

**RELATIONSHIP BETWEEN INTERNAL AUDITING PRACTICES
AND FINANCIAL PERFORMANCE OF SAVINGS AND
CREDIT COOPERATIVE SOCIETIES IN
KIAMBU COUNTY, KENYA**

BY

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DECLARATION

I declare that this dissertation is my original work and has not been previously published or submitted elsewhere for award of a degree. I also declare that it contains no material written or published by other people except where due reference is made and author duly acknowledged.

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DEDICATION

I dedicate this work to my family and parents.

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ABSTRACT

This study intended to examine the relationship between internal auditing practices on financial performance of SACCOS in Kiambu County, Kenya. The objectives of the study included; internal audit planning, setting up audit committees, stakeholders; involvement and audit reporting practices in relation to financial performance. The study was guided by The Positive Auditing and Financial Agency and Stakeholders' Theories. The study adopted a mixed method approach. Descriptive survey research design was employed since it enabled the researcher to explore different aspects of a research study where the researcher does not manipulate variables. The target population for this study comprised of 112 SACCO Managers and 448 Internal SACCO Auditors all totaling to 560. Using The Central Limit Theorem, a sample of 30 SACCOS and 147 respondents were selected. The researcher then applied stratified random sampling to create 12 strata based on the number of sub-counties. From each sub-county, 3 SACCO Managers and 10 Internal SACCO Auditors were selected using purposive sampling. This sampling procedure enabled the researcher to realize a sample of 30 SACCO Managers and 117 Internal SACCO Auditors. Questionnaires were used to collect data from SACCO Managers and Internal SACCO Auditors. Piloting was conducted among 15 SACCO Managers and Internal SACCO Auditors to establish validity and reliability. Validity was established through expert judgement. Reliability was obtained through test re-test method and reliability coefficient, $r = 0.7$, was obtained using Pearson's Product Moment Correlation Coefficient. Qualitative data was analyzed thematically along the study objectives and presented in narrative forms whereas the quantitative data was analyzed descriptively using frequencies, percentages, means and standard deviation and inferentially using correlation and regression in Statistical Packages for Social Science (SPSS Version 23) to establish the relationship between internal audit practices and financial performance of SACCOS. The quantitative findings of the study were presented using tables. The study established that internal auditing practices influence financial performance of SACCOS. The study concludes that auditing practices such as internal audit planning, setting of audit committees, stakeholders' involvement and internal reporting practices influence financial performance of SACCOS. Thus, the study recommends that there should be training programs in SACCOS to ensure that all the SACCO staff are trained on new skills and competence increased in order to perform better on financial management. SACCO managers need to adhere to set targets as they may be required to provide reasonable explanations for any variances. Accounting staff should co-operate with the auditors to enable them carry out their work.

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LIST OF ACRONYMS AND ABBREVIATIONS

KUSCCO	Kenya Union of Savings and Credit Co-operative Organizations
NSE	Nairobi Stock Exchange
SACCO	Savings and Credit Co-operative Organizations
SASRA	Sacco Societies Regulatory Authority
SPSS	Statistical Package for Social Sciences
UK	United Kingdom

OPERATIONAL DEFINITIONS OF TERMS

Audit committees are the members tasked with the responsibility of carrying out an audit process in SACCOS (Olimat, 2004).

Audit planning practices are procedures aimed laying the groundwork for carrying out an audit in SACCOS (SASRA, 2014).

Audit reporting practices are procedures meant to reveal the findings of an audit process (Martin, 2007).

Financial performance is the financial output of SACCOS and is measured in terms of operational surplus, interest on savings, interests on loans and asset values (Maiteka, 2010).

Internal auditing practices are practices and normal procedures to be adhered to ensure effective application of auditing regulations in SACCOS. These include; audit planning, setting up audit committees, stakeholders' involvement and audit reporting practices (International Federation of Accountants, 2010).

Stakeholders' involvement in auditing is the participation of stakeholders in ensuring that SACCO audit processes are well carried out (Bazazo & Al-Amayreh, 2010).

CHAPTER ONE

1.0 Introduction

This chapter focuses on background to the study, statement of research problem, purpose of the study, objectives, research questions, rationale and significance, limitations, delimitations and scope, assumptions of the study and operational definitions of terms.

1.1 Background to the Study

Auditing has a significant role in the financial performance of most organizations such as SACCOS. It has become increasingly varied, both in scope and objective to assist all levels of financial management in assuring internal and external constituencies that financial resources are being properly managed and accounted for. Burk (2007) posits that internal auditing practices in SACCOS have undergone dramatic changes that have expanded its scope in a way that allows it to make greater contributions towards prudent use of financial resources, accountability and efficiency. Auditing is also performed in diverse legal and cultural environments; within SACCO organizations that vary in purpose, size, and structure; and also by persons within or outside the organization. Furthermore, the auditing profession also walks a tightrope between serving as a financial performance consultant and an independent professional.

A survey conducted in Malaysia by Fausto (2010) concluded that auditors are best placed to understand and appreciate the business processes of any company and they act as financial performance consultant to reduce risks. Fausto (2010) indicated that auditors also help run an organization more efficiently and effectively to increase shareholders' value. In keeping with these assertions, to accomplish this, internal auditing practices in most SACCOS must function in a manner that is in accordance with applicable professional auditing standards. Consistent with these postulations, Ghalib (2009), in a longitudinal study conducted in Australia, revealed that, since SACCOS are public agencies, their raising and spending of

money must be reviewed and audited on a yearly basis and on an as-needed basis, as determined by the governing body. In addition, an effective financial performance system in any SACCO would include internal reviews and audit practices on a continuous basis to ensure financial prudence, accountability, efficiency and prevent fraud. Such audit practices include; involving setting up audit committees, training of internal auditors, planning audit process and reportage. These practices are important in holding SACCOS accountable for the use of funds.

In a study conducted in KwaZulu Natal, South Africa, Mulgan (2000) revealed that effective audit planning focuses on the auditor's attention on key areas of the audit and ensure that sufficient resources are allocated to the engagement. Mulgan (2000) suggested that audit planning should result in an audit that is well directed and supervised and ultimately good planning will reduce audit risk. In other words, the audit strategy sets out in general terms how the audit is to be conducted and sets the scope, timing and direction of the audit. The audit strategy then guides the development of the audit plan, which contains the detailed responses to the auditor's risk assessment. An underpinning principle of audit planning is that the SACCO audit plan should contain detailed responses to the specific risks identified from obtaining an understanding of the audited entity.

A study conducted in Nigeria by Humphrey (2007) appreciated the fact that organizations all round the world be it financial, educational, or otherwise needs auditing for proper assessment of their financial statements. In order to achieve set out goals and objectives, SACCO finances must be properly managed to get the profound results needed. Humphrey (2007) revealed that auditing in the Nigerian entrepreneurial system is relevant hence effective financial performance in any SACCO leads to the success and growth of the SACCO. That is, auditing as a tool for accountability for efficient and effective SACCO administration is a clear term study which will educate us on the importance of SACCO audit

and how it will affect the SACCO members if mismanagement of funds eventually occurs. In Kenya, over the past several years, internal auditing practices in most SACCOS has become a subject of interest in the auditing literature (Kibara, 2007). Before proper and sound measurement of the internal auditing practices can be done, there is need to have a clear understanding of the roles expected of auditing practice and its impact on the internal auditing practices or audit effectiveness (Kibara, 2007). However, Kibara (2007) noted that effectiveness can be described, but it is difficult to quantify and in the final analysis, effectiveness is determined by the perception of auditees.

In SACCO environment, the SACCO management is the most important auditee of the internal audit department since effectiveness of the internal auditing practices can be described through the expectations of the management with regard to the internal auditing practices. The SACCO management expects the auditors to perform their internal auditing practices to a certain level that is complying with the auditing regulations. On the contrary, in a study conducted in Kajiado North District, Keitany (2000) asserted that over the years, there have been dramatic changes in the internal audit environment and these may affect the internal auditing practices. Today's businesses rely on sophisticated electronic technology in every aspect of their operations and require timely information to make decisions regarding global operations.

To accomplish this, Keitany (2000) posited that the internal auditing practices must function in a manner that is in accordance with the applicable professional standards and organizational goals. In other words, internal auditing practices appraise the effectiveness of internal control systems, which is the basis of auditing and which also includes an appraisal of the actions by management to correct situations, which are at variance with planned outcomes. Formation of audit committees is another practice which most SACCOS adopt. Senior management and the audit committee normally expect that the SACCO auditors

perform sufficient audit work and gather other available information during the year so as to form a judgment about the adequacy and effectiveness of the control processes (Keitany, 2000). In Kiambu County, one of the challenges facing most SACCO managers is the effective use of audit procedures and practices to ensure that there is prudent financial performance. For example, a study conducted in Kiambu Sub-county by Kimani (2006) revealed that financial performance of most SACCOs has been on a downward trend with 2.5% of SACCOs having collapsed due to fraud, financial misappropriation and pilferage. Kimani (2006) attributed such poor financial performance amongst SACCOs in Kiambu Sub-county to lack of effective internal auditing practices. This contradicts a popular view that when managers employ proper audit practices and ensure financial performance, the institutions will realize the set objectives.

SACCOS cannot assess whether such processes provide sufficient and objective assurance or regular review and appraisal of the adequacy and the integrity of the internal control systems in the SACCOS. However, current financial performance literature makes virtually no reference to the kinds of internal auditing practices which act as potentially powerful tools for meeting the management objectives of enhancing total financial performance of SACCO. Therefore, this study intended to find out whether the internal auditing practices have a significant impact on financial performance of SACCOS.

1.2 Statement of the Problem

Internal auditing practices are important tools for enhancing management of resources in any financial institution. That is, internal auditing practices enhance prudent use of resources, accountability and improves institutional efficiency. Besides, internal audit function has been recognized as a tool for ensuring effective working of the internal control system. However, as stated in the background, a study conducted in Australia by Ghalib (2009) noted that most financial institutions and SACCOs are yet to fully embrace internal auditing as a practice.

Kiambu County is no exception and the concept of internal audit function in the SACCO sub-sector has not been fully tapped (Okoth, 2013). This could be seen in the numerous cases of poor management, fraud and poor governance reported by SACCOs (SASRA, 2014). Though having an internal audit function is important, the quality of the reports from the internal audit is of utmost importance. The adequacy of the report, the objectivity of the opinions, the timeliness of the report and the clarity of the reports are important characteristics that quality reports which are still wanting in most SACCOs in Kiambu County. Wastages and pilferage of SACCO financial resources has been on the rise against the backdrop of the government's insistence on adherence to the Auditing Regulations (Kimani, 2006). For example, in 2012, an inspection by SASRA in Harambee SACCO established that the SACCO was covering up nonpayment of loans by some members and fraud through fraudulent accounting practices (Wahome, 2015).

In 2015, SASRA issued a caveat against five SACCOs for taking deposits from customers while they were not authorized to do so (Wahome, 2015). Despite these observations, little has been done to bring internal auditing practices and procedures into perspective and how they contribute towards prudent financial performance of SACCOS. That is, little has been done to interrogate the effectiveness of audit planning, setting up audit committees, stakeholders' involvement and audit reporting practices in enhancing prudent use of resources, guarantee accountability and improve efficiency; a situation which informed the researcher's intention to conduct a comparative analysis of the effect of internal auditing practices on financial performance of SACCOS in Kiambu County.

1.3 Purpose of the Study

The study examined the relationship between internal audit practices and financial performance of SACCOS in Kiambu County, Kenya.

1.4 Objectives of the Study

- i. To examine the relationship between internal audit planning practices and financial performance of SACCOS in Kiambu County;
- ii. To establish how SACCO audit committees impact on financial performance of SACCOS in Kiambu County;
- iii. To investigate how stakeholders' involvement in internal auditing practices impact on financial performance of SACCOS in Kiambu County;
- iv. To determine the relationship between internal audit reporting practices and financial performance of SACCOS in Kiambu County.

1.5 Research Questions

- i. What is the relationship between internal audit planning practices and financial performance of SACCOS in Kiambu County?
- ii. How do SACCO audit committees impact on financial performance of SACCOS in Kiambu County?
- iii. How does stakeholders' involvement in internal auditing practices impact on financial performance of SACCOS in Kiambu County?
- iv. What is the relationship between internal audit reporting practices and financial performance of SACCOS in Kiambu County?

1.6 Justification of the Study

Most SACCOS have adopted auditing as a tool of monitoring financial transactions. However, financial performance of SACCOS is below expectations. There is still imprudent use of SACCO finances, lack of accountability and inefficiency. Yet, little has been done to interrogate the nature of internal auditing practices. That is, not much has been done to interrogate the effectiveness of audit planning practices, procedure of setting up audit

committees, stakeholders' involvement and audit reporting practices on financial performance of SACCOS.

1.7 Significance of the Study

The findings of this study may benefit the following stakeholders:

1.7.1 SACCOs

SACCOs may benefit from the study since the study may provide evidence to the linkage between internal auditing practices, internal control system and performance of audit department within SACCOS. To the practitioners, the study may inform them of which auditing regulations are not being adhered to. The study may also establish the extent of auditing regulations that contribute to the quality of internal control systems. The findings from this study may be of value to SACCOs, members of SACCOs, policy makers and financial analysts. SACCO members are expected to make their decisions on internal auditing based on the findings of this study. Members are expected to be more enlightened from the study findings and hence make sound decisions regarding internal audit practices in their SACCOs. Secondly management of these SACCOs may use the findings from this study to address auditing practices in their organizations. They are expected to have insight that may assist them in coming up with internal auditing practices that are effective in relation to accuracy, objectivity, timeliness and clarity.

