 respondents

3.6.2 Sampling Techniques

The research used a method called simple random sampling. A simple random sample is a subset of a statistical population where every member of the subset has an equal chance of being selected. A simple random sample was meant to be an unbiased representation of a group. Therefore from 168 Deposit taking Sacco's in Kenya, where 228 respondents was randomly selected from Finance mangers, heads of internal audit and chief Accountants from the SACCOs

3.7 Data Collection Instruments and Procedures

3.7.1 Types and Sources of Data

Data refers to factual information that is analyzed to gain insights or make informed judgments (Kumar, 2020). In this study, the data was categorized into two distinct classifications: primary and secondary. Primary data refers to information collected for the first time directly from the source, thereby being regarded as original (Sekaran & Bougie, 2020). The analysis relied primarily on data obtained from respondents through a researcher-designed questionnaire, while secondary data was also utilized to complement the findings, ensuring a comprehensive understanding of the research topic.

3.7.2 Questionnaire

The research utilized primary data obtained through the use of a questionnaire. According to Creswell (2014), questionnaires serve as a structured tool that prompts individuals to respond to a predefined set of questions, allowing researchers to collect data systematically. Additionally, Dillman et al. (2014) emphasize that well-designed questionnaires can effectively capture the respondents' insights and perceptions while minimizing bias, thereby enhancing the validity of the data collected. The questionnaire was used for this research due to the assumption that the respondents have literacy skills and were capable of providing suitable answers to the questions posed.

The questionnaire was broken into four sections. Part 1 included gathering basic information from the respondents via statements. Part 2 involved acquiring data on particular independent variables of the research through closed-ended questions. Part 3 focused on the moderating variable, and Part 4 collected information on the financial performance of SACCOs. A five-point Likert-type scale ranging from 1(Strongly Agree) to 5(Strongly Disagree) was used for all the constructs with 5-Strongly agree, 4-Agree, 3-Undecided, 2-Disagree and 1-Strongly disagree.

3.7.3 Secondary Data Collection Schedule

The researcher obtained secondary data from the Central Bank of Kenya (CBK), the SACCO Societies Regulatory Authority (SASRA), and databases of deposit-taking SACCOs to gather financial statements spanning from 2017 to 2022. According to Walliman (2018), secondary research involves the collection of data from pre-existing sources compiled by other researchers within a specific field. Saunders, Lewis, and Thornhill (2019) define secondary data as information initially collected by another party and reused for a different research purpose. Income statements, balance sheets, and cash flow statements were accessed from the SASRA website and from deposit-taking SACCOs for auditing purposes, with a prerequisite that the SACCOs were operational and publicly disclosed financial statements for the period under study.

3.7.4 Data Collection Procedures

The research gathered quantitative data via the use of a self-administered questionnaire. The researcher explicitly communicated to the participants that the instruments being administered were only intended for research reasons, and assured them that their replies would be treated with utmost secrecy and confidentiality. The researcher acquired a letter of introduction from both the University and NACOSTI in order to gather data from the selected participants. The primary means of access to the SACCOs was mostly via the Chief Executive Officer. A questionnaire was sent to Chief Accountants, Finance Managers, and Heads of Internal Auditors. Five research assistants distributed the questionnaires to the participants and instructed them to complete them. The assistants subsequently retrieved the completed questionnaires using a drop-off and pick-up system. The surveys were organized and stored individually based on the SACCOs. Secondary data was obtained from the official website of DT-Sacco and the SASRA website, specifically using financial statements. Calculations were performed to determine ratios, which were then used in the study.

3.8 Reliability and Validity of instruments

According to Polit and Beck (2003) a pilot test is a small-scale version in preparation for a main study whose purpose is not to test research questions and hypothesis, but rather to test protocols, data collection instruments in the study. The rule of the thumb suggests that 5% to 10% of the target sample is adequate for pilot study (Cooper & Schindler, 2011).

Pilot test was done among 8 deposit taking SACCO where 23 respondents were selected. This represented about 5% of the sample size (228). Pilot testing ensures potential problems are identified, costly mistakes are noted and corrected, it is used to estimate the time requirement for actual field work and any suitable modifications on the questionnaire test items. Pilot test enhance the training of field staff, review of test instrument and prevention of wasteful expenditures whose results may not be acceptable (Kombo & Tromp, 2019). Twenty-three (23) questionnaires were supplied to the respondents from 8 Saccos.

3.8.1 Validity

Validity can either be content validity or construct validity (Kothari, 2004). Based on content validity two kinds of content-related validity can be differentiated. Concurrent validity distinguishes variables as significant or not and Predictive validity predict significant variable in the future. Construct validity exhibit in three forms depending on research problem. Creswell (2003) suggests that a colleague or an external auditor can provide additional insight into the research study. Discriminant validity is where different concepts can be differentiated and Convergent Validity where different measures of the same concept yield same results (Ember & Ember, 2019).

For this research the questionnaire was validated by discussing it with two randomly selected branch managers of the two SACCOs and my thesis supervisors. Their views were evaluated and incorporated to enhance content validity of the questionnaire. Various similar researches were reviewed construct validity of the test questionnaire was done. This was enhanced by adopting some questionnaire with some adjustments to suit the conditions for deposit taking SACCOs in Kenya. The study used short closed ended questions on the likert scale range of 1 to 5. Where 5 strongly agree, 4 agree, 3 sometimes agree, 2 disagree and 1 strongly disagree. Factor analysis was used to test the suitability of the test items where a variable had many observed constructs. Factor analysis was used for testing the variability among observed, correlated variables in terms of unobserved constructs.

3.8.2 Reliability

There are various measures of reliability in research they include split-halves, test-retest reliability, alternative forms, and internal consistency. Due the nature of the study, reliability for primary data was measured using internal consistency. Where it measured consistency within the instrument or how well a set of items measured a characteristic within the test or particular behaviour (Sabana, 2014). The most popular method of testing for internal consistency in the social sciences is use of Cronbach alpha (Kombo & Tromp, 2019). This method was used where a value of 0.70 or higher was considered sufficient. The formula used to determine Cronbach's coefficient alpha that was used is as below:

$$\alpha = \frac{N \cdot \bar{c}}{\bar{v} + (N-1) \cdot \bar{c}}$$

Where N is the number of items, c-bar the average inter-item covariance and v-bar equals the average variance. Reliability was tested by use of questionnaires which was piloted with the CEO and randomly selected branch managers of SACCOs in Kakamega County and they were not included in the final study sample.

3.8.3 Measurement of Variables

Table 3. 2: Quantitative Measures of Variables for Primary Data.

Variables	Method of testing
Auditor’s competence and experience	5 point likert
Internal audit standards.	5 point likert
Audit committee characteristics	5 point likert
Auditor’s independence	5 point likert
Performance	5 point likert

Source: Researcher (2023)

In the study, the researchers assessed various variables using a 5-point Likert scale to capture respondents' perceptions. Auditor’s competence and experience were evaluated by having participants rate their agreement with statements concerning the skills and expertise of auditors. Similarly, internal audit standards were tested through the same 5-point Likert scale, where respondents indicated their level of agreement regarding the adherence to established standards in internal auditing practices. The characteristics of the audit committee were also assessed using a 5-point Likert scale. The study further examined auditor’s independence using the 5-point Likert scale, capturing respondents’ views on the impartiality and objectivity of auditors during their duties, as this was crucial for maintaining the integrity of the audit process. Lastly, the researchers measured performance using the same 5-point Likert scale, allowing participants to evaluate the financial and operational outcomes of the organization.

Table: 3. 3 Operationalisation and Measurement of Study Variables

Variable	Name of Variable	Operationalisation
Moderator	Sacco Size	Deposits
Dependent	Performance	Dividend per share, Interest on members, deposits, Surplus

Source: Researcher (2023)

3.9 Data Analysis and Presentation

Data analysis is a systematic procedure that involves examining, purifying, converting, and shaping data in order to emphasize valuable insights, propose deductions, and facilitate decision-making. The data obtained in this research was first organized, arranged into tables, and categorized. The data was then revised by a meticulous analysis of the gathered unprocessed data to identify and rectify any inaccuracies or omissions. This included a meticulous examination of the filled-out questionnaires. The data was encoded by giving numerical values to the replies, allowing for the categorization of responses into a finite number of groups. The statistical analysis was conducted using SPSS 26. The research included both descriptive and inferential statistics. The data was then shown in the form of tables, models, and charts. The data analysis was conducted according to the specified goals.

3.9.1 Descriptive Statistics

The primary objective was to demonstrate the pattern present in the initial data. Descriptive statistics, including measures of central tendency like mean, standard deviation, maximum, and minimum, were used by the researcher to examine the secondary data. Methods for analyzing primary data included frequency counts, percentages, standard deviations, and means and standard deviations. The acquired data was summarized using descriptive statistics to create indices and measures (Kothari, 2007). The information was shown using tabular and graphical representations. The secondary data was first coded and then turned into Likert scale format. Subsequently, an analysis was conducted. In order to represent disruptive statistics, line graphs were used.

3.9.2 Correlation Analysis

In order to determine the strength and direction of the relationship between the variables, this study used bi-variate correlational analysis. A correlation is deemed significant when the significance level is extremely tiny (less than 0.05), suggesting a strong linear connection between the two variables (Sporta, Ngugi, Ngumi, and Nanjala 2017). In contrast, a non-significant correlation indicates that the two variables are not linearly associated when the significance threshold is reasonably high, like 0.50 or above.

3.9.3 Standard Multiple Regression Model

Multiple linear regression analysis is a powerful statistical tool for investigating the connections between several independent variables and a single dependent variable (Lind, 2008). According to Alusa and Kariuki (2015), multiple regression analysis is a way to combine numerous predictor variables into one regression equation. In this study, Multiple Regression analysis was used to examine the connection between the independent and dependent variables. This study set out to examine the financial performance of DT-SACCOs in Kenya and the impact of audit quality on those outcomes. Table 3.4 shows the model.

$Y = \beta_0+\beta_1AC_1+\beta_2AI+\beta_3IAS+ \beta_4ACC + e$

Where; α is constant (intercept),

Y was Financial Performa.

β is coefficient parameter to be determined,

AC is Auditor's Competence

AI is Auditor's Independence,

IAS is Audit Standards,

ACC is Audit committee characteristics,

ε is error/disturbance

3.9.4 Hierarchical Multiple Regression Technique

To determine if company size moderates the association between audit quality and financial success, we will apply the Hierarchical Multiple Regression Technique. When the model's interaction effect is statistically significant, we say that the moderating influence is present. For each moderating variable, a four-step analysis was carried out to arrive at a conclusion (Baron & Kenny, 1986). At first, the model incorporated control variables. In the second stage, the model was updated to include audit quality components. The third stage included the addition of the moderating variable. The last step was multiplying the results by the interaction effect. The goals of the study were to ascertain the significant level, changes in R square, and variations in F. In order to evaluate the impact of Firm size as described in the postulated (theoretical) model, a hierarchical regression modeling approach was used. The impact of the size of the company as a moderating factor was assessed by investigating the effect of introducing its interaction terms with the independent variables. The equation below is the model used to evaluate the moderating impact of Firm size;

$$Y = \beta_0+\beta_1 AC+\beta_2 AI+\beta_3 IAS+ \beta_4 ACC + \beta_5 Z+\beta_6 AC\ Z +\beta_7 AI\ Z + \beta_8 IAS\ Z+\beta_9 ACC\ Z + \varepsilon$$

Where;

У=Financial Performance

B_0=Constant

β_1 to β_9=Regression Coefficients

AC to ACC=Independent variables as mentioned above

Z = Firm size (the moderating variable)

X_i*Z = the interaction term between the i^{th} independent variable and the moderating variable

ε = the error of term.

3.9.5 Diagnostic Tests

Diagnostic studies were conducted to assess the assumption of linear regression analysis before proceeding with inferential statistics. In addition, diagnostic tests were conducted to verify that the fitted model adhered to the fundamental premise of linearity upon which linear regressions are built. The analysis included doing a normality test using the Shapiro-Wilk test, a multicollinearity test using VIF and Tolerance, a linearity test using scatter plots, and a homogeneity test using P-P plots.

3.9.5.1 **Multi-collinearity**

Interdependence among the independent variables is what multi-collinearity is all about. In a multi-collinear model, each independent variable is highly correlated with each other. Differentiating the impact of each independent variable on the dependent variable becomes more challenging when multi-collinearity is present. Furthermore, in these instances, the standard errors of each independent variable are inflated (Yoo et al., 2014). Removing some or all of the adjusted independent variables from the regression model is one way to deal with multi-collinearity (Cai, Wu, Xu & Zeng, 2017). If multi-collinearity was detected, it was evaluated using the Variance Inflation Factor and the Tolerance level. An acceptable VIF is below 10 or a tolerance level over 0.1.

3.9.5.2 Normality:

The majority of parametric tests need the fulfillment of the normalcy assumption. The term "normality" is used to describe a test's distribution, which is defined as having a mean of zero, a standard deviation of one, and a symmetrical bell-shaped curve (Garson, 2012). Several tests and measures were used to evaluate the normality assumption, including the Shapiro-Wilk test, Q-Q plots, and the Kolmogorov-Smirnov test. To check whether the sample was normally distributed, the researchers utilized the K-S test. For this test to be deemed important, it is not necessary for it to meet the normality assumption. In order to meet the assumption of normality, it is expected that the residuals exhibit a normal distribution centered around the projected scores of the dependent variable.

3.9.5.3 Linearity

Linear regression requires a linear connection between the independent and dependent variables. Additionally, it is crucial to examine outliers since linear regression is very susceptible to the influence of outliers. To assess the linearity assumption, scatter plots are the most effective method (Chatterjee & Hadi, 2015).

3.9.5.4 Homoscedasticity:

Homoscedasticity is a crucial assumption for linear regression models. Homoscedasticity refers to a scenario in which the error term remains constant across all values of the independent variables. Heteroscedasticity occurs when the magnitude of the error component varies across various values of the independent variables. The impact of deviating from the assumption of homoscedasticity varies depending on the extent of heteroscedasticity, with the effect becoming more pronounced as heteroscedasticity grows (Gelfand, 2015). Heteroscedasticity, in the context of regression analysis, refers to a situation where the variability of the dependent variable differs throughout the dataset. Conversely, homoscedasticity refers to a scenario where the variability of the dependent variable is consistent across all data points. Linear Best linear unbiased estimate models (BLUE models) assume that the residuals have a constant variance referred to as being homoscedastic (Belsley, Kuh and Welsch's, 1980). To test for heteroscedasticity, the Breusch-Pagan test. The BP Lagrange multiplier (LM) statistic was computed for the residuals (Razitis & Kalantzi 2012). The BP tests the hypothesis that H0: residuals do not exhibit heteroscedasticity (residuals are homoscedastic). The P-value of the BP-LM test greater than 0.05 implies that the residuals do not exhibit heteroscedasticity thus meeting the homoscedasticity assumption.

3.9.6 Hypothesis Testing

The five hypotheses were tested using the following framework indicated in Table 3.5:

Table 3. 4: Hypothesis testing

	Hypothesis Statement	Model	Hypothesis Testing
i	H_{01}: Auditor's competence and experience has no significant influence on financial performance of Deposit Taking SACCOs in Kenya	$FP=\beta_0+\beta_1\ AC+\varepsilon$	$H_{01}:\beta=0$ $H_{0A}:\beta\neq0$ Reject H_{02} if $\beta\neq$ and P value $\leq$ 0.05 otherwise fail to reject H_{01} if $\beta=0$ and P value $>\alpha$ $\alpha=0.05$
ii	**H**$_{02}$:Auditor's independence has no significant influence on financial performance of Deposit Taking SACCOs in Kenya	$FP=\beta_0+\beta_2\ AI+\varepsilon$	$H_{02}:\beta=0$ $H_{0A}:\beta\neq0$ Reject H_{01} if $\beta\neq0$ and P value ≤0.05 otherwise fail to reject H_{02} if $\beta_2=0$ and P value $>\alpha$ $\alpha=0.05$
iii	H_{03}: Internal audit procedures and standards has no significant influence on financial performance of Deposit Taking SACCOs in Kenya	$FP=\beta_0+\beta_3\ IAS+\varepsilon$	$H_{03}:\beta=0$ $H_{0A}:\beta\neq0$ Reject H_{03} if $\beta=0$ and P value ≤0.05 otherwise fail to reject H_{03} if $\beta=0$ and P Value $>\alpha$ $\alpha=0.05$
iv	H_{04}: Audit committee characteristics has no significant influence on financial performance of Deposit Taking SACCOs in Kenya.	$FP=\beta_0+\beta_4\ ACC+\varepsilon$	$H_{04}:\beta=0$ $H_{0A}:\beta\neq0$ Reject H_{04} if $\beta=0$ and P value ≤0.05 otherwise fail to reject H_{04} if $\beta=0$ and P Value $>\alpha$ $\alpha=0.05$
iv	H_{05}: Firm size as a moderating variable has significant influence on financial performance of	$FP=\beta_0+\beta_1\ AC+\beta_2\ AI+\beta_3\ IAS+\beta_4\ ACC+\beta_5 Z+\beta_6+AC*Sz+\beta_7\ AI*Sz+\beta_8\ IAS*Sz+\beta_9\ ACC*Sz+\varepsilon$	If X*Sz has a p value ≤0.05, then there is a significant moderating effect. $\beta_i>0$ signifies positive moderating effect

Deposit Taking SACCOs in Kenya.	

Source: Researcher (2023)

3.10 Ethical Consideration

Since the research involves human subjects, it was conducted in strict conformity with applicable ethical guidelines. Professionalism in research was maintained thanks to these ethical considerations. Each person's anonymity and respect were ensured throughout the study. Respect and confidentiality were given to the privacy of those from whom we collected personal data. Participating subjects were given their informed consent before any research was conducted. No person was recruited as a research subject without first receiving an informed consent form. They were not coerced or bribed in any way to participate as research subjects. The appropriate individuals, bodies, and committees were consulted, and NACOSTI approved the research. Participants were informed of the study's goals, procedures, and potential outcomes before they agree to take part.

Every research conformed to the respondents' ethical standards, and all authors and sources were credited appropriately. The researcher took great care to steer clear of any instances of scientific dishonesty, such as sloppy data collection practices or false claims of authorship. The study was carried out skilfully, as an impartial scientific endeavour free of bias in its methodology, analysis, and interpretation of the results.

CHAPTER FOUR

FINDINGS AND DISCUSSIONS

4.1 Introduction

This chapter presents the outcomes derived from the analysis of the gathered data, along with explanations of these findings. Diagnostic tests, analysis based on response rate, descriptive and inferential analyses of study variables, background information, and reliability and validity testing results are just a few of the many subjects covered in this chapter.

4.2 Response Rate

A total of 228 questionnaires were sent to respondents from the Deposit Taking Saccos in Kenya, with 161 individuals providing responses. The researcher collected data from 70.6% of the distributed surveys. Mugenda and Mugenda (2004) argue that a response rate of 50% is sufficient for analysis. Babbie (2004) states that a return rate of 60% is considered excellent, while a return rate of 70% is considered extremely high. The data obtained from the surveys was used for the purpose of analyzing and presenting information. The drop and pick approach were used to distribute surveys, which had a role in the high response rate attained in this research. This method ensured anonymity and allowed respondents to maintain their privacy by not disclosing identifiable information.

Table 4. 1: Response Rate

Questionnaire	Frequency	Percentage
Administered	228	100%
Collected	161	72.2%
Uncollected	62	27.8%

Source: Field Data (2023)

4.3 Demographic factors

The respondents were asked in the questionnaire to provide information-based number of years worked at current position and professional courses they have attained. The analysed data produced results in Figure 4.1

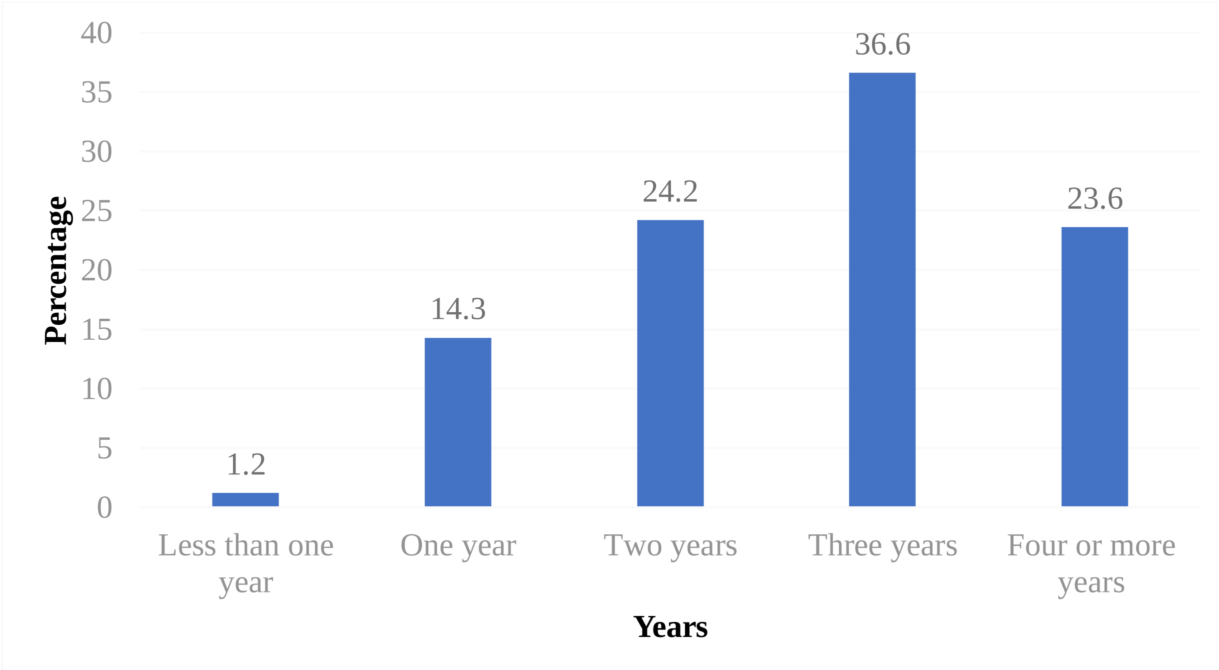

Figure 4. 1:Duration in Current Position

Source: Field Data (2023)

As shown in Figure 4.1, 1.2% of the respondents have worked in their current position for less than one year while 14.3%. On the other hand, 24.2% of the respondents have been working in their current for 2 years, 36.5% for 3 years and 23.6% have been working for over three years. It is evident that over half of the respondents have working in their current position for more than a year. The duration of employment in current positions among respondents provides insights into potential implications for audit quality and consequently, the financial performance of Deposit Taking SACCOs in Kenya. Longer tenures signify accumulated experience and familiarity with the intricacies of the role, which can positively influence audit quality (Kinyenze & Ondabu, 2023).

Employees with extended tenures are likely to possess a deeper understanding of organizational processes, regulatory requirements, and industry dynamics. This familiarity enables them to conduct audits more effectively, identifying risks, detecting irregularities, and providing valuable insights for management decision-making. Additionally, longer tenures foster continuity and stability within audit teams, allowing for the development of cohesive working relationships and shared institutional knowledge (Kiruru, 2022). This cohesion can enhance communication, collaboration, and coordination among audit professionals, ultimately leading to more comprehensive and robust audit processes (Kiplangat, 2021).

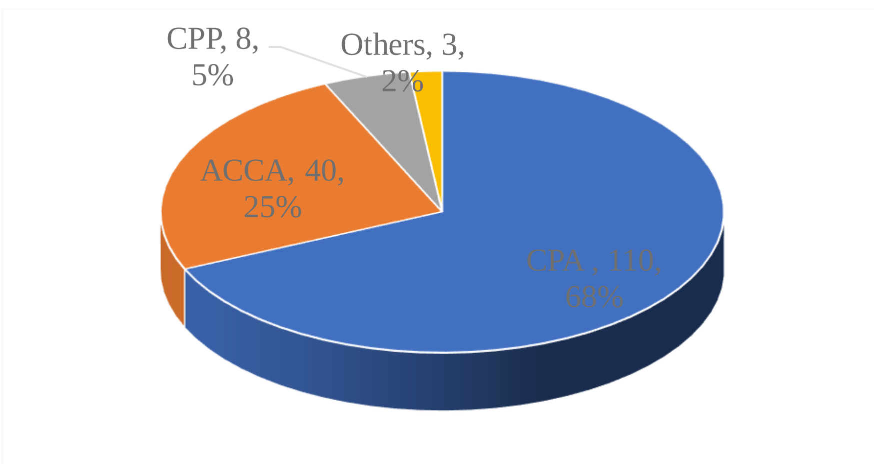

Figure 4. 2: Professional Qualification

Source: Field Data (2023)

As shown in Figure 4.2, majority of the respondents, 68.3% are certified public accountants while 24.8% are members of the Association of Chartered Certified Accountants while 5.0% were found to be Certified Purchasing Professional. However, 1.9% of the respondents were found to have other professional qualification. The distribution of professional qualifications among respondents reflects a diverse skill set within the audit function of Deposit Taking SACCOs in Kenya. The majority being certified public accountants (CPAs) indicates a strong foundation in accounting principles and practices, essential for ensuring the accuracy and reliability of financial statements. CPAs typically undergo rigorous training and examination processes, equipping them with the knowledge and skills necessary to conduct thorough audits and identify potential risks (Agutu, 2022).

Furthermore, the presence of members from the Association of Chartered Certified Accountants (ACCA) adds another layer of expertise, often emphasizing a global perspective and adherence to international accounting standards. Their inclusion can contribute to a broader understanding of regulatory frameworks and best practices, enhancing the overall quality and credibility of audit processes (Victor, 2019).

The presence of Certified Purchasing Professionals (CPPs) suggests a focus on procurement and supply chain management aspects within audit activities. This diverse skill set could be valuable in assessing operational efficiencies, cost-effectiveness, and risk management strategies within Deposit Taking SACCOs. The variety of professional qualifications among audit professionals indicates a holistic approach to audit quality, encompassing financial expertise, global standards compliance, and operational efficiency considerations. By leveraging this diverse skill set, SACCOs can ensure comprehensive and effective audit processes, ultimately contributing to enhanced financial performance and stakeholder confidence (Ademba, 2019).

4.4: Pilot Test Results

A preliminary research was conducted to assess the accuracy and consistency of the test items used in gathering primary data. An exploratory research was carried out on 8 Deposit Taking Saccos, which accounted for 10% of the total sample size, in accordance with the suggestion made by Arain, Campbell, Cooper, and Lancaster (2010). The rate of response during the pilot phase was 100%.

4.4.1 Reliability Tests

For reliability tests, Cronbach alpha was applied for each variable which had a range 0.854 to 0.947. Santos (1999) indicated 0.7 to be an acceptable reliability co-efficient. The test items were retained hence considered reliable as shown in the table 4.2 below.

Table 4. 2: Reliability Table

Variable	No of items	Cronbach alpha
Auditor's competence and experience	7	0.922
Internal auditor's independence	11	0.926
Internal audit procedures and standards	8	0.946
Audit committee characteristics	19	0.947
Firm size	5	0.854
Financial Performance	10	0.935
Summary	**60**	**0.922**

Source: Field Data (2023)

4.4.2 Validity Test

Main component analysis was applied and the results for Kaiser-Meyer-Olkin Measure of Sampling Adequacy (KMO) are shown in the table 4.3.

Table 4. 3: KMO Table for Study Variables

Variables	Kaiser-Meyer-Olkin Measure of Sampling Adequacy	Bartlett's Test of Sphericity		
		Chi-Square	df	Sig
Auditor's competence and experience	0.890	806.152	21	0.000
Internal auditor's independence	0.912	1146.024	55	0.000
Internal audit procedures and standards	0.931	1086.002	28	0.000
Audit committee characteristics	0.925	2169.189	171	0.000
Firm size	0.854	347.700	10	0.000
Financial Performance	0.933	1158.666	45	0.000

Source: Field Data (2023)

Table 4.3 presents the results of a Kaiser-Meyer-Olkin (KMO), this measures sampling adequacy which examine appropriateness for the use of factor analysis. A range of 0.5 –

1.0 in KMO indicates the use of factor analysis is appropriate (Tanasă. Horomnea & Ungureanu, 2012). In regards to financial performance, the KMO value of 0.933 signified factor analysis was appropriate for this research. Considering Bartletts test of sphericity the chi- square value was 1158.666 and p-value of .000 which was significant at 95% confidence level indicating that items used in the study, independent and dependent variables were correlated. Overall, KMO values ranged from 0.854 to 0.933 as shown in Table 4.3.

Table 4. 4: Communalities for Financial Performance

Financial Performance	Initial	Extraction
The capital base of the deposit taking Sacco has consistently increased.	1.000	0.667
The profits of the deposit taking Sacco have consistently grown	1.000	0.733
The customer services have improved with increase in innovations like ATM services	1.000	0.576
The remuneration of employees of in my deposit taking Sacco is adequate.	1.000	0.508
Shareholders value in my deposit taking Sacco has increased	1.000	0.617
My deposit taking Sacco has been prompt in paying of its debts when due.	1.000	0.374
The deposit taking Sacco maintains the cost of holding current assets as low as possible	1.000	0.665
Interest on member's deposit has been increasing over the years.	1.000	0.766
The Sacco membership has expanded over the years	1.000	0.747
The dividend per share of the deposit taking Sacco has consistently increased	1.000	0.759
Extraction Method: Principal Component Analysis.		

Source: Field Data (2023)

Factor analysis was done to test the suitability of the test items where a variable had many observed constructs. In factor analysis communalities show the extent which a test item correlates with all other test item. The varimax rotation method developed by Kaiser in 1958 was used to discourage the detection of factors influencing all variables as most construct validation assumes simple (rotated) structure (Tanasă. Horomnea & Ungureanu, 2012). This means that each factor has a small number of large loadings but after varimax rotation each original variable is associated with one of the factors with large value hence variance of loadings is maximized as shown in the table 4.5 below.

Table 4. 5: Rotated component matrix

Financial Performance	Component
The capital base of the deposit taking Sacco has consistently increased.	0.817
The profits of the deposit taking Sacco have consistently grown	0.856
The customer services have improved with increase in innovations like ATM services	0.759
The remuneration of employees of in my deposit taking Sacco is adequate.	0.713
Shareholders value in my deposit taking Sacco has increased	0.786
My deposit taking Sacco has been prompt in paying of its debts when due.	0.612
The deposit taking Sacco maintains the cost of holding current assets as low as possible	0.815
Interest on member's deposit has been increasing over the years.	0.875
The Sacco membership has expanded over the years	0.864
The dividend per share of the deposit taking Sacco has consistently increased	0.871
Extraction Method: Principal Component Analysis.	
a. 1 components extracted.	

Source: Field Data (2023)

For this study, test items with factor loadings greater than 0.4 was considered better. Thus for the seven construct factors, factor loadings were between 0.612 and 0.975 These factors were retained for further analysis. It is recommended by Tabachnick and Fidell

(2007) that factors with factor loadings more than 0.40 be kept for further analysis, whereas factors with factor loadings less than 0.4 should be eliminated from future research. Thus, no factor was dropped Thus they were considered reliable. This procedure was also done to all other variables as shown in appendix IV.

Table 4. 6: Summary of Factor Loadings for Study Variables

	Min Factor Loading	Max Factor Loading	Average Factor Loadings	Verdict
Auditor's competence and experience	0.711	0.877	0.829	Valid
Internal auditor's independence	0.555	0.882	0.711	Valid
Internal audit procedures and standards	0.816	0.902	0.853	Valid
Audit committee characteristics	0.510	0.853	0.673	Valid
Firm size	0.697	0.852	0.800	Valid
Financial Performance	0.612	0.8753	0.7967	Valid

4.5 Descriptive Analysis

The questionnaire on five-point Likert scale was used. The respondents were to tick (√) the most appropriate response for each of the questions that were provided in the table 4.7 if they: 1 Strongly disagree SD, 2 Disagree D, 3 Sometimes Agree STA, 4 Agree A, 5 Strongly agree SA with the statement as indicated. Descriptive analysis for this section used percentages to show the response from the respondents as shown in the tables below for each variable.

4.5.1 Auditor's Competence and Experience

In this study, Auditor's Competence and Experience was used as first independent variable in regards to establishing the influence of auditor's competence and experience on financial performance of Deposit Taking SACCOs in Kenya. The respondents were required to state their level of agreement in regards to 7 statement which was used to measure Auditor's Competence and Experience. The results are shown in Table 4.7.