1.7.2 Members of Audit Practice

The results may prove useful to internal auditing professionals and professional organizations entrusted with the responsibility for formulating new standards for internal auditors in an effort to help them improve the focus and deliver their services to auditees and students and

other education stakeholders within a SACCO system. This study may provide empirical evidence as to the extent of the internal auditing practices adherence to Auditing Regulations.

1.7.3 Ministry of Cooperative Development

The study findings may also be of value to policy makers. SASRA, KUSCO and the Ministry of Cooperative Development may use these findings to design policies that may enhance internal auditing in SACCOs.

1.7.4 Scholars, Researchers and Academicians

The findings may be of value to scholars, academics and researchers. The findings may add to the theoretical and empirical literature on internal auditing and its effect on financial performance of SACCOs. This may be very valuable as there are many small and medium SACCOs that have not utilized internal auditing. These small SACCOs may be able to learn from the big SACCOs. The study may also have limitations that researchers can improve on in future studies. Lastly, the study may provide suggestions for further research which researchers can act on in future.

1.8 Scope of the Study

This study was carried out in SACCOS in Kiambu County only. Data was collected from SACCO managers and SACCO auditors. The study focused on audit planning, setting up audit committees, stakeholders' involvement and audit reporting practices as the only internal auditing practices which impact on financial performance of SACCOS. The internal auditing components that were the focus of this study are objectivity of the internal audit reports, clarity of internal audit reports, internal audit report accuracy and internal audit report timeliness. Questionnaires were used to collect data from SACCO Managers and Internal SACCO Auditor. The study was conducted between July and September, 2016.

CHAPTER TWO

LITERATURE REVIEW

2.0 Introduction

In this chapter, the researcher presents the literature of the previous studies covered related to the internal auditing practice. It focuses on empirical literature, financial performance, internal auditing practices, audit planning, setting up audit committee, stakeholders' involvement and audit reporting practices in relation to financial performance. The researcher provides divergent views which are critical to different authors who raised various versions related to the issues being investigated. It also provides theoretical and conceptual frameworks and a summary of literature reviewed citing the gaps identified.

2.1 Theoretical Literature Review

There are several different theories that may explain the demand for internal audit services. Some of them are well known in research and some of them are more based on perceptions. The policeman theory claims that the internal auditor is responsible for searching, discovering and preventing fraud (Campbell, 2000). More recently, the main focus of auditors has been to provide reasonable assurance and verify the truth and fairness of the financial statements. The detection of fraud is, however, still a hot topic in the debate on the auditor's responsibilities, and typically after events where financial statement frauds have been revealed, the pressure increases on increasing the responsibilities of auditors in detecting fraud.

The lending credibility theory suggests that the primary function of the audit is to add credibility to the financial statements. In this view, the service that the auditors are selling to the clients is credibility. The theory of inspired confidence also known as Theory of rational expectations (Limperg, 1932) addresses both the demand and the supply for audit services. The demand for audit services is the direct consequence of the participation of third parties

(interested parties) in the SACCO. These parties demand accountability from the management, in return for their investments in the SACCO. Accountability is realized through the issuance of periodic financial reports. However, since this information provided by the management may be biased, and outside parties have no direct means of monitoring, an audit is required to assure the reliability of this information. With regard to the supply of audit assurance, Limperg (1932) suggests that the auditor should always strive to meet the public expectations. Agency theory (Adams, 1994) suggests that the auditor is appointed in the interests of both the third parties as well as the management. A SACCO is viewed as a web of contracts. Several groups such as suppliers, bankers, customers and employees make some kind of contribution to the SACCO for a given price. The task of the management is to coordinate these groups and contracts and try to optimize them: low price for purchased supplies, high price for sold goods, low interest rates for loans, high share prices and low wages for employees.

Stakeholder theory describes the purpose and strategic direction of the firm through the concept that managers need to simultaneously incorporate the legitimate interests of all appropriate stakeholders when making business decisions. Institutional Theorists argue that the institutional environment strongly influence the development of formal structures in an organization more than market pressures. To improve efficiency in organizations innovative structures are legitimized. Ultimately this innovations reach a level of legitimization where failure to adopt them is seen as 'irrational and negligent'. Here, new and existing organizations will embrace the structural form even if it doesn't boost efficiency. In these relationships, management is the agent, which tries to gain contributions from managers, that is, bankers, shareholders and employees.

2.1.1 The Positive Auditing Theory (PAT)

This study was guided by the Auditing Theory which was postulated by Watts and Zimmerman (1990) who sought to develop a positive theory of the determination of accounting standards. According to Watts and Zimmerman (1990), Positive Auditing Theory (PAT) is concerned with explaining accounting practice. It has designed to explain and predict which firms will and which firms will not use a particular method. PAT focuses on the relationship between the various individuals involved in providing resources to an organization and in which way accounting can assist in the functioning of these relationships. PAT is based on the central assumption that all individuals' action is driven by self-interest and that individuals would always act in an opportunistic manner to the extent that the actions would increase their wealth.

In the context of this study and based on the central assumption of PAT, SACCO Managers behave opportunistic and intent to perform self-serving activities that could be opposite to the economic welfare of the SACCO manager. Because of the opportunistic behavior of individuals, SACCOS try to put in place mechanisms that have to align the interests of the agents and the SACCO managers. Contracts for example are used with the intention of ensuring that all parties, acting in their own self-interest, are at the same time motivated towards maximizing the value of the organization.

2.1.2 The Financial Agency Theory

This study was guided by the financial agency theory which was postulated by Michael B. Adams (1994). This theory is extensively employed in the accounting literature to explain and predict the financial performance of institutions and it holds that, while consistent with the concept of agency traditionally advanced by legal scholars and attorneys, the economic variants of agency theory emphasize the costs and benefits of the SACCO manager-agent relationship.

Adams (1994) postulated that, while a beneficial agency cost is one that increases a shareholder's value, an unwanted agency cost occurs when management actions conflict with shareholder interests. Such would be the case when managers put their own interests ahead of an owner's interests such as manipulating short-term earnings at the expense of long-term performance in order to receive a bonus. The theory predicts how the financial management function is likely to be affected by organizational change. Financial agency theory provides a basis for rich research which can benefit both the SACCOS and the internal auditing profession hence the rationale of using this theory in this study.

2.2 Empirical Literature Review

An effective internal audit function plays a key role in assisting the board to discharge its governance responsibilities. The study of O'Leary and Stewart (2007) used exploratory study; this had been done by presenting the five ethical dilemmas for 66 auditors. For each scenario, a key element of corporate governance was operated in order to assess its influence on ethical decision making. These were audit committee support; management truthfulness regarding different accounting policies; management integrity regarding pressure on audit; external auditor characteristics; and organizational code of conduct. As a result, the researcher had been able to show the different ethical decision-making related to audit and corporate governance.

On the other hand, Spira and Page (2003) explored the change in internal control using sociological perspectives on risk and its conceptualization to frame the debate about internal control and risk management within the UK corporate governance arena. By using this method, the paper had been able to show that progresses in corporate governance reporting requirements offer chances for the misappropriation of risk and its management by groups, at the same time, enables to evaluate the current changes in audit. Keitany (2000) in his study,

the audit control function and its implication for risk assessment by the external auditor: A case of quoted companies' aimed to establish whether the existence of an adequate audit function translates into a strong internal system that can be relied upon by the external auditor. In a similar empirical study on the role of audit in promoting good corporate governance in SOEs, Kibet (2008) aimed at exploring the role and the use of audit function in promoting good corporate governance in public sector enterprises and the challenges faced by the auditors in SACCOS of education. Zhang, Zhou and Zhou (2006) in their paper Audit committee, auditor independence and internal control weaknesses investigated the relation between audit committee quality, auditor independence, and the disclosure of internal control weaknesses after the enactment of the auditing regulations.

The study concluded that Firms are more likely to be identified with an internal control weakness, if their audit committees have less financial expertise or, more specifically, have less accounting financial expertise and non-accounting financial expertise, as well. They are also more likely to be identified with an internal control weakness, if their auditors are more independent. In addition, firms with recent auditor changes are more likely to have internal control weaknesses.

2.2.1 Internal Audit Planning Practices and Financial Performance of SACCOS

Audit planning is a vital area of the audit primarily conducted at the beginning of audit process to ensure that appropriate attention is devoted to important areas, potential problems are promptly identified, work is completed expeditiously and work is properly coordinated. Al-Khalif (2005) noted that audit planning means developing a general strategy and a detailed approach for the expected nature, timing and extent of the audit. The auditor plans to perform the audit in an efficient and timely manner. Planning occurs towards the start of an audit engagement. However, according to Al-Ghazzawi (2005), planning should not be seen as a discrete and separate part of the overall audit.

Al-Ghazzawi (2005) posits that audit planning often begins shortly after with the completion of the previous audit. For example, Al-Ghazzawi (2005) asserts that audit planning begins with a review of issues that are discussed with management which include control deficiencies or unadjusted errors. Similarly, the audit plan may be revised as the audit progresses, and should not be viewed as being fixed in place once the main planning phase has ended. For example, a significant event may take place as the audit is in progress, meaning that the audit plan needs to be changed. Al-Ghazzawi (2005) further indicated that the nature and extent of planning activities depends on the size and complexity of the audit client, previous experience of the audit firm with the client, and any changes in circumstance that may occur during the audit. These viewpoints lend credence to the fact that the practice of audit planning is a fundamental basis in the exercise of audit process as the auditor should develop plans and strategies to avoid potential problems.

Internal planning includes an upgraded help in identifying problems in advance which increase the interest to solve these problems and ensure a neutral and clean opinion about the fairness and credibility of the SACCOS' financial statements when being audited. A study conducted in the Netherlands by Bennett and Kerr (2010) suggested that the auditor must develop a strategy to ensure conducting all audit activities in the office or the SACCO organization he or she works in. These include planning, implementation, monitoring and evaluation (Bennett and Kerr, 2010). Bennett and Kerr (2010) further noted that SACCO or audit offices are keen on the audit service quality offered by auditing SACCOS, without regard to financial performance and the fact that the overall financial performance.

Planning and strategy are the most important elements of applying financial performance, where achieving the desired goals need to be a futuristic vision and specific objectives for a long-term strategy which SACCOS are seeking to achieve and also the participation of an audit team to achieve a strategic plans in order to be unified and coordinated, which allow the

planning process to audit and to provide outputs of high quality audit (Zhang et al, 2006). A study carried out in Ghana by Wilkinson (2007) revealed that SACCOS with effective audit plans have error free financials statements and checking of their statement s of accounts can be done with less time. In other words, audit planning facilitates the overall SACCO organization and the most hectic job for rectifying the accounts will now be done in lesser time. These would help the auditor to easily assess the institution which their firm performs. That is, audit planning helps to notate major risk in audits inside the SACCO and the protocols the SACCO's internal financial events, another job for the auditors are to control and get the overall testing done before and after the year's end. Though preparing the audit plan for SACCOS has been the most stressful or frustrated job especially when there no strategy been implemented previously.

In Kenya, SACCO audit plan usually consists of planning, fieldwork, a follow-up meeting, and a remedial audit. Kibara (2007) posits that the planning phase is when auditors meet with SACCO management to determine which accounting processes would be audited and what the depth and breadth of the audit should be. In a study carried out in Eldoret East District, Kibet (2008) noted that after planning, then follows the fieldwork phase where the bulk of work is completed by auditors. It may include observing the accounting functions, interviewing employees who handle critical accounting information, and testing the SACCO's audit sample against standard accounting principles or company guidelines. The testing phase determines if any irregularities exist in the company's accounting information.

Kibet (2008) asserted that the audit plan usually lists a specific order for the fieldwork to be completed; this allows auditors to work in a logical manner and not skip any essential accounting operations that should be included. Once the audit is completed, auditors prepare a final report for the follow-up SACCO management meeting. Kibet (2008) further asserted that the follow-up management meeting is where the auditors discuss any material

weaknesses found in the SACCO's accounting process. Other errors or irregularities are also discussed to inform management about the effectiveness of their internal controls. SACCO managers and other stakeholders may question audit findings and request a second review of the process prior to releasing the final audit report. The scenario is the same amongst SACCOS in Kiambu County. However, financial performance of SACCOS is yet to be realized. Wastages and imprudence in managing SACCO financial resources are still high. Unfortunately, Kibet (2008) failed to bring into perspective the best audit planning practices to guarantee and sustain financial performance.

2.2.2 Internal Audit Committees and Financial Performance of SACCOS

Internal audit committees have an essential role to play in ensuring the integrity and transparency of corporate reporting and such practices also apply to SACCOS. In a longitudinal study conducted in the Australia, Ghalib (2009) indicated that having a clearly written charter helps the audit committee and others to understand its role and responsibilities, and is an essential starting point. In other words, having clear membership and selection criteria is a key element of effectiveness, as the audit committee will only be as good as its members. Audit committee members are usually board members and so they will already have qualities relevant to the SACCO management. However, for the specific audit committee work, additional skills and attributes are required, such as independence from management, appropriate financial expertise or knowledge, sufficient time and energy for the additional work, and a questioning attitude.

In a study carried out amongst a sample of SACCOS in the United States of America, Noori and Radford (2005) indicated that the chairperson has specific responsibilities in relation to setting agendas and ensuring the effective operation of the audit committee. This is done by ensuring that agenda papers provide concise and clear direction to assist the members'

deliberations, and by managing the members' interactions. These findings attest to the fact that audit committee is a committee which oversee the financial reporting process. These findings lend credence to the assertions of Noori & Radford (2005) that audit financial performance sees as the combined possibility that the external auditor discovers irregularity in financial statements and discloses it to the stakeholders of the financial statements. Both audit committee and quality can minimize agency cost. In the same vein, Serakan (2003), in a study conducted in New York, opined that agency problems usually exist because of the following issues: asymmetric information where SACCO manager cannot recognize or predict behaviors of the agent, conflict of interest among the goals of the SACCO manager and goals of the agent, for instance SACCO agents' objective is wealth maximization while the managers objective is sustainability of the business.