Table 4. 7: Auditor's Competence and Experience

No	Competence and Experience	5	4	3	2	1	Mean	S.D
1.	The external auditors undertake their audit work within the set time limits.	42.2 (68)	50.9 (82)	1.9 (3)	2.5 (4)	2.5 (4)	4.28	0.83
2.	The internal auditors are professionally competent to perform audit services	32.3 (52)	60.2 (97)	2.5 (4)	3.1 (5)	1.9 (3)	4.18	0.78
3.	Professional competence is a key when hiring external auditors	36.6 (59)	52.8 (85)	4.3 (7)	3.1 (5)	3.1 (5)	4.17	0.89
4.	External auditors detects and reports frauds, financial errors and other misappropriations	37.9 (61)	53.4 (86)	3.7 (6)	1.9 (3)	3.1 (5)	4.21	0.85
5.	Internal audit employees have relevant education in auditing	33.5 (54)	58.4 (94)	3.7 (6)	3.1 (5)	1.2 (2)	4.20	0.76
6.	Frauds are identified by internal audit function.	24.8 (40)	60.9 (98)	8.7 (14)	3.7 (6)	1.9 (3)	4.03	0.81
7.	Auditors in the organization are qualified to undertake audit function	26.1 (42)	64.6 (104)	5 (8)	2.5 (4)	1.9 (3)	4.11	0.76
	Summary Statistics						**4.17**	

Source: Field Data (2023)

It is evident from the table above that, 42.2% (68) of the respondents strongly agreed that the external auditors undertake their audit work within the set time limits and 50.9% (80) agreed. Also, 1.9% (3) of the participants sometimes agreed, 2.5% (4) disagreed while another 2.5% (4) strongly disagreed that the external auditors undertake their audit work within the set time limits. The statement regarding external auditors completing their work within set time limits achieved the highest mean score of 4.28, indicating strong agreement among respondents that timeliness is effectively maintained.

As can be seen from the results of study, 32.3% (52) the respondents were strongly agreeing that the internal auditors are professionally competent to perform audit services, and another 60.2% (97) agreed. Moreover, 2.5% (4) of the respondents were sometimes agreeing, 3.1% (5) disagreed while 1.9% (3) strongly disagreed that the internal auditors are professionally competent to perform audit services. With a mean of 4.18, the respondents were in agreement with the assertion. This suggests that respondents largely believe internal auditors possess the necessary skills to perform their duties competently.

On the statement that, professional competence is a key when hiring external auditors, 36.6% (59) of the respondents strongly agreed while 52.8% (85) agreed. On the other hand, 4.3% (7) of the respondents sometimes agreed, 3.1% (5) were in disagreement while another 3.1% (5) strongly disagreed that professional competence is a key when hiring external auditors. The statement emphasizing the importance of professional competence when hiring external auditors scored 4.17, further reinforcing the value placed on qualifications in the audit process.

However, from the study results, 37.9% (61) of the participants were strongly in agreement and 53.4% (80) were in agreement that external auditors detect and reports frauds, financial errors and other misappropriations. Also, 3.7% (6) of the participants sometimes agreed that external auditors detect and reports frauds, financial errors and other misappropriations, 1.9% (3) were in disagreement, while 3.1% (5) strongly disagreed with the same statement. The ability of external auditors to detect and report frauds and financial errors received a mean score of 4.21, highlighting the perception that external auditors play a crucial role in identifying discrepancies.

With regards to internal audit employees have relevant education in auditing, 33.5% (54) of the respondents strongly agreed while 58.4% (94) agreed. Also, 3.7% (6) of the respondents were sometimes in agreement, 3.1% (5) disagreed while 1.2% (2) strongly disagreed that internal audit employees have relevant education in auditing. Respondents indicated a favorable view regarding the educational qualifications of internal audit employees, reflected in a mean score of 4.20.

According to the results, 24.8% (40) of the respondents strongly agreed that frauds are identified by internal audit function while 60.9% (98) agreed with the same assertion. Moreover, 8.7% (14) of the respondents sometimes agreed, 3.7% (6) disagreed while 1.9% (3) strongly disagreed that frauds are identified by internal audit function. The perception that the internal audit function identifies frauds scored the lowest among the items at 4.03, though it still indicates a relatively positive view.

Moreover, 26.1% (42) of the respondents strongly agreed and 64.6% (6) agreed that auditors in the organization are qualified to undertake audit function. Another, 5% (8) of the respondents were sometimes agreeing, 2.5% (4) disagreed while 1.9 (3) strongly disagreed that auditors in the organization are qualified to undertake audit function. With a mean of 4.11, the respondents were in agreement with the assertion. The qualification of auditors to perform audit functions received a mean score of 4.11, suggesting confidence in the auditors' abilities.

The findings underscore the critical role of auditor competence and experience in safeguarding the financial performance of Deposit Taking SACCOs in Kenya. Respondents' agreement on various aspects related to auditor competence reflects the recognition of auditors' pivotal role in ensuring financial integrity and accountability within these financial institutions. External auditors are perceived as reliable partners, with a majority of respondents acknowledging their ability to adhere to set time limits and maintain professional competence (Ibrahim et al., 2020). This trust in external auditors is crucial as they provide an independent assessment of SACCOs' financial statements, offering stakeholders assurance regarding the accuracy and reliability of financial reporting (Albawwat et al., (2021).

Moreover, the emphasis on the importance of professional competence when hiring external auditors demonstrates a commitment to upholding high standards of auditing practices. SACCOs recognize the significance of engaging auditors with the requisite skills and expertise to effectively assess financial performance and identify areas for improvement (Yachi & Yona, 2019). Similarly, the internal audit function is recognized for its professional competence in detecting frauds, financial errors, and other misappropriations. The acknowledgement of internal auditors' role in identifying such risks highlights the value placed on their expertise in safeguarding SACCOs' financial interests and maintaining regulatory compliance (Nurdiono & Gamayuni, 2018).

Furthermore, the education and qualifications of internal audit employees are seen as essential factors contributing to their effectiveness in performing audit functions. This underscores the importance of investing in continuous professional development and ensuring that internal auditors possess the necessary knowledge and skills to fulfill their responsibilities effectively (Bengrich & El Ghadouia, 2020).

Overall, the findings suggest that auditor competence and experience are integral to maintaining financial performance in Deposit Taking SACCOs. By entrusting audits to qualified professionals, SACCOs can enhance transparency, accountability, and trust among stakeholders, ultimately contributing to their long-term financial sustainability and success in serving members and communities. Therefore, ongoing efforts to prioritize auditor competence and experience are crucial for strengthening the financial resilience and performance of Deposit Taking SACCOs in Kenya.

4.5.2 Internal Auditor's Independence

In this study, internal auditor's independence was used as second independent variable in regards to examining the influence of internal auditor's independence on financial performance of Deposit Taking SACCOs in Kenya. The respondents were required to state their level of agreement in regards to 11 statement which was used to measure Internal auditor's independence. The results are shown in Table 4.8.

Table 4. 8: Internal auditor's independence

No	Internal auditor's independence	5	4	3	2	1	Mean	S.D
1.	Express audit independence ensures no biasness in undertaking the responsibilities of the auditor	30.4 (49)	62.7 (101)	2.5 (4)	2.5 (4)	1.9 (3)	4.17	0.75
2.	Independence of the auditor enables effective feedback and control of their functions	36.6 (59)	52.8 (85)	6.2 (10)	4.3 (7)	0 ()	4.22	0.75
3.	Auditors' independence fosters objectivity and integrity in the committee functions	31.7 (51)	60.2 (97)	4.3 (7)	3.7 (6)	0 ()	4.20	0.69
4.	Auditors' fees are based on the work done and period undertaken.	19.9 (32)	72.7 (117)	3.1 (5)	2.5 (4)	1.9 (3)	4.06	0.70
5.	Auditors' independence fosters the financial reports quality and accountability in the public sector	36 (58)	55.3 (89)	5 (8)	3.7 (6)	0 ()	4.24	0.71
6.	My organization does not assign non audit services to external auditors	22.4 (36)	58.4 (94)	9.3 (15)	9.3 (15)	0.6 (1)	3.93	0.86
7.	The period to which audit services are to be undertaken is standard and known	25.5 (41)	60.9 (98)	9.9 (16)	3.7 (6)	0 ()	4.08	0.71
8.	My organization ensures that there is complete disclosure of all relationships its affiliates	32.9 (53)	59 (95)	4.3 (7)	3.1 (5)	0.6 (1)	4.20	0.717
9.	The audit committee usually discuss and thoroughly investigate any potential independence impairments or issues.	27.3 (44)	63.4 (102)	3.1 (5)	3.1 (5)	3.1 (5)	4.09	0.84

10.	Audit recommendations are clearly conveyed to the board of management leading to control improvement and efficiency.	25.5 (41)	67.1 (108)	2.5 (4)	4.3 (7)	0.6 (1)	4.12	0.70
11.	The audit senior ensures that the environment for audit purpose is adequate.	35.4 (57)	57.8 (93)	1.9 (3)	4.3 (7)	0.6 (1)	4.23	0.74
	Summary Statistics						**4.14**	

Source: Field Data (2023)

The results from the table 4.8 revealed that, 30.4% (49) of the respondents strongly agreed that express audit independence ensures no biasness in undertaking the responsibilities of the auditor and 62.7% (101) agreed. Also, 2.5% (4) of the participants sometimes agreed, 2.5% (4) disagreed while another 1.9% (3) strongly disagreed that express audit independence ensures no biasness in undertaking the responsibilities of the auditor. With a mean of 4.17, the respondents were agreeing with the statement.

According to the results of study, 36.6% (59) the respondents were strongly agreeing that independence of the auditor enables effective feedback and control of their functions, and another 52.8% (85) agreed with same assertion. Moreover, 6.2% (10) of the respondents were sometimes agreeing, while 4.3% (7) disagreed that independence of the auditor enables effective feedback and control of their functions. With a mean of 4.22, the respondents were in agreement with the assertion.

On the statement that, auditors' independence fosters objectivity and integrity in the committee functions, 31.7% (51) of the respondents strongly agreed while 60.2% (97) agreed. On the other hand, 4.3% (7) of the respondents sometimes agreed while 3.7% (6)

were in disagreement that auditors' independence fosters objectivity and integrity in the committee functions. With a mean of 4.20 and a standard deviation of 4.20, the respondents were in agreement with the statement.

Nevertheless, from the study results, 19.9% (32) of the participants were strongly in agreement and 72.7% (117) were in agreement that auditors' fees are based on the work done and period undertaken. Also, 3.1% (5) of the participants sometimes agreed that auditors' fees are based on the work done and period undertaken, 2.5% (4) were in disagreement, while 1.9% (3) strongly disagreed with the same statement. With a mean of 4.06, the respondents were in agreement with the statement.

With regards to auditors' independence fosters the financial reports quality and accountability in the public sector, 36% (58) of the respondents strongly agreed while 55.3% (89) agreed. Also, 5% (8) of the respondents were sometimes in agreement, while 3.7% (6) disagreed that auditors' independence fosters the financial reports quality and accountability in the public sector. With a mean of 4.24, the respondents agreed with the statement.

According to the results, 22.4% (36) of the respondents strongly agreed that their organization does not assign non audit services to external auditors while 58.4% (94) agreed with the same assertion. Moreover, 9.3% (15) of the respondents sometimes agreed, 9.3% (15) disagreed while 0.6% (1) strongly disagreed that their organization does not assign non audit services to external auditors. With a mean of 3.93, the respondents were in agreement with the assertion.

Moreover, 25.5% (41) of the respondents strongly agreed and 60.9% (98) agreed that the period to which audit services are to be undertaken is standard and known. Another, 9.9% (16) of the respondents were sometimes agreeing while 3.7% (6) disagreed that the period to which audit services are to be undertaken is standard and known. With a mean of 4.08, the respondents were in agreement with the assertion.

According to the study findings, 32.9% (53) of the respondents strongly agreed that their organization ensures that there is complete disclosure of all relationships its affiliates and 59% (95) agreed. Also, 4.3% (7) of the participants sometimes agreed, 3.1% (5) disagreed while another 0.6% (1) strongly disagreed that their organization ensures that there is complete disclosure of all relationships its affiliates. With a mean of 4.20, the respondents were agreeing with the statement.

However, from the study findings, 27.3% (44) of the participants were strongly in agreement and 63.4% (102) were in agreement that the audit committee usually discuss and thoroughly investigate any potential independence impairments or issues. Also, 3.1% (5) of the participants sometimes agreed that the audit committee usually discuss and thoroughly investigate any potential independence impairments or issues, 3.1% (5) were in disagreement, while 3.1% (5) strongly disagreed with the same statement. With a mean of 4.09, the respondents were in agreement with the statement.

With regards to audit recommendations are clearly conveyed to the board of management leading to control improvement and efficiency, 25.5% (41) of the respondents strongly agreed while 67.1% (108) agreed. Also, 2.5% (4) of the respondents were sometimes in agreement, 4.3% (7) disagreed while 0.6% (1) strongly disagreed that audit recommendations are clearly conveyed to the board of management leading to control improvement and efficiency. With a mean of 4.12, the respondents agreed with the statement.

Finally, 35.4% (57) of the respondents strongly agreed and 57.8% (93) agreed that the audit senior ensures that the environment for audit purpose is adequate. Another, 1.9% (3) of the respondents were sometimes agreeing, 4.3% (7) disagreed while 0.6% (1) strongly disagreed that the audit senior ensures that the environment for audit purpose is adequate. With a mean of 4.23, the respondents were in agreement with the assertion.

The findings underscore the consensus among respondents regarding the critical role of internal audit independence in shaping the financial performance of Deposit Taking SACCOs in Kenya. Express audit independence emerges as a fundamental factor in ensuring impartiality in auditors' responsibilities, with a significant majority of respondents endorsing its importance (Ibrahim et al., 2020). Moreover, the independence of auditors is perceived as instrumental in enabling effective feedback and control over their functions, thereby enhancing governance and risk management within SACCOs. Additionally, auditors' independence is believed to foster objectivity and integrity in committee functions, potentially improving financial reporting quality and accountability, particularly in the public sector (Albawwat et al., 2021)

The study also emphasizes the need to align auditors' fees with the scope of work undertaken, enhancing transparency and accountability in audit engagements. Furthermore, ensuring complete disclosure of relationships with affiliates and conducting robust discussions within the audit committee regarding independence issues are considered essential for maintaining internal audit independence and integrity (Yachi & Yona, 2019). Overall, the findings highlight the pivotal role of internal audit independence in promoting sound governance practices and ultimately driving the financial performance of Deposit Taking SACCOs in Kenya.

4.5.3 Internal audit procedures and standards

In this study, internal audit procedures and standards was used as third independent variable in regards to establish the influence of internal audit procedures and standards on financial performance of Deposit Taking SACCOs in Kenya. The respondents were required to state their level of agreement in regards to 8 statement which was used to measure internal audit procedures and standards. The results are shown in Table 4.9.

It is evident from the table above that, 20.5% (33) of the respondents strongly agreed that audit recommendations are clearly conveyed and implemented leading improvement in performance and 71.4% (115) agreed. Also, 1.2% (2) of the participants sometimes agreed, 4.3% (7) disagreed while another 2.5% (4) strongly disagreed that audit recommendations are clearly conveyed and implemented leading improvement in performance. With a mean of 4.03, the respondents were agreeing with the statement.

Table 4. 9: Internal audit procedures and standards

No	Internal Audit procedures and standards	5	4	3	2	1	Mean	S.d
1.	Audit recommendations are clearly conveyed and implemented leading improvement in performance.	20.5 (33)	71.4 (115)	1.2 (2)	4.3 (7)	2.5 (4)	4.03	0.79
2.	Audit standards and related services influences performance	31.1 (50)	60.9 (98)	1.2 (2)	6.2 (10)	0.6 (1)	4.16	0.78
3.	Compliance to internal auditing standards contributes and influence effectiveness in auditing hence performance	34.2 (55)	57.8 (93)	2.5 (4)	5.6 (9)	0 ()	4.20	0.74
4.	Auditors carry out their roles objectively in compliance with international auditing standards	36 (58)	54.7 (88)	3.1 (5)	3.7 (6)	2.5 (4)	4.18	0.86
5.	There are safeguards in place to regulate interactions between auditors and management,	29.2 (47)	61.5 (99)	3.1 (5)	6.2 (10)	0 ()	4.14	0.75
6.	Rotation of senior audit partner is incompliance with applicable auditing standards	24.2 (39)	67.1 (108)	1.9 (3)	6.2 (10)	0.6 (1)	4.08	0.75
7.	Auditors work done is checked, or recalculated or confirmed by seniors.	22.4 (36)	70.2 (113)	1.2 (2)	5.6 (9)	0.6 (1)	4.08	0.72
8.	External auditors' rotation takes place as required by regulation and standards	32.3 (52)	60.2 (97)	1.2 (2)	5.6 (9)	0.6 (1)	4.18	0.766
	Summary Statistics						**4.13**	

Source: Field Data (2023)

On the statement that, compliance to internal auditing standards contributes and influence effectiveness in auditing hence performance, 34.2% (55) of the respondents strongly agreed while 57.8% (93) agreed. On the other hand, 2.5% (4) of the respondents sometimes agreed while 5.6% (9) were in disagreement that compliance to internal auditing standards contributes and influence effectiveness in auditing hence performance. With a mean of 4.20, the respondents were in agreement with the statement.

However, from the study findings, 36% (58) of the participants were strongly in agreement and 54.7% (88) were in agreement that auditors carry out their roles objectively in compliance with international auditing standards. Also, 3.1% (5) of the participants sometimes agreed that auditors carry out their roles objectively in compliance with international auditing standards, 3.7% (6) were in disagreement, while 2.5% (4) strongly disagreed with the same statement. With a mean of 4.18, the respondents were in agreement with the statement.

With regards to there are safeguards in place to regulate interactions between auditors and management, 29.2% (47) of the respondents strongly agreed while 61.5% (99) agreed. Also, 3.1% (5) of the respondents were sometimes in agreement while 6.2% (10) disagreed that there are safeguards in place to regulate interactions between auditors and management. With a mean of 4.14 and a standard deviation of 0.75, the respondents agreed with the statement.

According to the results, 24.2% (39) of the respondents strongly agreed that rotation of senior audit partner is incompliance with applicable auditing standards while 67.1% (108) agreed with the same assertion. Moreover, 1.9% (3) of the respondents sometimes agreed, 6.2% (10) disagreed while 0.6% (1) strongly disagreed that rotation of senior audit partner is in compliance with applicable auditing standards. With a mean of 4.08 and a standard deviation of 0.75, the respondents were in agreement with the assertion.

Moreover, 22.4% (36) of the respondents strongly agreed and 70.2% (113) agreed that auditors work done is checked, or recalculated or confirmed by seniors. Another, 1.2% (2) of the respondents were sometimes agreeing, 5.6% (4) disagreed while 0.6% (1) strongly disagreed that auditors work done is checked, or recalculated or confirmed by seniors. With a mean of 4.08 and a standard deviation of 0.72, the respondents were in agreement with the assertion.

In conclusion, 32.3% (52) of the respondents strongly agreed and 60.2% (97) agreed that external auditors' rotation takes place as required by regulation and standards. Another, 1.2% (2) of the respondents were sometimes agreeing, 5.6% (9) disagreed while 0.6% (1) strongly disagreed that external auditors' rotation takes place as required by regulation and standards. With a mean of 4.18 and a standard deviation of 0.766, the respondents were in agreement with the assertion.

The findings suggest a widespread consensus among respondents regarding the pivotal role of internal audit procedures and standards in influencing the financial performance of Deposit Taking SACCOs in Kenya. There is strong agreement that clear communication and implementation of audit recommendations lead to performance improvement, highlighting the importance of effective internal audit processes in driving organizational effectiveness (Kaawaase et al., 2021). Additionally, the perceived influence of audit standards and related services on performance underscores the significance of adhering to established audit practices to achieve desired outcomes. Compliance with internal auditing standards is seen as a contributing factor to auditing effectiveness and, consequently, performance enhancement (El Gharbaoui & Chraibi, 2021)

Moreover, the objective execution of auditor roles in alignment with international auditing standards is believed to positively impact performance, emphasizing the importance of maintaining professional standards in audit practices. The presence of safeguards to regulate interactions between auditors and management is viewed favorably, indicating the importance of maintaining independence and integrity in audit processes (Iliemena & Okolocha, 2019). Overall, the findings underscore the critical role of internal audit procedures and adherence to standards in driving financial performance within Deposit Taking SACCOs in Kenya.

4.5.4 Audit Committee Characteristics

In this study, audit committee characteristics was used as fourth independent variable in regards to determining the influence of audit committee characteristics on financial performance of Deposit Taking SACCOs in Kenya. The respondents were required to state their level of agreement in regards to 19 statement which was used to measure audit committee characteristics. The results are shown in Table 4.10, 4.11 and 4.12.

Table 4. 10: Audit Committee Composition

No	Audit Committee Composition	5	4	3	2	1	Mean	S.D
1.	Audit committee composition fosters the effectiveness of the audit function.	49.7 (80)	46 (74)	1.2 (2)	2.5 (4)	0.6 (1)	4.42	0.70
2.	Audit committee composed of members with leadership experience enhance the independence and efficiency of the committee	21.1 (34)	71.4 (115)	4.3 (7)	2.5 (4)	0.6 (1)	4.10	0.63
3.	Audit committee composed of independent advisers ensures biasness in reporting and undertaking the audit functions	14.9 (24)	39.1 (63)	30.4 (49)	13.7 (22)	1.9 (3)	3.52	0.97
4.	Rotation of audit committee members fosters credibility in the functions of committee	24.2 (39)	64.6 (104)	6.8 (11)	2.5 (4)	1.9 (3)	4.07	0.76
5.	The audit tenure of committee members enhances the audit quality in the public sector.	20.5 (33)	70.8 (114)	6.8 (11)	1.9 (3)	0 ()	4.10	0.58
6.	The size of the audit committee enhances the quality of the audit work	23 (37)	62.1 (100)	12.4 (20)	0.6 (1)	1.9 (3)	4.04	0.74
	Summary Statistics						**4.04**	

Source: Field Data (2023)

The results from the table 4.10 revealed that, 49.7% (80) of the respondents strongly agreed that audit committee composition fosters the effectiveness of the audit function and 46% (74) agreed. Also, 1.2% (2) of the participants sometimes agreed, 2.5% (4) disagreed while another 0.6% (1) strongly disagreed that audit committee composition fosters the effectiveness of the audit function. With a mean of 4.42 and a standard deviation of 0.70, the respondents were agreeing with the statement.

According to the results of study, 21.1% (34) the respondents were strongly agreeing that audit committee composed of members with leadership experience enhance the independence and efficiency of the committee, and another 71.4% (115) agreed with same assertion. Moreover, 4.3% (7) of the respondents were sometimes agreeing, 2.5% (4) disagreed while 0.6% (1) strongly disagreed that audit committee composed of members with leadership experience enhance the independence and efficiency of the committee. With a mean of 4.10 and an insignificant standard deviation of 0.63, the respondents were in agreement with the assertion.

On the statement that, audit committee composed of independent advisers ensures biasness in reporting and undertaking the audit functions, 14.9% (24) of the respondents strongly agreed while 39.1% (63) agreed. On the other hand, 30.4% (49) of the respondents sometimes agreed 13.7% (22) were in disagreement while 1.9% (3) were in strong disagreement that audit committee composed of independent advisers ensures biasness in reporting and undertaking the audit functions. With a mean of 3.52 and a standard deviation of 0.97, the respondents were in agreement with the statement.

Nevertheless, from the study results, 24.2% (39) of the participants were strongly in agreement and 64.6% (104) were in agreement that rotation of audit committee member's fosters credibility in the functions of committee. Also, 6.8% (11) of the participants sometimes agreed that rotation of audit committee member's fosters credibility in the functions of committee, 2.5% (4) were in disagreement, while 1.9% (3) strongly disagreed with the same statement. With a mean of 4.07 and a standard deviation of 0.76, the respondents were in agreement with the statement.

With regards to the audit tenure of committee members enhances the audit quality in the public sector, 20.5% (33) of the respondents strongly agreed while 70.8% (114) agreed. Also, 6.8% (11) of the respondents were sometimes in agreement, while 1.9% (3) disagreed that the audit tenure of committee members enhances the audit quality in the public sector. With a mean of 4.10 and a standard deviation of 0.58, the respondents agreed with the statement.

According to the results, 23% (37) of the respondents strongly agreed that the size of the audit committee enhances the quality of the audit work while 62.1% (100) agreed with the same assertion. Moreover, 12.4% (20) of the respondents sometimes agreed, 1.9% (3) disagreed while 0.6% (1) strongly disagreed that the size of the audit committee enhances the quality of the audit work. With a mean of 4.04 and a standard deviation of 0.74, the respondents were in agreement with the assertion.

The findings underscore the perceived significance of audit committee composition in influencing the financial performance of Deposit Taking SACCOs in Kenya. Respondents widely agree that the effectiveness of the audit function is fostered by the composition of the audit committee, particularly when it comprises members with leadership experience (Amahalu, 2020). This suggests that the presence of experienced leaders within the committee enhances its independence and efficiency, potentially contributing to improved financial oversight and decision-making processes. Additionally, there is acknowledgment that rotation of audit committee members and their tenure positively impact the credibility and quality of audit functions, indicating the importance of refreshing committee membership to maintain effectiveness and integrity (Mehran et al., 2022).

Moreover, the size of the audit committee is seen as a determinant of audit quality, with a larger committee size believed to enhance the quality of audit work. However, concerns arise regarding the potential biasness introduced by audit committees composed solely of independent advisers, suggesting a need for balanced representation to ensure objectivity in reporting and audit functions (Oduor et al., 2022). Overall, the findings highlight the critical role of audit committee composition in shaping the financial performance and governance effectiveness of Deposit Taking SACCOs in Kenya.

According to the study findings, 54% (87) of the respondents strongly agreed that audit committees composed of financial experts enhance the credibility and quality of the audit reports and 40.4% (65) agreed. Also, 3.1% (5) of the participants sometimes agreed while 3.1% (5) disagreed that Audit committees composed of financial experts enhance the credibility and quality of the audit reports. With a mean of 4.46 and a standard deviation of 0.68, the respondents were agreeing with the statement.

Table 4. 11: Audit Committee Technical Skills

	Audit Committee Technical Skills	5	4	3	2	1	Mean	S.D
7.	Audit committees composed of financial experts enhance the credibility and quality of the audit reports.	54 (87)	40.4 (65)	3.1 (5)	2.5 (4)	0 ()	4.46	0.68
8.	Audit committee members with professional qualification foster effective monitoring which reduces malpractices in the industry	41.6 (67)	54 (87)	1.2 (2)	2.5 (4)	0.6 (1)	4.34	0.689
9.	Experienced audit committee members leads to effective operations within the committee	36.6 (59)	59 (95)	1.9 (3)	2.5 (4)	0 ()	4.30	0.63
10.	Training of audit committee members leads to effective and efficient undertaking of their responsibility	42.9 (69)	52.8 (85)	1.9 (3)	1.9 (3)	0.6 (1)	4.35	0.67
11.	Personal characteristics and values of the audit committee members enhance the functional competency of the committee	38.5 (62)	55.3 (89)	1.2 (2)	1.9 (3)	3.1 (5)	4.24	0.83
	Summary Statistics						**4.34**	

Source: Field Data (2023)

However, from the study findings, 41.6% (67) of the participants were strongly in agreement and 54% (87) were in agreement that audit committee members with professional qualification foster effective monitoring which reduces malpractices in the industry. Also, 1.2% (2) of the participants sometimes agreed that audit committee members with professional qualification foster effective monitoring which reduces malpractices in the industry, 2.5% (4) were in disagreement, while 0.6% (1) strongly disagreed with the same statement. With a mean of 4.34 and a standard deviation of 0.68, the respondents were in agreement with the statement.

With regards to experienced audit committee members leads to effective operations within the committee, 36.6% (59) of the respondents strongly agreed while 59% (95) agreed. Also, 1.9% (3) of the respondents were sometimes in agreement while 2.5% (4) disagreed that experienced audit committee members leads to effective operations within the committee. With a mean of 4.30 and a standard deviation of 0.63, the respondents agreed with the statement.

Nevertheless, 42.9% (69) of the respondents strongly agreed and 52.8% (85) agreed that training of audit committee members leads to effective and efficient undertaking of their responsibility. Another, 1.9% (3) of the respondents were sometimes agreeing, 1.9% (3) disagreed while 0.6% (1) strongly disagreed that training of audit committee members leads to effective and efficient undertaking of their responsibility. With a mean of 4.35 and a standard deviation of 0.67, the respondents were in agreement with the assertion.

Lastly, 38.5% (62) of the respondents strongly agreed and 55.3% (89) agreed that personal characteristics and values of the audit committee members enhance the functional competency of the committee. Another, 1.2% (2) of the respondents were sometimes agreeing, 1.9% (3) disagreed while 3.1% (5) strongly disagreed that personal characteristics and values of the audit committee members enhance the functional competency of the committee. With a mean of 4.24 and a standard deviation of 0.83, the respondents were in agreement with the assertion.

The study findings suggest a strong correlation between the technical skills of audit committee members and the financial performance of Deposit Taking SACCOs in Kenya. Respondents overwhelmingly agree that audit committees composed of financial experts enhance the credibility and quality of audit reports. This indicates that expertise in financial matters within the committee contributes to more reliable and insightful audit outcomes, potentially fostering greater investor confidence and organizational trust (Ahmeti et al., 2022). Similarly, there is consensus that audit committee members possessing professional qualifications play a vital role in effective monitoring, thereby reducing malpractices within the industry. This underscores the importance of having individuals with specialized knowledge and credentials overseeing audit processes to ensure adherence to standards and regulatory requirements (Alshouha et al., 2021).

Moreover, the study reveals that experienced audit committee members are perceived to lead to more efficient operations within the committee. This highlights the value of practical knowledge and seasoned judgment in guiding audit committee activities effectively. Additionally, training of audit committee members is seen as instrumental in enhancing their effectiveness and efficiency in fulfilling their responsibilities (Soyemi et al., 2021). Investing in continuous education and skill development ensures that committee members stay abreast of evolving best practices and regulatory changes, enhancing their capacity to contribute meaningfully to organizational governance.

Furthermore, personal characteristics and values of audit committee members are recognized as enhancing the functional competency of the committee. This emphasizes the importance of integrity, ethics, and alignment with organizational values in fostering effective collaboration and decision-making within the committee (Ezejiofor et al., 2018). Overall, the findings underscore the critical role of audit committee technical skills in driving financial performance and governance effectiveness within Deposit Taking SACCOs in Kenya.

It is evident from the table 4.12 that, 44.7% (72) of the respondents strongly agreed that regular meetings of the audit committee enhance the performance of their role and 49.7% (80) agreed. Also, 205% (4) of the participants sometimes agreed, 2.5% (4) disagreed while another 0.6% (1) strongly disagreed that regular meetings of the audit committee enhance the performance of their role. With a mean of 4.35 and a standard deviation of 0.71, the respondents were agreeing with the statement.

As can be seen from the results of study, 30.4% (49) the respondents were strongly agreeing that audit committee meetings that are not subject to board influence enhance the effectiveness of the committee functions, and another 63.4% (102) agreed. Moreover, 3.1% (5) of the respondents were sometimes agreeing, 2.5% (4) disagreed while 0.6% (1) strongly disagreed that audit committee meetings that are not subject to board influence enhance the effectiveness of the committee functions. With a mean of 4.20 and a standard deviation of 0.67, the respondents were in agreement with the assertion.