Serakan (2003) stated that agency problems exist between SACCO manager and agent because of the differences of goal to achieve. Serakan (2003) further posited that audit committees need to understand the building blocks and the specific practices that can be used in implementing governance activities. In other words, by comparing practices currently being performed to leading practices, SACCO audit committees can identify and select a set of practices as the most effective and efficient in its particular circumstances. Audit committees are established by boards to help discharge their responsibilities in the area of financial reporting, internal control and risk management.

However, in most countries in Sub-Saharan Africa, the need for effective audit committees, with appropriate expertise in financial and accounting matters, has never been more pronounced in the SACCO sub-sector. A study by Mulgan (2000) amongst 112 SACCOS in KwaZulu Natal Province in South Africa observed that many SACCO boards have yet to set up audit committees with independent advisors, even those in jurisdictions that have

regulatory requirements to do so as a strategy to effectively manage SACCO resources. Mulgan (2000) noted that, in essence, the focus of the audit committee's terms of reference should define the scope of the committee's oversight responsibilities and how these are to be discharged. These findings point to the fact that the role of the audit committee is for the board to decide, and it should tailor its terms of reference to the SACCOS' specific needs and clearly outline the committee's duties and responsibilities, including structure, process and membership requirements. This is indicative of the fact that, considering the financial expenditures and the intense public scrutiny placed on SACCO boards, the SACCO managers must act to establish effective and transparent audit committees. SACCO boards in provinces that are not currently mandated to have audit committees must also prepare themselves for such type of regulation.

In Kenya, SACCOS which ensure that there is appropriate number of members on the audit committee allows the committee to function efficiently, encourages all members to participate and provides for diversity of experience and knowledge (Kimani, 2006). In a study conducted in Kisumu East Sub-county, Omondi (2012) reported that committees of three to five individuals are generally most appropriate to achieve financial performance. Omondi (2012) further noted that for effective financial performance of SACCOS, audit committee members should possess a wide range of knowledge, skills and personal attributes including sound judgment, integrity and high ethical standards; strong interpersonal skills and the ability and willingness to challenge and probe.

Specifically, audit committee members must have expertise, or access to expertise, that goes beyond mere familiarity with financial statements. They must be able to understand the rules, and, more importantly, the principles that underpin the preparation of financial statements. That is, they must be prepared to invest the time necessary to understand why critical

accounting policies are chosen, how they are applied and satisfy themselves that the end result fairly reflects their understanding (Omondi, 2012). These assertions affirm the fact that, in determining the composition of the audit committee, it is important to balance formal qualifications with consideration of personal qualities and relevant experience. In some circumstances, it may be more appropriate for the audit committee to seek expert advice as the need arises, rather than trying to maintain particular expertise within the audit committee at all times. This has not been the case in most SACCOS in Kiambu County where SACCOS are slow in adopting sound and appropriate internal auditing practices despite the fact that internal control system has a significant impact on reducing the pilferage and wastage of resources within SACCO system (Maiteka, 2010). This is because auditors provide information about the internal control system of the SACCO and the level of compliance with it, about specific SACCO accounting practices. However, Maiteka (2010) failed to enumerate the specific number, attributes and pre-requisite qualifications of the would-be SACCO audit committee members which may enhance effective and financial performance of SACCOS.

2.2.3 Internal Audit Stakeholders' Involvement in Auditing and Financial

Performance of SACCOS

In SACCOS, managers, auditors and members are the primary stakeholders with a clear interest in the success of the SACCO (Wright & Wright, 2007). Governments and organizations formally operating on behalf of government such as inspectorates or municipalities operate as vertical stakeholders. On the same breath, all other organizations, groups, or persons in the SACCO's environment with some level of interest in the SACCO are horizontal stakeholders. Involving stakeholders in auditing as a practice is critical in enhancing financial performance and talking to and working with stakeholders is fundamental to auditing of SACCO accounts. Wright and Wright (2007) posit that stakeholders' involvement enables auditors to explain the value of SACCO audit while

getting to know stakeholder expectations. A study conducted in Italy by Allegrini and D'Onza (2003) revealed that working with stakeholders is a two-way process. It involves regular face-to-face meetings which enable auditors to highlight the function's role in good governance, and explain the value of the independent and objective assurance. Internal audit stakeholders on the other hand have an opportunity to talk about internal audit performance and flag risks or issues they would like to see in the internal audit plan. In other words, regular contact is therefore beneficial to everyone but it can be difficult to organise making it easy put off. To avoid that, SACCOs need to plan ahead, especially as other assurance providers may be competing for SACCO stakeholders' attention. SACCO audit provides value to the SACCO and its stakeholders when it delivers objective and relevant assurance, and contributes to the effectiveness and efficiency of governance, risk management and financial performance processes.

To achieve this aim, the head of audit must have an audit plan that reflects the things that are important to stakeholders. In other words, a plan that focuses upon the challenges and risks that stand in the way of strategic and other key objectives. A study conducted amongst 14 tertiary institutions in New Delhi in India by Al-Tamimi (2002) indicated that stakeholder feedback on individual engagements and at the overall service level are important components to continuously assessing the effectiveness of the service and how well it is providing value to the SACCOS. That is, it provides useful evidence for subsequent internal and external quality assurance reviews. Al-Tamimi (2002) revealed that engaging stakeholders in decision-making processes according to the stakeholder-inclusive approach to auditing and corporate governance has become important strategy in enhancing financial performance of SACCOS.

In most institutions in Sub-Saharan Africa, while the orientated purpose of the statutory audit is clear, many other people have a keen interest in organizations and see the audit as a way of

reinforcing trust and confidence in corporate reporting (Mulgan, 2000). In the same vein, stakeholder interests revolve around SACCOS and how SACCOS meet their needs. In a longitudinal study conducted in Egypt, Olimat (2004) revealed that, in relation to the audit, audit firms, standard setters, regulators and audited entities are all organizations that have stakeholders and they need to find ways of managing them to enhance operational surplus, increase interests on savings, loans and improve asset value. Audit firms also have stakeholders whom they need to consider, for instance, institutional investors, audit committees and regulators as well as their partners and SACCO employees.

In responding to stakeholder expectations, Olimat (2004) indicated that SACCO management need to consider how they might deal with concerns from stakeholders and how they can build relations with stakeholders and address and balance their expectations from the education systems. In other words, stakeholders have expectations about what types of audited information SACCOS should provide and about the assurance aspects of audited information. That is, stakeholder dissatisfaction might arise where expectations are not met. In Kenya, stakeholder dialogue and involvement in internal auditing of SACCO accounts is increasingly regarded as an important part of corporate social, environmental, economic and ethical governance and accountability mechanisms (Omondi, 2012). The stated prominence of stakeholder interaction is that only consulting with potential stakeholders, SACCOS can develop knowledge and understanding of their needs and expectations while addressing these expectations should be the aim of ‘good’ corporate governance and accountability (Omondi, 2012).

Nonetheless, it is argued that, in most SACCOS, for stakeholder engagement to lead to meaningful SACCO accountability and financial performance, on the one hand, mechanisms whereby stakeholder views can feed into the decision making process have to be created, whilst on the other hand techniques to hold management to account need to be established.

In Kiambu County, stakeholders' participation in internal auditing of SACCOS as a practice has not gained prominence. In some instances the stakeholders have the same level of organisation, knowledge and involvement as the SACCO, but in other situations the stakeholders have less knowledge and involvement than the SACCO itself. SACCOS need to approach stakeholders in proper proportion since some stakeholders need help with acquiring knowledge and organizing their involvement as an accountee (Maiteka, 2010). However, the practice of multiple accountability in internal auditing through stakeholders' involvement has yet to come to fruition in financial performance and the amount of available research on this topic is modest. On the same breath, empirical studies have not indicated the specific aspects of stakeholders' participation guarantees financial performance of SACCOS.

2.2.4 Internal Audit Reporting Practices and Financial Performance of SACCOS

Internal audit reporting is another important practice in auditing process. Zickien (2009) noted that the objective of financial reporting is to provide information that is useful to management and stakeholders for resource allocation decisions. In other words, for financial information to be useful, it should be timely and free from material errors, omissions, and fraud. In a study conducted in Saudi Arabia amongst 71 tertiary institutions, Al-Amiri, Al-Mutaz & Mohammed (2004) revealed that audit reporting requirements varies from audit to audit. For example, some entities have additional reporting requirements to comply with SACCO governance regulations or requirements and the auditor must understand these requirements from the start of the audit.

The nature of other communications that may be necessary during the audit should be considered, such as liaison with component auditors, and communications to management and to those charged with SACCO governance. That is, persuasive communication is an essential skill for auditors at all levels and high-quality audit reports are a key communication tool.

In the same vein, a study conducted in Jordan by Alwan (2005) asserted that a primary responsibility of the internal audit committee is to oversee the integrity of the SACCO's accounting, audit reporting practices and financial statements. As financial reporting becomes more complex, the internal audit committee needs to ensure that the financial statements are understandable and transparent. Internal controls form an integral part of a SACCO's enterprise risk management. The audit reporting framework presents five intertwined areas: control environment, risk assessment, control activities, information and communication and monitoring. While the internal audit committee's key focus is on financial reporting controls, internal audit committees are increasingly overseeing controls that ensure legal and regulatory compliance.

In most SACCOS in Sub-Saharan Africa, SACCOS' financial statements contain many estimates even when they are prepared on the historical cost basis, because income and expenditure need to be allocated to reporting periods and information needs to be presented on a timely basis (Humphrey, 2007). That is, estimates and uncertainties have always been features of financial audit reporting which present challenges to preparers and auditors, but recent developments have increased these challenges. In Kenya, for example, auditors have had to deal with more financial reporting standards as well as longer and more detailed standards (SASRA, 2014). As a result of this, some dialogue and liaison between accounting and auditing standard setters is developing. Co-operation can help to ensure that accounting standard setters do not establish requirements that are, at least initially, incapable of being audited in the way the market expects (SASRA, 2014).

Amongst SACCOS in Kiambu County, there is inevitably a lag between accounting and auditing standard setting, a further lag between the setting of standards and their becoming well-established in internal audit reporting practice, and there is also sometimes a lag between best practice in the market and auditing standards which have to catch up (Maiteka,

2010). Maiteka (2010) reported that minimizing the period of adaptation and the risk that this presents to the quality of financial reporting and auditing may involve enhanced liaison between accounting and auditing standard setters, and greater transparency about how auditors tackle new and emerging issues about financial performance. However, a study by Maiteka (2010) has not explored the different kinds of audit reporting practices which serve to minimize wastages, pilferage, increase operational surplus, interests in savings and loans.

2.3 The Conceptual Framework

In this study, the conceptual framework was based on audit planning practices, setting up audit committees, stakeholders' involvement and audit reporting practices which constituted independent variables whereas financial performance of SACCOS whose indicators will include; operational surplus, interests on savings and loans, asset value and minimal wastages and pilferages constituted the dependent variable. The intervening variable for this study included; government policy and SACCO Audit Regulations as shown in Figure 1;

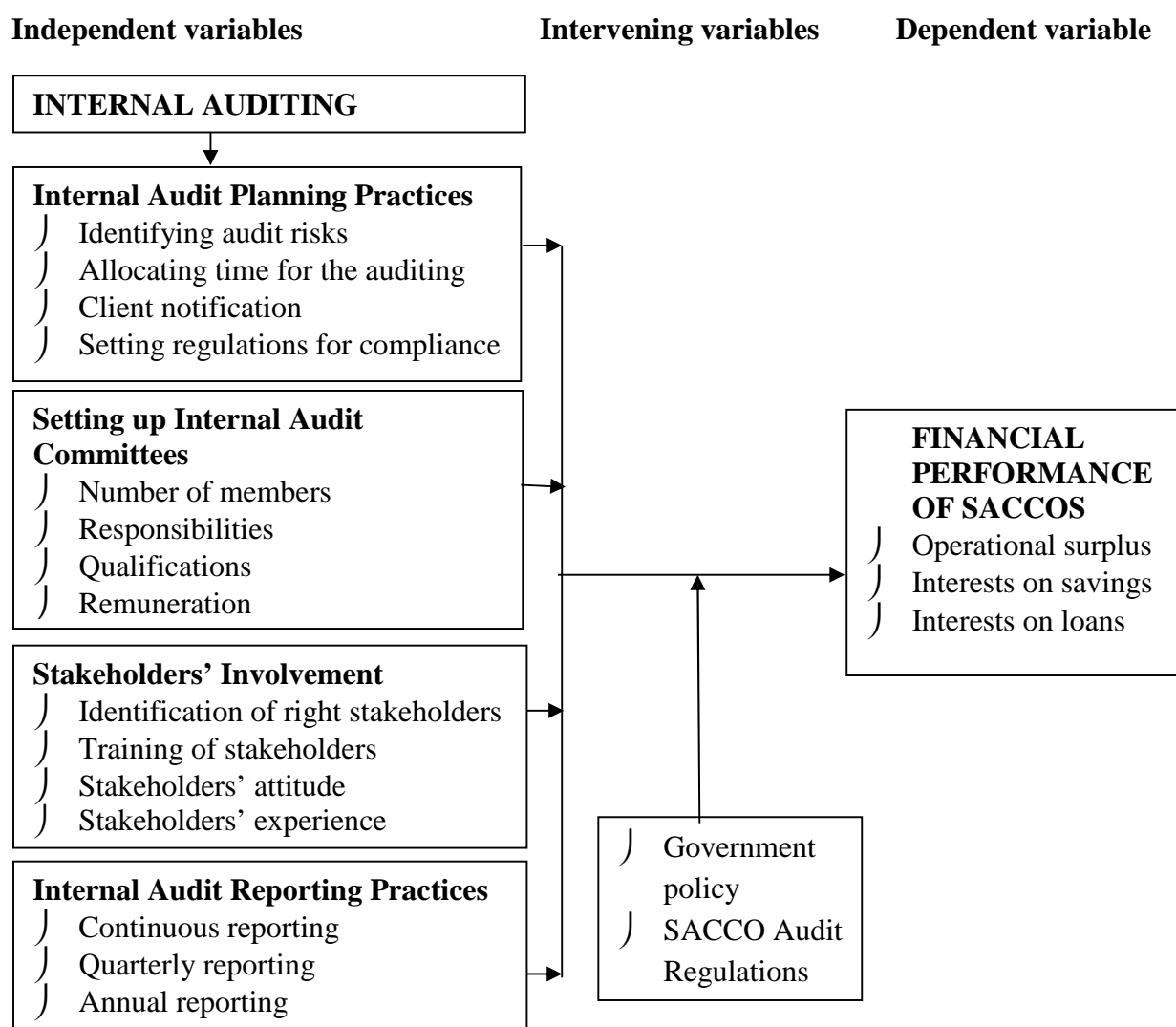


Figure 1: The Conceptual Framework of the Present Study

2.4 Identification of Research Gaps

On audit planning practices, financial performance of SACCOS is yet to be realized. Wastages and imprudence in managing SACCO resources are still high. Unfortunately, Kibet (2008) failed to bring into perspective the best audit planning practices to guarantee and sustain financial performance. On setting up audit committees, a study by Maiteka (2010) failed to enumerate specific number of auditors, attributes and pre-requisite qualifications of the would-be SACCO audit committee members which may enhance effective and financial performance of SACCOS. On stakeholders' involvement, studies have revealed that the practice of multiple accountability in auditing through stakeholders' involvement has yet to