Table 4. 12: Audit Committee Prudential Requirements

	Audit Committee Prudential Requirements	5	4	3	2	1	Mean	S.D
12.	Regular meetings of the audit committee enhance the performance of their role	44.7 (72)	49.7 (80)	2.5 (4)	2.5 (4)	0.6 (1)	4.35	0.711
13.	Audit committee meetings that are not subject to board influence enhance the effectiveness of the committee functions	30.4 (49)	63.4 (102)	3.1 (5)	2.5 (4)	0.6 (1)	4.20	0.672
14.	Availability of formal meeting calendar among audit committee members enhances the effectiveness of the committee	32.3 (52)	63.4 (102)	1.2 (2)	1.2 (2)	1.9 (3)	4.23	0.709
15.	Planning of audit committee meetings reduces manipulation and risks of board interference	37.3 (60)	51.6 (83)	8.7 (14)	2.5 (4)	0 ()	4.24	0.712
16.	Control of the audit committee agenda by the members fosters the attainment of the committee responsibilities	26.1 (42)	69.6 (112)	2.5 (4)	1.9 (3)	0 ()	4.20	0.568
17.	There are wide disparities in the expected performance of audit committee members in the industry	22.4 (36)	72.7 (117)	2.5 (4)	0.6 (1)	1.9 (3)	4.13	0.653
18.	The frequency of audit committee meetings is sufficient to fulfil tasks required,	26.1 (42)	69.6 (112)	1.9 (3)	2.5 (4)	0 ()	4.19	0.586
19.	The size of audit committee is adequate with qualified personnel ready for the task.	29.2 (47)	64.6 (104)	3.1 (5)	2.5 (4)	0.6 (1)	4.19	0.666
20.	**Summary Statistics**						**4.22**	

Source: Field Data (2023)

On the statement that, availability of formal meeting calendar among audit committee members enhances the effectiveness of the committee, 32.3% (52) of the respondents strongly agreed while 63.4% (102) agreed. On the other hand, 1.2% (2) of the respondents sometimes agreed, 1.2% (2) were in disagreement while another 1.9% (3) were in strong disagreement that availability of formal meeting calendar among audit committee members enhances the effectiveness of the committee. With a mean of 4.23 and a standard deviation 0.70, the respondents were in agreement with the statement.

However, from the study findings, 37.3% (60) of the participants were strongly in agreement and 51.6% (83) were in agreement that planning of audit committee meetings reduces manipulation and risks of board interference. Also, 8.7% (14) of the participants sometimes agreed that planning of audit committee meetings reduces manipulation and risks of board interference, 2.5% (4) were in disagreement with the same statement. With a mean of 4.24 and a standard deviation of 0.71, the respondents were in agreement with the statement.

With regards to control of the audit committee agenda by the members fosters the attainment of the committee responsibilities, 26.1% (42) of the respondents strongly agreed while 69.6% (112) agreed. Also, 2.5% (4) of the respondents were sometimes in agreement while 1.9% (3) disagreed that control of the audit committee agenda by the members fosters the attainment of the committee responsibilities. With a mean of 4.20 and a standard deviation of 0.56, the respondents agreed with the statement.

According to the results, 22.4% (36) of the respondents strongly agreed that there are wide disparities in the expected performance of audit committee members in the industry while 72.7% (117) agreed with the same assertion. Moreover, 2.5% (4) of the respondents sometimes agreed, 0.6% (1) disagreed while 1.9% (3) strongly disagreed that there are wide disparities in the expected performance of audit committee members in the industry. With a mean of 4.13 and a standard deviation of 0.65, the respondents were in agreement with the assertion.

Moreover, 26.1% (42) of the respondents strongly agreed and 69.6% (112) agreed that the frequency of audit committee meetings is sufficient to fulfil tasks required. Another, 1.9% (3) of the respondents were sometimes agreeing while 2.5% (4) disagreed that the frequency of audit committee meetings is sufficient to fulfil tasks required. With a mean of 4.19 and a standard deviation of 0.58, the respondents were in agreement with the assertion.

In conclusion, 29.2% (47) of the respondents strongly agreed and 64.6% (104) agreed that the size of audit committee is adequate with qualified personnel ready for the task. Another, 3.1% (4) of the respondents were sometimes agreeing, 2.5% (4) disagreed while 0.6% (1) strongly disagreed that the size of audit committee is adequate with qualified personnel ready for the task. With a mean of 4.19 and a standard deviation of 0.66, the respondents were in agreement with the assertion.

The findings from the study highlight the significant impact of Audit Committee Prudential Requirements on the financial performance of Deposit Taking SACCOs in Kenya. Regular meetings of the audit committee are perceived as crucial for enhancing the committee's performance, indicating that consistent engagement and oversight contribute to improved governance and risk management within SACCOs (Muchiri & Jagongo, 2017).

Furthermore, audit committee meetings that are independent of board influence are seen as more effective, suggesting that autonomy in decision-making processes enhances the committee's ability to fulfill its functions impartially and diligently (Alshouha et al., 2021)

The availability of a formal meeting calendar among audit committee members is considered essential for enhancing the committee's effectiveness, indicating the importance of structured and organized approaches to committee activities. Planning of audit committee meetings is also perceived as vital for reducing manipulation and risks of board interference, emphasizing the need for proactive measures to safeguard the committee's independence and integrity (Ahmeti et al., 2022).

Additionally, control of the audit committee agenda by its members is viewed as fostering the attainment of the committee's responsibilities, highlighting the significance of empowering committee members to set priorities and address pertinent issues. Despite the acknowledgment of wide disparities in the expected performance of audit committee members, there is consensus that the frequency and size of audit committee meetings are generally adequate, with qualified personnel ready for the task (Oduor et al., 2022). Overall, adherence to Audit Committee Prudential Requirements is seen as instrumental in promoting effective governance and ultimately driving the financial performance of Deposit Taking SACCOs in Kenya.

4.5.5 Sacco Size

In this study, Saco Size was used as a moderating variable in regards to determine the moderating influence of firm size on the relationship between audit quality and financial performance of Deposit Taking SACCOs in Kenya. The respondents were required to state their level of agreement in regards to 5 statement which was used to measure Sacco Size. The results are shown in Table 4.13.

Table 4. 13: Firm size

No	Member's Deposit	5	4	3	2	1	Mean	S.D
1.	To enhance member's deposit, the Sacco offers competitive interest rates	52.8 (85)	41.6 (67)	2.5 (4)	2.5 (4)	0.6 (1)	4.43	0.72
2.	The Sacco has introduced financial literacy to enhance its member' deposits	37.9 (61)	57.8 (93)	0.6 (1)	2.5 (4)	1.2 (2)	4.29	0.72
3.	The Sacco has diversified saving products to attract member's deposits	32.3 (52)	63.4 (102)	0 ()	3.7 (6)	0.6 (1)	4.23	0.69
4.	The Sacco has formed collaboration and partnership with employer to enhance its member's deposit base	39.8 (64)	55.9 (90)	0 ()	3.7 (6)	0.6 (1)	4.30	0.72
5.	The Sacco offers incentives and rewards to encourage member's deposits	37.3 (60)	56.5 (91)	0.6 (1)	1.9 (3)	3.7 (6)	4.22	0.86
6.	**Summary Statistics**						**4.29**	

Source: Field Data (2023)

According to the study findings, 52.8% (85) of the respondents strongly agreed that to enhance member's deposit, the Sacco offers competitive interest rates and 41.6% (67) agreed. Also, 2.5% (4) of the participants sometimes agreed, 2.5% (4) disagreed while

0.6% (1) disagreed strongly that to enhance member's deposit, the Sacco offers competitive interest rates. With a mean of 4.43 and a standard deviation of 0.72, the respondents were agreeing with the statement.

However, from the study findings, 37.9% (61) of the participants were strongly in agreement and 57.8% (93) were in agreement that the Sacco has introduced financial literacy to enhance its member' deposits. Also, 0.6% (1) of the participants sometimes agreed that the Sacco has introduced financial literacy to enhance its member' deposits, 2.5% (4) were in disagreement, while 1.2% (2) strongly disagreed with the same statement. With a mean of 4.29 and a standard deviation of 0.72, the respondents were in agreement with the statement.

With regards to the Sacco has diversified saving products to attract member's deposits, 32.3% (52) of the respondents strongly agreed while 63.4% (102) agreed. Also, 3.7% (6) of the respondents disagreed while 0.6% (1) disagreed strongly that the Sacco has diversified saving products to attract member's deposits. With a mean of 4.23 and a standard deviation of 0.69, the respondents agreed with the statement.

Nevertheless, 39.8% (64) of the respondents strongly agreed and 55.9% (90) agreed that the Sacco has formed collaboration and partnership with employer to enhance its member's deposit base. Another, 3.7% (6) of the respondents were disagreeing, 0.6% (1) disagreed strongly while that the Sacco has formed collaboration and partnership with employer to enhance its member's deposit base. With a mean of 4.30 and a standard deviation of 0.72, the respondents were in agreement with the assertion.

Lastly, 37.3% (60) of the respondents strongly agreed and 56.5% (91) agreed that the Sacco offers incentives and rewards to encourage member's deposits. Another, 0.6% (1) of the respondents were sometimes agreeing, 1.9% (3) disagreed while 3.7% (6) strongly disagreed that the Sacco offers incentives and rewards to encourage member's deposits. With a mean of 4.22 and a standard deviation of 0.86, the respondents were in agreement with the assertion.

The findings suggest that the size of Deposit Taking SACCOs in Kenya influences their approach to enhancing member deposits. Larger SACCOs are better positioned to offer competitive interest rates, introduce financial literacy programs, diversify saving products, form collaborations with employers, and offer incentives to encourage member deposits (Saleh, 2021). Competitive interest rates are a key strategy for attracting and retaining members, especially in larger SACCOs where economies of scale may allow for more favorable rates. Similarly, initiatives like financial literacy programs cater to a larger member base and can be more feasibly implemented by larger SACCOs with greater resources (Trilaksana & Fadjarenie, 2021)

Diversified saving products cater to varying member needs and preferences, a strategy that larger SACCOs can more readily adopt due to their broader financial capabilities and market reach (Shatnawi et al., 2022). Collaborations with employers and incentives for deposits are also more viable for larger SACCOs, given their ability to negotiate partnerships and allocate resources towards member benefits. Overall, the findings indicate that larger SACCOs have a broader toolkit of strategies to enhance member deposits, leveraging their size and resources to offer competitive services and incentives (Madawaki et al., 2022). This underscores the importance of SACCO size in shaping their financial performance and member engagement strategies in Kenya's financial landscape.

Table 4. 14: Secondary Data

Ksh. Billions	Min	Max	Mean	S. D
Member's Deposits	0.02	47.29	2.520406	5.095349

As indicated in Table 4.14. between 2018 and 2022, the minimum member deposits were Ksh. 0.02billions while the maximum was Ksh. 47.3billions with a mean of Ksh. 2.5 billion and a standard deviation of Ksh. 5.1 billion. As shown in Figure 4.3, mean member's deposit increased from 2018 to 2022.

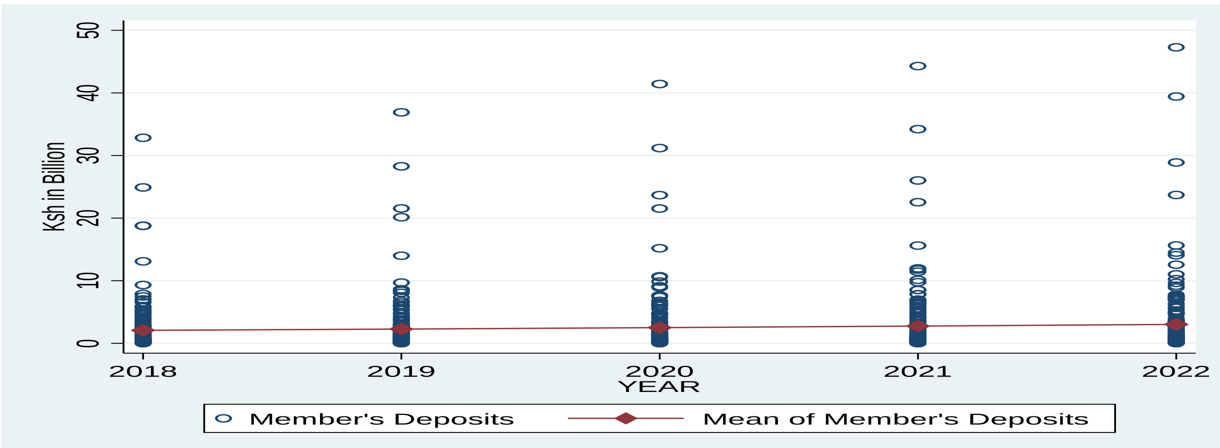

Figure 4. 3: Scatter Plot for Member's Deposits
Source: Field Data (2023)

The data presented indicates a significant variation in the size of member deposits among Deposit Taking SACCOs in Kenya between 2018 and 2022. The range between the minimum and maximum member deposits, spanning from Ksh. 0.02 billion to Ksh. 47.3 billion, highlights the diverse scale of operations across different SACCOs. The mean member deposit of Ksh. 2.5 billion and a standard deviation of Ksh. 5.1 billion further underscore the wide dispersion of deposit sizes within the sector.

The increase in the mean member's deposit from 2018 to 2022 suggests a trend towards growth in the overall financial scale of Deposit Taking SACCOs during this period. This growth trajectory could indicate several factors influencing financial performance, including increased member confidence, improved service offerings, and potentially expanded market presence (Shatnawi et al., 2022). Larger member deposits often translate to greater financial resources for SACCOs, enabling them to undertake more extensive lending activities, invest in diverse financial instruments, and expand their service portfolio. Overall, the findings suggest that Sacco size, as measured by member deposits, plays a crucial role in shaping the financial performance of Deposit Taking SACCOs in Kenya. Larger deposit bases provide SACCOs with greater financial resilience, flexibility, and capacity to support their operations and drive growth in the financial services sector (Trilaksana & Fadjarenie, 2021).

4.5.6 Financial Performance

In this study, financial performance was used as dependent variable. The respondents were required to state their level of agreement in regards to 10 statement which was used to measure financial performance. The results are shown in Table 4.15.

Table 4. 15: Financial Performance

No	Financial Performance	5	4	3	2	1	Mean	S.D
1.	The capital base of the deposit taking Sacco has consistently increased.	24.2 (39)	70.8 (114)	1.2 (2)	3.7 (6)	0 ()	4.16	0.62
2.	The profits of the deposit taking Sacco have consistently grown	22.4 (36)	72 (116)	1.2 (2)	1.2 (2)	3.1 (5)	4.09	0.75
3.	The customer services have improved with increase in innovations like ATM services	21.7 (35)	70.2 (113)	4.3 (7)	3.7 (6)	0 ()	4.10	0.63
4.	The remuneration of employees of in my deposit taking Sacco is adequate.	19.3 (31)	68.9 (111)	5.6 (9)	5.6 (9)	0.6 (1)	4.01	0.73
5.	Shareholders value in my deposit taking Sacco has increased	28 (45)	65.8 (106)	2.5 (4)	3.1 (5)	0.6 (1)	4.17	0.68
6.	My deposit taking Sacco has been prompt in paying of its debts when due.	19.9 (32)	68.3 (110)	6.2 (10)	3.1 (5)	2.5 (4)	4.00	0.78
7.	The deposit taking Sacco maintains the cost of holding current assets as low as possible	26.1 (42)	67.1 (108)	2.5 (4)	3.1 (5)	1.2 (2)	4.14	0.71
8.	Interest on member's deposit has been increasing over the years.	25.5 (41)	65.8 (106)	3.7 (6)	3.7 (6)	1.2 (2)	4.11	0.738
9.	The Sacco membership has expanded over the years	25.5 (41)	68.9 (111)	0.6 (1)	3.7 (6)	1.2 (2)	4.14	0.71
10.	The dividend per share of the deposit taking Sacco has consistently increased	22.4 (36)	72.7 (117)	0.6 (1)	1.9 (3)	2.5 (4)	4.11	0.72

Source: Field Data (2023)

It is evident from the table above that, 24.2% (39) of the respondents strongly agreed that the capital base of the deposit taking Sacco has consistently increased and 70.8% (114) agreed. Also, 1.2% (2) of the participants sometimes agreed while 3.7% (6) disagreed the capital base of the deposit taking Sacco has consistently increased. With a mean of 4.16 and a standard deviation of 0.62, the respondents were agreeing with the statement.

As can be seen from the results of study, 22.4% (36) the respondents were strongly agreeing that the profits of the deposit taking Sacco have consistently grown, and another 72% (116) agreed. Moreover, 1.2% (2) of the respondents were sometimes agreeing, 1.2% (2) disagreed while 3.1% (5) strongly disagreed that the profits of the deposit taking Sacco have consistently grown. With a mean of 4.09 and a standard deviation of 0.75, the respondents were in agreement with the assertion.

On the statement that, the customer services have improved with increase in innovations like ATM services, 21.7% (35) of the respondents strongly agreed while 70.2% (113) agreed. On the other hand, 4.3% (7) of the respondents sometimes agreed while 3.7% (6) were in disagreement that the customer services have improved with increase in innovations like ATM services. With a mean of 4.10 and a standard deviation 0.63, the respondents were in agreement with the statement.

However, from the study findings, 19.3% (31) of the participants were strongly in agreement and 68.9% (111) were in agreement that the remuneration of employees of in my deposit taking Sacco is adequate. Also, 5.6% (9) of the participants sometimes agreed that the remuneration of employees of in my deposit taking Sacco is adequate, 5.6% (4) were in disagreement while 0.6% (1) was in strong disagreement with the same statement. With a mean of 4.01 and a standard deviation of 0.73, the respondents were in agreement with the statement.

With regards to shareholder's value in my deposit taking Sacco has increased, 28% (44) of the respondents strongly agreed while 65.8% (106) agreed. Also, 2.5% (4) of the respondents were sometimes in agreement, 3.1% (5) disagreed while 0.6% (1) disagreed strongly that shareholders value in my deposit taking Sacco has increased. With a mean of 4.17 and a standard deviation of 0.68, the respondents agreed with the statement.

According to the results, 19.9% (32) of the respondents strongly agreed that their deposit taking Sacco has been prompt in paying of its debts when due while 68.3% (110) agreed with the same assertion. Moreover, 6.2% (10) of the respondents sometimes agreed, 3.1% (5) disagreed while 2.5% (4) strongly disagreed that their deposit taking Sacco has been prompt in paying of its debts when due. With a mean of 4.00 and a standard deviation of 0.78, the respondents were in agreement with the assertion.

Moreover, 26.1% (42) of the respondents strongly agreed and 67.1% (108) agreed that the deposit taking Sacco maintains the cost of holding current assets as low as possible. Another, 2.5% (4) of the respondents were sometimes agreeing, 3.1% (5) disagreed while 1.2% (2) disagreed strongly that the deposit taking Sacco maintains the cost of holding current assets as low as possible. With a mean of 4.14 and a standard deviation of 0.71, the respondents were in agreement with the assertion.

Moreover, 25.5% (41) of the respondents strongly agreed and 65.8% (106) agreed that interest on member's deposit has been increasing over the years. Another, 3.7% (6) of the respondents were sometimes agreeing, 3.7% (6) disagreed while 1.2% (2) strongly disagreed that interest on member's deposit has been increasing over the years. With a mean of 4.11 and a standard deviation of 0.73, the respondents were in agreement with the assertion.

In addition, 25.5% (41) of the respondents strongly agreed and 68.9% (111) agreed that the Sacco membership has expanded over the years. Another, 0.6% (1) of the respondents were sometimes agreeing, 3.7% (6) disagreed while 1.2% (2) strongly disagreed that the Sacco membership has expanded over the years. With a mean of 4.14 and a standard deviation of 0.71, the respondents were in agreement with the assertion.

Lastly, 22.4% (36) of the respondents strongly agreed and 72.7% (117) agreed that the dividend per share of the deposit taking Sacco has consistently increased. Another, 0.6% (1) of the respondents were sometimes agreeing, 1.9% (3) disagreed while 2.5% (4) strongly disagreed that the dividend per share of the deposit taking Sacco has consistently increased. With a mean of 4.11 and a standard deviation of 0.72, the respondents were in agreement with the assertion.

The findings from the study indicate a generally positive perception among respondents regarding the financial performance of Deposit Taking SACCOs in Kenya across various aspects. There is a consensus among respondents that the capital base of these SACCOs has consistently increased, along with growing profits and shareholder value. This suggests a trend of financial stability and growth within the sector, likely driven by effective management strategies and operational efficiency. Furthermore, respondents expressed confidence in the improvement of customer services through innovations like ATM services, indicating a focus on enhancing the overall member experience. Adequate remuneration for employees, prompt payment of debts, and the maintenance of low costs associated with current assets are also viewed positively, reflecting sound financial management practices.

Moreover, the findings suggest a favorable trend in member-related aspects such as increasing interest on deposits, expansion of membership, and consistent growth in dividend per share. These factors contribute to the overall perception of financial strength and performance within Deposit Taking SACCOs, likely enhancing trust and confidence among stakeholders. The findings underscore a positive outlook on the financial performance of Deposit Taking SACCOs in Kenya, reflecting factors such as capital growth, profitability, customer service improvements, member-related benefits, and efficient management practices.

Table 4. 16: Secondary Data for Financial Performance

Measure	Min	Max	Mean	S. D
Surplus (Ksh. Billion)	0.01	7.94	0.510108	0.982446
Membership	4,193,158	5,945,221	5,131,335	743,360
Dividend Per Share (%)	0.08	10.41	9.32	0.770798
Interest on Member Deposits (%)	0.06	7.10	6.73	0.422469

As indicated in Table 4.16. between 2018 and 2022, the minimum surplus was Ksh. 0.01 billion while the maximum was Ksh. 7.94 billion with a mean of Ksh. 0.510 billion and a standard deviation of Ksh. 0.98 billion. As shown in Figure 4.4, mean surplus increased from 2018 to 2022.

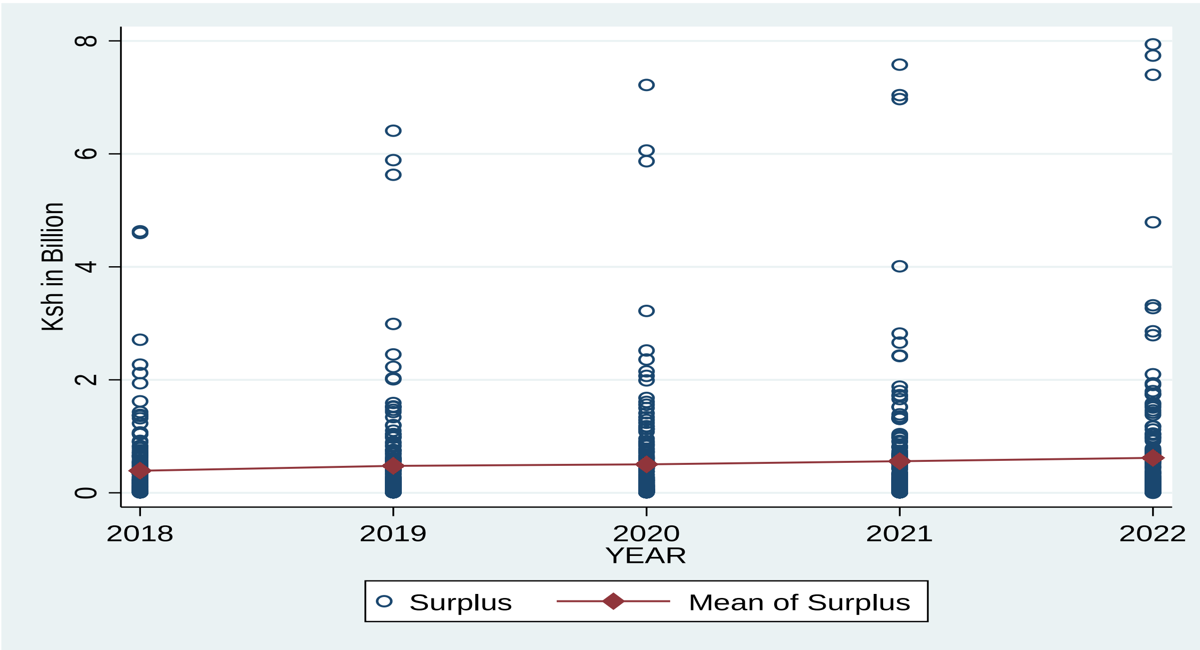

Figure 4. 4: Scatter Plot for Surplus Between 2018 and 20222

The data presented in Table 4.16 indicates a positive trend in the surplus of Deposit Taking SACCOs in Kenya over the period from 2018 to 2022. The minimum surplus recorded demonstrates that even the least profitable SACCOs still managed to maintain a positive surplus, indicating overall financial health within the sector. The significant increase in the maximum surplus from Ksh. 0.01 billion to Ksh. 7.94 billion suggests substantial growth and profitability among some SACCOs. This growth in surplus reflects efficient management, strategic decision-making, and potentially increased member deposits and revenues.

The mean surplus of Ksh. 0.510 billion, coupled with the upward trend depicted in Figure 4.4, underscores the overall positive financial performance of Deposit Taking SACCOs in Kenya during the specified period. A higher mean surplus, along with an increasing trend, indicates stability, resilience, and potential for further growth within the sector. Overall, the consistent positive surplus and its increasing trend signify the ability of Deposit Taking SACCOs to generate profits, manage expenses effectively, and maintain financial sustainability. This bodes well for the financial stability and growth prospects of these SACCOs, contributing positively to the financial landscape of Kenya's cooperative sector.

As indicated in Table 4.16. between 2018 and 2022, the minimum membership was 4,193,158 while the maximum was 5,945,221 with a mean of 5,131,335 and a standard deviation of 743,360. As shown in Figure 4.5, mean membership increased from 2018 to 2022.

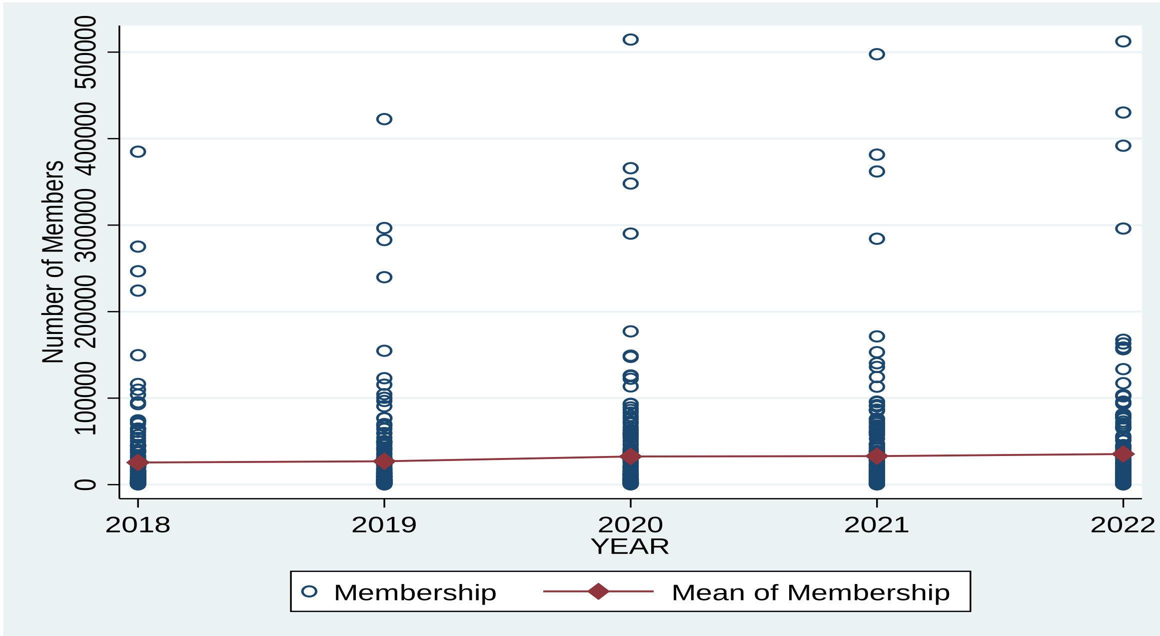

Figure 4. 5: Scatter Plot for Membership Between 2018 and 20222

The data from Table 4.16 highlights a consistent increase in membership among Deposit Taking SACCOs in Kenya from 2018 to 2022. The minimum membership figure of 4,193,158 and the maximum of 5,945,221 illustrate the broad range of membership sizes within this sector. The mean membership of 5,131,335 indicates a substantial overall membership base for Deposit Taking SACCOs during the specified period. This growth in membership suggests a positive perception of SACCOs among Kenyan citizens, potentially driven by factors such as trust in the cooperative model, attractive financial products and services, and effective marketing strategies.

The standard deviation of 743,360 reflects the degree of variability in membership sizes across different SACCOs. While some SACCOs may have experienced significant growth in membership, others may have seen more modest increases or even declines. However, the consistent increase in mean membership depicted in Figure 4.5 indicates a general trend of expansion within the sector. Overall, the growth in membership implies an expanding customer base and potentially increased revenues for Deposit Taking SACCOs. A larger membership base can contribute to greater financial stability, diversified sources of income, and enhanced competitiveness, all of which are indicative of positive financial performance within the SACCO sector in Kenya.

As indicated in Table 4.16. between 2018 and 2022, the minimum dividend per share was 0.86% while the maximum was 10.41% with a mean of 9.32% and a standard deviation of 0.77%. As shown in Figure 4.6, dividend per share reduced from 2018 to 2020 thereafter it increased from 2020 to 2022.

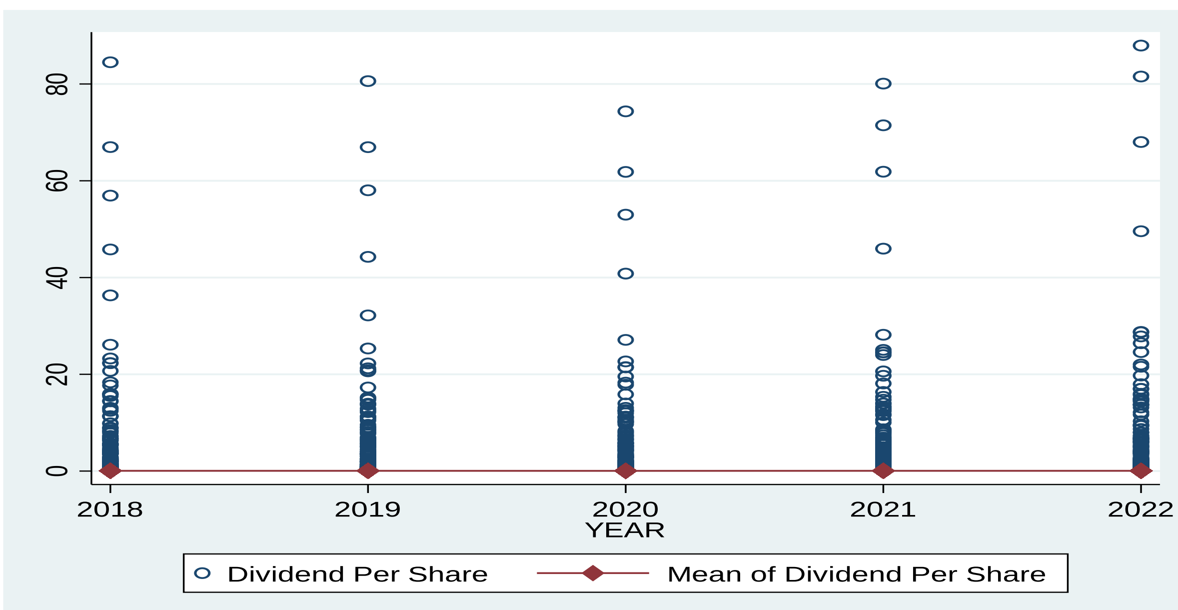

Figure 4. 6: Scatter Plot for Dividend Per Share Between 2018 and 2022

The data presented in Table 4.16 regarding the dividend per share of Deposit Taking SACCOs in Kenya between 2018 and 2022 provides valuable insights into their financial performance. The range from a minimum of 0.86% to a maximum of 10.41% underscores the variability in dividend payouts across different SACCOs within this timeframe. The mean dividend per share of 9.32% indicates a relatively high average return to shareholders, which is generally favorable for investors seeking income from their investments in SACCOs. However, the standard deviation of 0.77% suggests some degree of fluctuation in dividend payments among SACCOs during the specified period.

The observed trend of a reduction in dividends from 2018 to 2020 followed by an increase from 2020 to 2022 reflects the dynamic nature of SACCO financial performance, likely influenced by various internal and external factors such as economic conditions, investment strategies, and regulatory changes. Overall, while the decrease in dividends initially may raise concerns, the subsequent increase suggests resilience and adaptability within the SACCO sector, potentially driven by improved financial management, enhanced operational efficiency, and strategic decision-making. This pattern indicates a proactive approach by SACCOs to maintain shareholder value and ensure sustainable financial performance over time.

As indicated in Table 4.16. between 2018 and 2022, the minimum Interest on Member Deposits was 0.06% while the maximum was 7.10% with a mean of 6.73% and a standard deviation of 0.42%. As shown in Figure 4.7, interest on member deposits reduced from 2018 to 2020 thereafter it increased from 2020 to 2022.

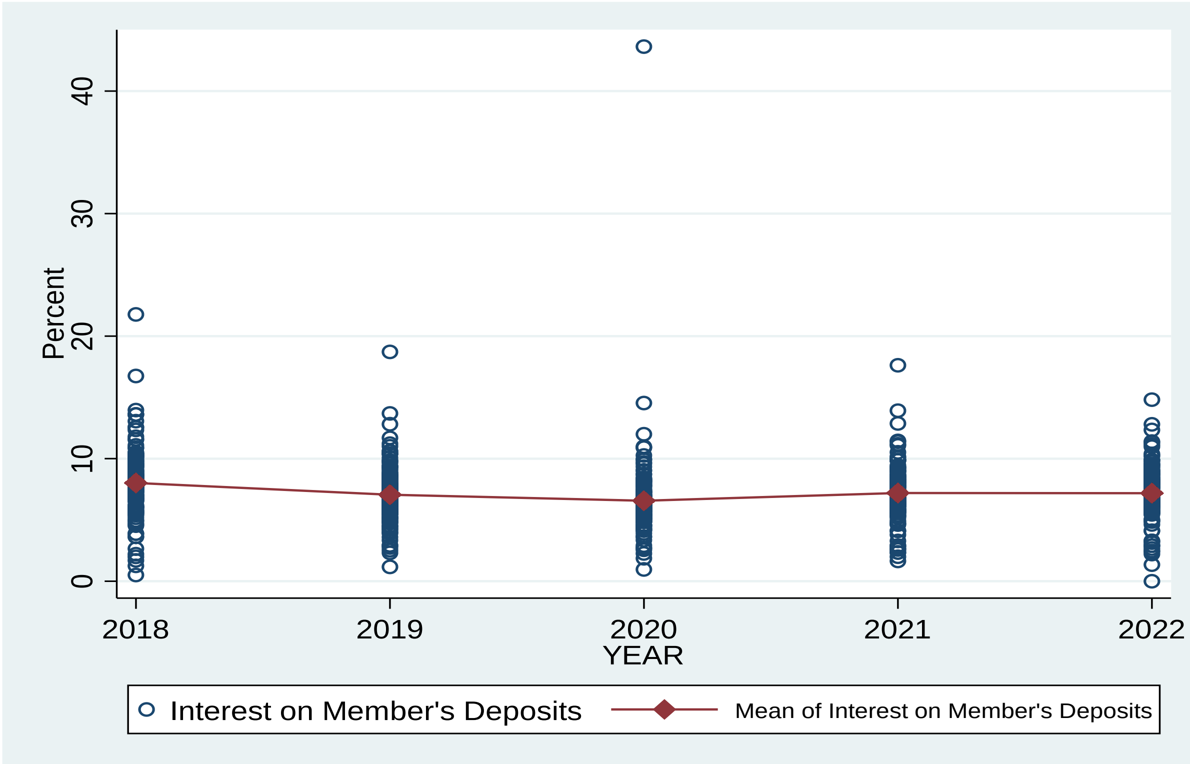

Figure 4. 7: Scatter Plot for Interest on Member's Deposit Between 2018 and 2022

The data provided in Table 4.16 reveals the trend in interest rates on member deposits for Deposit Taking SACCOs in Kenya from 2018 to 2022. The range from a minimum of 0.06% to a maximum of 7.10% demonstrates the diversity in interest rates offered by different SACCOs during this period. The mean interest rate of 6.73% indicates a relatively high average return on member deposits, which is crucial for attracting and retaining members. However, the standard deviation of 0.42% suggests some variability in interest rates across SACCOs, highlighting potential differences in their financial management practices and market conditions.

The observed trend of a reduction in interest rates from 2018 to 2020 followed by an increase from 2020 to 2022 reflects the fluctuating nature of interest rate environments and economic conditions. Factors such as changes in monetary policy, market competition, and the overall interest rate environment could influence SACCOs' decisions regarding the rates they offer to members. While the decrease in interest rates initially may raise concerns among members, the subsequent increase indicates adaptability and responsiveness within the SACCO sector to changing market dynamics. This adaptive approach suggests that SACCOs are actively managing their financial performance to maintain competitiveness and meet the evolving needs of their members, which is essential for long-term sustainability and growth.

4.7 Correlation Analysis

The results of the correlation analysis are presented in this subsection. The results illustrate the relationships between the dependent variable, which is financial performance, and the independent variables, which are represented by the auditor's competence and experience, the independence of the internal auditor, the internal audit procedures and standards, and the characteristics of the audit committee. For the purpose of determining whether or not the variables are associated in a linear fashion, correlation analysis was used. The value of the correlation coefficient may vary anywhere from minus one to plus one, with a value of plus one indicating a perfect positive link between the variables and a value of minus one indicating a perfect positive relationship between the variables. In the event that the value of the correlation coefficient is zero, it indicates that there is no link between the variables that are being considered. A correlation coefficient of between of 0.0 and 0.19 is considered very weak, between 0.20 and 0.39 is considered weak, between 0.40 and 0.59 is considered moderate, between 0.6 and 0.79 is considered to be strong and between 0.80 and 1.0 is considered very strong.

The study conducted Pearson moment correlation analysis. Using the correlation coefficient, the study tested whether interdependency existed between the predicator variables and whether there was any relationship between response variable (financial performance) and predicator variables (Audit quality). The pertinent results are summarized in Table 4.17.

Table 4. 17: Multiple Correlations Table

		C& E	IAI	IAPS	ACC	FS
C&E: Competence and Experience	Pearson Correlation	1				
	Sig. (2-tailed)					
	N	161				
IAI: Internal Auditor Independence	Pearson Correlation	.562**	1			
	Sig. (2-tailed)	.000				
	N	161	161			
IAPS=Internal Audit procedures and standards	Pearson Correlation	.448**	.566**	1		
	Sig. (2-tailed)	.000	.000			
	N	161	161	161		
ACC=Audit Committee Characteristics	Pearson Correlation	.444**	.641**	.553**	1	
	Sig. (2-tailed)	.000	.000	.000		
	N	161	161	161	161	
FS=Firm Size	Pearson Correlation	.565**	.742**	.520**	.729**	1
	Sig. (2-tailed)	.000	.000	.000	.000	
	N	161	161	161	161	161
Financial Performance	Pearson Correlation	.651**	.715**	.586**	.610**	.773**
	Sig. (2-tailed)	.000	.000	.000	.000	.000
	N	161	161	161	161	161

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

Source: Field Data (2023)

The data shown in table 4.17 demonstrates a significant positive connection ($r=0.651$, $p<0.05$) between the proficiency and expertise of auditors and the financial performance. The observed association is statistically significant with a confidence level of 95%, indicating that an enhancement in auditor skill and experience results in a corresponding improvement in financial performance. Additional research has supported comparable findings, like the investigation carried out by Ibrahim, Mansor, and Ahmad (2020), which shown a significant association between auditors' professional competence, work excellence, and financial success. Albawwat, Al-Hajaia, and Al Frijat (2021) shown that personality characteristics have indirect influence on the quality of financial reporting via the performance of the internal audit function.

Nevertheless, the results of the study contrasted the findings of Bengrich and El Ghadouia (2020), who demonstrated a notable positive correlation between internal audit and both economic and financial performance, as well as social performance. Additionally, they found a negative correlation between internal audit and environmental performance. The authors determined that the attributes of internal audit effectively account for economic and financial success. Astro, Marwa and Wahyud (2019) showed that experience and independence variables do not significantly affect audit quality. Auditor ethics variables do not significantly moderate competence, experience, independence, due professional care, integrity to audit quality

The data shown in table 4.17 demonstrates a significant positive association ($r=0.715$, $p<0.05$) between the autonomy of internal auditors and financial performance. The observed association exhibits statistical significance at a confidence level of 95%, indicating that enhancing the autonomy of internal auditors results in a corresponding improvement in financial performance. The findings are consistent with the research conducted by Jarah, Jarrah, Al-Zaqeba, and Al-Jarrah (2022), which showed that Internal Audit (IA), consisting of independence, objectivity, verifiability, professional care, and impartiality, plays a crucial role in reducing the influence of Creative Accounting (CA) on the reliability of financial statements in Islamic banks in Jordan. In their study, Tahajuddin and Kertali (2018) discovered a positive correlation between the level of independence of internal audits and their efficacy.

Nonetheless, other studies have indicated that a contrary result, Astro, Marwa and Wahyud (2019) showed that experience and independence variables do not significantly affect audit quality. Auditor ethics variables do not significantly moderate competence, experience, independence, due professional care, integrity to audit quality. Muchiri and Jagongo (2017) showed that the relationship between internal audit characteristics and financial performance was not significant.

The table 4.17 demonstrates a positive correlation ($r=0.586^{**}$, $p\text{-value}<0.05$) between internal audit procedures and standards and financial performance. This correlation is statistically significant at a 95% confidence level, indicating that an increase in internal audit procedures and standards leads to an increase in financial performance. The results revealed a direct correlation between the implementation of internal audit processes and standards and the financial performance. This study corroborates the findings of

Kaawaase, Nairuba, Akankunda, and Bananuka (2021), which demonstrated a strong correlation between internal audit standards and the quality of financial reporting. According to Alzeban's (2019) findings, firms who exhibit greater compliance with IA norms also experience improved FRQ. Additionally, they suggest that the correlation between IA proficiency and its adherence to standards influences FRQ. Moreover, the results provide proof that FRQ is elevated in firms whose IA departments possess formal documentation, aligning well with the ISPPIA.

The findings of Soyemi, Tiamiyu, and Omale (2021) indicate that there were statistically insignificant but positive associations between internal audit standards and operational cashflow. Additionally, the study found statistically insignificant but negative associations between company size and operating cashflow. Muchiri and Jagongo (2017) demonstrated that there was no substantial correlation between internal audit features and financial performance. Put simply, internal auditing methods have little effect on return on investment. Isah and Muhammad (2019) discovered a substantial and adverse correlation between the promptness of audit reports and the financial performance of listed Deposit Money Banks (DMBs) in Nigeria.

The table 4.17 above demonstrates a positive correlation ($r=0.610$, $p < 0.05$) between audit committee characteristics and financial performance. This correlation is statistically significant at a 95% confidence level, indicating that an increase in audit committee characteristics leads to a corresponding improvement in financial performance. Other research examining the correlation between audit committee qualities and financial performance have corroborated these findings. Amahalu (2020) demonstrated that the size of the audit committee, the independence of the internal auditor, and the financial competence of the audit committee all had a statistically significant and favorable impact on return on assets, with a significance level of 5%. In their study, Mehran, Zubair, and Ahmed (2022) found a strong and positive correlation between the size of the audit committee and both return on assets (ROA) and profits per share (EPS).

However, several investigations have yielded contrasting findings. In their study, Ike, Salama, and Ngbede (2020) discovered that the independence of auditors has a favorable impact on the Return on Assets of certain Money Deposit Banks in Nigeria. Furthermore, the effect is deemed statistically significant, with a p-value of less than 0.05. The research suggests that the detrimental impact of the membership of the audit committee on bank performance, as measured by the return on assets of the chosen banks, may be mitigated by the implementation of continuous monitoring and review by an external independent auditor with supervision responsibilities. Zubair and Ahmed (2022) found that there is no significant relationship between audit fee and audit rotation and the financial performance measures of return on assets (ROA) and earnings per share (EPS). Ahmeti, Ahmeti, and Aliu (2022) demonstrate that the quality of audits has a negative impact on business performance in terms of financial performance, however this relationship is not statistically significant.

The table 4.17 above demonstrates a positive correlation between company size and financial performance ($r=0.773$, $p < 0.05$), indicating statistical significance at a 95%

confidence level. Therefore, a rise in firm size leads to a corresponding improvement in financial performance. These results have been supported by other studies investigating relationship between firm size and financial performance. Nevertheless, some studies have found otherwise results. The findings of Soyemi, Tiamiyu, and Omale (2021) indicated that there were statistically insignificant but positive associations between audit fees and audit committee experience and operational cashflow. Additionally, the study found statistically insignificant but negative associations between business size and operating cashflow.

4.8 Assumption of Linear Regression

The study undertook the following assumption of linear regression as spelt out in chapter three.

4.8.1 Multi-collineality Test

Multi-collinearity refers to a situation in which two or more independent variables exhibit a strong correlation. As multi-collinearity rises, it causes the regression coefficient to vary, which confuses the interpretation of the coefficient as a predictor of variables (Cooper & Schindler, 2011). The presence of multi-collinearity was assessed by calculating the variance inflation factors (VIF) or tolerance values.

Table 4. 18: Collineality Statistics

Independent variable	Tolerance	VIF
Auditor’s competence and experience	0.655	1.526
Internal auditor’s independence	0.463	2.162
Internal audit procedures and standards	0.602	1.661
Audit committee characteristics	0.532	1.878

Dependent variable: Financial performance

Source: Field Data (2023)

Table 4.18 displays the Multi-collinearity test conducted, which examines the situation when two or more independent variables exhibit a strong correlation. As multi-collinearity rises, it causes the regression coefficient to vary, making it difficult to interpret the coefficient as a reliable sign of predicting variables (Cooper & Schindler, 2011). To address multicollinearity, one may rectify the issue by removing one or more of the correlated independent variables from the regression model (Lind, Marchal & Wathen, 2008). The presence of multi-collinearity was assessed by calculating the variance inflation factors (VIF) or tolerance values. If the Variance Inflation Factor (VIF) values are less than 10 or the tolerance level is 1 or below, it indicates the absence of multicollinearity. Similarly, when the tolerance values are equal to or less than one, there is no multicollinearity issue.

4.8.2 Linearity Test

The study used the suggested scatter plots by Hair et al., (2016) to determine if there was a linear relationship between financial performance and audit quality (auditor's competence and experience, internal auditor's independence, internal audit procedures and standards, audit committee characteristics). The findings are as shown below in Figure 4.8.

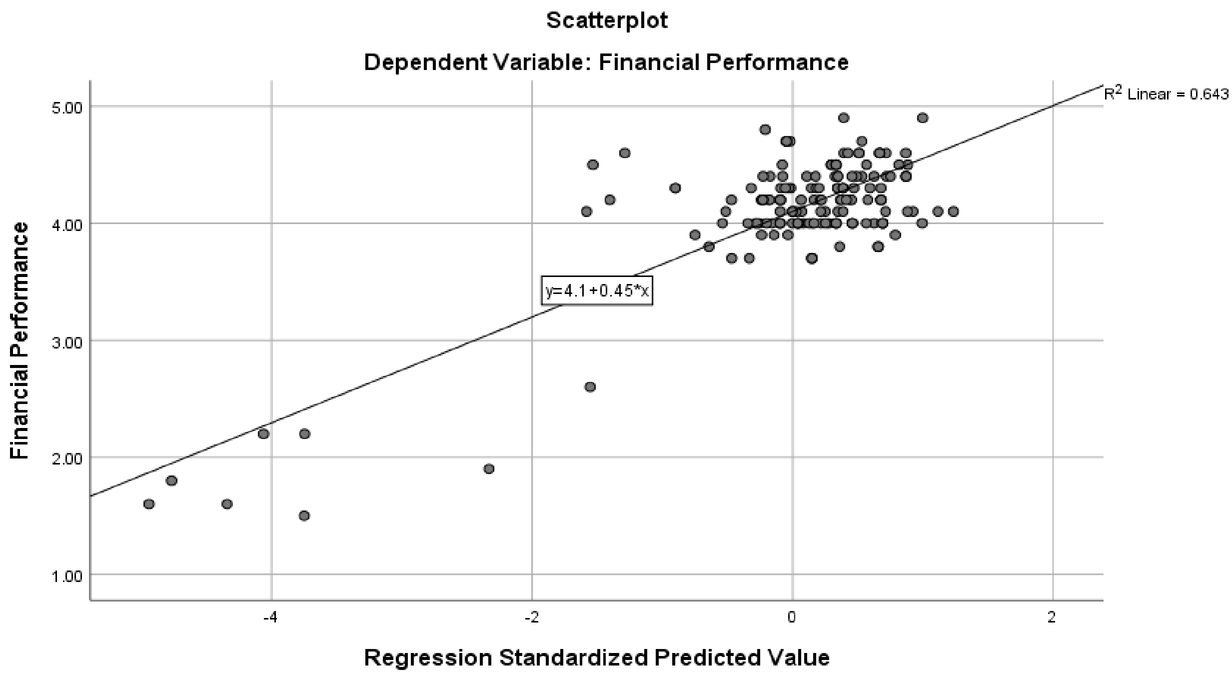

Figure 4. 8: All Independent Variable and Financial Performance
Source: Field Data (2023)

A scatter plot was an effective graphical tool for examining the relationship between audit quality and financial performance, as it allowed researchers to visualize how changes in one variable corresponded to changes in another (Field, 2018). In this context, the audit quality scores were plotted on the x-axis while financial performance metrics, such as return on assets or profitability ratios, were represented on the y-axis. A discernible linear pattern in the plotted data points suggested a linear relationship, indicating that improvements in audit quality may have correlated positively with enhanced financial performance (Shafique et al., 2020). Additionally, scatter plots helped in identifying the strength and direction of the relationship; tightly clustered points along an upward or downward slope indicated strong correlations, while dispersed points suggested weaker relationships (Keller & Warrack, 2013). Furthermore, scatter plots revealed outliers—data points that deviated significantly from the expected trend—thus facilitating further analysis and enhancing the robustness of subsequent statistical evaluations (Ghasemi & Zahediasl, 2012)

4.8.3 Normality Test

Statistical mistakes are often seen in literature. Many parametric processes used in correlation, regression, analysis of variance, and t-test rely on the assumption of a Gaussian or normal distribution. If this assumption is not valid, it will be unfeasible to derive a dependable result. The Shapiro-Wilk test relies on correlation between data and corresponding normal scores. Shapiro-Wilk test gives better power after Lilliefors correction. Ghasemi and Zahedias (2012) posits that Kolmogorov-Smirnov test is a popular test for normality, it is considered to be highly sensitive to extreme values and the Lilliefors correction makes the test less conservative. It has low power thus should not be seriously being considered in testing normality especially when parameters regardless of the sample are estimated from the data. Kolmogorov-Smirnov should be used with caution due to its low power and recommends that normality be assessed visually. From the table 4.19 for all variables reject their null hypotheses that the data sets for the seven variables are not normally distributed when both Kolmogorov-Smirnov test and Shapiro-Wilk were used as the significance was < 0.05. Elliot and Woodward (2007) agree that parametric procedures can be used even when the data is not normally distributed.

Table 4. 19 :**Tests of Normality**

	Kolmogorov-Smirnov[a]			**Shapiro-Wilk**		
	Statistic	**df**	**Sig.**	**Statistic**	**df**	**Sig.**
Auditor's competence and experience	.292	161	.000	.656	161	.000
Internal audit procedures and standards	.290	161	.000	.688	161	.000
Internal auditor's independence	.261	161	.000	.667	161	.000
Audit committee characteristics	.309	161	.000	.664	161	.000
Firm size	.263	161	.000	.670	161	.000
Financial Performance	.254	161	.000	.658	161	.000

a. Lilliefors Significance Correction

Source: Field Data (2023)

In their study titled "Normality Tests for Statistical Analysis: A Guide for Non-Statisticians," Ghasemi and Zahedias (2012) suggest that visual assessment should be used to evaluate normality. According to Oztuna, Elhan, and Tuccar (2006), when dealing with large samples (less than 30 or 40), the violation of the normalcy assumption is not expected to have significant consequences. Therefore, parametric approaches may be used in cases when the sample size is large (<30 or 40), since the sampling distribution tends to exhibit a normal distribution irrespective of the form of the data. According to figure 4.9, the divergence from normality of the four independent variables was not significant compared to the approximation to the line of fit. Consequently, the data had a distribution that closely resembled a normal distribution, making it suitable for regression analysis.

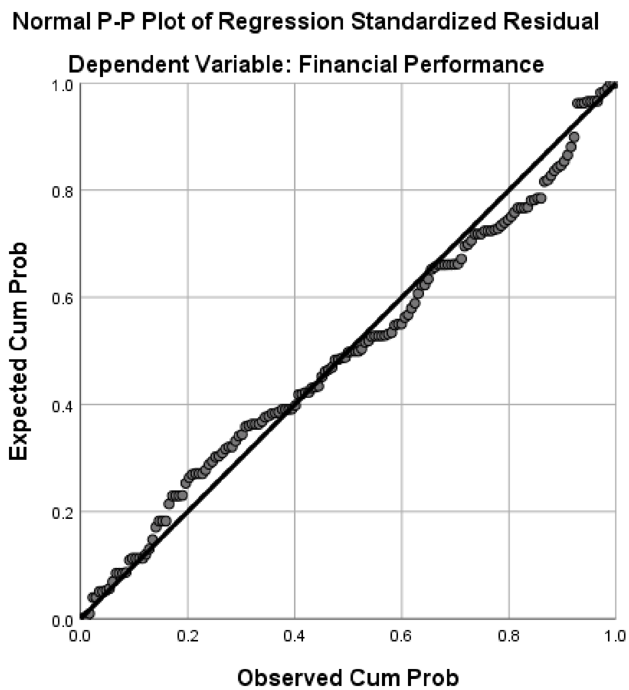

Figure 4. 9: Normal P-P Plot of Regression Standardized Residual

Source: Field Data (2023)

In this plot, the points closely align with the diagonal line, indicating that the residuals are approximately normally distributed. This alignment supports the assumption of normality, suggesting that the regression model is appropriate for analyzing the relationship between the predictors and the financial performance variable. Meeting this assumption is crucial, as it validates the use of linear regression for predicting financial performance and enhances the reliability of the model's inferences (Hair et al., 2019).

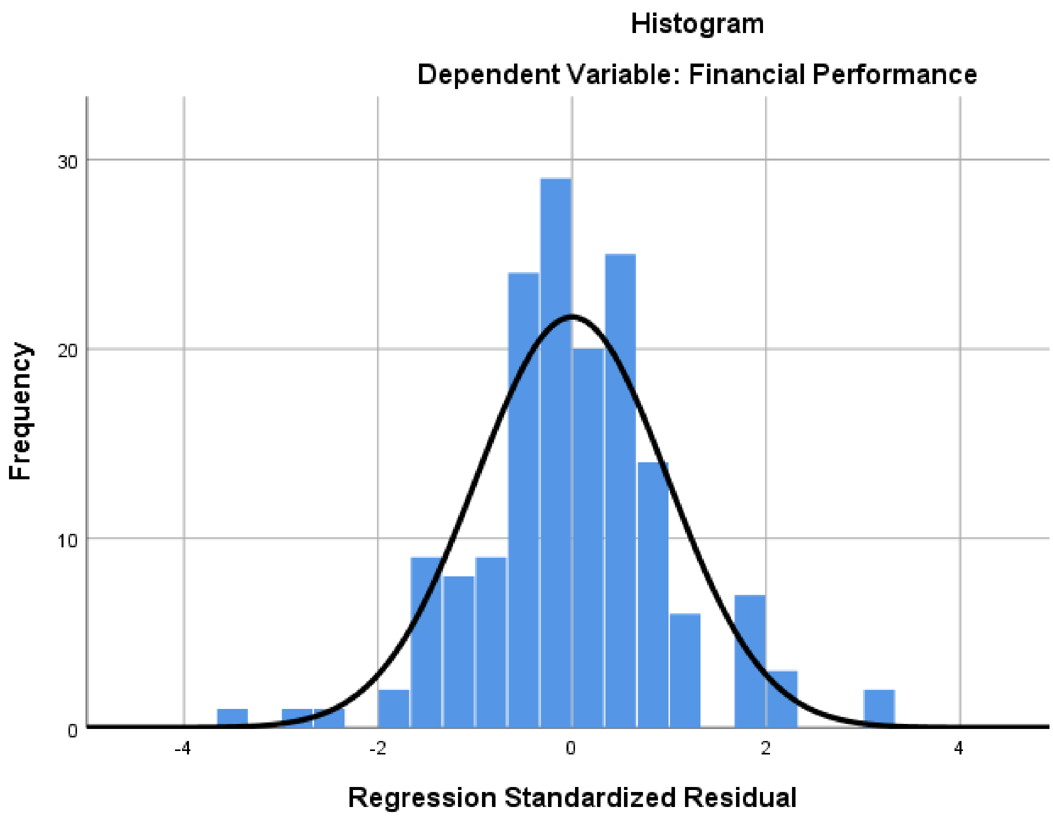

Figure 4. 10: Normal Histogram

Source: Field Data (2023)

The histogram of regression standardized residuals shown provides a visual assessment of the normality assumption in regression analysis, where the dependent variable is Financial

Performance. In linear regression, it is assumed that residuals (errors) are normally distributed, as this supports the validity of statistical tests and confidence intervals drawn from the model (Field, 2013; Hair et al., 2019). In this histogram, the residuals approximately follow the shape of the normal curve, with a peak near zero and a relatively symmetric spread around the center. This alignment with the normal distribution suggests that the assumption of normally distributed residuals is reasonably met, which supports the appropriateness of the regression model in analyzing the predictors of financial performance (Pallant, 2020). Minor deviations from the normal curve may be present, but they do not appear to be significant enough to affect the overall reliability of the model's results, confirming that the model's assumptions are likely satisfied.

4.8.5 Homoscedasticity Test

A situation where the error term resembles every Predictor variable is explained by homoscedasticity. Best Linear Unbiased Estimator models (BLUE models) rely on the supposition that the variance of the residuals is the same. Residuals are calculated using the Lagrange Multiplier (LM) statistic. The Breusch-Pagan (BP) test was utilized in determining whether a condition known as heteroscedasticity—where the dependent variable's variance changes across data—exists (Chatterjee & Hadi, 2015).

Table 4. 20: Heteroskedasticity Tests

Breusch-Pagan Test for Heteroskedasticity[a,b,c]		
Chi-Square	Df	Sig.
0.133	1	0.716
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.		

Source: Field Data (2023)

BP evaluates the claim that H0: heteroscedasticity is not present in the residuals. The homoscedasticity assumption criterion is met because P-value of the BP-LM test is greater than 0.05, indicating that there is no evidence of heteroscedasticity in the residuals, and so the homoscedasticity assumption condition is satisfied. (Chatterjee & Hadi, 2015).

4.9 Multiple Regression of Financial Performance and Audit quality

The aim of this research was to determine the impact of audit quality on the financial performance of Sacco's in Kenya. This was accomplished by the use of conventional multiple regressions. The study aimed to determine the impact of each audit quality construct on financial performance when all these constructs (Auditor's competence and experience, Internal auditor's independence, audit committee characteristics, internal audit procedures and standards) were collectively included in the model. This facilitated the determination of the coefficients of the study model, as well as the R square value of the study. Consequently, it allowed for the further testing of the null research hypotheses by using the Beta coefficients and t-statistics.

R-squared (R^2), or the coefficient of determination, is a statistical metric that quantifies the proportion of the variability in a dependent variable that can be accounted for by one or more independent variables in a regression model. The coefficient of determination is computed as the proportion of the overall variability in the dependent variable that is explained by the regression model. The range of R-squared values is from 0 to 1, where larger values indicate a stronger alignment between the model and the data. An R-squared value of 1 signifies that the model completely accounts for all the variability in the dependent variable, while an R-squared value of 0 shows that the model fails to account for any of the variability in the dependent variable.

The B regression coefficient in linear regression represents the rate of change of the dependent variable with respect to the independent variable. It denotes the alteration in the dependent variable (y) when the independent variable (x) changes by one unit, while keeping all other independent variables unchanged. Conversely, t-statistics play a vital role in linear regression analysis by assessing the significance of the calculated coefficients. They assist in assessing the statistical significance of the independent variables' influence on the dependent variable and provide vital insights for interpreting and selecting models. The findings are shown in Table 4.21.

Table 4. 21: Model Summary of Multiple Linear Regression

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.802[a]	.643	.634	.34056

a. Predictors: (Constant), Audit Committee Characteristics, Competence and Experience, Internal Audit procedures and standards, Internal Auditor Independence
b. Dependent Variable: Financial Performance

Source: Field Data (2023)

Table 4.21 displays the coefficient of determination. In accordance to the statistics provided therein, the coefficient of determination (R^2) was determined to be 0.643. This demonstrates that the variables used in the research were able to account for about 64.3% of the variations that were noted in the financial performance of Deposit Taking SACCOs in Kenya. The remaining 35.7% of the variation is accounted for by other factors not considered in the model.

Table 4. 22: ANOVA Results for Multiple Linear Regression

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	32.647	4	8.162	70.371	.000[b]
	Residual	18.093	156	.116		
	Total	50.740	160			

a. Dependent Variable: Financial Performance
b. Predictors: (Constant), Audit Committee Characteristics, Competence and Experience, Internal Audit procedures and standards, Internal Auditor Independence

Source: Field Data (2023)

A high F-statistic suggests that the regression model has statistical significance. This indicates that the model has the capability to elucidate a substantial percentage of the variability in the dependent variable, beyond what would be anticipated due to random chance. The ANOVA table indicates that the model's significance value was ($F(4,156)= 70.371$, $p < 0.05$), demonstrating that the model was statistically significant at a 95% confidence level. Therefore, the model is considered practicable and a good match for this investigation.

Phan, Lai Le, and Tran (2020) found evidence that audit quality has a beneficial influence on the financial performance of enterprises listed on the Hanoi Securities Trading Floor. Talab et al (2018) discovered a substantial and favourable correlation between internal audit and performance. Nevertheless, the research conducted by Ogbodo (2017) shown that audit quality had a notable and beneficial impact on both return on assets and operational profit margin. However, it did not have any influence on the banks' cash generation ratio.

Table 4. 23: Regression Coefficients Results for Multiple Linear Regression

Model		Unstandardized Coefficients B	Std. Error	Standardized Coefficients Beta	T	Sig.
1	(Constant)	.252	.244		1.032	.304
	Competence and Experience	.263	.050	.314	5.309	.000
	Internal Auditor's Independence	.343	.070	.345	4.902	.000
	Internal Audit procedures and standards	.139	.053	.160	2.618	.010
	Audit committee characteristics	.181	.074	.161	2.458	.015

a. Dependent Variable: Financial Performance

Source: Field Data (2023)

The multiple regression model then becomes;

$Y = 0.252+0.263AC_1+0.343AI+0.139IAS+ 0.181ACC$

Where; α is constant (intercept),

Y is financial Performance

AC is Auditor's Competence

AI is Auditor's Independence,

IAS is Audit Standards,

ACC is Audit committee characteristics,

4.9.1 Influence of Auditor's Competence and Experience on Financial Performance

The first objective of the study sought to establish the influence of auditor's competence and experience on financial performance of Deposit Taking SACCOs in Kenya. The study presented inferential statistics which include linear regression analysis to achieve the objective and therefore, test the null hypothesis that posits **H_{01}:** Auditor's competence and experience has no significant influence on financial performance of Deposit Taking SACCOs in Kenya. In accordance to the analysis of regression provided in Table 4.23, the coefficient for auditor's competence and experience was established to be 0.263, P=0.000. This finding indicates that, while controlling for other variable in the model, a unit increase in auditor's competence and experience leads to a 0,263 unit's improvement in the financial performance of Deposit Taking SACCOs in Kenya. The coefficient has not just a positive direction but also demonstrates statistical significance, as shown by a t-statistic value of 5.309. In the field of statistics, it is generally acknowledged that a t-statistic with an absolute value of 2 or above is considered to be statistically significant in the context of statistical inference. The standard error was determined to be 0.050, whereas the p-value was less than 0.05. These findings are corroborated by Boubakary (2020), who demonstrated that internal auditing, as indicated by factors like the size of the internal audit department and the competence and experience of the internal auditor, exerts a favorable and substantial impact on the financial performance of the examined sample. Akangwagye (2022) found that there is a strong and meaningful connection between team competency and financial performance of commercial banks. This suggests that enhancing one variable would result in the enhancement of the other. According to Alsughayer's

(2021) findings, the attributes of competence, honesty, and ethics have a substantial influence on the quality of audits.