come to fruition in education, and the amount of available research on this topic is modest. On the same breath, empirical studies have not indicated which specific aspects of stakeholders' participation guarantees financial performance and prudent management of SACCOS. On the audit reporting practices, empirical studies have not explored the different kinds of audit reporting practices which serve to enhance financial performance of SACCOS. These were the research and knowledge gaps which this study sought to address.

2.5 Recap of Literature Review

The review has revealed that there are various internal auditing practices which impact on financial performance of SACCOS. These include; audit planning, setting up audit committees, stakeholders' involvement and audit reporting practices. The review has also revealed that these internal auditing practices when effectively applied enhance operational surplus, interests on savings and loans and asset values.

CHAPTER THREE

RESEARCH DESIGN AND METHODOLOGY

3.0 Introduction

This chapter presents the methodology that the study followed. It explains the design; location of study; target population; sample size, sampling techniques and procedure; data collection instruments; methods of testing the validity and reliability of instruments; the research procedure that was followed; and the data management and analysis techniques that were used during the study.

3.1 Research Design

This study employed a descriptive survey research design. The descriptive survey was suitable for this study since it enables the researcher to study the phenomena which do not allow for manipulation of variables due to the fact that this study involves human subjects and the information needed cannot be manipulated (Kombo & Tromp, 2006). The design was suitable for data without manipulating any variable. By using descriptive the researcher gave the actual position on the ground.

3.2 Locale of Study

The research study was conducted in Kiambu County. The county has an approximate population of 130,185 persons and covers an area of 1321.4 km², that is, a population density of 99 persons per km² (KNBS, 2009). Opportunities exist in agriculture with dairy, crop farming and tourism being the backbone of the economy. The County also has challenges with most of its population living in the rural areas with instances of abject poverty. Most SACCOS in Kiambu County have registered low operational surplus, interests on their savings, loans, asset values and financial prudence of SACCO resources. Yet, it is not clear the kinds of internal audit planning practices, internal audit committees, involvement of

stakeholders and internal audit reporting practices which are adopted to enhance financial performance of SACCOS. It was against this background that the researcher focuses on Kiambu County as the locale of study.

3.3 Target Population

A research population is generally a large collection of individuals or objects that is the main focus of a scientific inquiry and it is for the benefit of the population that researches are done. In this study, target population comprised of 112 SACCO Managers and 448 SACCO Internal Auditors all totaling to 560 as shown in Table 1;

Table 1: Target Population of the Study

Categories	Target Population
SACCO Managers	112
SACCO Internal Auditors	448
Total	560

Source: Kiambu County Office (2016)

3.4 Sampling and Sampling Techniques

Orodho (2004) defines a sample is a section of a target population which is representative of the characteristics of the entire population. Using The Central Limit Theorem of Sample Size Determination, a sample of 30 SACCOS, that is, 26.25% of the targeted 112 SACCOS, were selected. The Central Limit Theorem states that, for any sample size, $N \geq 30$, sampling distribution of means is approximately a normal distribution irrespective of the parent population (Kothari, 2005). However, Kothari (2005) notes that the sample should constitute between 10-30% of the target population. Thus, based on the same theorem, the researcher sampled 147 respondents, that is, 26.25% of 560.

The researcher then applied stratified sampling to create 12 strata based on the number of sub-counties in Kiambu County. From each sub-county, 3 SACCO Managers and 10 SACCO Internal Auditors were selected using purposive sampling considering SACCOS which have registered low financial performance. This sampling procedure enabled the researcher to realize a sample of 30 SACCO Managers and 117 SACCO Internal Auditors as shown in Table 2;

Table 2: Sample Size Grid

Categories	Sample size
SACCO Managers	30
SACCO Internal Auditors	117
Total	147

Source: Researcher (2016)

3.5 Data Collection Instruments

These are tools which were used to gather information about the specific objectives. These included questionnaire for SACCO Managers and SACCO Auditors.

3.5.1 Questionnaires for SACCO Managers and Internal Auditors

Creswell (2009) and Kothari (2005) define a questionnaire is a data collection instrument consisting of a series of questions and other prompts for the purpose of gathering information from respondents and is often designed for statistical analysis of the response. In this study, the researcher applied a questionnaire to collect data from SACCO Managers and Internal Auditors. The questionnaire was divided into two sections. The first section consisted of information on respondents' demographic profiles, while the second part contained 5-point Likert type questions with information on research objectives.

3.6 Piloting of Research Instruments

Piloting was conducted among 15 SACCO Internal Auditors from 5 SACCOS in Kiambu County since according to Kothari (2005), a pilot sample should constitute 10% of the study sample. The purpose of piloting was to assess the suitability and the clarity of the questions, relevance of the information being sought and the language used and to test the reliability and validity of the research instruments. The respondents who participated in the pilot study were not included during the actual data collection.

3.6.1 Validity of the Instruments

Validity is the degree to which a test measures what it purports to measure (Bland, 2000). The research questions, objectives, together with literature review were used as a guide in the formation of questionnaires. The validity of the study was attained through the guidance and advice of the researcher's supervisor and other experts. Content validity was obtained in order to find out irrelevant, ambiguous and inadequate test items. Unnecessary items were discarded while others were added and modified for improvement of the instruments.

3.6.2 Reliability of the Instruments

Reliability is a measure of the degree to which a research instrument yields consistent results or data after repeated trial (Kothari, 2005). The researcher, with the help of the supervisors, critically assessed the consistency of the responses on the pilot questionnaires to make a judgement on their reliability. Test retest technique was applied to test for reliability. In this case, the researcher administered test items twice to a group of respondents. The researcher examined the research instruments for appropriateness of items so as to identify any ambiguous and/or unclear items. Such items were restated to ensure that the respondents clearly understood them. From the results of the piloting, reliability coefficient, $r = 0.7$, was determined using Pearson's Product Moment Correlation Method.

This indicated high internal reliability since according to Kothari (2005), such an index is considered ideal for the study.

3.7 Data Collection Procedure

Upon receiving the letters of authorization, the researcher then book with the respondents from the sampled SACCOS to administer questionnaires to collect data. The questionnaires were administered to the respondents to collect quantitative data with the help of a research assistant. The duly filled questionnaires were collected and safely stored. The participants were assured of confidentiality.

3.8 Data Analysis and Presentation

After data collection, the researcher embarked on data analysis process which involved identifying common themes from the respondents' description of their experiences. The relevant information was broken into phrases or sentences, which reflected a single, specific thought. The responses to the close-ended items were assigned codes and labels. Frequency counts of the responses were obtained to generate information about the respondents and to illustrate the general trend of findings on the various variables that are under investigation. Qualitative data was analyzed thematically along the study objectives whereas the quantitative data was analyzed descriptively using frequencies, percentages, mean and standard deviation and inferentially using correlation and regression in in Statistical Packages for Social Science (SPSS Version 23) to establish the influence of internal audit practices on financial performance of SACCOs. The regression model applied was of the form:

$$Y = \beta_0 + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + \beta_4 X_4 +$$

Where: Y = Financial Performance of SACCOs

β_0 = Constant

$$\begin{aligned}
X_1 &= \text{Internal Audit Planning} \\
X_2 &= \text{Internal Audit Committee Members} \\
X_3 &= \text{Internal Audit Stakeholders involved in Internal} \\
&\text{Auditing} \\
X_4 &= \text{Internal Audit Annual Reports} \\
&= \text{Error term}
\end{aligned}$$

The quantitative findings of the study were presented using tables whereas qualitative findings will be presented thematically in narrative forms.

3.9 Logistical and Ethical Considerations

Ethical considerations in research involve outlining the content of research and what was required of participants, how informed consent was obtained and confidentiality ensured. The researcher obtained an introductory letter from The School of Postgraduate Studies of KCA University and Authorization Letter and research permit from National Commission for Science, Technology and Innovation. The researcher also sought an authorization letter from The County Commissioner and County Director of Education, Kiambu. These letters introduced the researcher to different sampled SACCOS to carry out the study in Kiambu County.

3.9.1 Confidentiality and Privacy

The researcher undertook to keep private any information given by the respondents that touches on their persons or their private life. The researcher assured the respondents that no private information would be divulged to a third party. The respondents were assured that no identifying information about them would be revealed in written or other communication. Concerning confidentiality, the respondents were assured that the information provided

would only be used for the stated purpose and that the information would not be passed to a third party.

3.9.2 Anonymity

The researcher ensured and assured the respondent that his or her individual identity would not be revealed whatsoever. Besides, no identifying information about the individual or the institution would be revealed in written or other communication.

3.9.3 Informed Consent

The nature and the purpose of the research were explained to the respondents by the researcher. The researcher explained to the respondents the procedure to be followed during the data collection so that they could participate willingly.

3.9.4 Storage of Data Collected

The raw data collected was filed for easy reference. Once the data was analyzed, computer print-outs were filed while softcopies were stored in storage devices such as CDs and flash diskettes.

CHAPTER FOUR

RESEARCH FINDINGS AND DISCUSSION

4.0 Introduction

This chapter presents the findings of the study and it is arranged according to the four research questions that the study sought to answer. The chapter is divided into three subsections namely, introduction, background information about the respondents and the research questions that the study sought to answer.

4.1 Questionnaire Return Rate

The questionnaires were administered to the 30 SACCO Managers and 117 Internal SACCO Auditors. Out of the 147 questionnaires administered, 140 were successfully filled and returned. This gave a response rates as indicated in Table 3;

Table 3: Questionnaire Return Rate

Respondent Categories	Sampled Respondents	Returned Questionnaires	Achieved Return Rate
SACCO Managers	30	28	93.33%
Internal SACCO Auditors	117	112	95.73%
Total	147	140	95.23%

The above information shows that the total return rate was 95.23% affirming the fact that the response rate was sufficient and above 75% of the acceptable levels to enable generalization of the results to the target population (Kothari, 2005).

4.2 Respondents Demographic Information

The data collection instruments elicited information of demographics of the respondents. These included; gender and level of education.

4.2.1 Gender of the Respondents

The research instruments solicited information on the respondents' gender and the results were as indicated in Table 4;

Table 4: Distribution of the Respondents by Gender

Gender	SACCO Managers		Internal SACCO Auditors	
	f	%	f	%
Male	21	75.0	73	65.2
Female	7	25.0	39	34.8
Total	28	100	112	100

The data on Table 4 indicate that three-quarters (75.0%) of the sampled SACCO Managers were male with a quarter (25.0%) being female. In the same vein, a fair majority (65.2%) of the sampled Internal SACCO Auditors were male whereas female Internal SACCO Auditors constituted 34.8% of the proportion. In the same vein, a fair majority (65.0%) of the sampled pupils were male whereas their female counterparts constituted 35.0%. These results affirmed the fact that there was gender disparity at all levels of the study. These findings also attest to the fact that the influence of internal auditing practices on financial performance of SACCOs concerns both male and female stakeholders, that is, SACCO Managers and Internal SACCO Auditors.

4.2.2 Level of Education of SACCO Managers and Internal SACCO Auditors

The research instruments also elicited information on the level of education of SACCO Managers and Internal SACCO Auditors and the results were as indicated in Table 5;

Table 5: Level of Education of SACCO Managers and Internal SACCO Auditors

Educational Qualifications	SACCO Managers		Internal SACCO Auditors	
	f	%	f	%
Diploma	4	14.29	32	19.6
Bachelors'	14	50.00	84	75.0
Postgraduate	10	35.71	6	5.4
Total	28	100	112	100

The data shown on Table 5 indicates that half (50.0%) of the sampled SACCO Managers had Bachelors' Degrees, a fair proportion (35.71%) had postgraduate qualifications whereas a paltry 14.29% had Diplomas. On the same breath, three-quarters (75.0%) of the sampled internal SACCO Auditors had Bachelors' Degrees, 19.6% had diplomas whereas a paltry 5.4% had postgraduate qualifications. Thus, this information reveals that the SACCO Managers and Internal SACCO Auditors had met the minimum qualification to be SACCO Managers and Internal SACCO Auditors who were competent to answer the research questions.