According to Meidawati and Assidiqi (2019), the factors of competence, auditor ethics, and time budget constraints were shown to have a beneficial impact on audit quality. This conclusion aligns closely with a research done by Yachi and Yona (2019), which demonstrated a noteworthy positive correlation between the competence aspects of qualification, experience, and training within the internal audit function, and the levels of transparency and accountability seen in local authorities in Zimbabwe. Nurdiono and Gamayuni (2018) provided empirical proof that the competence of internal auditors (inspectorate) has a favorable and substantial impact on the quality of internal audits. Greater internal auditor skill is positively correlated with improved audit quality, as shown by the quantity of findings identified by the internal audit. Nevertheless, additional investigations have not corroborated the findings.

Bengrich and El Ghadouia (2020) demonstrated a significant correlation between internal audit and both economic and financial performance, as well as social performance. Additionally, they found a detrimental association between internal audit and environmental performance. The authors determined that the attributes of internal audit effectively account for economic and financial success. Astro, Marwa and Wahyud (2019) showed that experience variables do not significantly affect audit quality. Auditor ethics variables do not significantly moderate competence, experience, independence, due professional care, integrity to audit quality.

4.9.2 Influence of Internal Auditor's Independence on Financial Performance

The second objective of the study sought to establish the influence of internal auditor's independence on financial performance of Deposit Taking SACCOs in Kenya. The study presented inferential statistics which include linear regression analysis to achieve the objective and therefore, test the null hypothesis that posits **H_{02}:** Internal auditor's independence has no significant influence on financial performance of Deposit Taking SACCOs in Kenya. Pursuant to the analysis of regression provided in Table 4.23, the coefficient for internal auditor's independence was established to be 0.343, P=0.000. This finding indicates that, while controlling for other variable in the model, a unit increase in internal auditor's independence leads to a 0.343 units improvement in the financial performance of Deposit Taking SACCOs in Kenya. The coefficient has not just a positive direction but also demonstrates statistical significance, as shown by a t-statistic value of 4.902. The standard error was determined to be 0.070, whereas the p-value was less than 0.05.

These findings are corroborated by other scholars. For example, Kwabena (2017) determined that the competence of auditors has a notable and favorable impact on financial performance, specifically return on assets (ROA). According to Ado, Rashid, Mustapha, and Ademola (2020), the study found that auditor independence has a greater impact on financial performance compared to auditor size. The research conducted by Enekwe et al (2020) shown a favorable and substantial impact of auditor independence on financial performance. The results align with the findings of Ike, Salama, and Ngbede (2020), which indicate that auditor independence has a favorable impact on the Return on Assets of certain Money Deposit Banks in Nigeria. Furthermore, this effect is statistically significant, as shown by a p-value of less than 0.05. In their study, Mburunga et al (2019) found that the internal audit budget, which plays a crucial role in determining the independence of internal auditors, has a substantial impact on the financial performance of publicly listed banks.

However, some studies have shown contrasting outcomes, for example. In their study, Serem, Fwamba, and Benedict (2020) found that the impact of auditor independence on the financial performance of Deposit-Taking SACCOs in the North Rift Region of Kenya was not substantial, but it was beneficial. Elewa and El-Haddad (2019) found that the independence and expertise of internal auditors do not have a substantial effect on a firm's return on assets (ROA) and return on equity (ROE). Nevertheless, several research have shown conflicting outcomes. In their study, Ike, Salama, and Ngbede (2020) discovered that the independence of auditors has a favorable impact on the Return on Assets of certain Money Deposit Banks in Nigeria. Furthermore, the observed effect is statistically significant, with a p-value of less than 0.05. The research suggests that the detrimental impact of the membership of the audit committee on bank performance, as measured by the return on assets of the chosen banks, may be mitigated by the implementation of continuous monitoring and review by an external independent auditor with supervision responsibilities.

4.9.3 Influence of Internal Audit Procedures and Standards on Financial Performance

The third objective of the study sought to establish the influence of internal audit procedures and standards on financial performance of Deposit Taking SACCOs in Kenya. The study presented inferential statistics which include linear regression analysis to achieve the objective and therefore, test the null hypothesis that posits $\mathbf{H_{03}}$: Internal audit procedures and standards has no significant influence on financial performance of Deposit Taking SACCOs in Kenya. Pursuant to the analysis of regression provided in Table 4.23, the coefficient for internal Audit procedures and standards was established to be 0.139, P=0.010. This finding indicates that, while controlling for other variable in the model, a unit increase in internal audit procedures and standards leads to a 0.139 units improvement in the financial performance of Deposit Taking SACCOs in Kenya. The coefficient has not just a positive direction but also demonstrates statistical significance, as shown by a t-statistic value of 2.618. The standard error was determined to be 0.053, whereas the p-value was less than 0.05.

These conclusions are sufficiently corroborated by a multitude of prior investigations. Iliemena and Okolocha (2019) corroborated these results by demonstrating that both audit firm rotation and audit fees have a substantial favorable impact on return on asset. Based on this assumption, the research determined that internal audit standards had a substantial beneficial impact on financial performance. Thumbi (2016) shown that adherence to internal auditing standards has a significant and favorable impact on financial performance. Akande (2019) shown that adherence to internal auditing standards and use of associated services had a beneficial impact on performance.

Nevertheless, several research have shown conflicting outcomes. The findings of Soyemi, Tiamiyu, and Omale (2021) indicate that there were statistically insignificant but positive associations between internal audit standards and operational cashflow. Additionally, the study found statistically insignificant but negative associations between company size and operating cashflow. Muchiri and Jagongo (2017) demonstrated that there was no substantial correlation between internal audit features and financial performance. Put simply, internal auditing methods have little effect on return on investment. Isah and Muhammad (2019) discovered a significant and adverse correlation between the promptness of audit reports and the financial performance of listed DMBs in Nigeria.

4.9.4 Influence of Audit Committee Characteristics on Financial Performance

The fourth objective of the study sought to determine the influence of audit committee characteristics on financial performance of Deposit Taking SACCOs in Kenya. The study presented inferential statistics which include linear regression analysis to achieve the objective and therefore, test the null hypothesis that posits **H_{04}:** Audit committee characteristics has no significant influence on financial performance of Deposit Taking

SACCOs in Kenya. In regards to the analysis of regression provided in Table 4.23, the coefficient for audit committee characteristics was established to be 0.181, P=0.015. This finding indicates that, while controlling for other variable in the model, a unit increase in audit committee characteristics leads to a 0.181 units improvement in the financial performance of Deposit Taking SACCOs in Kenya. The coefficient has not just a positive direction but also demonstrates statistical significance, as shown by a t-statistic value of 2.458. The standard error was determined to be 0.074, whereas the p-value was less than 0.05.

The findings align with Oduor, Adoyo, and Mule's (2022) research, which shown that audit committee characteristics explain 65.1% of the variation in financial performance and have a significant impact on financial performance. Alshouha, Ismail, Mokhtar, and Rashid (2021) demonstrated a substantial and favorable correlation between AQ (Adversity Quotient) and financial success. The findings of Soyemi, Tiamiyu, and Omale (2021) indicate a substantial and favorable impact of audit tenure and audit firm size on operational cashflow. Ezejiofor and Erhirhie (2018) shown that the caliber of internal audit exerts a substantial and favorable impact on the financial performance of the examined institutions.

Nevertheless, the findings of the present research contradict the conclusions of earlier investigations. However, several investigations have yielded contrasting findings. Ike, Salama, and Ngbede (2020) discovered that the independence of auditors has a favorable impact on the Return on Assets of certain Money Deposit Banks in Nigeria. Furthermore, this effect is statistically significant, with a p-value of less than 0.05. The research suggests that the adverse impact of the membership of the audit committee on bank performance, as measured by the return on assets of the chosen banks, may be mitigated by consistent monitoring and assessment conducted by an external independent auditor with supervision responsibilities. Zubair and Ahmed (2022) found that there is no significant relationship between audit fee and audit rotation and return on assets (ROA) and earnings per share (EPS). Ahmeti, Ahmeti, and Aliu (2022) demonstrate that audit quality has a negative impact on business performance in terms of financial performance, however this relationship is not statistically significant. Nevertheless, the findings are consistent with previous research, such as Astro, Marwa, and Wahyud (2019), which demonstrated that the independent factors had no significant impact on audit quality. The variables of auditor ethics do not have a substantial moderating effect on the factors of competence, experience, independence, proper professional care, and honesty in relation to audit quality. Muchiri and Jagongo (2017) demonstrated that there was no substantial correlation between internal audit features and financial performance.

4.10 Moderating Influence of Firm Size on the Relationship between Audit quality and the Financial Performance

The fifth objective of the study was to determine the moderating influence of firm size on the relationship between audit quality and financial performance of Deposit Taking SACCOs in Kenya. Hierarchical regression analysis was performed to determine whether Firm size had a moderation role on the relationship between audit quality and financial performance of

Deposit Taking Saccos in Kenya. The fifth null hypothesis denoted, **H_{o5}:** Firm size has no significant moderating influence on the relationship between audit quality and financial performance of Deposit Taking SACCOs in Kenya. The following regression model was estimated:

$$Y=\beta_0+\beta_1X_1+\beta_2X_2+\beta_3X_3+\beta_4X_4+\beta_5Z+\beta_6X_1Z+\beta_7X_2Z+\beta_8X_3Z+\beta_9X_4Z+\varepsilon$$

Where;

У=FinancialPerformance

B_0=Constant

β_1 to β_9=RegressionCoefficients

X_1 to X_4=Independentvariables

Z=Firmsize(themoderatingvariable)

X_i*Z = the interaction term between the i^{th} independent variable and the moderating variable

ε=theerrorofterm.

To test for this hypothesis, the researcher used SPSS process to run the analysis for the moderation effect on the relationship between dependent and independent variables. This was achieved by undertaking hierarchical regression analysis consisting of four stages yielding four models. In each step the change in R^2, F and significance level was noted.

Stage 1 entailed entering control variable in the model in this case, period of service of the respondents were added in the model. This yielded model 1.

Stage 2 the dependent variables (auditor's competence and experience, audit committee characteristics, internal auditor's independence, internal audit procedures and standards) were entered in the model. This yielded model 2.

Stage 3 the moderator variable in this case, Firm size was added in the model to yield third model.

Stage 4 the interaction effect of independent and moderating variables was entered in the model. This is the cross product of Firm size and individual independent variables. This yielded the fourth model.

To test for moderation, the study first standardized the predictor variables so as to avoid problem of multi-collinearity. A z –score was computed to specify the precise location of each value within the distribution by indicating whether the score is above the mean (positive) or below the mean (negative). The numerical value of the z-score specifies the distance from the mean by counting the number of standard deviations between X and μ. The resultant scores give a distribution that has a mean score of zero and a standard deviation of one.

Table 4.24: Hierarchical Regression Model Summary

Model	R	R^2	Adj. R^2	Std. Error of the Estimate	Change Statistics R^2 Change	F Change	df1	df2	Sig. F Change
1	.239[a]	0.057	0.051	0.54854	0.057	9.631	1	159	0.002
2	.833[b]	0.694	0.684	0.31653	0.637	80.629	4	155	0.000
3	.855[c]	0.731	0.720	0.29784	0.037	21.063	1	154	0.000
4	.903[d]	0.816	0.804	0.24937	0.085	17.419	4	150	0.000

a. Predictors: (Constant), Period of Service (PS)

b. Predictors: (Constant), PS, PERIOD OF WORK, Audit Committee Characteristics (ACC), Competence and Experience (CnE), Internal Audit Procedures and Standards (IAPS), Internal Audit Independence (IAI)

c. Predictors: (Constant), PS, ACC, CnE, IAPS, IAI, Sacco size (SS)

d. Predictors: (Constant), PS, ACC, CnE, IAPS, IAI, SS, ACC*SS, CnE*SS, IAI*SS, IAPS*SS

Source: Field Data (2023)

From Table 4.24, In Model 1, period of service was found to have a positive and significant relationship with financial performance (p=0.002). The R^2 of 0.057 was obtained in this model. This showed that model 1 could explain 5.7 per cent of variance in the dependent variable (financial performance).

In Model 2, all the independent variables were jointly found to have a positive and significant relationship with financial performance (p=0.000). The R^2 of 0.694 was obtained in this model. This showed the independent variables in model added 69.4% of variance moving the R square to 69.4% which was also significant at P=0.000

Further as indicated 4.24, Model 3, the findings also showed that when firm size was added as a moderator, the results obtained indicated that period of service, independent variables and the moderating variable were significantly and jointly related to financial performance ($p<0.05$). The R^2 moved to 0.731 (73.1%) from 0.694 (69.4%) implying that an additional 0.037 (3.7%) was added in the model.

Finally, to investigate how the Firm size moderates the relationship between audit quality and financial performance, the interaction terms of the independent variables (specific variables) and the moderator (Firm size) were entered in the regression model to obtain model 4. The resultant model indicated that interaction between Audit quality constructs and Firm size accounted for significantly more variance than just Firm size and audit quality by themselves, (R^2 = 0.816, p = .000), indicating that there is a potentially significant moderation effect of Firm size on the relationship between audit quality and financial performance of Deposit Taking Saccos.

Table 4. 25: Regression Coefficient of Moderating influence

Model		Unstandardized Coefficients		Standardized Coefficients		
		B	Std. Error	Beta	t	Sig.
1	(Constant)	3.621	0.161		22.554	0.000
	Period of Service	0.131	0.042	0.239	3.103	0.002
2	(Constant)	-0.201	0.244		-0.824	0.411
	Period of Service (PS)	0.124	0.024	0.226	5.058	0.000
	Auditor's competence and experience (ACE)	0.277	0.046	0.330	6.008	0.000
	Internal Auditor's Independence (IAI)	0.322	0.065	0.323	4.933	0.000
	Internal Audit Procedures and Standards (IAPS)	0.120	0.049	0.140	2.429	0.016
	Audit committee characteristics (ACC)	0.206	0.069	0.183	3.004	0.003
3	(Constant)	-0.091	0.231		-0.393	0.695
	Period Of Service	0.095	0.024	0.174	3.990	0.000
	ACE	0.225	0.045	0.268	5.019	0.000
	IAI	0.191	0.068	0.192	2.822	0.005
	IAPS	0.124	0.046	0.144	2.665	0.009
	ACC	0.041	0.074	0.036	0.549	0.584
	SACCO size (SS)	0.333	0.073	0.351	4.589	0.000
4	(Constant)	-2.332	0.512		-4.553	0.000
	Period of Service	0.087	0.020	0.159	4.324	0.000
	ACE	0.617	0.259	0.736	2.382	0.018
	IAI	1.044	0.392	1.048	2.667	0.008
	IAPS	3.722	0.719	4.330	5.176	0.000
	ACC	-4.049	0.726	-3.605	-5.580	0.000
	SS	0.996	0.176	1.048	5.669	0.000
	Zscore(ACE *SS)	-0.111	0.060	-0.792	-1.845	0.067
	Zscore(IAI *SS)	0.207	0.088	1.369	2.347	0.020
	Zscore(IAPS *SS)	0.807	0.162	5.630	4.978	0.000
	Zscore(ACC *SS)	0.921	0.166	5.667	5.535	0.000

a. Dependent Variable: Financial performance

Source: Field Data (2023)

The study second regression model is as shown below from regression coefficient of Table

4.25.

$$Y = \alpha + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + \beta_4 X_4 + \beta_5 Z + \beta_6 X_1 Z + \beta_7 X_2 Z + \beta_8 X_3 Z + \beta_9 X_4 Z + \varepsilon$$

$$Y = -2.332 + 0.617X_1 + 1.044X_2 + 3.722X_3 - 4.049X_4 + 0.996Z - 0.111X_1 Z + 0.207X_2 Z + 0.807X_3 Z + 0.921X_4 Z$$

Where

Y=Financial Performance of Deposit taking Saccos

X_1=Auditor's competence and experience

X_2= Internal auditor's independence

X_3= Internal audit procedures and standards

X_4= Audit committee characteristics

Z= Firm size Framework

The findings in Table 4.25 demonstrate the coefficient result for the moderating impact of Firm Size on the correlation between audit quality and financial performance of Sacco's in Kenya. During step 1, after inputting the time of service, it was determined to possess a statistically significant and positive predictive ability ($P<0.05$). During step 2, after inputting the audit quality constructs, it was determined that all of the constructs exhibited positive and statistically significant predictive ability ($P<0.05$). When the Sacco size was included in the model at step 3, it was shown to have a favorable and statistically significant impact on financial success ($\beta=0.333$, $P=0.000$). Therefore, a one-unit change in Sacco size results in a substantial 0.333 unit change in financial performance in the same direction.

During step four, when the interaction term (cross-product between Sacco size and Audit quality components) is included, Sacco size remains statistically significant and its predictive strength improves (B=0.996). Three of the additional interaction terms were determined to be statistically significant. Internal audit procedures and standards interaction Sacco size (β= 0.807, t=4.978, p = .000), Internal auditor's independence interaction Sacco size (β=0.207, t=2.347, p = .020) and audit committee characteristics interaction Sacco size (β= .921, t=5.535, p = .000) all have p-values less than 0.05 implying significant influence. The findings of model 4 indicate that the size of Sacco has a noteworthy moderating impact on the correlation between internal audit procedures and standards and financial performance, the independence of internal auditors and financial performance, as well as the characteristics of the audit committee and financial performance.

Model 4 allows for certain deductions to be drawn, mostly regarding the internal audit methods and standards. The positive Sacco size coefficient indicates that there is a positive interaction effect. Specifically, for every one unit increase in Sacco size, there is a substantial rise of 0.807 units in the impact of internal audit processes and standards on financial performance (P=0.000). The coefficient for the Sacco size in relation to the internal auditor's independence is positive, indicating a positive interaction effect. This means that when the Sacco size grows by one unit, the impact of the internal auditor's independence on financial performance increases substantially by 0.207 units, with a p-value of 0.000. The positive coefficient of the Sacco size in the audit committee characteristics indicates that there is a positive interaction effect. This means that when the Sacco size grows by one unit, the impact of the audit committee characteristics on financial performance also increases substantially by 0.921 units (P=0.000).

The results from Model 4 present insightful findings regarding the influence of Sacco size on various internal audit methods and standards, emphasizing the critical role that organizational size plays in enhancing financial performance. The positive coefficient associated with Sacco size suggests that larger Saccos tend to experience a more significant impact from their internal audit processes and standards, highlighting a key interaction effect. Specifically, the analysis indicated that for every one-unit increase in Sacco size, there was a substantial increase of 0.807 units in the effect of internal audit processes on financial performance, with a highly significant p-value of 0.000. This finding aligns with existing literature that emphasizes the necessity of robust internal audit practices, particularly in larger organizations where complexities and risks are heightened (Mihret & Yismaw, 2007; Zhang et al., 2013). Larger Saccos often have more intricate operational structures and financial transactions, necessitating sophisticated internal audit frameworks that can effectively monitor, assess, and mitigate risks, ultimately leading to improved financial performance.

Moreover, the results underscore the importance of auditor independence in the context of Sacco size. The positive coefficient for Sacco size in relation to internal auditor independence suggests that as Saccos grow larger, the impact of auditor independence on financial performance also increases, with an increase of 0.207 units for each one-unit growth in Sacco size (p=0.000). This finding is consistent with the literature that highlights the critical role of auditor independence in ensuring the integrity of financial reporting and maintaining stakeholder confidence (Knechel et al., 2013). Larger organizations often face more scrutiny from regulators and stakeholders, making it essential for auditors to operate independently to provide credible assessments of financial health. Enhanced auditor independence can lead to more reliable financial statements, which are crucial for decision-making by management and external stakeholders, thereby positively influencing overall financial performance.

The analysis revealed a strong positive relationship between Sacco size and the characteristics of the audit committee. The results indicated that a unit increase in Sacco size corresponded to a significant increase of 0.921 units in the impact of audit committee characteristics on financial performance (p=0.000). This finding highlights the vital role that effective audit committees play in larger organizations, as they are responsible for overseeing financial reporting, risk management, and internal controls (Carcello & Neal, 2003). Research has shown that well-functioning audit committees can significantly enhance the quality of financial reporting by providing oversight and ensuring compliance with regulatory standards (Abbott et al., 2004). The presence of a robust audit committee is particularly crucial for larger Saccos, as it fosters a culture of accountability and transparency, ultimately leading to better financial outcomes.

The moderating effect of Sacco size on the relationship between audit quality and financial performance suggests that the impact of audit quality may vary depending on the size of the Sacco. Larger Saccos may have more complex financial structures and operations, requiring different levels of oversight and expertise from the audit committee compared to smaller Saccos. Further, larger Saccos may have more complex operations, larger asset bases, and greater regulatory scrutiny. Therefore, the impact of audit quality on financial performance may vary depending on the size of the Sacco. Larger Saccos may require more robust audit procedures and higher audit quality to effectively manage risks and ensure accurate financial reporting.

The results are in agreement with other previous studies. Shatnawi, Hanefah, Eldaia and Alaaraj (2022) showed that firm size positively moderated the effect of ACE on ROA and ROE in Jordan. Trilaksana and Fadjarenie (2021) aimed to analyze the effect of auditor reputation on performance by using firm size as a moderator. Firm size was able to be a moderator for profitability and audit delay, while auditor reputation has no effect. Saleh (2021) found that the positive effect of the audit style on earnings comparability has been strengthened under the presence of the firm size as a moderating variable, but it does not vary by the leverage and profitability moderating variables. Putra, Sumadi and Pratiwi (2018) showed that only firm size has a moderating effect on the influence of internal auditors on performance. Santosa (2020) revealed that firm size moderators provide a reinforcing effect for all independent variables so that liquidity and audit committees have a positive effect on firm value.

However, the study contradicted other previous studies for example Madawaki, Ahmi and Ahmad (2022) revealed that organizational size does not influence the relationship between internal audit function and business performance. Shatnawi, Hanefah, Eldaia and Alaaraj (2022) showed that size did not support the moderating role between ACE and

Tobin's Q. Decision makers have to enforce the implementation of ERM in Jordanian companies to improve the FP.

4.10.1 Moderation Using Hayes Model

A moderator is a variable that specifies conditions under which a given predictor is related to an outcome. The moderator explains when dependent and independent variables are related. Moderation implied an interaction effect, where introducing a moderating variable changes the direction or magnitude of the relationship between two variables. In this thesis Hayes macros process was used to investigate moderation effect on each variable using graphical representation.

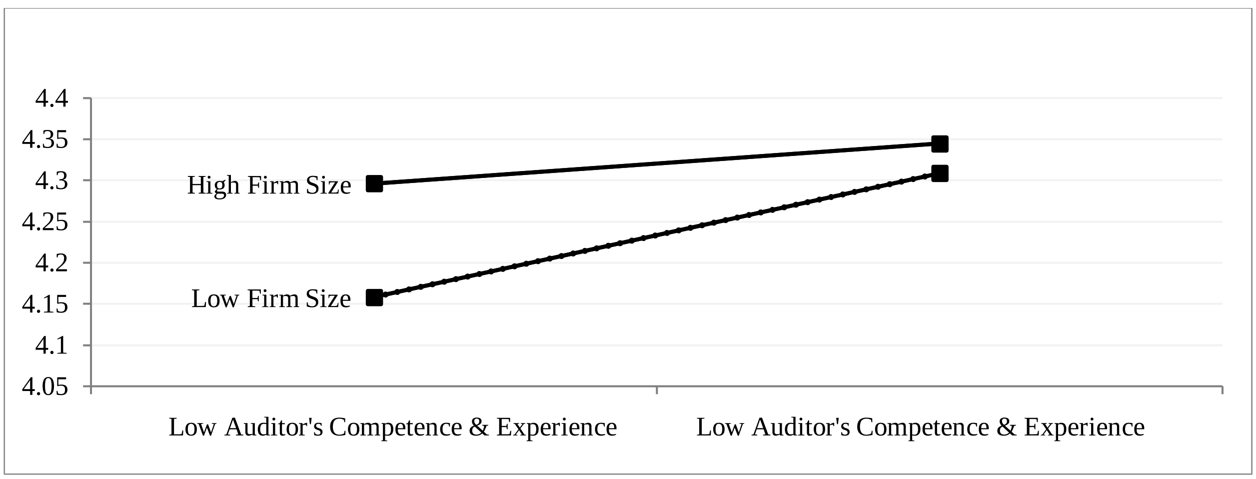

Figure 4. 11: Moderating Effect of SACCO SIZE on Auditor's competence and experience

Source: Field Data (2023)

When the Sacco size is high the relationship between performance and internal auditor's competence and experience is high and when Sacco size is low auditor's competence and experience is found to have a positive influence on performance of Saccos. The Sacco size was found to have a moderating influence on the relationship between auditor's competence and experience and performance of Saccos in Kenya. Thus, moderation is strong at high values of auditor's competence and experience.

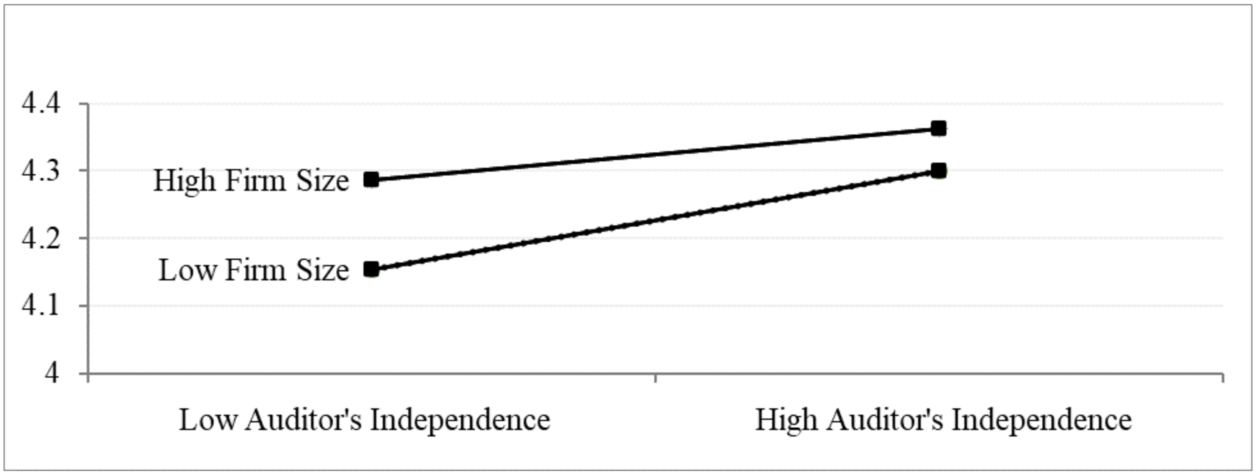

Figure 4. 12: Moderating Effect of Sacco size on Auditor's Independence

Source: Field Data (2023)

When the Sacco sizes is high the relationship between performance and internal auditor's independence is high and when Sacco sizes is low internal auditor's independence is found to have a positive influence on performance. The Sacco sizes was found to have a moderating influence on the relationship between performance and internal auditor's independence. Thus, moderation is strong at high values of internal auditor's independence,

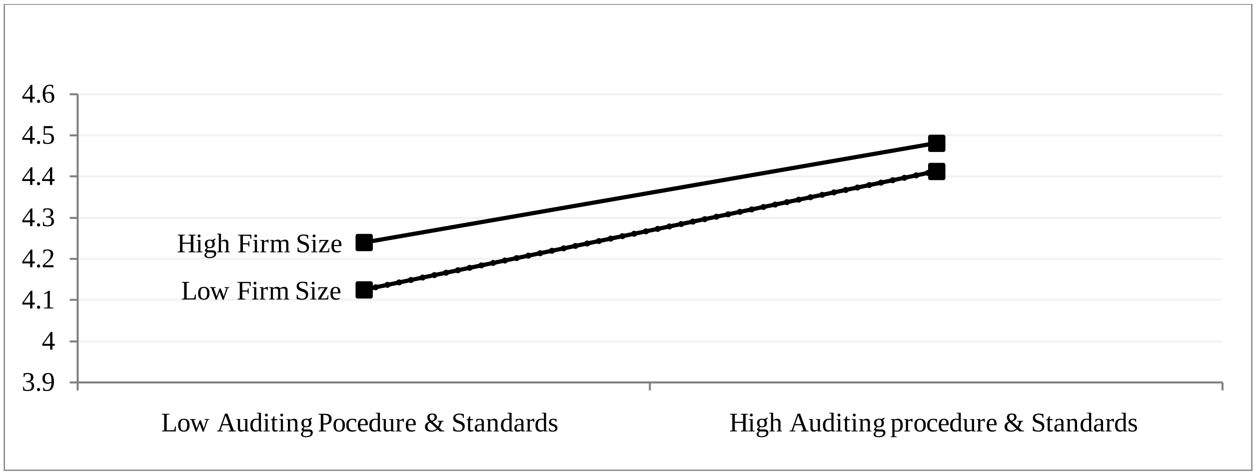

Figure 4. 13: Moderating Effect of Sacco size on Internal audit procedures and standards

Source: Field Data (2023)

When the Sacco size is high the relationship between performance and internal audit procedures and standards is high and when Sacco size is low internal audit procedures and standards is found to have a positive influence on performance. The Sacco size was found to have a moderating influence on the relationship between performance and internal audit procedures and standards. Thus, moderation is weak at high values of internal audit procedures and standards

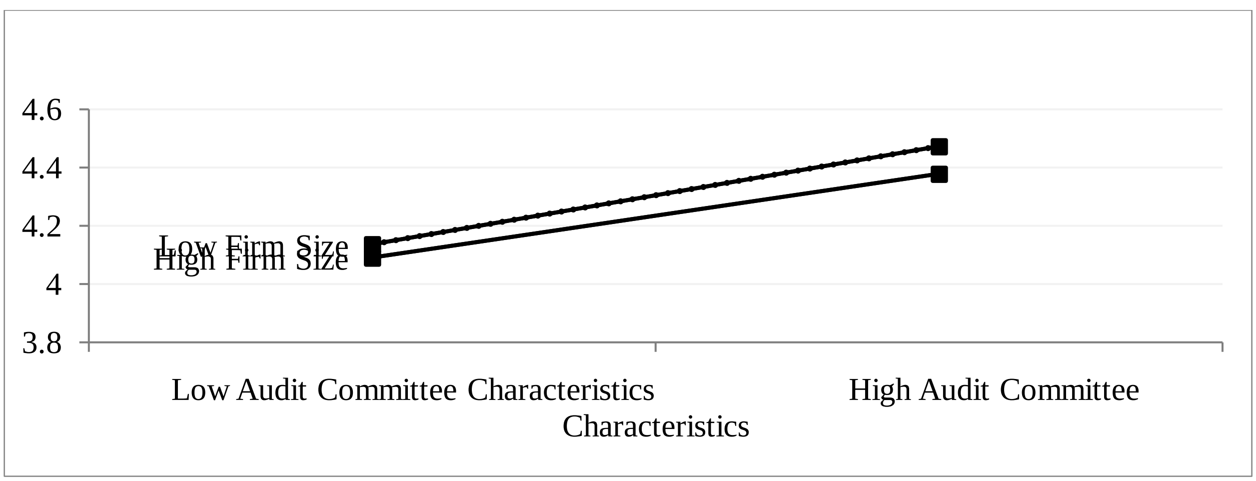

Figure 4. 14: Moderating Effect of Sacco size on Audit committee characteristics

Source: Field Data (2023)

As shown, there is a clear and direct correlation between the features of the audit committee and financial success, as seen by the progressive positive slope observed in the low levels of Sacco Size. The association between audit committee features and financial performance has a negative slope in the curve at medium levels of Sacco Size, indicating that increasing the levels of Sacco Size leads to a shift in the direction of this relationship. At greater levels of Sacco Size, the slope consistently drops. This indicates that raising the levels of Sacco Size has a negative moderating impact, which weakens the strength of the causal association between audit committee features and financial performance. The Sacco size was determined to have a mitigating effect on the correlation between performance and audit committee qualities. Therefore, moderation is robust when audit committee features are at low levels. The findings are consistent with other prior investigations. Shatnawi, Hanefah, Eldaia, and Alaaraj (2022) shown that the impact of ACE on ROA and ROE in Jordan is enhanced by the size of the business. Trilaksana and Fadjarenie (2021) sought to examine the impact of auditor reputation on performance, with firm size serving as a moderator. Firm size was able to be a moderator for profitability and audit delay, while auditor reputation has no effect. Saleh(2021) found that the positive effect of the audit style on earnings comparability has been strengthened under the presence of the firm size as a moderating variable, but it does not vary by the leverage and profitability moderating variables. Putra, Sumadi and Pratiwi (2018) showed that only firm size has a moderating effect on the influence of internal auditors on performance. Santosa (2020) revealed that firm size moderators provide a reinforcing effect for all independent variables so that liquidity and audit committees have a positive effect on firm value.

However, the study contradicted other previous studies for example Madawaki, Ahmi and Ahmad (2022) revealed that organizational size does not influence the relationship between internal audit function and business performance. Shatnawi, Hanefah, Eldaia and Alaaraj (2022) showed that size did not support the moderating role between ACE and Tobin’s Q. Decision makers have to enforce the implementation of ERM in Jordanian companies to improve the FP.

4.11 Stepwise Regression

Stepwise regression is an automated approach used to choose predictive variables while fitting regression models. The primary objective of stepwise regression is to identify a group of independent variables (such as Auditor's competence and experience, Audit committee characteristics, Internal auditor's independence, Internal audit procedures and standards) that have a significant impact on the dependent variable (Financial Performance). This is achieved through a series of tests, such as F-tests. In this instance, the research aims to determine which audit quality indicator makes the greatest contribution (measured by R square) to the model. At each phase, a variable is evaluated for inclusion or exclusion from the collection of explanatory variables according to a predetermined criteria. The findings are shown in Table 4.26.

Table 4. 26: Stepwise Regression

Model	R	R Square	Adj R Square	Std. Error of the Estimate	Change Statistics R Square Change	F Change	df1	df2	Sig. F Change
1	.651[a]	0.424	0.420	0.42880	0.424	116.95	1	159	0.000
2	.776[b]	0.602	0.597	0.35737	0.178	70.908	1	158	0.000
3	.793[c]	0.630	0.623	0.34598	0.027	11.574	1	157	0.001
4	.802[d]	0.643	0.634	0.34056	0.014	6.040	1	156	0.015

a. Predictors: (Constant), Competence and Experience
b. Predictors: (Constant), Competence and Experience, Internal Auditor Independence
c. Predictors: (Constant), Competence and Experience, Internal Auditor Independence, Internal Audit procedures and standards
d. Predictors: (Constant), Competence and Experience, Internal Auditor Independence, Internal Audit procedures and standards, Audit Committee Characteristics

Source: Field Data (2023)

Based on the above values in Table 4.42, it shows that Auditor's competence and experience contributes 42.4% in explaining variance in financial performance of Deposit Taking Savings and Credit Co-Operative Societies in Kenya, while the contribution of internal auditor independence is 17.8%, the contribution of Internal Audit procedures and standards to the model is 2.7% and Audit Committee Characteristics is 1.4%. This shows that auditor's competence and experience contributed the highest followed by internal auditor's independence then internal audit procedures and standards while audit committee characteristics had the least contribution to the overall R square of the study.

4.12 Verdict on Null Hypotheses

Table 4. 27: Verdict on Null Hypotheses

Hypothesis	Results	Reference	Verdict $t>2.00$, $P<0.05$	Studies Supporting	Studies Contradicting
H_{01}: Auditor's competence and experience has no significant influence on financial performance of Deposit Taking SACCOs	r=0.651, P=0.000 β_1=0.000, t=5.309, P=0.000	Table 4.17 Table 4.23	Reject	Boubakary (2020); Akangwagye (2022); Alsughayer (2021); Meidawati and Assidiqi (2019)	Bengrich and El Ghadouia (2020); Astro, Marwa and Wahyud (2019)
H_{02}: Auditor's independence has no significant influence on financial performance of Deposit Taking SACCOs	r=0.715, P=0.000 β_2=0.000, t=4.902, P=0.000	Table 4.17 Table 4.23	Reject	Mburunga et al (2019); Salama and Ngbede (2020); Enekwe et al (2020); Rashid, Mustapha and Ademola (2020)	Elewa and El-Haddad (2019); Serem, Fwamba and Benedict (2020)
H_{03}: Internal Audit procedures and standards has no significant influence on financial performance of Deposit Taking SACCOs	r=0.586, P=0.000 β_3=0.000, t=2.618, P=0.010	Table 4.17 Table 4.23	Reject	Iliemena and Okolocha (2019); Akande (2019); Kaawaase, Nairuba, Akankunda and Bananuka (2021); Alzeban (2019)	Isah and Muhammad (2019); Muchiri and Jagongo (2017); Soyemi, Tiamiyu and Omale (2021)
H_{04}: Audit committee characteristics has no significant influence on financial performance of Deposit Taking SACCOs	r=0.610, P=0.000 β_4=0.000, t=2.458, P=0.015	Table 4.17 Table 4.23	Reject	Ezejiofor and Erhirhie (2018); Soyemi, Tiamiyu and Omale (2021); Alshouha, Ismail, Mokhtar and Rashid (2021); Oduor, Adoyo and Mule (2022)	Ike, Salama and Ngbede (2020); Zubair and Ahmed (2022); Ahmeti, Ahmeti and Aliu (2022)
H_{05}: Firm size has no significant moderating influence on the relationship between audit quality and financial performance of Deposit Taking SACCOs in Kenya	t=-1.845, P=0.067 t=2.347, P=0.020 t=4.978, P=0.000 t=5.535, P=0.000	Table 4.25	Reject	Trilaksana and Fadjarenie (2021); Saleh (2021); Putra, Sumadi and Pratiwi (2018); Santosa (2020)	Madawaki, Ahmi and Ahmad (2022); Shatnawi, Hanefah, Eldaia and Alaaraj (2022)

CHAPTER FIVE

SUMMARY, CONCLUSIONS AND RECOMMENDATIONS

This chapter provides a summary of the topics discussed in the preceding chapters. Additionally, it emphasizes the inferences drawn from the study's results, together with the suggestions and proposals for future research.

5.1 Summary of Findings

The primary purpose of this research to determine the extent to which the quality of audits had an influence on the financial performance of deposit-taking saccos in Kenya. The specific objectives were to examine the effect of auditor's competence and experiences on financial performance of Deposit Taking Sacco's in Kenya, determine the effect of internal auditor's independence on financial performance of Deposit Taking Sacco's in Kenya, to determine the effect of internal audit procedures and standards on financial performance of Deposit Taking Sacco's in Kenya, to determine the effect of Audit committee characteristics on financial performance of Deposit Taking Sacco's in Kenya and to determine the moderating effect of Sacco size on the relationship between audit quality and financial performance of Deposit Taking Sacco's in Kenya. Data was acquired from Deposit Taking Saccos in Kenya via the use of a structured questionnaire, and the study used both descriptive and inferential analytic methodologies. The hypotheses were tested at confidence levels of 95 percent ($p<0.050$) on both the independent and combined effects and were evaluated. The results are summarized as per the specific study objectives.

5.1.1 Influence of Auditor's Competence and Experience on Financial Performance

The first objective of the study was to establish the influence of auditor's competence and experience on financial performance of Deposit Taking SACCOs in Kenya. Results from descriptive statistics indicated that majority of the respondents agreed that the external auditors undertake their audit work within the set time limits (Mean=4.28), The internal auditors are professionally competent to perform audit services (Mean=4.18), External auditors detects and reports frauds, financial errors and other misappropriations (Mean=4.21) and Internal audit employees have relevant education in auditing (Mean=4.20)

The inferential analysis demonstrated a significant positive correlation (r=0.651, P=0.000) between the competence and experience of auditors and the financial performance of Deposit Taking Sacco's in Kenya. This suggests that an increase in the ability and experience of auditors will lead to an improvement in the financial performance of Deposit Taking Saccos in Kenya. The R-squared value of 0.424 indicates that 42.4% of the variation in the financial performance of Deposit Taking Saccos in Kenya can be attributed to the competence and experience of auditors. This relationship is statistically significant (P=0.000). This suggests that the competence and experience of auditors are important indicators of the financial success of Saccos in Kenya. Controlling for internal auditor's independence, audit committee characteristics, and internal audit procedures and standards, the results of multiple linear regression showed that a one-unit increase in auditor's competence and experience leads to a significant increase in performance by 0.263 units ($\beta 1=0.263, P=0.000$).

Therefore, therefore the study failed to reject the first null hypothesis that posits: **H_{01}:** Auditor's competence and experiences have no significant influence on financial performance of Deposit Taking Sacco's in Kenya. The results are supported by Boubakary (2020); Akangwagye (2022); Alsughayer (2021); Meidawati and Assidiqi (2019). However, the results also contradicted results from Bengrich and El Ghadouia (2020); Astro, Marwa and Wahyud (2019).

5.1.2 Influence of internal auditor's independence on Financial Performance

The second objective of the study was to examine the influence of internal auditor's independence on financial performance of Deposit Taking SACCOs in Kenya. From the descriptive analysis, the respondents confirmed that the audit senior ensures that the environment for audit purpose is adequate., My organization ensures that there is complete disclosure of all relationships its affiliates, Auditors' independence fosters the financial reports quality and accountability in the public sector, Express audit independence ensures no biasness in undertaking the responsibilities of the auditor, Independence of the auditor enables effective feedback and control of their functions and Auditors' independence fosters objectivity and integrity in the committee functions.

The inferential study demonstrated a significant positive correlation (R=0.715, P=0.000) between the independence of internal auditors and the financial performance of Sacco's in Kenya, as determined by Pearson Correlation analysis. This suggests that enhancing the autonomy of internal auditors will lead to a substantial improvement in the financial performance of Deposit Taking Saccos in Kenya. The R-squared value indicates that auditor's skill and experience substantially account for 51.2% of the variance in the financial performance of Deposit Taking Sacco's in Kenya (R2=0.512, P=0.000). This hypothesis suggests that the independence of internal auditors is a valuable predictor of the financial success of Deposit Taking Saccos in Kenya. Controlling for audit committee characteristics, auditor's competence and experience, and internal audit procedures and standards, the results of multiple regression analysis indicate that a one-unit increase in internal auditor's independence leads to a significant increase in performance by 0.343 units ($\beta 2$=0.343, P=0.000).

Therefore, there was adequate evident to reject the second null hypothesis that posits: **H_{02}:** Internal auditor's independence have no significant influence on financial performance of Deposit Taking Sacco's in Kenya. The results are in agreement with Mburunga et al (2019); Salama and Ngbede (2020); Enekwe et al (2020); Rashid, Mustapha and Ademola (2020). On the other hand, the results are not supported by Elewa and El-Haddad (2019); Serem, Fwamba and Benedict (2020).

5.1.3 Influence of internal audit procedures and standards on the Financial performance

The third objective of the study was to establish the influence of internal audit procedures and standards on financial performance of Deposit Taking SACCOs in Kenya. Results from descriptive results indicated that majority of the respondents was in agreement that External auditors' rotation takes place as required by regulation and standards. Compliance to internal auditing standards contributes and influence effectiveness in auditing hence performance, Auditors carry out their roles objectively in compliance with international auditing standards and there are safeguards in place to regulate interactions between auditors and management and Audit standards and related services influences performance.

The inferential study demonstrated a statistically significant positive correlation (R=0.586, P=0.000) between the implementation of internal audit processes and standards and the financial performance of Deposit Taking Sacco's in Kenya, as determined by the Pearson Correlation analysis. This hypothesis suggests that implementing more rigorous internal audit processes and standards will lead to a substantial improvement in the financial performance of Deposit Taking Sacco's in Kenya. The R-squared value of 0.344 indicates that 34.4% of the variation in the financial performance of Sacco's in Kenya can be attributed to internal audit methods and standards. This relationship is statistically significant (P=0.000). This suggests that the internal audit methods and standards play a crucial role in determining the financial success of Sacco's in Kenya. Multiple regression coefficient results indicated that when auditor's competence and experience, audit committee characteristics and internal auditor's independence are controlled, a unit increase of internal audit procedures and standards will result to significant increase in performance by 0.139 units (β_1=0.139, P=0.010).

Therefore, there was sufficient evident to reject the third null hypothesis that posits: **H_{03}:** Internal audit procedures and standards have no significant influence on financial performance of Sacco's in Kenya. The results are supported by Iliemena and Okolocha (2019); Akande (2019); Kaawaase, Nairuba, Akankunda and Bananuka (2021); Alzeban (2019). The findings do not concur with Isah and Muhammad (2019); Muchiri and Jagongo (2017); Soyemi, Tiamiyu and Omale (2021).

5.1.4 Influence of internal Audit committee characteristics on the Financial Performance

The fourth objective of the study was to determine the influence of audit committee characteristics on financial performance of Deposit Taking SACCOs in Kenya. Results from descriptive results indicated that majority of the respondents confirmed that The audit tenure of committee members enhances the audit quality in the public sector, Rotation of audit committee members fosters credibility in the functions of committee, Audit committee composition fosters the effectiveness of the audit function, Audit committee composed of members with leadership experience enhance the independence and efficiency of the committee, Training of audit committee members leads to effective and efficient undertaking of their responsibility, Audit committees composed of financial experts enhance the credibility and quality of the audit reports, Availability of formal meeting calendar among audit committee members enhances the effectiveness of the committee, Planning of audit committee meetings reduces manipulation and risks of board interference and Regular meetings of the audit committee enhance the performance of their role.

The inferential analysis demonstrated a positive and substantial correlation (R=0.610, P=0.000) between the features of the audit committee and the financial performance of Sacco's in Kenya, as evidenced by the findings of the Pearson Correlation study. This hypothesis suggests that an increase in the features of audit committees will lead to a considerable improvement in the financial performance of Sacco's (Savings and Credit Cooperative Organizations) in Kenya. The R-squared value of 0.373 suggests that audit committee characteristics explain a large portion, namely 37.3%, of the variation in the financial performance of Sacco's in Kenya. This relationship is statistically significant with a p-value of 0.000. This suggests that the features of the audit committee are a key predictor of the financial success of Deposit Taking Sacco's in Kenya. The results of the multiple regression analysis show that when we account for factors such as auditor competence and experience, internal auditor independence, and internal audit procedures and standards, an increase of one unit in audit committee characteristics leads to a significant increase in performance by 0.181 units (β_1=0.181, P=0.015).

Therefore, there was sufficient evident to reject the third null hypothesis that posits: $\mathbf{H_{04}}$: Audit committee characteristics have no significant influence on financial performance of Deposit Taking Sacco's in Kenya. These results reflect findings from Ezejiofor and Erhirhie (2018); Soyemi, Tiamiyu and Omale (2021); Alshouha, Ismail, Mokhtar and Rashid (2021); Oduor, Adoyo and Mule (2022). Nevertheless, Ike, Salama and Ngbede (2020); Zubair and Ahmed (2022); and Ahmeti, Ahmeti and Aliu (2022) findings differed significantly from these results.

5.1.5 Moderating effect of Sacco Size on the Relationship Between Audit Quality and Financial Performance of Deposit Taking Saccos.

The fifth objective of the study was to determine the moderating influence of firm size on the relationship between audit quality and financial performance of Deposit Taking SACCOs in Kenya. Respondents agreed that The Sacco has formed collaboration and partnership with employer to enhance its member's deposit base. To enhance member's deposit, the Sacco offers competitive interest rates and The Sacco has introduced financial literacy to enhance its member' deposits.

The Pearson correlation study demonstrated a significant positive association (R=0.773, P=0.000) between the size of Saccos and their financial success in Kenya. This suggests that an expansion in the size of a Sacco will lead to an improvement in the financial performance of Deposit Taking Sacco's in Kenya. The hierarchical regression analysis showed that Sacco size has a substantial impact on a 3.7% difference in financial performance. This brings the total percentage change accounted for by Sacco size and audit quality in the model to 73.1% ($R2=0.731$, $P=0.000$). Conversely, the correlation between the quality of audits and the size of Sacco organizations yields a R square value of 0.816, indicating that this interaction explains an extra 8.5% variation in the financial performance of Sacco institutions in Kenya.

In addition, the internal audit methods and standards The positive Sacco size coefficient indicates that there is a positive interaction effect. Specifically, for every one unit increase in Sacco size, there is a substantial rise of 0.807 units in the impact of internal audit processes and standards on financial performance ($P=0.000$). Additionally The coefficient of the Sacco size in relation to the internal auditor's independence is positive, indicating a positive interaction effect. This means that when the Sacco size grows by one unit, the impact of the internal auditor's independence on financial performance increases substantially by 0.207 units, with a p-value of 0.000. The positive coefficient of the Sacco size in the audit committee characteristics indicates that there is a positive interaction effect. This means that when the Sacco size grows by one unit, the impact of audit committee characteristics on financial performance also substantially increases by 0.921 units ($P=0.000$).

Therefore, there was sufficient evident to reject the fifth null hypothesis that posits: $\mathbf{H_{05}}$: Sacco size has significant moderating effect on the relationship between internal control system and financial performance of Deposit Taking Sacco's in Kenya. These results are heavily supported by Trilaksana and Fadjarenie (2021); Saleh (2021); Putra, Sumadi and Pratiwi

(2018); Santosa (2020). Nevertheless, they are not supported by Madawaki, Ahmi and Ahmad (2022); and Shatnawi, Hanefah, Eldaia and Alaaraj (2022).

5.2 Conclusion

The study concluded that auditor's competence and experiences have significant influence on financial performance of Deposit Taking Sacco's in Kenya. Competent and experienced auditors can help the SACCO to identify and manage its risks more effectively. This is important because it can help to protect the SACCO from financial losses and other negative consequences. By helping the SACCO to manage its risks more effectively, auditors can help to improve its financial performance. Further, Competent and experienced auditors are more likely to identify errors and irregularities in financial statements. If the audited financial statements are accurate and reliable, this can positively impact an organization's financial performance. Accurate financial statements provide a clear picture of the Sacco's financial health, which can instil confidence in investors, members, and regulators.

Internal auditor's independence has significant influence on financial performance of Deposit Taking Sacco's in Kenya. This means that when internal auditors are independent, they are more likely to identify and report on financial irregularities and weaknesses, which can lead to improved financial performance. This finding underscores the importance of having robust internal audit functions in financial institutions, as the independence of auditors is crucial for ensuring the accuracy and integrity of financial reporting and internal controls. It also implies that regulatory or organizational measures to enhance the independence of internal auditors could potentially lead to improved financial outcomes for Deposit Taking Sacco's in Kenya.

It was evident that internal audit procedures and standards have significant influence on financial performance of Deposit Taking Sacco’s in Kenya. In practice, this conclusion implies that Deposit Taking Sacco's in Kenya should pay close attention to their internal audit practices and adhere to relevant standards to maintain or improve their financial health. Therefore, internal audit procedures and standards in Deposit Taking Saccos in Kenya are vital for ensuring financial integrity, compliance, and operational efficiency. They help in risk management, fraud prevention, and maintaining the trust of members and stakeholders. Ultimately, these procedures and standards contribute to the overall financial health and sustainability of Saccos in Kenya.

Audit committee characteristics within the Saccos in Kenya is positively and significantly related to the financial performance of the Saccos. A well-structured and effective audit committee can positively impact the financial health and sustainability of a Sacco. The audit committee's primary responsibility is to oversee the financial reporting process and internal control systems. Effective oversight can lead to the early detection and prevention of financial mismanagement, fraud, and errors, thereby preserving the Sacco's financial resources. Audit committees ensure that the financial reporting process is transparent and that financial statements accurately reflect the Sacco's financial position. This transparency is crucial for building trust among members and stakeholders and can positively impact financial performance by attracting investments and deposits.

Lastly, the study concluded that Sacco size has significant moderating effect on the relationship between internal control system and financial performance of Deposit Taking Sacco's in Kenya. This was evident by significant increase in the coefficient of determination from 63.1% to 71.5% significantly. The results revealed as Sacco size decreases by one unit, the level of auditor's competence and experience effect on financial performance significantly increases. Similarly, as Sacco size increases by one unit, the level of audit committee characteristics effect on financial performance significantly increases. However, as Sacco size decreases by one unit, the level of auditor's competence and experience effect on financial performance significantly increases. Most of the Saccos were found to maintain minimum capital, maintain 15% of its savings, deposits and short-term liabilities in liquid assets, have a written credit policy, external borrowing does not exceed 25% of its total assets. However, some Sacco did not review their credit portfolio at least once every quarter year and invested in non-earning assets in excess of 10% of the total assets.

5.3 Implication of the Study and Contribution to New Knowledge

This study contributes to the body of knowledge both in methodology, theory and practice. In order to derive more valuable and broader conclusions, the methodology adopted in this research involved administering questionnaires to Saccos in Kenya in order to increase the generalizability of the results. As lack of strong internal control system leads to poor financial performance among Sacco, this research is of scholarly interest as it has further un-covered factors that lead to enhanced internal control systems. This is likewise true for the testing of a possible relation between internal control systems and financial performance. This research gap has been addressed in this thesis by administering questionnaires at the individual level over and above quantitative analysis.

5.3.1 Contribution to New Knowledge

The examination of the connection between audit quality, Sacco size, and financial success has significant academic value as it not only connects many bodies of research but also offers considerable empirical data to practitioners and policymakers, hence facilitating enhancements in both professional disciplines. The present research has addressed a significant knowledge gap by examining the interconnections among audit quality, Sacco size, and financial performance within the context of Sacco’s in Kenya. This contribution adds to the growing body of work in this field. Too far, the majority of research conducted on audit quality systems and the size of Sacco’s has been concentrated on financial institutions regulated by the Central Bank of Kenya, with less attention given to the Sacco’s subsector. This study aims to redirect attention on the size of Sacco organizations, as opposed to the prevailing emphasis on audit quality and financial performance in existing research.

The study results highlight many concerns that have significance for the implementation of accounting methods. The findings of this research have shown to be of significant importance in resolving the previously highlighted gaps in knowledge, therefore making a valuable contribution to the advancement of knowledge in this field. The research has not only developed a comprehensive conceptual framework of audit quality methods but has also conducted actual testing of the framework. The study's results suggest that although audit quality procedures are important, they alone do not ensure satisfactory financial performance. The size of the Sacco also seems to have a significant influence on financial outcomes. In light of the presence of audit quality procedures, it is essential for managers to possess a comprehensive understanding of the primary factors that contribute to financial performance, as well as those that hinder it.

This research has produced a number of significant contributions, in terms of the audit quality and to the size and performance of the Sacco. In the first place, the results of this research back up previous research by demonstrating that audit quality has a beneficial impact on financial performance. The research also shown without a doubt that the size of a Sacco has a direct bearing on the financial performance of a Sacco by bolstering the influence that quality auditing has. This study has unequivocally shown that the size of the Sacco has a moderating influence on both the audit quality and the financial performance. Secondly, thanks to this study, we were able to get a more in-depth understanding of the factors that determine the quality of audits. The positive effect of audit quality on financial performance extends the present state of knowledge in terms of the antecedents of audit quality, which is confirmed by this discovery on the one hand. On the other hand, this finding verifies some of the predictors of the current model of audit quality. In addition, the findings of the quantitative analysis suggest that the drivers of financial success should be extended so as to include the size of the Sacco as another major predictor of financial performance.

The integration of legitimacy, stakeholder, transaction cost, and agency theories offer a comprehensive framework for understanding the relationship between audit quality, Sacco size, and financial performance. This study fills a significant gap by synthesizing these theories, shedding light on how SACCOs can minimize transaction costs, enhance stakeholder engagement, and optimize audit quality to improve financial outcomes. Methodologically, the study employs a mixed-method approach, combining qualitative and quantitative analyses to provide a nuanced understanding of the underlying dynamics. Overall, the research contributes new knowledge to both theoretical understanding and practical policymaking in the SACCO sector.

5.3.2 Implications of the Study to Practice

The study results indicate that the management of Sacco's in Kenya should integrate audit quality into their everyday operations, since it plays a crucial role in the financial success of Sacco's. In addition, Sacco size and audit quality need to be given a priority as they can only be effective if good Sacco size is in place and there are strong internal audit committee characteristics.

It's crucial to tailor the level of audit quality to the specific needs and characteristics of the Sacco, taking into account its size, complexity, available resources, and the potential benefits in terms of risk mitigation and stakeholder confidence. The size of a Sacco should be considered when determining the appropriate level of audit quality. An optimal balance needs to be struck between the cost of auditing and the benefits it provides. Smaller Sacco's might find that a more moderate level of audit quality suits their needs, while larger Sacco's should invest in higher quality audits to match their operational complexity.

5.3.3 Theoretical Implications

This study adequately supports four theories used in this study. Legitimacy theory is a sociological concept that can be applied to various fields, including accounting and auditing. Legitimacy theory suggests that organizations, including SACCOs, need to maintain a perception of being legitimate in the eyes of their stakeholders, such as members, regulators, and the public. Auditing is a mechanism that helps in establishing and maintaining this legitimacy. When a SACCO conducts regular audits, it demonstrates transparency and accountability, which align with stakeholders' expectations for legitimacy. Legitimacy theory suggests that organizations like SACCOs need to maintain their legitimacy in the eyes of various stakeholders, and the quality of the audit process plays a significant role in achieving and preserving this legitimacy. A well-conducted audit, with a focus on transparency, disclosure, and compliance, can positively impact a SACCO's perceived legitimacy, which can, in turn, influence its overall performance and reputation.

The application of stakeholder theory to a SACCO highlights the importance of considering the interests and expectations of all relevant stakeholders. A commitment to high-quality audits can help the SACCO meet these expectations by ensuring transparency, accountability, compliance, and risk management, ultimately contributing to the organization's long-term performance and sustainability. Auditors need to be free from any conflicts of interest so that they can provide an objective and unbiased opinion on the SACCO's financial statements. This is important for all stakeholders, as it helps to ensure that they have reliable information to make informed decisions.

Transaction cost theory (TCT) is a theory of organizational structure that analyses the costs and benefits of different ways of organizing economic transactions. It can be used to understand how organizations can minimize the costs associated with transactions, including the costs of auditing. The cost of auditing can be reduced by increasing the efficiency of the audit process. This can be done by using technology, by streamlining the audit process, and by using experienced and qualified auditors. The quality of auditing can be improved by increasing the independence of the auditors. Auditors should be independent of the Sacco’s management and should not have any financial interest in the Sacco. The performance of the audit process can be improved by having a clear and concise audit plan. The audit plan should identify the specific risks that the auditors will be assessing and the procedures that they will use to assess those risks.

Agency theory is a theory of organizational structure that analyses the relationship between principals (such as the members of a Sacco) and agents (such as the management of a Sacco). Agency theory posits that principals may delegate tasks to agents, but that there is always the potential for conflict of interest between the two parties.

5.4 Recommendations

The research suggests that it is advisable for the internal workers to possess both suitable academic credentials and professional qualifications. Qualified and recognized authorities should conduct ongoing evaluations of the staff competence of audit personnel in Saccos in Kenya. This is necessary to ensure the sustained improvement of the internal audit department's financial performance. Additionally, the Saccos should prioritize regular on-the-job training for its audit personnel to enhance its expertise in auditing. Additionally, the research suggests that it is important to ensure that the internal audit department is sufficiently staffed to manage the workload necessary for thorough financial audits.

The research suggests that the Saccos should prioritize the promotion of autonomy for both their internal and external auditors, since this has a major impact on their financial success. This may be achieved by excluding auditors from the day-to-day internal control procedures and operations of the organizations, as well as ensuring that auditors maintain an independent relationship with the county executive. Additionally, in order to guarantee autonomy, the internal audit function should be granted unrestricted access to the requested documents and information. This would allow internal auditors to bypass the management chain and communicate directly with the elected officials who are responsible for holding the executive accountable.

The SASRA and other regulatory agencies in Kenya should establish criteria and strategies to guarantee the recruitment and retention of professionals with sufficient and relevant academic and professional credentials. In order to enhance the efficiency, autonomy, and efficacy of the internal audit function, it is advised that management should establish a robust structure and rules for the selection of internal audit personnel. The research suggests that policy makers should prioritize internal audit, particularly in the monitoring and assessment of procedures, to guarantee the adherence to quality standards in the management and long-term viability of Saccos. Similarly, policy makers might examine the current laws and regulations concerning internal audits in order to find areas for improvement and address the issue of inadequate financial performance in Saccos.

There is need of ensuring that internal auditors are familiar with and adhere to the International Standards for the Professional Practice of Internal Auditing (ISPPIA). The ISPPIA provides a comprehensive framework for conducting internal audits in a manner that is objective, independent, and competent. By adhering to these standards, internal auditors can help to ensure that their work is credible and that their findings and recommendations are reliable. This, in turn, can help to improve the effectiveness of the internal audit department and its ability to contribute to the overall governance and risk management of the organization.

Lastly, the study recommended that there is need to promote regular meetings and effective communication. This can be achieved by scheduling regular meetings of the audit committee to discuss financial reporting, risk management, and internal control issues. Further, by encouraging open communication between the audit committee, management, and internal auditors. Further, the appoint members to the audit committee who have relevant financial and accounting expertise. This expertise will help the audit committee to effectively review the SACCO's financial statements and identify any potential risks or irregularities. Similarly, there is need to consider appointing a member to the audit committee who has experience in the SACCO sector. This experience will provide the audit committee with a better understanding of the specific risks and challenges faced by SACCOs.

5.5 Areas of Further Studies

Although this study has produced valuable contributions, it also emphasizes several factors that should be taken into account by future studies. Firstly, this research highlights the need of maintaining a high standard of audit quality in Saccos, emphasizing the need for efficiency and effectiveness. Up to 63.1% of the variation in financial performance of Saccos may be attributed to the four dimensions of audit quality. However, it is important to acknowledge that there may be other variables that might also impact financial performance, which should be taken into account in future research.

The research methodically examined Saccos that are governed under SASRA. The research suggestion is limited in its relevance and generalizability to financial institutions that are not regulated by SASRA. This include both commercial banks and microfinance banks, which are subject to regulation by the Central Bank of Kenya. The research results confirmed that the size of a Sacco has a substantial moderating impact on its financial success. Nevertheless, there is a little but favorable moderating influence on the correlation between the experience and competence of auditors and the financial success of Saccos. Similar studies should be conducted in other financial institutions so as to establish whether similar results can be replicated.

Researchers may also explore other statistical methodologies, such as structural equation modeling, Tobin Q, or factor analysis, to analyze the data. An only qualitative approach would provide a comprehensive understanding of the correlation between audit quality procedures, Sacco size structures, and financial performance of Sacco.

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APPENDICES

APPENDIX 1: LETTER OF INTRODUCTION

Name of the Sacco……………...

P.O. Box ………………………

Dear Respondent,

I am now enrolled in Masinde Muliro University of Science and Technology, where I am working toward earning a PhD in business administration with a focus on finance. In order to satisfy a portion of the requirements for the awarding of this degree, I am needed to do research. I have chosen your institution as one of the responders, and I would be grateful if you could provide your answer via surveys. Each and every piece of information that is gathered will be handled with the greatest discretion and will be used only for the purpose of this study.

I wish your firm fruitful business.

Yours Sincerely

Moses Ayumba Luvisi

APPENDIX 2: QUESTIONNAIRE

SECTION 1: BACKGROUND INFORMATION

1. Name of the SACCO

....

2. The number of years you have worked at current position

   Less than one year [ ]

   One year [ ]

   Two years [ ]

   Three years [ ]

   Four or more years [ ]

3. What professional courses have you attained?

   CPA [ ]

   ACCA [ ]

   CPP [ ]

   OTHERS [ ]

   Specify……………………………………………………………………………

   ………

SECTION 2: COMPETENCE AND EXPERIENCE

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

No	**Competence and experience**	**5**	**4**	**3**	**2**	**1**
4	The external auditors undertake their audit work within the set time limits.					
5	The internal auditors are professionally competent to perform audit services					
6	Professional competence is a key when hiring external auditors					
7	External auditors detects and reports frauds, financial errors and other misappropriations					
8	Internal audit employees have relevant education in auditing					
9	Frauds are identified by internal audit function.					

10	Auditors in the organization are qualified to undertake audit function					

SECTION 3: INTERNAL AUDITOR INDEPENDENCE

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

No	**Internal Auditor Independence**	**5**	**4**	**3**	**2**	**1**
11	Express audit independence ensures no biasness in undertaking the responsibilities of the auditor					
12	Independence of the auditor enables effective feedback and control of their functions					
13	Auditors' independence fosters objectivity and integrity in the committee functions					
14	Auditors' fees are based on the work done and period undertaken.					
15	Auditors' independence fosters the financial reports quality and accountability in the Deposit Taking Saccos					
16	My organization does not assign non audit services to external auditors					
17	The period to which audit services are to be undertaken is standard and known					
18	My organization ensures that there is complete disclosure of all relationships its affiliates					
19	The audit committee usually discuss and thoroughly investigate any potential independence impairments or issues.					
20	Audit recommendations are clearly conveyed to the board of management leading to control improvement and efficiency.					
	The audit senior ensures that the environment for audit purpose is adequate.					