4.3 Internal Audit Planning Practices

As per research objective one, the study sought to establish internal audit planning practices adopted by SACCOs. Data was collected from SACCO managers and Internal SACCO Auditors and results are shown in table 6;

Table 6: Internal Audit Planning Practices

Internal Planning Practices	SACCO Managers		Internal SACCO Auditors	
	f	%	f	%
Yes	19	67.9	51	44.5
No	9	32.1	34	55.5

Table 6 indicates that a fair majority (67.9%) of the SACCO Managers indicated that internal audit planning is a common practice with only 32.1% responding on the contrary. However, slightly more than half (55.5%) of the sampled Internal SACCO Auditors indicated that internal audit planning is not a common practice in most SACCOs with a fair 44.5% responding in the affirmative. These findings corroborate the assertions of Al-Khalif (2005) that audit planning means developing a general strategy and a detailed approach for the expected nature, timing and extent of the audit and thus ought to occur at the start of an audit engagement. These findings affirm the fact that audit planning is a vital area of the audit primarily conducted at the beginning of audit process to ensure that appropriate attention is devoted to important areas, potential problems are promptly identified, work is completed expeditiously and work is properly coordinated.

Table 7: Frequency of Practising Internal Audit Planning

Frequency of Internal Planning	SACCO Managers		Internal SACCO Auditors	
	f	%	f	%
Very Often	10	35.7	27	24.1
Often	6	21.4	34	55.5
Sometimes	12	42.9	56	50.0
Rarely	7	25.0	50	44.6
Never	5	17.9	37	33.0

Table 7 indicates that a fair proportion (42.9%) of the SACCO Managers indicated that internal audit planning is sometimes practised in SACCOs, 35.7% indicated very often, a quarter (25.0%) indicated rarely, 21.4% indicated often whereas a paltry 17.9% indicated that internal planning is never practised. Similarly, slightly more than half (55.0%) of the internal SACCO Auditors indicated that internal audit planning is often practised, half (50.0%) indicated sometimes, 44.6% indicated rarely, a third (33.30%) indicated never whereas 24.1%

indicated that internal audit planning is often practised. These findings are inconsistent with the assertions of Zhang et al (2006) that internal audit planning and strategies are the most important elements of applying financial performance, where achieving the desired goals need to be a futuristic vision and specific objectives for a long-term strategy which SACCOS are seeking to achieve and also the participation of an audit team to achieve a strategic plans in order to be unified and coordinated, which allow the planning process to audit and to provide outputs of high quality audit. Hence, these findings point to the fact that internal audit planning ought to be adopted by SACCOs since it helps to notate major risk in audits inside the SACCO and the protocols the SACCO's internal financial events, another job for the auditors are to control and get the overall testing done before and after the year's end.

Table 8: SACCO Managers' and Internal SACCO Auditors' Views on Internal Audit Planning Practices in SACCOs

Test Items	RESP.	Ratings				
		SA %	A %	U %	D %	SD %
SACCOs do not always identify audit planning risks	SACCOM	75.0	11.5	4.5	7.5	1.5
	ISACCOA	87.5	7.5	1.1	3.1	0.8
SACCOs rarely allocate time for internal auditing	SACCOM	65.0	10.5	3.0	11.5	10.0
	ISACCOA	75.0	17.1	1.2	3.2	3.5
Internal SACCO Auditors rarely notify clients of internal auditing	SACCOM	75.0	10.5	2.5	9.0	3.5
	ISACCOA	62.5	19.8	2.8	10.2	4.7
SACCOs rarely set regulations for compliance before embarking on auditing	SACCOM	88.5	2.5	1.5	4.5	3.0
	ISACCOA	62.5	9.9	3.7	13.7	10.2

Key: RESP-Respondents; SACCOM-SACCO Managers; ISACCOA-Internal SACCO Auditors

Table 8 reveals that majority (75.0% SACCOM; 87.5% ISACCOA) of the sampled SACCO Managers and Internal SACCO Auditors strongly agreed with the view that SACCOs do not

always identify audit planning risks as did 11.5% SACCOM and 7.5% ISACCOA who agreed. However, only a paltry 4.5% of the sampled SACCO Managers as well as 1.1% of Internal SACCO Auditors were undecided, 7.5% of SACCO Managers as did 3.1% of the Internal SACCO Auditors disagreed whereas 1.5% of SACCO Managers and 0.8% of the Internal SACCO Auditors strongly disagreed. These findings affirm the assertions of Al-Ghazzawi (2005) that the practice of audit planning is a fundamental basis in the exercise of audit process as the auditor should develop plans and strategies to avoid potential problems, where the plan includes an upgraded help in identifying problems in advance, regardless of their size and complexity, which increase the interest to solve these problems and ensure a neutral and clean opinion about the fairness and credibility of the SACCOs' financial statements when being audited.

These findings thus affirm the fact that audit planning is a vital area of the audit primarily conducted at the beginning of audit process to ensure that appropriate attention is devoted to important areas, potential problems are promptly identified, work is completed expeditiously and work is properly coordinated. The study also found out that majority of the respondents (65.0% SACCOM and 75.0% ISACCOA) strongly agreed with the view that SACCOs rarely allocate time for internal auditing. At the same time, 10.5% of the SACCO Managers as did 17.1% of the sampled Internal SACCO Auditors agreed. However, 3.0% of SACCO Managers and 1.2% of the Internal SACCO Auditors were undecided, 11.5% of SACCO Managers and 3.2% of the Internal SACCO Auditors disagreed whereas 10.0% of the sampled Internal SACCO Auditors as did 3.5% of the Internal SACCO Auditors strongly disagreed.

These findings do not lend credence to the assertions of Al-Khalif (2005) who indicated that audit planning means developing a general strategy and a detailed approach for the expected nature, timing and extent of the audit.

The auditor plans to perform the audit in an efficient and timely manner. These findings affirm the fact that planning and strategy are the most important elements of applying total quality management, where achieving the desired goals need to a futuristic vision and specific objectives for a long-term strategy which SACCOs are seeking to achieve and also the participation of an audit team to achieve a strategic plans in order to be unified and coordinated, which allow the planning process to audit and to provide outputs of high quality audit. The study also revealed that majority of the respondents (75.0% SACCOM and 62.5% ISACCOA) strongly agreed with the view that Internal SACCO Auditors rarely notify clients of internal auditing. On the same breath, 10.5% of the SACCO Managers as did 19.8% of the sampled Internal SACCO Auditors agreed.

However, 2.5% of SACCO Managers and 2.8% of the Internal SACCO Auditors were undecided, 9.0% of SACCO Managers and 10.2% of the Internal SACCO Auditors disagreed whereas 3.5% of the sampled SACCO Managers as did 4.7% of the Internal SACCO Auditors strongly disagreed. These findings are not consistent with the assertions of Kibara (2007) that the planning phase is when auditors notify meet with SACCO management to determine which accounting processes would be audited and what the depth and breadth of the audit should be. These findings also are consistent with the findings of a study carried out in Eldoret East District in which Kibet (2008) noted that after planning, then follows the fieldwork phase where the bulk of work is completed by auditors through notification.

Thus, these findings attest to the fact that audit planning facilitates the overall SACCO organization and the most hectic job for rectifying the accounts will now be done in lesser time. It helps to notate major risk in audits inside the SACCOs and the protocols the SACCOs' internal financial events, another job for the auditors are to control and get the overall testing done before and after the year's end. Majority of the sampled respondents (88.5% SACCOM and 62.5% ISACCOA) strongly agreed with the view that SACCOs rarely

set regulations for compliance before embarking on auditing. A paltry 2.5% of the sampled SACCO Managers and 9.9% of the sampled Internal SACCO Auditors agreed. At the same time, 1.5% of the sampled SACCO Managers and 3.7% of Internal SACCO Auditors were undecided, 4.5% of SACCO Managers and 13.7% of the Internal SACCO Auditors disagreed whereas 3.0% of the sampled SACCO Managers as did 10.2% of the Internal SACCO Auditors strongly disagreed. These findings corroborate the findings of a study conducted in the Netherlands by Bennett and Kerr (2010) suggested that the auditor must develop a strategy to ensure conducting all audit activities in the office or the SACCO organization he or she works in. These include planning, implementation, monitoring and evaluation (Bennett & Kerr, 2010). This points to the fact that SACCO or audit offices are keen on the audit service quality offered by auditing SACCOS.

4.4 Formation of Internal Audit Committees

As per research objective two, the researcher sought to find out different practices adopted by different SACCOs during formation of internal audit committees. Data was collected from SACCO Managers and Internal SACCO Auditors, organized into specific thoughts and results are shown in Table 9;

Table 9: SACCO Managers' and Internal SACCO Auditors' Views on Formation of Internal Audit Committees

Test Items	RESP	Ratings				
		SA %	A %	U %	D %	SD %
SACCOs consider the number of auditors during internal audit committee formation	SACCOM	80.5	8.5	1.5	5.5	4.0
	ISACCOA	88.3	5.4	1.9	2.3	2.1
In most SACCO, responsibilities of the auditors are often considered	SACCOM	78.5	14.5	2.5	3.0	1.5
	ISACCOA	77.2	13.3	1.5	6.3	1.7
SACCOs consider qualifications of the internal auditors when setting up internal	SACCOM	69.5	12.0	2.0	10.0	6.5

audit committees	ISACCOA	75.3	20.1	1.4	1.3	1.9
Remuneration of internal auditors is	SACCOM	74.5	17.0	2.5	3.5	2.5
considered when forming internal audit committees	ISACCOA	59.9	27.4	3.3	5.7	3.7

Key: RESP-Respondents; SACCOM-SACCO Managers; ISACCOA-Internal SACCO Auditors

Table 9 reveals that majority (80.5% SACCOM; 88.3% ISACCOA) of the sampled SACCO Managers and Internal SACCO Auditors strongly agreed with the view that SACCOs consider the number of auditors during internal audit committee formation as did 8.5% SACCOM and 5.4% ISACCOA who agreed. However, only a paltry 1.5% of the sampled SACCO Managers as well as 1.9% of Internal SACCO Auditors were undecided, 5.5% of SACCO Managers as did 2.3% of the Internal SACCO Auditors disagreed whereas 4.0% of SACCO Managers and 2.1% of the Internal SACCO Auditors strongly disagreed. These findings corroborate the findings of a study conducted in the Australia in which Ghalib (2009) indicated that having a clearly written charter helps the audit committee and others to understand its role and responsibilities, and is an essential starting point. In other words, having clear membership and selection criteria is a key element of effectiveness, as the audit committee will only be as good as its members.

The study also found out that majority of the respondents (78.5% SACCOM and 77.2% ISACCOA) strongly agreed with the view that in most SACCO, responsibilities of the auditors are often considered. At the same time, 14.5% of the SACCO Managers as did 13.3% of the sampled Internal SACCO Auditors agreed. However, 2.5% of SACCO Managers and 1.5% of the Internal SACCO Auditors were undecided, 3.0% of SACCO Managers and 6.3% of the Internal SACCO Auditors disagreed whereas 1.5% of the sampled Internal SACCO Auditors as did 1.7% of the Internal SACCO Auditors strongly disagreed. These findings lend credence to the findings of a study conducted in the United States of

America in which Noori and Radford (2005) indicated that the chairperson has specific responsibilities in relation to setting agendas and ensuring the effective operation of the audit committee. This is done by ensuring that agenda papers provide concise and clear direction to assist the members' deliberations, and by managing the members' interactions. These findings thus, attest to the fact that audit committee is a committee which oversee the financial reporting process. The study also revealed that majority of the respondents (69.5% SACCOM and 75.3% ISACCOA) strongly agreed with the view that SACCOs consider qualifications of the internal auditors when setting up internal audit committees. On the same breath, 12.0% of the SACCO Managers as did 20.1% of the sampled Internal SACCO Auditors agreed.

However, 2.0% of SACCO Managers and 1.4% of the Internal SACCO Auditors were undecided, 10.0% of SACCO Managers and 1.3% of the Internal SACCO Auditors disagreed whereas 6.5% of the sampled SACCO Managers as did 1.9% of the Internal SACCO Auditors strongly disagreed. These findings corroborate the findings of a study conducted in Kisumu East Sub-county in which Omondi (2012) reported that committees of three to five individuals are generally most appropriate to achieve total quality management. Omondi (2012) further noted that for effective management of SACCO resources, audit committee members should possess a wide range of knowledge, skills and personal attributes including sound judgment, integrity and high ethical standards; strong interpersonal skills and the ability and willingness to challenge and probe. Omondi (2012) indicated that, specifically, audit committee members must have expertise, or access to expertise, that goes beyond mere familiarity with financial statements.

They must be able to understand the rules, and, more importantly, the principles that underpin the preparation of financial statements. That is, they must be prepared to invest the time necessary to understand why critical accounting policies are chosen, how they are applied and

satisfy themselves that the end result fairly reflects their understanding (Omondi, 2012). These assertions affirm the fact that, in determining the composition of the audit committee, it is important to balance formal qualifications with consideration of personal qualities and relevant experience. Majority of the sampled respondents (74.5% SACCOM and 59.9% ISACCOA) strongly agreed with the view that remuneration of internal auditors is considered when forming internal audit committees. 17.0% of the sampled SACCO Managers and 27.4% of the sampled Internal SACCO Auditors agreed. At the same time, 2.5% of the sampled SACCO Managers and 3.3% of Internal SACCO Auditors were undecided, 3.5% of SACCO Managers and 5.7% of the Internal SACCO Auditors disagreed whereas 2.5% of the sampled SACCO Managers as did 3.7% of the Internal SACCO Auditors strongly disagreed. These findings point to the fact that the role of the audit committee is for the board to decide, and it should tailor its terms of reference to the SACCOs' specific needs and clearly outline the committee's duties and responsibilities, including structure, process and membership requirements. This is indicative of the fact that, considering the financial expenditures and the intense public scrutiny placed on SACCO boards, the SACCO managers must act to establish effective and transparent audit committees.