SECTION 4: INTERNAL AUDIT PROCEDURES AND STANDARDS

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

No	**Internal Audit procedures and standards**	**5**	**4**	**3**	**2**	**1**
21	Audit recommendations are clearly conveyed and implemented leading improvement in performance.					
22	Audit standards and related services influences performance					
23	Compliance to internal auditing standards contributes and influence effectiveness in auditing hence performance					

24	Auditors carry out their roles objectively in compliance with international auditing standards					
25	There are safeguards in place to regulate interactions between auditorsandmanagement,					
26	Rotation of senior audit partner is incompliance with applicable auditingstandards					
27	Auditors work done is checked, or recalculated or confirmed by seniors.					
28	External auditors' rotation takes place as required by regulation andstandards					

SECTION 5: AUDIT COMMITTEE CHARACTERISTICS

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

No	**Audit Committee Composition**	**5**	**4**	**3**	**2**	**1**
29	Audit committee composition fosters the effectiveness of the auditfunction.					
30	Audit committee composed of members with leadership experience enhance the independence and efficiency of the committee					
31	Audit committee composed of independent advisers ensures biasness in reporting and undertaking the audit functions					
32	Rotation of audit committee members fosters credibility in the functionsofcommittee					
33	The audit tenure of committee members enhances the audit quality intheDepositTakingSaccos					
34	The size of the audit committee enhances the quality of the audit work					
	Audit Committee Technical Skills					
35	Audit committees composed of financial experts enhance the credibilityandqualityoftheauditreports.					
36	Audit committee members with professional qualification foster effectivemonitoringwhichreducesmalpracticesintheindustry					
37	Experienced audit committee members leads to effective operationswithinthecommittee					
38	Training of audit committee members leads to effective and efficientundertakingoftheirresponsibility					

39	Personal characteristics and values of the audit committee members enhance the functional competency of the committee					
	Audit Committee Prudential Requirements					
40	Regular meetings of the audit committee enhance the performance of their role					
	Audit committee meetings that are not subject to board influence enhance the effectiveness of the committee functions					
41	Availability of formal meeting calendar among audit committee members enhances the effectiveness of the committee					
42	Planning of audit committee meetings reduces manipulation and risks of board interference					
43	Control of the audit committee agenda by the members fosters the attainment of the committee responsibilities					
44	There are wide disparities in the expected performance of audit committee members in the industry					
45	The frequency of audit committee meetings is sufficient to fulfil tasks required,					
46	The size of audit committee is adequate with qualified personnel ready for the task.					

47. In your opinion, in what other ways does the audit committee composition influence the performance of deposit taking saccos in Kenya……………………………………………

48. From your experience, what other audit committee characteristics influence the performance of deposit taking saccos in Kenya …………………………………………………………………………………………........ ....…................. ....

SECTION 6: MEMBER'S DEPOSIT

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

No	**Member's Deposit**	**5**	**4**	**3**	**2**	**1**
49	To enhance member's deposit, the Sacco offers competitive interest rates					
50	The Sacco has introduced financial literacy to enhance its member' deposits					
51	The Sacco has diversified saving products to attract member's deposits					

52	The Sacco has formed collaboration and partnership with employer to enhance its member's deposit base					
53	The Sacco offers incentives and rewards to encourage member's deposits					

SECTION 7: FINANCIAL PERFORMANCE

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

No	Financial Performance	5	4	3	2	1
54	The capital base of the deposit taking Sacco has consistently increased.					
55	The profits of the deposit taking Sacco have consistently grown					
56	The customer services have improved with increase in innovations like ATM services					
57	The remuneration of employees of in my deposit taking Sacco is adequate.					
58	Shareholders value in my deposit taking Sacco has increased					
59	My deposit taking Sacco has been prompt in paying of its debts when due.					
60	The deposit taking Sacco maintains the cost of holding current assets as low as possible					
61	Interest on member's deposit has been increasing over the years.					
62	The Sacco membership has expanded over the years					
63	The dividend per share of the deposit taking Sacco has consistently increased					

APPENDIX 3: TOOL FOR SECONDARY DATA

S/N		2017	2018	2019	2020	2021	2022
1	Total deposits						
2	Dividend per share						
3	ROE						
4	ROA						

APPENDIX 4: LICENSED SACCO SOCIETIES FOR PERIOD ENDING 31ST DECEMBER, 2022

LICENSED SACCO SOCIETIES FOR PERIOD ENDING 31ST DECEMBER, 2022		
NO.	**NAME OF SOCIETY**	**POSTAL ADDRESS**
1	2NK Sacco Society Ltd	P.O Box 12196 – 10109, Nyeri
2	Acumen Sacco Society Ltd	P.O. Box 1325 – 00200, Nairobi
3	Afya Sacco Society Ltd	P.O. Box 11607 – 00400, Nairobi.
4	Agro-Chem Sacco Society Ltd	P.O Box 94 – 40107, Muhoroni.
5	Ainabkoi Sacco Society Ltd	P.O. Box 120 – 30101, Ainabkoi
6	Airports Sacco Society Ltd	P.O. Box 19001 – 00501, Nairobi
7	Amica Sacco Society Ltd	P.O. Box 816 – 10200, Murang'a.
8	Ammar Sacco Society Ltd	P.O Box 6957 – 01000, Thika.
9	Ardhi Sacco Society Ltd	P.O. Box 28782 – 00200, Nairobi.
10	Asili Sacco Society Ltd	P.O. Box 49064 – 00100, Nairobi.
11	Azima Sacco Society Ltd	P.O. Box 1124 – 01000, Thika.
12	Bandari Sacco Society Ltd	P.O. Box 95011 – 80104, Mombasa.
13	Baraka Sacco Society Ltd	P.O. Box 1548 – 10101, Karatina.
14	Baraton University Sacco Society Ltd	P.O Box 2500 – 30100, Eldoret.
15	Biashara Sacco Society Ltd	P.O. Box 1895 – 10100, Nyeri.
16	Biashara Tosha Sacco Society Ltd	P.O Box 189 – 60101, Manyatta.
17	Bi-High Sacco Society Ltd	P.O. Box 90 – 60500, Marsabit.
18	Bingwa Sacco Society Ltd	P.O. Box 434 – 10300, Kerugoya.
19	Boresha Sacco Society Ltd	P.O. Box 80 – 20103, Eldama Ravine.
20	Capital Sacco Society Ltd	P.O Box 1479 – 60200, Meru.
21	Centenary Sacco Society Ltd	P.O. Box 1207 – 60200, Meru.
22	Chai Sacco Society Ltd	P.O. Box 278 – 00200, Nairobi.
23	Chuna Sacco Society Ltd	P.O. Box 30197 – 00100, Nairobi.
24	Comoco Sacco Society Ltd	P.O. Box 3334 – 00200, Nairobi
25	Cosmopolitan Sacco Society Ltd	P.O. Box 1931 – 20100, Nakuru.
26	County Sacco Society Ltd	P.O. Box 21 – 60103, Runyenjes.
27	Daima Sacco Society Ltd	P.O. Box 2032 – 60100, Embu.
28	Dhabiti Sacco Society Ltd	P.O. Box 353 – 60600, Maua.
29	Dimkes Sacco Society Ltd	P.O. Box 886 – 00, Kiambu.
30	Dumisha Sacco Society Ltd	P.O Box 84 – 20600, Mararal.
31	Eco-Pillar Sacco Society Ltd	P.O. Box 48 – 30600, Kapenguria
32	Egerton Sacco Society Ltd	P.O. Box 178 – 20115, Egerton.
33	Elimu Sacco Society Ltd	P.O Box 10073 – 00100, Nairobi.
34	Enea Sacco Society Ltd	P.O. Box 1836 – 10101, Karatina.
35	Faridi Sacco Society Ltd	P.O. Box 448 – 50400, Busia.
36	Fariji Sacco Society Ltd	P.O. Box 589 – 00216, Githunguri.
35	Faridi Sacco Society Ltd	P.O. Box 448 – 50400, Busia.
36	Fariji Sacco Society Ltd	P.O. Box 589 – 00216, Githunguri.
37	Fortitude Sacco Society Ltd	P.O. Box 7 – 40305, Mbita.
38	Fortune Sacco Society Ltd	P.O. Box 559 – 10300, Kerugoya.
39	Fundilima Sacco Society Ltd	P.O. Box 62000 – 00200, Nairobi.
40	GDC Sacco Society Ltd	P.O.Box896 – 00216, Githunguri.
41	Golden Pillar Sacco Society Ltd	P.O. Box 3192 – 60200, Meru.
42	Good Faith Sacco Society Ltd	P.O. Box 224 – 00222, Uplands

43	Goodhope Sacco Society Ltd	P.O. Box 158 – 20500, Narok.
44	Goodway Sacco Society Ltd	P.O Box 626 – 10300, Kerugoya.
45	Gusii Mwalimu Sacco Society Ltd	P.O. Box 1335 – 40200, Kisii.
46	Harambee Sacco Society Ltd	P.O. Box 47815 – 00100, Nairobi.
47	Hazina Sacco Society Ltd	P.O. Box 59877 – 00200, Nairobi.
48	Ilkisonko Sacco Society Ltd	P.O Box 91 – 00209, Loitokitok.
49	Imarika Sacco Society Ltd	P.O. Box 712 – 80108, Kilifi.
50	Imarisha Sacco Society Ltd	P.O. Box 682 – 20200, Kericho.
51	Invest and Grow (IG) Sacco Society Ltd	P.O. Box 1150 –50100, Kakamega.
52	Jacaranda Sacco Society Ltd	P.O. Box 1767 – 00232, Ruiru
53	Jamii Sacco Society Ltd	P.O. Box 57929 – 00200, Nairobi.
54	Jitegemee Sacco Society Ltd	P.O. Box 86937 – 80100, Mombasa.
55	Joinas Sacco Society Ltd	P.O. Box 669 – 00219, Karuri.
56	Jumuika Sacco Society Ltd	P.O. Box 14 – 40112, Awasi
57	Kencream Sacco Society Ltd	P.O. Box 300131 – 00200, Nairobi
58	Kenpipe Sacco Society Ltd	P.O. Box 314 – 00507, Nairobi.
59	Kenversity Sacco Society Ltd	P.O. Box 10263 – 00100, Nairobi.
60	Kenya Achievas Sacco Society Ltd	P.O. Box 3080 – 40200, Kisii.
61	Kenya Bankers Sacco Society Ltd	P.O. Box 73236 – 00200, Nairobi.
62	Kenya Highlands Sacco Society Ltd	P.O. Box 2085 – 002000, Kericho.
63	Kenya Midland Sacco Society Ltd	P.O Box 287 – 20400, Bomet.
64	Kenya Police Sacco Society Ltd	P.O. Box 51042 – 00200, Nairobi.
65	Kimbilio Daima Sacco Society Ltd	P.O. Box 81 – 20225, Kimulot.
66	Kimisitu Sacco Society Ltd	P.O. Box 10454 – 00200, Nairobi
67	Kingdom Sacco Society Ltd	P.O. Box 8017 – 00300, Nairobi.
68	Kipsigis Edis Sacco Society Ltd	P.O Box 228 – 20400, Bomet.
69	Kite Sacco Society Ltd	P.O. Box 2073 – 40100, Kisumu.
70	Kitui Teachers Sacco Society Ltd	P.O. Box 254 – 90200, Kitui.
71	Kolenge Tea Sacco Society Ltd	P.O Box 291 – 30301, Nandi Hills.
72	Koru Sacco Society Ltd	P.O. Box Private Bag-40100, Koru
73	K-Pillar Sacco Society Ltd	P.O. Box 83 – 20403, Mogogosiek.
74	K-Unity Sacco Society Ltd	P.O. Box 268 – 00, Kiambu.
75	Kwetu Sacco Society Ltd	P.O Box 818 – 90100, Machakos.
76	Lainisha Sacco Society Ltd	P.O. Box 272 – 10303, Wang'uru.
77	Lamu Teachers Sacco Society Ltd	P.O. Box 110 – 80500, Lamu
78	Lengo Sacco Society Ltd	P.O. Box 1005 – 80200, Malindi.
79	Mafanikio Sacco Society Ltd	P.O Box 86515 – 80100, Mombasa.
80	Magadi Sacco Society Ltd	P.O. Box 13 – 00205, Magadi.
81	Magereza Sacco Society Ltd	P.O. Box 53131 – 00200, Nairobi.
82	Maisha Bora Sacco Society Ltd	P.O. Box 30062 – 00100, Nairobi.
83	Mentor Sacco Society Ltd	P.O. Box 789 – 10200, Murang'a.
84	Metropolitan National Sacco Society Ltd	P.O. Box 871 – 00, Kiambu.
85	MMH Sacco Society Ltd	P.O. Box 469 – 60600, Maua.
86	Mombasa Port Sacco Society Ltd	P.O. Box 95372 – 80104, Mombasa.
87	Mudete Factory Tea Growers Sacco	P.O. Box 221 – 41053, Khayega.
88	Muki Sacco Society Ltd	P.O Box 398 – 20318, North Kinangop
89	Mwalimu National Sacco Society Ltd	P.O. Box 62641 – 00200, Nairobi.
90	Mwietheri Sacco Society Ltd	P.O. Box 2445 – 60100, Embu.
91	Mwito Sacco Society Ltd	P.O. Box 56763 – 00200, Nairobi.

92	Nacico Sacco Society Ltd	P.O. Box 34525 – 00100, Nairobi.
93	Nafaka Sacco Society Ltd	P.O. Box 30546 – 00100, Nairobi.
94	Nandi Farmers Sacco	P.O Box 333 – 30301, Nandi Hills
95	Nanyuki Equator Sacco Society Ltd	P.O Box 1098 – 10400, Nanyuki
96	Nation Sacco Society Ltd	P.O. Box 22022 – 00400, Nairobi.
97	Nawiri Sacco Society Ltd	P.O Box 400 – 60100, Embu.
98	Ndege Chai Sacco Society Ltd	P.O. Box 857 – 20200, Kericho.
99	Ndosha Sacco Society Ltd	P.O. Box 532 – 60401, Chogoria– Maara.
100	New Forties Sacco Society Ltd	P.O. Box 1939 – 10100, Nyeri.
101	Nexus Sacco Society Ltd	P.O Box 251 – 60202, Nkubu.
102	Ng'arisha Sacco Society Ltd	P.O. Box 1199 – 50200, Bungoma.
103	Noble Sacco Society Ltd	P.O. Box 3466 – 30100, Eldoret.
104	NRS Sacco Society Ltd	P. O Box 575 – 02, Kikuyu.
105	NSSF Sacco Society Ltd	P.O. Box 43338 – 00100, Narobi.
106	Nufaika Sacco Society Ltd	P.O Box 735 – 10300, Kerugoya.
107	Nyala Vision Sacco Society Ltd	P.O Box 27 – 20306, Ndaragwa.
108	Nyambene Arimi Sacco Society Ltd	P.O. Box 493 – 60600, Maua.
109	Nyamira Tea Farmers Sacco Society Ltd	P.O. Box 633 – 40500, Nyamira
110	Nyati Sacco Society Ltd	P.O. Box 7601 – 00200, Nairobi
111	Ollin Sacco Society Ltd	P.O Box 83 – 10300, Kerugoya.
112	Orient Sacco Society Ltd	P.O. Box 1842 – 01000, Thika.
113	Patnas Sacco Society Ltd	P.O Box 601 – 20220, Litein.
114	Prime Time Sacco	P.O. Box 512 – 30700, Iten
115	PUAN Sacco Society Ltd	P.O Box 404 – 20500, Narok.
116	Qwetu Sacco Society Ltd	P.O Box 1186 – 80304, Wundanyi
117	Rachuonyo Teachers Sacco Society Ltd	P.O. Box 147 – 40332, Kosele
118	Safaricom Sacco Society Ltd	P.O. Box 66827 – 00800, Nairobi.
119	Sheria Sacco Society Ltd	P.O. Box 34390 – 00100, Nairobi.
120	Shirika Deposit Taking Sacco Society Ltd	P.O Box 43429 – 00100, Nairobi.
121	Shoppers Sacco Society Ltd	P.O. Box 16 – 00507, Nairobi
122	Simba Chai Sacco Society Ltd	P.O. Box 977 – 20200, Kericho.
123	Siraji Sacco Society Ltd	P.O. Box Private Bag, Timau.
124	Skyline Sacco Society Ltd	P.O. Box 660 – 20103, Eldama Ravine.
125	Smart Champions Sacco Society Ltd	P.O Box 64 – 60205, Githingo
126	Smart-Life Sacco Society Ltd	P.O Box 118 – 30705, Kapsowar.
127	Solution Sacco Society Ltd	P.O. Box 1694 – 60200, Meru.
128	Sotico Sacco Society Ltd	P.O. Box 959 – 20406, Sotik.
129	Southern Star Sacco Society Ltd	P.O Box 514 – 60400, Chuka
130	Stake Kenya Sacco Society Ltd	P.O. Box 208 – 40413, Kehancha
131	Stawisha Sacco Society Ltd	P.O Box 27 – 50203, Kapsokwony.
132	Stima Sacco Society Ltd	P.O. Box 75629 – 00100, Nairobi.
133	Suluhu Sacco Society Ltd	P.O Box 489 – 90400, Mwingi.
134	Supa Sacco Society Ltd	P.O. Box 271 – 20600, Maralal.
135	Tabasamu Sacco Society Ltd	P.O. Box 123 – 80403, Kwale.
136	Tabasuri Sacco Society Ltd	P.O. Box 80862 – 80100, Mombasa.
137	TAI Sacco Society Ltd	P.O. Box 718 – 00216, Githunguri.
138	Taifa Sacco Society Ltd	P.O. Box 1649 – 10100, Nyeri.
139	Taqwa Sacco Society Ltd	P.O. Box 10180 – 00100, Nairobi
140	Taraji Sacco Society Ltd	P.O. Box 605 – 40600, Siaya.

141	Telepost Sacco Society Ltd	P.O. Box 49557 - 00100, Nairobi
142	Tembo Sacco Society Ltd	P.O. Box 91 – 00618, Ruaraka Nairobi.
143	Tenhos Sacco Society Ltd	P.O. Box 391 – 20400, Bomet.
144	Thamani Sacco Society Ltd	P.O. Box 467 – 60400, Chuka.
145	The Apple Sacco Society Ltd	P.O Box 153 – 50305, Sirwa.
147	Times-U Sacco Society Ltd	P.O. Box 310 – 60202, Nkubu.
148	Tower Sacco Society Ltd	P.O. Box 259 – 20303, Ol'kalou.
149	Trans- Elite County Sacco Society Ltd	P.O Box 547 – 30300, Kapsabet.
150	Trans Nation Sacco Society Ltd	P.O. Box 15 – 60400, Chuka.
151	Trans-Counties Sacco Society Ltd	P.O. Box 2965 – 30200, Kitale.
152	Trans-National Times Sacco Society Ltd	P.O. Box 2274 – 30200, Kitale
153	Uchongaji Sacco Society Ltd	P.O. Box 92503 – 80102, Mombasa.
154	Ufanisi Sacco Society Ltd	P.O Box 2973 – 00200, Nairobi.
155	Ukristo Na Ufanisi Wa Anglicana Sacco	P.O Box 872 – 00605, Nairobi.
156	Ukulima Saco Society Ltd	P.O. Box 44071 – 00100, Nairobi.
157	Unaitas Sacco Society Ltd	P.O. Box 38791 – 00100, Nairobi.
158	Uni-County Sacco Society Ltd	P.O Box 10132 – 20100, Nakuru
159	Unison Sacco Society Ltd	P.O Box 414 – 10400, Nanyuki.
160	United Nations Sacco Society Ltd	P.O. Box 2210 - 00621, Nairobi.
161	Universal Traders Sacco Society Ltd	P.O. Box 2119 – 90100, Machakos.
162	Ushuru Sacco Society Ltd	P.O. Box 52072 – 00200, Nairobi.
163	Vihiga County Farmers Sacco Society Ltd	P.O Box 309 – 50317, Chavakali.
164	Viktas Sacco Society Ltd	P.O Box 2183 – 20300, Nyahururu.
165	Vision Africa Sacco Society Ltd	P.O Box 18263 – 20100, Nakuru.
166	Vision Point Sacco Society Ltd	P.O. Box 42 – 40502, Nyansiongo.
167	Wakenya Pamoja Sacco Society Ltd	P.O. Box 829 – 40200, Kisii.
168	Wakulima Commercial Sacco Society Ltd	P.O. Box 2 – 10103, Mukurweni.
169	Wana-anga Sacco Society Ltd	P.O. Box 34680 – 00501, Nairobi.
170	Wananchi Sacco Society Ltd	P.O. Box 910 – 10106, Othaya.
171	Wanandege Sacco Society Ltd	P.O. Box 19074 – 00501, Nairobi.
172	Washa Sacco Society Ltd	P.O. Box 83256 – 80100, Mombasa.
173	Waumini Sacco Society Ltd	P.O. Box 71521 – 00800, Nairobi.
174	Wevarsity Sacco Society Ltd	P.O Box 873 – 50100, Kakamega
175	Winas Sacco Society Ltd	P.O. Box 696 – 60100, Embu.
176	Yetu Sacco Society Ltd	P.O. Box 511 – 60202, Nkubu.

Dated: 21st January 2023

APPENDIX 5: FACTOR ANALYSIS

Communalities		
	Initial	Extraction
The external auditors undertake their audit work within the set time limits.	1.000	0.738
The internal auditors are professionally competent to perform audit services	1.000	0.768
Professional competence is a key when hiring external auditors	1.000	0.505
External auditors detects and reports frauds, financial errors and other misappropriations	1.000	0.753
Internal audit employees have relevant education in auditing	1.000	0.702
Frauds are identified by internal audit function.	1.000	0.646
Auditors in the organization are qualified to undertake audit function	1.000	0.712
Extraction Method: Principal Component Analysis.		

Component Matrix[a]	
	Component
	1
The external auditors undertake their audit work within the set time limits.	0.859
The internal auditors are professionally competent to perform audit services	0.877
Professional competence is a key when hiring external auditors	0.711
External auditors detects and reports frauds, financial errors and other misappropriations	0.868
Internal audit employees have relevant education in auditing	0.838
Frauds are identified by internal audit function.	0.804
Auditors in the organization are qualified to undertake audit function	0.844
Extraction Method: Principal Component Analysis.	
a. 1 components extracted.	

Communalities		
	Initial	Extraction
Express audit independence ensures no biasness in undertaking the responsibilities of the auditor	1.000	0.677
Independence of the auditor enables effective feedback and control of their functions	1.000	0.779
Auditors' independence fosters objectivity and integrity in the committee functions	1.000	0.640
Auditors' fees are based on the work done and period undertaken.	1.000	0.720
Auditors' independence fosters the financial reports quality and accountability in the Deposit Taking Saccos	1.000	0.663
My organization does not assign non audit services to external auditors	1.000	0.746
The period to which audit services are to be undertaken is standard and known	1.000	0.695
My organization ensures that there is complete disclosure of all relationships its affiliates	1.000	0.613
The audit committee usually discuss and thoroughly investigate any potential independence impairments or issues.	1.000	0.553
Audit recommendations are clearly conveyed to the board of management leading to control improvement and efficiency.	1.000	0.690
The audit senior ensures that the environment for audit purpose is adequate.	1.000	0.719
Extraction Method: Principal Component Analysis.		

Rotated Component Matrix[a]		
	Component	
	1	2
Express audit independence ensures no biasness in undertaking the responsibilities of the auditor	0.717	0.404
Independence of the auditor enables effective feedback and control of their functions	0.882	0.042
Auditors' independence fosters objectivity and integrity in the committee functions	0.642	0.478
Auditors' fees are based on the work done and period undertaken.	0.482	0.698
Auditors' independence fosters the financial reports quality and accountability in the Deposit Taking Saccos	0.508	0.637
My organization does not assign non audit services to external auditors	0.031	0.863
The period to which audit services are to be undertaken is standard and known	0.305	0.776

My organization ensures that there is complete disclosure of all relationships its affiliates	0.552	0.555
The audit committee usually discuss and thoroughly investigate any potential independence impairments or issues.	0.700	0.252
Audit recommendations are clearly conveyed to the board of management leading to control improvement and efficiency.	0.507	0.658
The audit senior ensures that the environment for audit purpose is adequate.	0.695	0.486
Extraction Method: Principal Component Analysis. Rotation Method: Varimax with Kaiser Normalization.		
a. Rotation converged in 3 iterations.		

Communalities		
	Initial	Extraction
Audit recommendations are clearly conveyed and implemented leading improvement in performance.	1.000	0.814
Audit standards and related services influences performance	1.000	0.749
Compliance to internal auditing standards contributes and influence effectiveness in auditing hence performance	1.000	0.750
Auditors carry out their roles objectively in compliance with international auditing standards	1.000	0.738
There are safeguards in place to regulate interactions between auditors and management,	1.000	0.675
Rotation of senior audit partner is in compliance with applicable auditing standards	1.000	0.667
Auditors work done is checked, or recalculated or confirmed by seniors.	1.000	0.737
External auditors' rotation takes place as required by regulation and standards	1.000	0.696
Extraction Method: Principal Component Analysis.		

Component Matrix[a]	
	Component
	1
Audit recommendations are clearly conveyed and implemented leading improvement in performance.	0.902
Audit standards and related services influences performance	0.865

Compliance to internal auditing standards contributes and influence effectiveness in auditing hence performance	0.866
Auditors carry out their roles objectively in compliance with international auditing standards	0.859
There are safeguards in place to regulate interactions between auditors and management,	0.821
Rotation of senior audit partner is in compliance with applicable auditing standards	0.816
Auditors work done is checked, or recalculated or confirmed by seniors.	0.859
External auditors' rotation takes place as required by regulation and standards	0.834
Extraction Method: Principal Component Analysis.	
a. 1 components extracted.	

Communalities		
	Initial	Extraction
Audit committee composition fosters the effectiveness of the audit function.	1.000	0.652
Audit committee composed of members with leadership experience enhance the independence and efficiency of the committee	1.000	0.601
Audit committee composed of independent advisers ensures biasness in reporting and undertaking the audit functions	1.000	0.753
Rotation of audit committee members fosters credibility in the functions of committee	1.000	0.817
The audit tenure of committee members enhances the audit quality in the Deposit Taking Saccos	1.000	0.665
The size of the audit committee enhances the quality of the audit work	1.000	0.693
Audit committees composed of financial experts enhance the credibility and quality of the audit reports.	1.000	0.682
Audit committee members with professional qualification foster effective monitoring which reduces malpractices in the industry	1.000	0.579
Experienced audit committee members leads to effective operations within the committee	1.000	0.478
Training of audit committee members leads to effective and efficient undertaking of their responsibility	1.000	0.580

Personal characteristics and values of the audit committee members enhance the functional competency of the committee	1.000	0.815
Regular meetings of the audit committee enhance the performance of their role	1.000	0.625
Audit committee meetings that are not subject to board influence enhance the effectiveness of the committee functions	1.000	0.719
Availability of formal meeting calendar among audit committee members enhances the effectiveness of the committee	1.000	0.744
Planning of audit committee meetings reduces manipulation and risks of board interference	1.000	0.554
Control of the audit committee agenda by the members fosters the attainment of the committee responsibilities	1.000	0.652
There are wide disparities in the expected performance of audit committee members in the industry	1.000	0.716
The frequency of audit committee meetings is sufficient to fulfil tasks required,	1.000	0.601
The size of audit committee is adequate with qualified personnel ready for the task.	1.000	0.664
Extraction Method: Principal Component Analysis.		

Rotated Component Matrix[a]			
	Component		
	1	2	3
Audit committee composition fosters the effectiveness of the audit function.	0.671	0.150	0.424
Audit committee composed of members with leadership experience enhance the independence and efficiency of the committee	0.517	0.297	0.496
Audit committee composed of independent advisers ensures biasness in reporting and undertaking the audit functions	0.100	0.233	0.830
Rotation of audit committee members fosters credibility in the functions of committee	0.066	0.853	0.291
The audit tenure of committee members enhances the audit quality in the Deposit Taking Saccos	0.493	0.100	0.642
The size of the audit committee enhances the quality of the audit work	0.345	0.626	0.427
Audit committees composed of financial experts enhance the credibility and quality of the audit reports.	0.787	0.230	0.099

Audit committee members with professional qualification foster effective monitoring which reduces malpractices in the industry	0.640	0.234	0.338
Experienced audit committee members leads to effective operations within the committee	0.519	0.300	0.345
Training of audit committee members leads to effective and efficient undertaking of their responsibility	0.650	0.198	0.342
Personal characteristics and values of the audit committee members enhance the functional competency of the committee	0.298	0.853	0.005
Regular meetings of the audit committee enhance the performance of their role	0.703	0.237	0.273
Audit committee meetings that are not subject to board influence enhance the effectiveness of the committee functions	0.329	0.689	0.368
Availability of formal meeting calendar among audit committee members enhances the effectiveness of the committee	0.689	0.503	0.132
Planning of audit committee meetings reduces manipulation and risks of board interference	0.704	0.197	0.140
Control of the audit committee agenda by the members fosters the attainment of the committee responsibilities	0.477	0.224	0.612
There are wide disparities in the expected performance of audit committee members in the industry	0.709	0.305	0.347
The frequency of audit committee meetings is sufficient to fulfil tasks required,	0.467	0.510	0.350
The size of audit committee is adequate with qualified personnel ready for the task.	0.564	0.585	0.055
Extraction Method: Principal Component Analysis. Rotation Method: Varimax with Kaiser Normalization.			
a. Rotation converged in 6 iterations.			

Communalities

	Initial	Extraction
To enhance member's deposit, the Sacco offers competitive interest rates	1.000	0.651
The Sacco has introduced financial literacy to enhance its member' deposits	1.000	0.725

The Sacco has diversified saving products to attract member's deposits	1.000	0.659
The Sacco has formed collaboration and partnership with employer to enhance its member's deposit base	1.000	0.695
The Sacco offers incentives and rewards to encourage member's deposits	1.000	0.485
Extraction Method: Principal Component Analysis.		

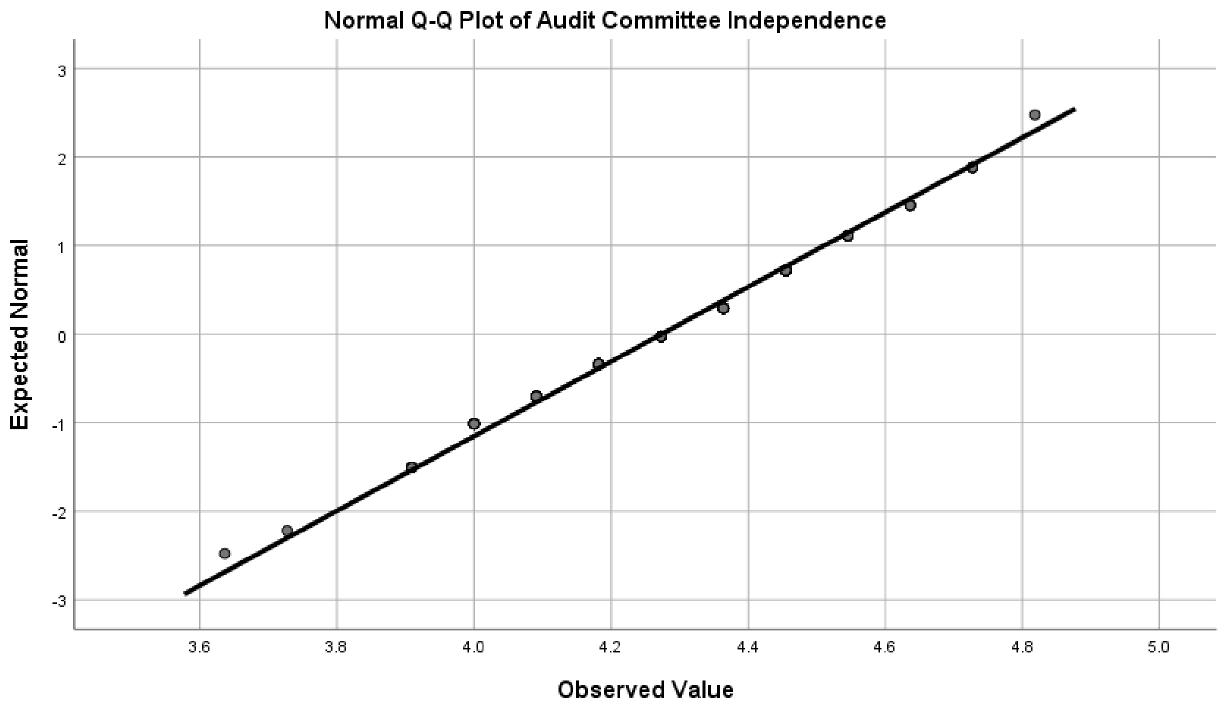
Component Matrix[a]	
	Component
	1
To enhance member's deposit, the Sacco offers competitive interest rates	0.807
The Sacco has introduced financial literacy to enhance its member' deposits	0.852
The Sacco has diversified saving products to attract member's deposits	0.812
The Sacco has formed collaboration and partnership with employer to enhance its member's deposit base	0.834
The Sacco offers incentives and rewards to encourage member's deposits	0.697
Extraction Method: Principal Component Analysis.	
a. 1 components extracted.	

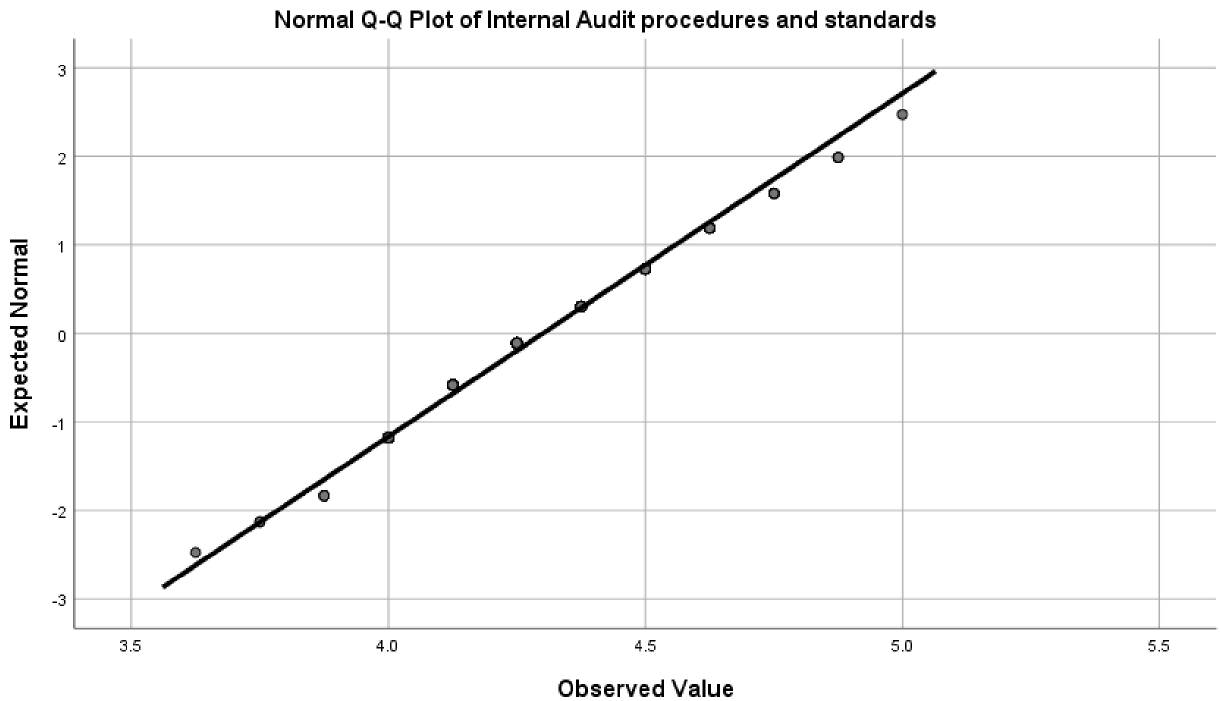
Communalities		
	Initial	Extraction
The capital base of the deposit taking Sacco has consistently increased.	1.000	0.667
The profits of the deposit taking Sacco have consistently grown	1.000	0.733
The customer services have improved with increase in innovations like ATM services	1.000	0.576
The remuneration of employees of in my deposit taking Sacco is adequate.	1.000	0.508
Shareholders value in my deposit taking Sacco has increased	1.000	0.617
My deposit taking Sacco has been prompt in paying of its debts when due.	1.000	0.374
The deposit taking Sacco maintains the cost of holding current assets as low as possible	1.000	0.665
Interest on member's deposit has been increasing over the years.	1.000	0.766
The Sacco membership has expanded over the years	1.000	0.747

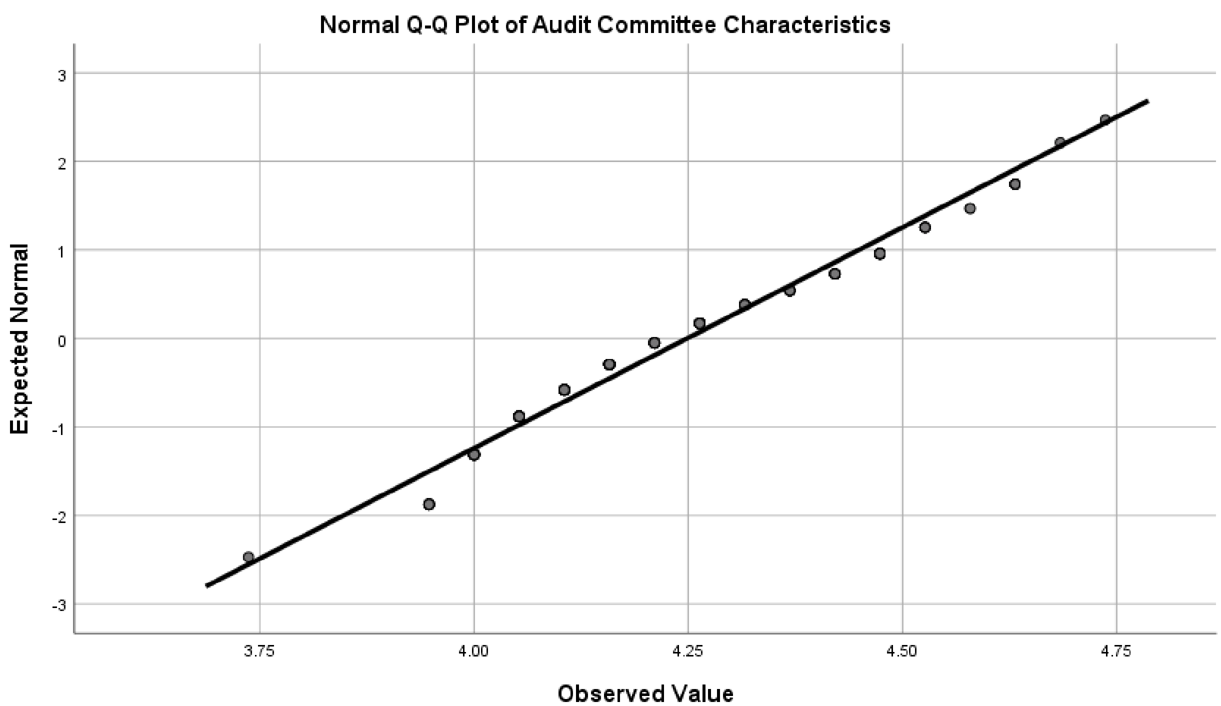
The dividend per share of the deposit taking Sacco has consistently increased	1.000	0.759
Extraction Method: Principal Component Analysis.		

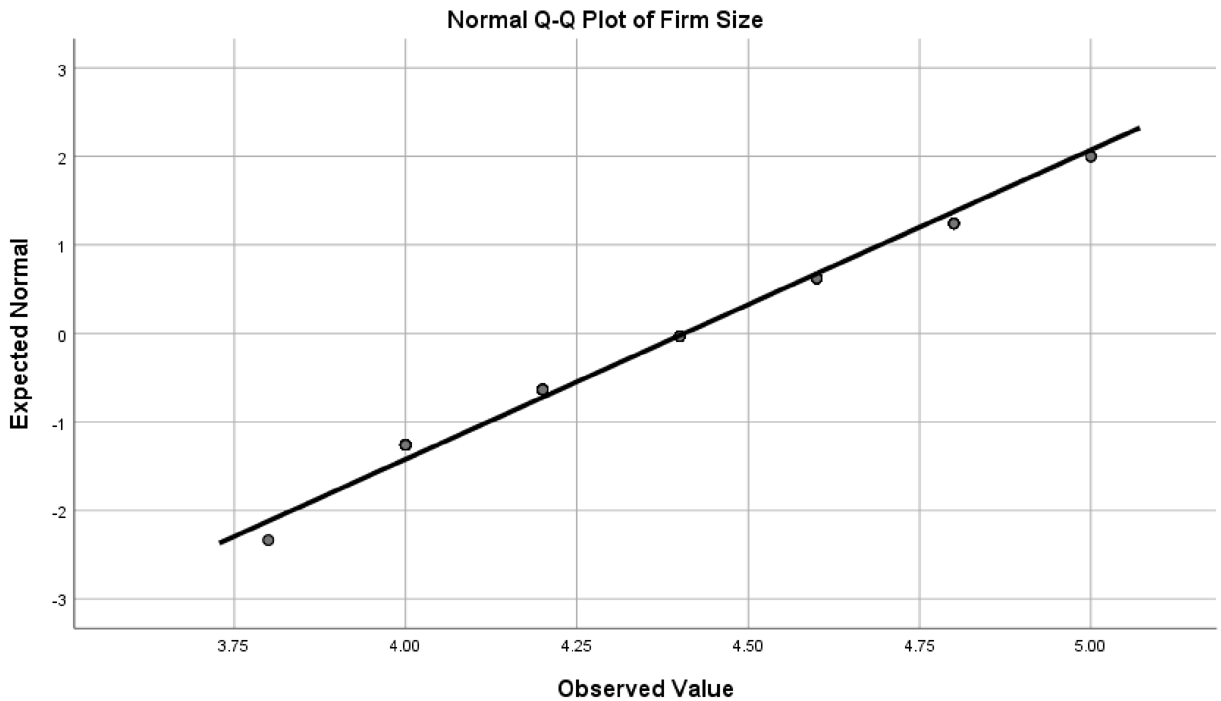
Component Matrix[a]	
	Component
	1
The capital base of the deposit taking Sacco has consistently increased.	0.817
The profits of the deposit taking Sacco have consistently grown	0.856
The customer services have improved with increase in innovations like ATM services	0.759
The remuneration of employees of in my deposit taking Sacco is adequate.	0.713
Shareholders value in my deposit taking Sacco has increased	0.786
My deposit taking Sacco has been prompt in paying of its debts when due.	0.612
The deposit taking Sacco maintains the cost of holding current assets as low as possible	0.815
Interest on member's deposit has been increasing over the years.	0.875
The Sacco membership has expanded over the years	0.864
The dividend per share of the deposit taking Sacco has consistently increased	0.871
Extraction Method: Principal Component Analysis.	
a. 1 components extracted.	

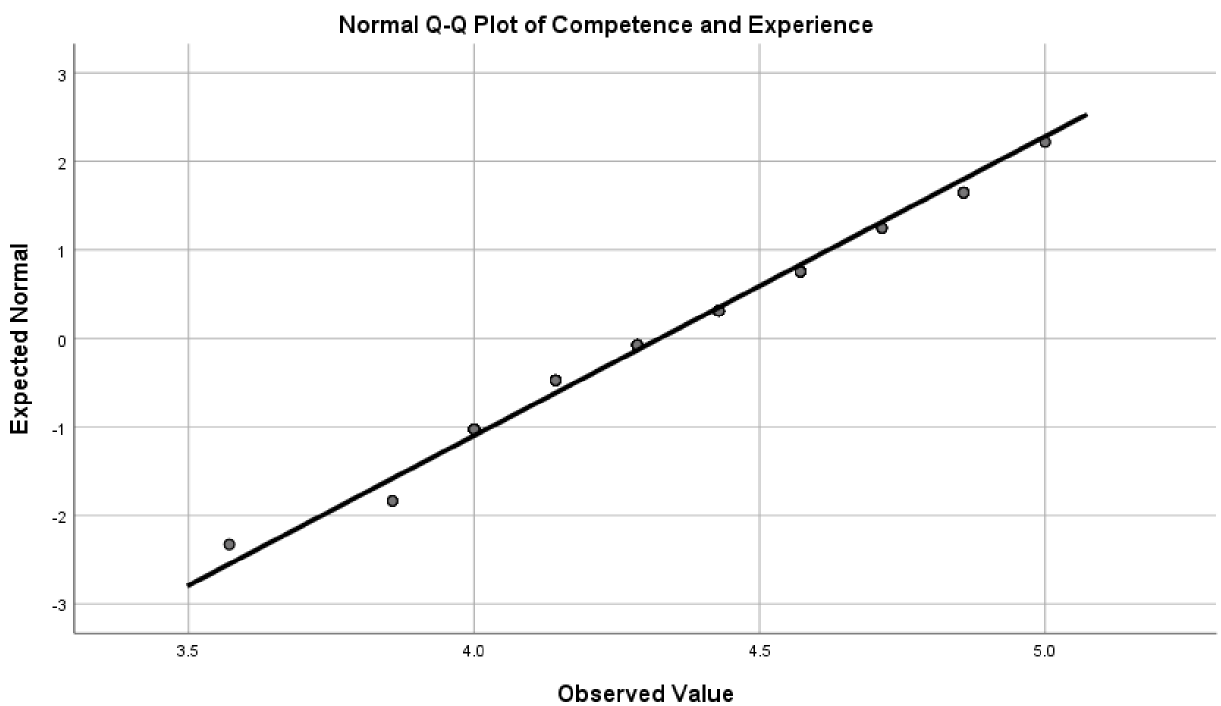
Appendix 5: NORMALITY TEST

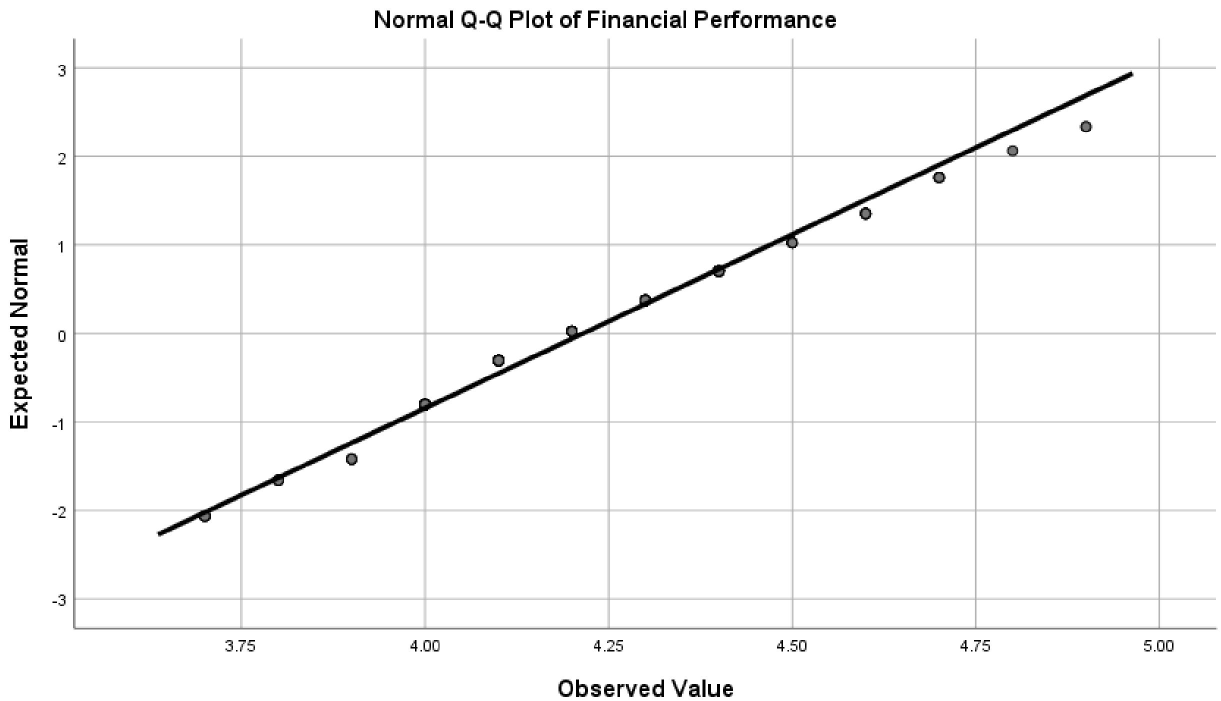



Normal Q-Q Plot of Internal Audit procedures and standards
Expected Normal
Observed Value
3
2
1
0
-1
-2
-3
3.5
4.0
4.5
5.0
5.5

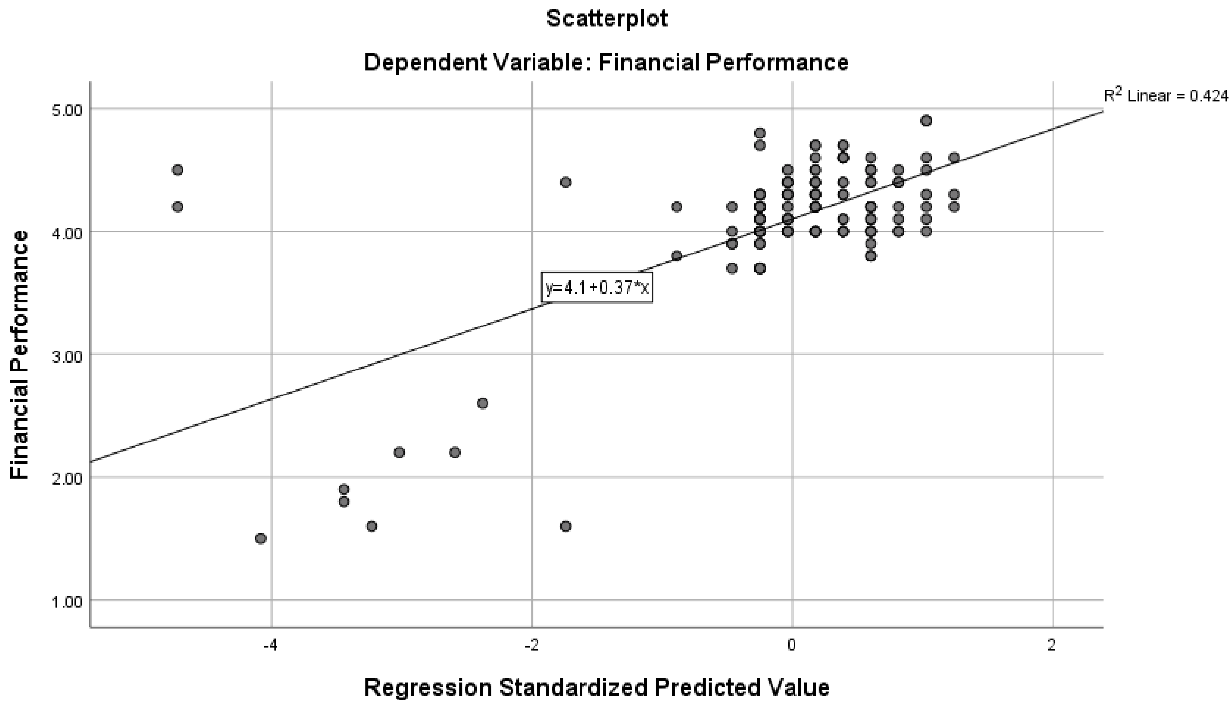

Normal Q-Q Plot of Audit Committee Characteristics
Expected Normal
Observed Value
3
2
1
0
-1
-2
-3
3.75
4.00
4.25
4.50
4.75

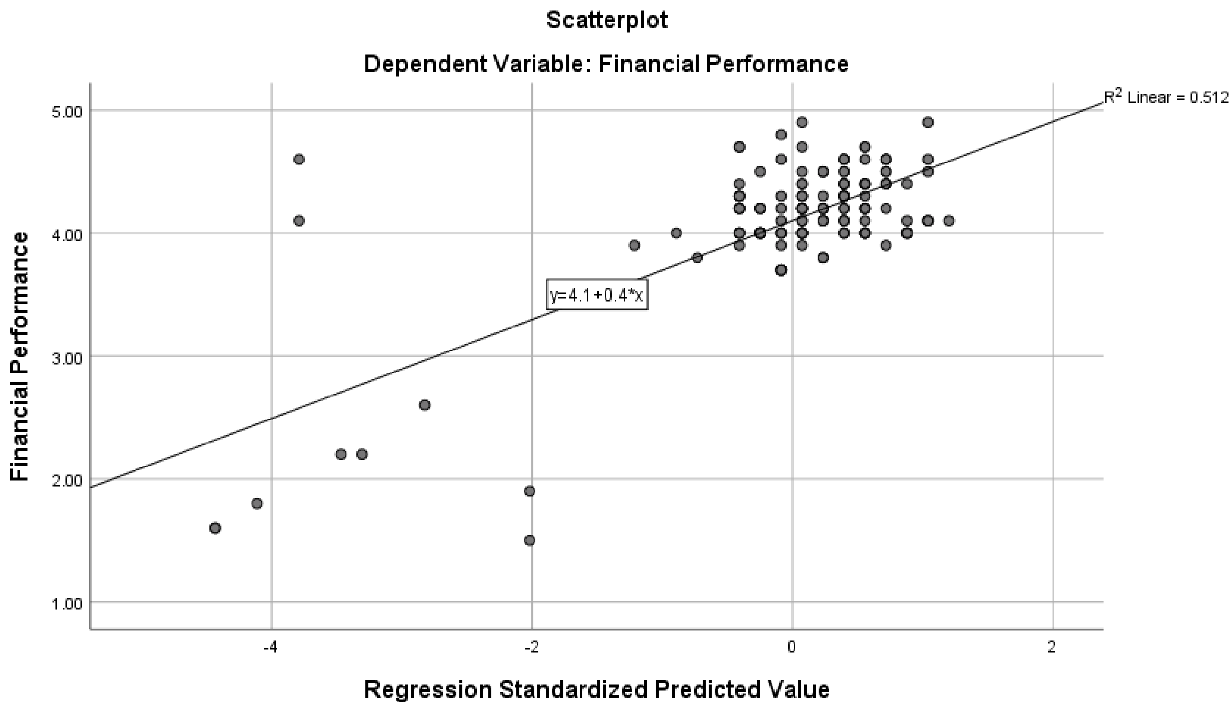

Normal Q-Q Plot of Firm Size
Expected Normal
Observed Value
3
2
1
0
-1
-2
-3
3.75
4.00
4.25
4.50
4.75
5.00

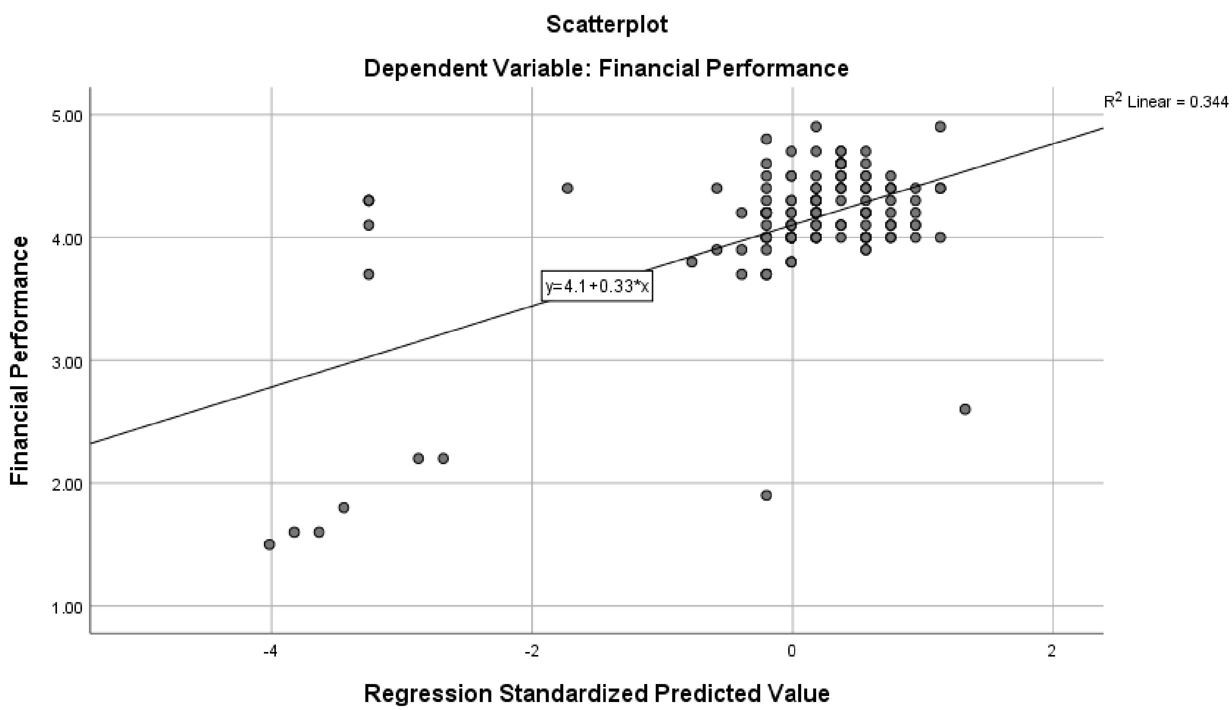

Normal Q-Q Plot of Competence and Experience
Expected Normal
Observed Value
3
2
1
0
-1
-2
-3
3.5
4.0
4.5
5.0

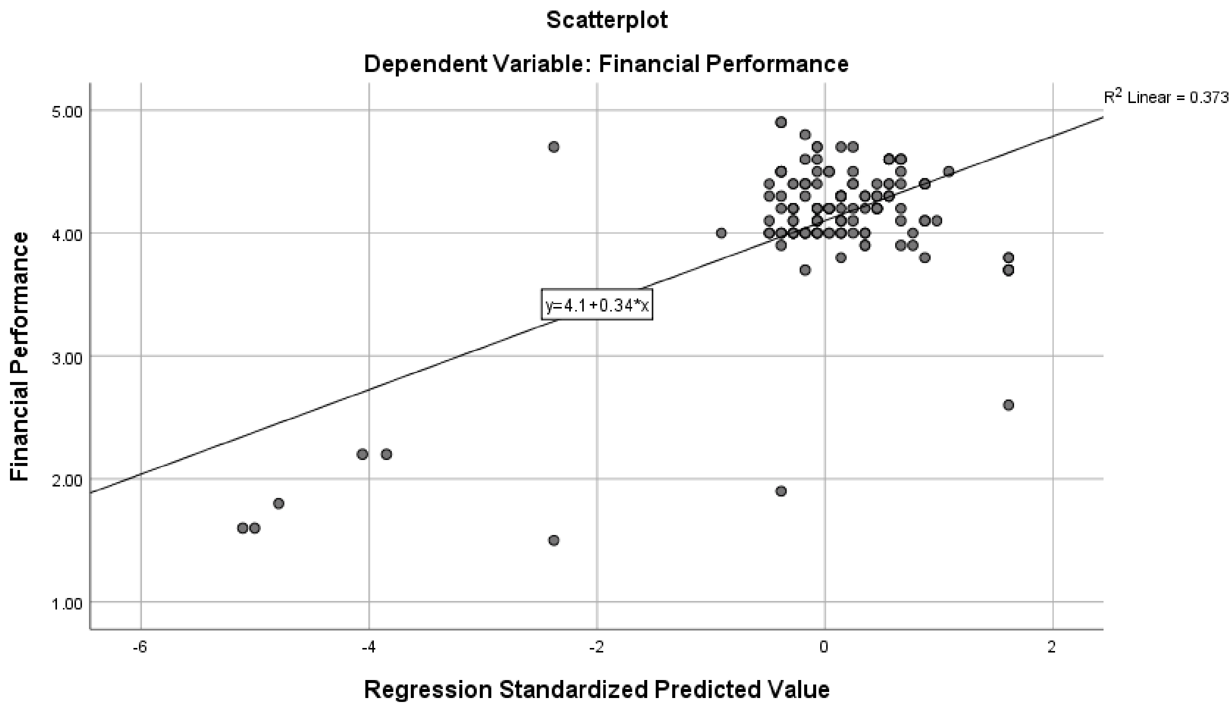

Normal Q-Q Plot of Financial Performance
Expected Normal
Observed Value
3
2
1
0
-1
-2
-3
3.75
4.00
4.25
4.50
4.75
5.00

APPENDIX 6: LINEARITY

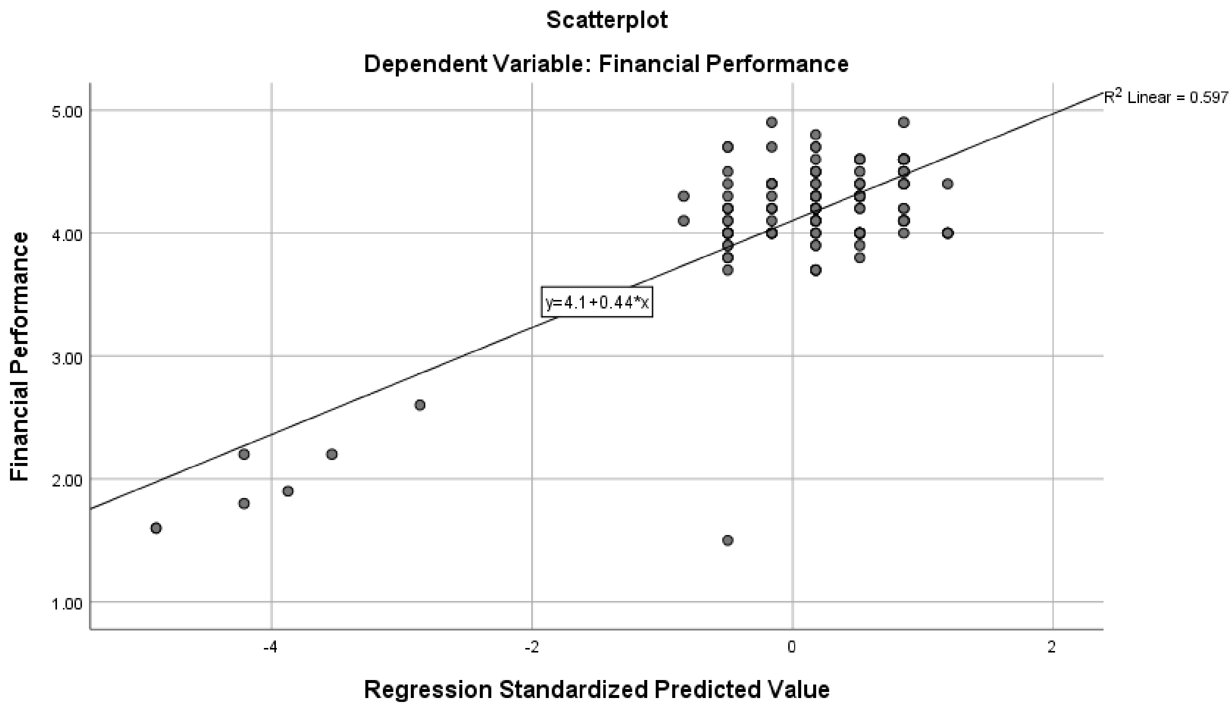



Scatterplot
Dependent Variable: Financial Performance
R² Linear = 0.512
y=4.1+0.4*x
Financial Performance
5.00
4.00
3.00
2.00
1.00
-4
-2
0
2
Regression Standardized Predicted Value


Scatterplot
Dependent Variable: Financial Performance
R² Linear = 0.344
y=4.1+0.33*x
Financial Performance
5.00
4.00
3.00
2.00
1.00
-4
-2
0
2
Regression Standardized Predicted Value



Scatterplot
Dependent Variable: Financial Performance
Financial Performance
5.00
4.00
3.00
2.00
1.00
-6
-4
-2
0
2
Regression Standardized Predicted Value
R2 Linear = 0.373
y=4.1+0.34*x


Scatterplot
Dependent Variable: Financial Performance
R2 Linear = 0.597
y=4.1+0.44*x
Financial Performance
5.00
4.00
3.00
2.00
1.00
-4
-2
0
2
Regression Standardized Predicted Value

APPENDIX 8: NACOST PERMIT