4.5 Stakeholders' Involvement in Internal Auditing

As per research objective three, the researcher intended to establish how often stakeholders are involved in internal auditing and factors which are considered when involving audit stakeholders in internal auditing in SACCO. Data was collected from SACCO Managers and Internal SACCO Auditors and the results are shown in Table 10;

Table 10: Frequency of Audit Stakeholders in Internal Auditing of SACCOs

Frequency of Stakeholders' Involvement	SACCO Managers		Internal SACCO Auditors	
	f	%	f	%
Very Often	10	17.9	27	24.1
Often	6	21.4	25	22.3
Sometimes	7	25.0	36	32.1
Rarely	12	42.9	46	41.1
Never	10	35.7	65	58.0

Table 10 indicates that a fair proportion (42.9%) of the SACCO Managers indicated that stakeholders are rarely involved in internal SACCO auditing, 35.7% indicated never, a quarter (25.0) indicated sometimes, 21.4% indicated often whereas a paltry 17.9% indicated very often. In the same vein, slightly more than half (58.0%) of the internal SACCO Auditors indicated that stakeholders are never involved in internal SACCO auditing, 41.1% indicated rarely, 32.1% indicated sometimes, 24.1% indicated very often whereas 22.3% indicated often. These findings do not lend credence to the assertions of Wright and Wright (2007) that stakeholders' involvement enables auditors to explain the value of SACCO audit while getting to know stakeholder expectations. These findings thus point to the fact that involving stakeholders in auditing as a practice is critical in enhancing financial performance and talking to and working with stakeholders is fundamental to auditing of SACCO accounts.

Table 11: SACCO Managers' and Internal SACCO Auditors' Views on Stakeholders' involvement in Internal Auditing of SACCOs

Test Items	RESP	Ratings				
		SA %	A %	U %	D %	SD %
SACCOs rarely identify right internal	SACCOM	59.5	15.5	4.5	11.5	9.0
audit stakeholders during internal	ISACCOA	66.3	9.7	3.9	12.3	7.8
auditing						

SACCOs rarely train internal audit stakeholders when conducting internal auditing	SACCOM	56.5	23.5	2.5	9.5	8.0
	ISACCOA	63.9	11.5	1.3	13.7	9.6
Attitudes of internal audit stakeholders is rarely considered during internal auditing	SACCOM	51.5	8.5	7.0	22.5	10.5
	ISACCOA	58.3	7.6	4.4	21.8	7.9
Stakeholders' auditing experience is rarely considered during internal auditing	SACCOM	68.5	15.5	3.5	8.5	4.0
	ISACCOA	72.6	10.5	2.4	7.9	6.6

Key: RESP-Respondents; SACCOM-SACCO Managers; ISACCOA-Internal SACCO Auditors

The data on Table 11 reveals that a fair majority (59.5% SACCOM; 66.3% ISACCOA) of the sampled SACCO Managers and Internal SACCO Auditors strongly agreed with the view that SACCOs rarely identify right internal audit stakeholders during internal auditing. 15.5% of the sampled SACCO Managers agreed as did 9.7% of the sampled Internal SACCO Auditors. However, only a paltry 4.5% of the sampled SACCO Managers as well as 3.9% of Internal SACCO Auditors were undecided, 11.5% of SACCO Managers as did 12.3% of the Internal SACCO Auditors disagreed whereas 9.0% of SACCO Managers and 7.8% of the Internal SACCO Auditors strongly disagreed.

These findings are not in line with the findings of a longitudinal study conducted in Egypt in which Olimat (2004) revealed that, in relation to the audit, audit firms, standard setters, regulators and audited entities are all organizations that have stakeholders and they need to find ways of managing them. Regulators and standard setters keenly aware of the need to consider their stakeholders. In responding to stakeholder expectations, Olimat (2004) indicated that SACCO management need to consider how they might deal with concerns from stakeholders and how they can build relations with stakeholders and address and

balance their expectations from the education systems. In other words, stakeholders have expectations about what types of audited information organizations should provide and about the assurance aspects of audited information. The study revealed that a fair majority of the respondents (56.5% SACCOM and 63.9% ISACCOA) strongly agreed with the view that SACCOs rarely train internal audit stakeholders when conducting internal auditing. 23.5% of the SACCO Managers as did 11.5% of the sampled Internal SACCO Auditors agreed. However, 2.5% of SACCO Managers and 1.3% of the Internal SACCO Auditors were undecided, 9.5% of SACCO Managers and 13.7% of the Internal SACCO Auditors disagreed whereas 8.0% of the sampled Internal SACCO Auditors as did 9.6% of the Internal SACCO Auditors strongly disagreed. These findings do not lend credence to the assertions of Maiteka (2010) that, in some instances the stakeholder has the same level of organization, knowledge and involvement as the SACCO, but in other situations the stakeholder has less knowledge of and involvement than the SACCO itself. SACCOs need to approach stakeholders in proper proportion since some stakeholders need help with acquiring knowledge and organizing their involvement as an accountee. The study also revealed that slightly more than half of the respondents (51.5% SACCOM and 58.3% ISACCOA) strongly agreed with the view that attitudes of internal audit stakeholders is rarely considered during internal auditing. On the same breath, 8.5% of the SACCO Managers as did 7.6% of the sampled Internal SACCO Auditors agreed.

However, 7.0% of SACCO Managers and 4.4% of the Internal SACCO Auditors were undecided, 22.5% of SACCO Managers and 21.8% of the Internal SACCO Auditors disagreed whereas 10.5% of the sampled SACCO Managers as did 7.9% of the Internal SACCO Auditors strongly disagreed. These findings do not corroborate the assertions of Wright & Wright (2007) that, in education, parents and students are the primary stakeholders. Teachers and other educational and non-educational staff are internal stakeholders with a

clear interest in the success of the SACCO. In other words, all other organizations, groups, or persons in the SACCO's environment with some level of interest in the SACCOs are horizontal stakeholders. Involving stakeholders in auditing as a practice is critical in enhancing quality control in management and talking to and working with stakeholders is fundamental to auditing of SACCO accounts. The study also revealed that majority of the sampled respondents (68.5% SACCOM and 72.6% ISACCOA) strongly agreed with the view that stakeholders' auditing experience is rarely considered during internal auditing. A small proportion of 15.5% of the sampled SACCO Managers and 10.5% of the sampled Internal SACCO Auditors agreed.

On the same breath, 3.5% of the sampled SACCO Managers and 2.4% of Internal SACCO Auditors were undecided, 8.5% of SACCO Managers and 7.9% of the Internal SACCO Auditors disagreed whereas 4.0% of the sampled SACCO Managers as did 6.6% of the Internal SACCO Auditors strongly disagreed. These findings are inconsistent with the findings of a study conducted in New Delhi, India in which Al-Tamimi (2002) indicated that stakeholder experience and feedback on individual engagements and at the overall service level are important components to continuously assessing the effectiveness of the service and how well it is providing value to the SACCOs. That is, it provides useful evidence for subsequent internal and external quality assurance reviews. These findings affirm the fact that engaging stakeholders in decision-making processes according to the stakeholder-inclusive approach to auditing and governance has become important strategy in enhancing financial management of SACCO resources.

4.6 Internal Reporting Practices

As per research objective four, the researcher intended to establish the internal auditing practices adopted by different SACCOs. Data was collected from SACCO Managers and Internal SACCO Auditors and the results are indicated in Table 12;

Table 12: SACCO Managers' and Internal SACCO Auditors' Views on Internal Audit Reporting Practices

Test Items	RESP	Ratings				
		SA	A	U	D	SD
		%	%	%	%	%
SACCOs rarely adopt continuous reporting of internal audit findings	SACCOM	78.0	11.0	2.5	5.5	3.0
	ISACCOA	82.2	9.4	3.3	2.4	2.7
Quarterly reporting of audit findings is rarely adopted in SACCOs	SACCOM	69.5	25.5	1.5	2.0	1.5
	ISACCOA	70.5	18.4	1.9	4.3	4.9
Annual reporting of audit findings has not been a common practice in SACCOs	SACCOM	74.5	19.5	1.5	3.2	1.3
	ISACCOA	75.2	13.1	2.4	6.1	3.2

Key: RESP-Respondents; SACCOM-SACCO Managers; ISACCOA-Internal SACCO Auditors

The data on Table 12 reveals that a fair majority (78.0% SACCOM; 82.2% ISACCOA) of the sampled SACCO Managers and Internal SACCO Auditors strongly agreed with the view that SACCOs rarely adopt continuous reporting of internal audit findings. 11.0% of the sampled SACCO Managers agreed as did 9.4% of the sampled Internal SACCO Auditors. However, only a paltry 2.5% of the sampled SACCO Managers as well as 3.3% of Internal SACCO Auditors were undecided, 5.5% of SACCO Managers as did 2.4% of the Internal SACCO Auditors disagreed whereas 3.0% of SACCO Managers and 2.7% of the Internal SACCO Auditors strongly disagreed. These findings lend credence to the assertions of support the findings of a study conducted in Saudi Arabia amongst 71 tertiary institutions in which Al-Amiri, Al-Mutaz & Mohammed (2004) revealed that audit reporting requirements varies from audit to audit. For example, some entities have additional reporting requirements to comply with SACCO governance regulations or requirements, and the auditor must understand these requirements from the start of the audit. The study revealed that a fair majority of the respondents (69.5% SACCOM and 70.5% ISACCOA) strongly agreed with the

view that quarterly reporting of audit findings is rarely adopted in SACCOs. 25.5% of the SACCO Managers as did 18.4% of the sampled Internal SACCO Auditors agreed. However, 1.5% of SACCO Managers and 1.9% of the Internal SACCO Auditors were undecided, 2.0% of SACCO Managers and 4.3% of the Internal SACCO Auditors disagreed whereas 1.5% of the sampled Internal SACCO Auditors as did 4.9% of the Internal SACCO Auditors strongly disagreed. These findings corroborate the assertions of Maiteka (2010) who reported that minimizing the period of adaptation and the risk that this presents to the quality of financial reporting and auditing may involve enhanced liaison between accounting and auditing standard setters, and greater transparency about how auditors tackle new and emerging issues about total quality management.

The study also revealed that majority of the respondents (74.5% SACCOM and 75.2% ISACCOA) strongly agreed with the view that annual reporting of audit findings has not been a common practice in SACCOs. On the same breath, 19.5% of the SACCO Managers as did 13.1% of the sampled Internal SACCO Auditors agreed. However, 1.5% of SACCO Managers and 2.4% of the Internal SACCO Auditors were undecided, 3.2% of SACCO Managers and 6.1% of the Internal SACCO Auditors disagreed whereas 1.3% of the sampled SACCO Managers as did 3.2% of the Internal SACCO Auditors strongly disagreed. These findings affirm the fact that audit reporting is an important practice in auditing process undertaken to provide information that is useful to management and stakeholders for resource allocation decisions. In other words, for financial information to be useful, it should be timely and free from material errors, omissions, and fraud.

4.7 Financial Performance of SACCOs

As per research objective three, the researcher intended to establish the financial performance of SACCOs. Data was collected from SACCO Managers and Internal SACCO Auditors and the results are shown in Table 13;

Table 13: SACCO Managers' and Internal SACCO Auditors' Views on financial Performance of SACCOs

Test Items	RESP	Ratings				
		SA %	A %	U %	D %	SD %
SACCOs have not registered	SACCOM	59.5	15.5	4.5	11.5	9.0
impressive operational surplus due to internal auditing	ISACCOA	66.3	9.7	3.9	12.3	7.8
Interests SACCOs have obtained from savings have not improved after adopting internal auditing	SACCOM	56.5	23.5	2.5	9.5	8.0
	ISACCOA	63.9	11.5	1.3	13.7	9.6
SACCOs have not registered	SACCOM	51.5	8.5	7.0	22.5	10.5
improved interests on loans due to internal auditing	ISACCOA	58.3	7.6	4.4	21.8	7.9
Asset values of SACCOs have not improved with internal auditing	SACCOM	68.5	15.5	3.5	8.5	4.0
	ISACCOA	72.6	10.5	2.4	7.9	6.6

Key: RESP-Respondents; SACCOM-SACCO Managers; ISACCOA-Internal SACCO Auditors

The data on Table 13 reveals that a fair majority (59.5% SACCOM; 66.3% ISACCOA) of the sampled SACCO Managers and Internal SACCO Auditors strongly agreed with the view that SACCOs have not registered impressive operational surplus due to internal auditing. 15.5% of the sampled SACCO Managers agreed as did 9.7% of the sampled Internal SACCO Auditors. However, only a paltry 4.5% of the sampled SACCO Managers as well as 3.9% of Internal SACCO Auditors were undecided, 11.5% of SACCO Managers as did 12.3% of the Internal SACCO Auditors disagreed whereas 9.0% of SACCO Managers and 7.8% of the Internal SACCO Auditors strongly disagreed. These findings do not support the viewpoints held by Burk (2007) that auditing has a significant role in the financial performance of SACCOS. These findings attest to the fact that internal auditing practices in SACCOS

guarantee prudent use of financial resources, accountability and efficiency. The study revealed that a fair majority of the respondents (56.5% SACCOM and 63.9% ISACCOA) strongly agreed with the view that interests SACCOs have obtained from savings have not improved after adopting internal auditing. 23.5% of the SACCO Managers as did 11.5% of the sampled Internal SACCO Auditors agreed. However, 2.5% of SACCO Managers and 1.3% of the Internal SACCO Auditors were undecided, 9.5% of SACCO Managers and 13.7% of the Internal SACCO Auditors disagreed whereas 8.0% of the sampled Internal SACCO Auditors as did 9.6% of the Internal SACCO Auditors strongly disagreed.

These findings discount the findings of a study conducted in Nigeria in which Humphrey (2007) indicated that SACCO finances must be properly managed to get the profound results needed and that auditing is relevant for effective financial performance of any SACCO which leads to the success and growth of the SACCO. This points to the fact that auditing is an effective tool for accountability for efficient and effective SACCO administration which effects prudent management of SACCO funds. The study also revealed that slightly more than half of the respondents (51.5% SACCOM and 58.3% ISACCOA) strongly agreed with the view that SACCOs have not registered improved interests on loans due to internal auditing. On the same breath, 8.5% of the SACCO Managers as did 7.6% of the sampled Internal SACCO Auditors agreed.

However, 7.0% of SACCO Managers and 4.4% of the Internal SACCO Auditors were undecided, 22.5% of SACCO Managers and 21.8% of the Internal SACCO Auditors disagreed whereas 10.5% of the sampled SACCO Managers as did 7.9% of the Internal SACCO Auditors strongly disagreed. These findings are consistent with the findings of a study conducted in Kiambu Sub-county in which Kimani (2006) revealed that financial performance of most SACCOs has been on a downward trend with 2.5% of SACCOs having collapsed due to fraud, financial misappropriation and pilferage. These findings further

affirms the assertions of Kimani (2006) that poor financial performance amongst SACCOs in Kiambu Sub-county to lack of effective internal auditing practices. In the same vein, majority of the sampled respondents (68.5% SACCOM and 72.6% ISACCOA) strongly agreed with the view that asset values of SACCOs have not improved with internal auditing. A small proportion of 15.5% of the sampled SACCO Managers and 10.5% of the sampled Internal SACCO Auditors agreed. On the same breath, 3.5% of the sampled SACCO Managers and 2.4% of Internal SACCO Auditors were undecided, 8.5% of SACCO Managers and 7.9% of the Internal SACCO Auditors disagreed whereas 4.0% of the sampled SACCO Managers as did 6.6% of the Internal SACCO Auditors strongly disagreed. These findings do not lend credence to the findings of a survey conducted in Malaysia in which Fausto (2010) asserted that auditors are best placed to understand and appreciate the business processes of any company and help run SACCOs more efficiently and effectively to increase shareholders' value. Hence, these findings attest to the fact that internal auditing practices which act as potentially powerful tools for meeting the management objectives of enhancing total financial performance of SACCOs.

4.8 Relationship Between Audit Practices and Financial Performance of SACCOs

To generate a linear regression model showing the relationship between internal auditing practices and financial performance of SACCOs, data was collected on number of times audit planning is carried out, number of audit committee members, frequency of stakeholders' involvement and number of annual reports as shown in Table 14:

Table 14: Results of Indicators of Financial Performance and Internal Auditing Practices

Financial Performance				Internal Audit Practices			
AV	OS	IL	IS	AP	NA	FSI	NAR
500,000	200,000	45,000	32,000	1	3	2	3
800,000	400,000	55,000	29,000	2	5	5	4
1000000	470,000	50,000	39,000	3	6	9	6
1,500,000	670,000	50,000	44,000	4	10	11	9

Key: AV-Asset Value; OS-Operational Surplus; IL-Interest on Loans; IS-Interests on Savings; AP-Audit Planning; NA-Number of Auditors; FSI-Frequency of Stakeholders' Involvement; NAR-Number of Audit Reports

From Table 14, financial performance was measured in terms of asset values (AV), operational costs (OC), interests on loans (IL) and interests on savings (IS). The data indicates that financial performance mostly depend on the audit planning, number of trained auditors a SACCO has and number of audit stakeholders involved. It does not depend on the number of reports which are provided. This is evidenced by the fact that interests on loans and savings are almost the same despite the higher number of audit reports. These findings thus affirm the fact that the kinds of internal auditing practices are potentially powerful tools for meeting the management objectives of enhancing total financial performance of SACCOs. On average, financial performance of any SACCO is directly related to the internal audit planning

Table 15: Results of Average Financial Performance and Internal Auditing Practices

Average Financial Performance	Internal Audit Practices in SACCOs			
	AP	NA	FSI	NAR
259,000	1	3	2	3
428,000	2	5	5	4
519,667	3	6	9	6
754,667	4	10	11	9

The results on Table 15 indicate that average financial performance of SACCOs are determined largely by the internal auditing practices. These results were subjected to Multiple Linear Regression which results are indicated in Table 16:

Table 16: Model Summary^c

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Change Statistics					Durbin-Watson
					R Square Change	F Change	df1	df2	Sig. Change	
1	.999 ^a	.998	.995	14777.667	.998	292.873	2	1	.041	
2	1.000 ^b	1.000	.000	.000	.002	.000	1	0	.000	1.800

a. Predictors: (Constant), AP, NA, FSI, NAR

c. Dependent Variable: FP

From Table 16, the first column highlighted, "**R Square Change**", shows the increase in variation explained by the addition of the interaction term, that is, the change in R^2 . The change in R^2 is reported as 0.002, that is, 0.2%, which is the percentage increase in financial performance of SACCOs. These results are statistically significant given that p-value, $0.000 < 0.05$. This means that financial performance of most SACCOs is directly related to internal auditing practices adopted by the SACCOs. At the same time, Multiple Linear Regression Model was generated as shown in Table 17:

Table 17: Linear Multiple Regression Model

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.	95.0% Confidence Interval for B		Collinearity Statistics	
	B	Std. Error	Beta			Lower Bound	Upper Bound	Tolerance	VIF
1 (Constant)	74240.611	18918.235		3.924	.159	-166138.359	314619.581		
AP	63592.889	25117.204	.397	2.532	.239	-255551.442	382737.220	.069	14.444
NA	42851.778	11014.622	.610	3.890	.160	-97102.270	182805.825	.069	14.444
2 (Constant)	79166.500	.000		.	.	79166.500	79166.500		
AP	80833.500	.000	.505	.	.	80833.500	80833.500	.047	21.250
NA	55166.500	.000	.786	.	.	55166.500	55166.500	.031	32.500
FSI	43778.500	0.000	.349	.	.	43778.500	43778.500	.029	34.483
NAR	-22166.500	.000	-.284	.	.	-22166.500	-22166.500	.021	47.250

a. Dependent Variable: FP

From Table 17, the linear multiple regression equation can be generated as;

$$\text{Financial Performance} = 79,166.500 + 80,833.500(\text{AP}) + 55,166.500(\text{NA}) + 43,778.500 - 22,166.500(\text{NAR}) + 14,777.667$$

These results further affirm the fact that number of reports do not determine the financial performance of SACCOs. These findings corroborate the findings of a longitudinal study conducted in Australia in which Ghalib (2009) revealed that an effective financial performance system in any SACCO would include internal reviews and audit practices on a continuous basis to ensure financial prudence, accountability, efficiency and prevent fraud. Such audit practices include; involving setting up audit committees, training of internal auditors, planning audit process and reportage. These practices are important in holding SACCOS accountable for the use of funds.

4.8.1 Test for Multicollinearity

From Table 17, Vector Inflation Factors are >1 . This means that the independent variables, that is, internal audit planning, setting up of internal audit committees, stakeholders' involvement and audit reporting practices are not correlated.

CHAPTER FIVE

SUMMARY, CONCLUSIONS AND RECOMMENDATIONS

5.0 Introduction

This chapter presents a summary of the main research findings, conclusions, recommendations and suggestions for further research as discussed under the research objectives.

5.1 Summary of Research Findings

This section provides a summary of the findings of the research objectives which included; examining the influence of internal audit planning, setting up audit committees, stakeholders' involvement in auditing and audit reporting practices on financial performance of SACCOs.

5.1.1 Internal Audit Planning Practices and Financial Performance of SACCOs

The study established that audit planning practices such as identification of audit risks, allocation of time for auditing, and notification of clients for auditing influence financial performance in SACCOs. It is evident that identification of audit risks guarantees prudent use of resources, accountability and efficiency. This points to the fact that practice of audit planning is a fundamental basis in the exercise of audit process as the auditor should develop plans and strategies to avoid potential problems, where the plan includes an upgraded help in identifying problems in advance, regardless of their size and complexity, which increase the interest to solve these problems and ensure a neutral and clean opinion about the fairness and credibility of the SACCOs' financial statements when being audited.

These findings thus affirm the fact that audit planning is a vital area of the audit primarily conducted at the beginning of audit process to ensure that appropriate attention is devoted to important areas, potential problems are promptly identified, work is completed expeditiously and work is properly coordinated.

It is also evident that the allocation of time for auditing guarantees prudent use of resources, accountability and efficiency. This is indicative of the fact that audit planning means developing a general strategy and a detailed approach for the expected nature, timing and extent of the audit. The auditor plans to perform the audit in an efficient and timely manner. Further, audit planning and strategy are the most important elements of applying total quality management, where achieving the desired goals need to a futuristic vision and specific objectives for a long-term strategy which SACCOs are seeking to achieve and also the participation of an audit team to achieve a strategic plans in order to be unified and coordinated, which allow the planning process to audit and to provide outputs of high quality audit. Besides, the planning phase is when auditors meet with SACCO management to determine which accounting processes would be audited and what the depth and breadth of the audit should be.

After planning, then follows the fieldwork phase where the bulk of work is completed by auditors. It may include walking around the SACCO and observing the accounting functions, interviewing employees who handle critical accounting information, and testing the SACCO's audit sample against standard accounting principles or company guidelines. The testing phase determines if any irregularities exist in the company's accounting information. These findings attest to the fact that audit planning facilitates the overall SACCO organization and the most hectic job for rectifying the accounts will now be done in lesser time. It helps to notate major risk in audits inside the SACCO and the protocols in the SACCO's internal financial events, another job for the auditors are to control and get the overall testing done before and after the year's end.

5.1.2 Setting up Audit Committees and Financial Performance in SACCOs

The study established that setting up the number of audit committee members guarantees prudent use of resources, accountability and efficiency. These findings indicate that having a clearly written charter helps the audit committee and others to understand its role and responsibilities, and is an essential starting point. In other words, having clear membership and selection criteria is a key element of effectiveness, as the audit committee will only be as good as its members. In other words, setting responsibilities of the audit committee guarantees prudent use of resources, accountability and efficiency. This implies that the chairperson has specific responsibilities in relation to setting agendas and ensuring the effective operation of the audit committee. This is done by ensuring that agenda papers provide concise and clear direction to assist the members' deliberations, and by managing the members' interactions. These findings thus, attest to the fact that audit committee is a committee which oversee the financial reporting process.

In the same vein, qualifications of the audit committee members enhances prudent use of resources, accountability and efficiency. This affirms that committees of three to five individuals are generally most appropriate to achieve total quality management and for effective management of SACCO resources, audit committee members should possess a wide range of knowledge, skills and personal attributes including sound judgment, integrity and high ethical standards; strong interpersonal skills and the ability and willingness to challenge and probe. Specifically, audit committee members must have expertise, or access to expertise, that goes beyond mere familiarity with financial statements. They must be able to understand the rules, and, more importantly, the principles that underpin the preparation of financial statements. That is, they must be prepared to invest the time necessary to understand why critical accounting policies are chosen, how they are applied and satisfy themselves that the end result fairly reflects their understanding.

These assertions affirm the fact that, in determining the composition of the audit committee, it is important to balance formal qualifications with consideration of personal qualities and relevant experience. Besides, setting remuneration of the audit committee guarantees prudent use of resources, accountability and efficiency. This indicates that the role of the audit committee is for the board to decide, and it should tailor its terms of reference to the SACCOs' specific needs and clearly outline the committee's duties and responsibilities, including structure, process and membership requirements. This is indicative of the fact that, considering the financial expenditures and the intense public scrutiny placed on SACCO boards, the SACCO managers must act to establish effective and transparent audit committees.

5.1.3 Stakeholders' Involvement in Auditing and Financial Performance in SACCOs

The study also established that stakeholders' involvement in auditing influence financial performance in SACCOs. That is, identification of right stakeholders, training on auditing, stakeholders' attitudes towards auditing and stakeholders' auditing experience during auditing guarantees prudent use of resources. This points to the fact that, in relation to the audit, audit firms, standard setters, regulators and audited entities are all organizations that have stakeholders and they need to find ways of managing them. Regulators and standard setters keenly aware of the need to consider their stakeholders.

SACCO management need to consider how they might deal with concerns from stakeholders and how they can build relations with stakeholders and address and balance their expectations from the education systems. In other words, stakeholders have expectations about what types of audited information organizations should provide and about the assurance aspects of audited information. In some instances the stakeholder has the same level of organization, knowledge and involvement as the SACCO, but in other situations the stakeholder has less knowledge of and involvement than the SACCO itself. SACCOs need to approach

stakeholders in proper proportion since some stakeholders need help with acquiring knowledge and organizing their involvement as an accountee. These findings affirm the fact that internal audit stakeholders with a clear interest in the success of the SACCO. In other words, all other organizations, groups, or persons in the SACCO's environment with some level of interest in the SACCO are horizontal stakeholders. Involving stakeholders in auditing as a practice is critical in enhancing quality control in management and talking to and working with stakeholders is fundamental to auditing of SACCO accounts. That is, stakeholder experience and feedback on individual engagements and at the overall service level are important components to continuously assessing the effectiveness of the service and how well it is providing value to the SACCO organization. That is, it provides useful evidence for subsequent internal and external quality assurance reviews. These findings affirm the fact that engaging stakeholders in decision-making processes according to the stakeholder-inclusive approach to auditing and governance has become important strategy in enhancing financial performance of SACCO resources.

5.1.4 Audit Reporting Practices and Financial performance of SACCOs

The study established that audit reporting practices rarely influence financial performance in SACCOs. It is also evident that adopting continuous, quarterly and annual reporting of audit findings minimally guarantees prudent use of resources, accountability and efficiency. This affirms the fact that audit reporting requirements varies from audit to audit. Minimizing the period of adaptation and the risk that this presents to the quality of financial reporting and auditing may involve enhanced liaison between accounting and auditing standard setters, and greater transparency about how auditors tackle new and emerging issues about total quality management. Thus, these findings affirm the fact that audit reporting is an important practice in auditing process undertaken to provide information that is useful to management and

stakeholders for resource allocation decisions. In other words, for financial information to be useful, it should be timely and free from material errors, omissions and fraud.

5.2 Conclusions

Drawing from the above findings, it is evident that audit planning practices such as identification of audit risks, allocation of time for auditing, and notification of clients for auditing influence financial performance of SACCOs.

5.2.1 Audit Planning Practices and Financial Performance of SACCOs

Audit planning practices guarantee prudent use of resources, accountability and efficiency. This points to the fact that practice of audit planning is a fundamental basis in the exercise of audit process as the auditor should develop plans and strategies to avoid potential problems, where the plan includes an upgraded help in identifying problems in advance, regardless of their size and complexity, which increase the interest to solve these problems and ensure a neutral and clean opinion about the fairness and credibility of the SACCOs' financial statements when being audited.

5.2.2 Setting up Audit Committees and Financial Performance of SACCOs

Setting up the number of audit committee members guarantees prudent use of resources, accountability and efficiency. These findings indicate that having a clearly written charter helps the audit committee and others to understand its role and responsibilities, and is an essential starting point. In other words, having clear membership and selection criteria is a key element of effectiveness, as the audit committee will only be as good as its members.

5.2.3 Stakeholders' Involvement in Auditing and Financial Performance of SACCOs

In the same vein, stakeholders' involvement in auditing influence financial performance in SACCOs. That is, identification of right stakeholders, training on auditing, stakeholders'

attitudes towards auditing and stakeholders' auditing experience during auditing guarantees prudent use of resources. This points to the fact that, in relation to the audit, audit firms, standard setters, regulators and audited entities are all organizations that have stakeholders and they need to find ways of managing them.

5.2.4 Internal Audit Reporting Practices and Financial Performance of SACCOs

At the same time, audit reporting practices influence financial performance in SACCOs. It is also evident that adopting continuous, quarterly and annual reporting of audit findings guarantees prudent use of resources, accountability and efficiency. This affirms the fact that audit reporting requirements varies from audit to audit.

5.3 Recommendations

Based on the above findings, the study makes the following recommendations;

- i. The study recommends that SACCOs need to provide mitigation of auditing risks and further mitigation of such risks.
- ii. There should be training programs in SACCOs to ensure that all the SACCO staff are trained on new skills and competence increased in order to perform better. Training should be conducted to all support staff on the importance of auditing on financial performance.
- iii. There is need for SACCO managers to adhere to set targets as officials will be required to provide reasonable and acceptable explanations for any variances.
- iv. There should be independence of auditors to ensure that there is no undue influence of auditors forms a person or an office.
- v. Accounting staff should co-operate with the auditors to enable them carry out their work effectively.

- vi. Expected result should be clear, measurable and quantifiable in order to facilitate easy comparison between the budgets and actual result.

5.3.1 Suggestions for Further Research

- i. A study could be conducted to further assess the influence of different types of audit risks on financial performance in SACCOs.
- ii. A study could be conducted to assess the influence of SACCO managers' audit risk management strategies on financial performance in SACCOs.
- iii. A study could be conducted to further evaluate the influence of stakeholders' training on financial performance in SACCOs.

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APPENDIX I
LETTER OF INTRODUCTION

July, 2016

Dear Sir/Madam,

RE: PERMISSION TO CARRY OUT RESEARCH IN YOUR SACCO

I am a student taking a course in Master of Science in Commerce, Finance and Accounting at KCA University. I am required to submit as part of my research work assessment, a research project on **“Relationship between Internal Auditing Practices and Financial Performance of SACCOS in Kiambu County, Kenya”**. To achieve this, you have been selected to participate in the study. I kindly request the respondents to, fully, participate in the study and the information provided will be used purely for academic purpose and your name will not be mentioned in the report. Findings of the study, shall upon request, be availed to you.

Your assistance and cooperation will be highly appreciated.

Thank you in advance,

Yours faithfully

Mary Nyambura Maina

APPENDIX II

QUESTIONNAIRE FOR SACCO MANAGERS AND INTERNAL AUDITORS

Dear respondent,

The researcher is a student undertaking a degree course in Master of Science in Commerce, Finance and Accounting in KCA University carrying out a research on **Relationship between Internal Auditing Practices and Financial Performance of SACCOS in Kiambu County, Kenya**. The information you provide will be treated with confidentiality.

Section A: General Information

Instruction: Please tick against your most appropriate answer and fill the spaces provided.

1. Gender: Male ☐ Female ☐
2. Highest qualification
- Diploma ☐ Degree ☐ Post-graduate ☐

Section B: Internal Audit Planning Practices

1. Does your SACCO conduct internal audit planning practices?
- Yes ☐ No ☐
2. How often is internal audit planning practiced in your SACCO?
- Very Often ☐ Often ☐ Sometimes ☐ Rarely ☐ Never ☐
3. Rate the extent to which you agree with the following statements on internal audit planning practices in your SACCO

Key: **SA**-Strongly Agree **A**-Agree **U**-Undecided **D**--Disagree **SD**-Strongly Disagree

Test Items	SA	A	U	D	SD
	5	4	3	2	1
My SACCO always identify audit planning risks					
My SACCO often allocates time for internal auditing					
In my SACCO, Internal auditors do notify clients of internal auditing					
My SACCO sets regulations for compliance before embarking on auditing					

Section C: Internal Audit Committees

1. Rate the extent to which you agree with the following statements on internal audit committees

Key: **SA**--Strongly Agree **A**--Agree **U**--Undecided **D**--Disagree **SD**--Strongly Disagree

Test Items	SA	A	U	D	SD
	5	4	3	2	1
My SACCO considers the number of auditors during internal audit committee formation					
In my SACCO, responsibilities of the auditors is often considered					
My SACCO considers qualifications of the internal auditors when setting up internal audit committees					
Remuneration of internal auditors is considered when forming internal audit committees					

Section D: Stakeholders' Involvement in Internal Auditing

1. Rate the extent to which you agree with the following statements on internal audit stakeholders' involvement in internal auditing

Key: **SA**-Strongly Agree **A**-Agree **U**-Undecided **D**--Disagree **SD**--Strongly Disagree

Test Items	SA	A	U	D	SD
	5	4	3	2	1
My SACCO always identifies right internal audit stakeholders during internal auditing					
My SACCO often train internal audit stakeholders when conducting internal auditing					
Attitudes of internal audit stakeholders is considered during internal auditing					
Stakeholders' auditing experience is always considered during internal auditing					

Section E: Internal Audit Reporting Practices

1. Rate the extent to which you agree with the following statements on internal audit reporting practices

Key: **SA**-Strongly Agree **A**-Agree **U**-Undecided **D**--Disagree **SD**--Strongly Disagree

Test Items	SA	A	U	D	SD
	5	4	3	2	1
My SACCO often adopts continuous reporting of internal audit findings					
Quarterly reporting of audit findings is often adopted in my SACCO					
Annual reporting of audit findings has been a common practice in my SACCO					

Section F: Financial Performance of SACCOS

1. Rate the extent to which you agree with the following statements on financial performance of your SACCO

Key: **SA**-Strongly Agree **A**-Agree **U**-Undecided **D**--Disagree **SD**--Strongly Disagree

Test Items	SA	A	U	D	SD
	5	4	3	2	1
My SACCO has registered impressive operational surplus due to internal auditing					
Interests my SACCO has obtained from savings has improved after adopting internal auditing					
My SACCO has registered improved interests on loans due to internal auditing					
Asset values of my SACCO has improved with internal auditing					

Thank you

Mary Nyambura Maina

APPENDIX III

List of SACOOs in Kiambu County

- | | | |
|-----------------------|-------------------------|------------------------|
| 1. Mwalimu national | 40. Safaricom | 79. Narok teachers |
| 2. Harambee | 41. Chai | 80. Daima |
| 3. Stima | 42. Murata | 81. Biashara |
| 4. Afya | 43. Kenya highlands | 82. Universal traders |
| 5. Kenya police | 44. Maisha bora | 83. DimkesMosacco |
| 6. United nations | 45. Naku | 84. Muki |
| 7. Ukulima | 46. Kenpipe | 85. Africa Youth |
| 8. Unaitas | 47. Fortune | Trust Sacco |
| 9. Imarisha | 48. Ardhi | 86. Afya Sacco |
| 10. Metropolitan | 49. Ng'arlsha | Society Ltd |
| 11. Kenya bankers | 50. Wanandeg | 87. Asili Co-operative |
| 12. Gusii mwalimu | 51. Shirika sacco | 88. Balozi co- |
| 13. Bandari | 52. Kenversity | operative savings |
| 14. Magereza | 53. Sukari | & credit society |
| 15. Kakamega | 54. Wake nya pamoja | 89. Balozi Sacco |
| teachers | 55. Tai | 90. Biashara |
| 16. Hazina | 56. Wanaanga | Community Sacco |
| 17. Nyeri teachers | 57. Nawiri | 91. Biblia Sacco |
| 18. Boresha | 58. Wananchi | 92. Bingwa Sacco |
| 19. Imarika | 59. Jitegemee | 93. Cabrosta Co-op |
| 20. Sheria | 60. Nassefu | savings & Credit |
| 21. Bingwa | 61. Tembo | Society Ltd |
| 22. Mentor | 62. Nation | 94. Central Kenya |
| 23. Nacico | 63. Mwito | Adventist Co-Op |
| 24. Solution | 64. Simba chai | Savings \$ Credit |
| 25. Cosmopolitan | 65. Ukristo na ufan isi | Society |
| 26. Tower | 66. Kenya canners | 95. Chai Sacco |
| 27. Waumini | 67. Elimu | 96. Comoco Sacco |
| 28. Masaku teachers | 68. Transnational | 97. Concode Sacco |
| 29. Muhigia | 69. Ufundi | 98. Cueur Co-op |
| 30. Ndege chai | 70. Reli | Savings & Credit |
| 31. Mombasa port | 71. Comoco | Society Ltd |
| 32. Winas | 72. Mwendiwega | 99. Dhamini Co-op |
| 33. Jamii | 73. Fundilima | Savings & Credit |
| 34. Chuna | 74. Transcom | Society Ltd |
| 35. Capital | 75. Githunguri dairy | 100. East African |
| 36. Teleposta | 76. Busia teso | Sacco |
| 37. Asili cooperative | teachers | 101. Elimu Sacco |
| 38. Taifa | 77. Kingdom | |
| 39. Yetu | 78. Orient | |

102. Elyonabi Home
& Office
Furniture
103. Freka Rental
Sacco
104. French Cultural
& Co-operation
Centre

105. Gakurwe Sacco
106. Githunguri
Dairy Farmers
Cooperative
Society
107. Githunguri Dairy
Farmers Sacco
108. Harambee Sacco

109. Hazina Sacco
110. Home Co-
Operative &
Credit Society Ltd
111. Muramati
112. Kamuthi
Farmers

APPENDIX IV



Flisaka Road, Nairobi
P.O. Box 56908-00200 Nairobi Kenya
Phone Line: +254 20 8070408/9

Tel: +254 20 3537842
Fax: +254 20 8561072
Mobile: +254 734 888022, 710 888022
Email: info@kca.ac.ke
Website: www.kca.ac.ke

KCAU/SGS/MSG/Aug.16/35

August 23, 2016

To whom it may concern,

Dear Sir/Madam,

RE: MARY NYAMBURA MAINA REG. NO. 15/00194

It is my distinct pleasure to introduce to you Ms. Mary Maina who is a student in our institution pursuing a Master of Science in Commerce at the School of Business and Public Management.

Mary is conducting research on a topic titled: "*Relationship between Internal Auditing Practices And Financial Performance Of Saccos In Kiambu County, Kenya*" which is part of the requirements of the program she is pursuing. The research as well as the data procured thereof shall be used for academic purposes only.

Any assistance accorded to her is highly appreciated.

In case of further inquiry, do not hesitate to contact the undersigned.

Yours faithfully,

A handwritten signature in blue ink, appearing to read 'R. Muchiri Mwangi'.



Dr. R. Muchiri Mwangi
Dean, School of Graduate Studies & Research

APPENDIX V

TIME SCHEDULE/WORK PLAN

Gant Chart Work Plan for the Study from September, 2015 to September, 2016

Activities	SEPTEMBER, 2015-JUNE, 2016				JULY-SEPTEMBER, 2016			
Theoretical Study and Literature Review								
Proposal Development and Submission								
Proposal Presentation								
Field work and Data Collection								
Data Processing and Analysis, Report Writing and Submission								

APPENDIX VI
RESEARCH BUDGET

ITEM	QUANTITY	COST PER UNIT(KShs.)	TOTAL COST(KShs.)
STATIONERY			
Writing pads	6	50	300
Biros pens	10	20	200
Rulers	3	50	150
Stapler	2	600	1200
Whiteout	3	50	150
Flash disk	1	1000	1,000
Compact Disc	1	1,000	1,000
PUBLICATION			
Proposal typing	62 pages	20	1,240
Proposal printing	6 copies(372 pages)	10 per page	3,840
Proposal binding	6 copies	50	300
Photocopying of questionnaire	14 copies(5*2) questionnaires)	2	140
Airtime cards			2,000
Traveling expenses			40,000
Research assistants	2		20,000
Miscellaneous (5% of overhead)			3,576
TOTAL			75,096

APPENDIX VII
THE MAP OF KIAMBU COUNTY



Source: Google Maps (2016)