

Effect of Internal Audit Timeliness on Financial Performance of Deposit Taking Savings and Credit Cooperatives in Western Kenya

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ABSTRACT

Savings and Credit Cooperatives (SACCOs) in Kenya and all over the world play a key part in development of the nations. They have tremendously contributed to the economic growth of third world countries in the world. The objective of the study was to determine the influence internal audit timeliness on financial performance of Saccos in Western Kenya. The main theory was signalling theory. The study was guided by descriptive survey research design. The study targeted 129 internal auditors, accountants, finance officers and chief executive officers in all the 15 Deposit Taking SACCOS. Stratified random and simple sampling techniques were used to select 97 respondents from a target of 129. The study used primary data obtained through self-administered structured questionnaire. Data was analysed using both descriptive and inferential statistics, thus for descriptive mean, standard deviation, frequency and percentages were used. For inferential, correlation analysis and regression was used. Data was analysed using the SPSS 26 software. The results indicated that one-unit increase in internal audit timeliness would results to significant increase in financial performance by 0.339 units ($P=0.000$). Internal audit timeliness has significant positive effect on financial performance of deposit taking Saccos. The study concludes that the internal audit team's timely follow-up on audit issues showcases a proactive approach to financial risks. Timely resolution of audit issues reflects accountability and drives continuous improvement. The study recommended that top management should provide sufficient financial and human resources for internal audit activities especially through continuous professional development of the internal audit staff.

Key words: Deposit Taking SACCOs, Financial Performance, Internal Audit Practices, Internal Audit Timeliness

I. INTRODUCTION

The Institute for Internal Auditors (2022) describes the internal auditing to be an autonomous and objective oriented exercise which is intended to detect errors and increased the confidence that can be bestowed on the company information by the insiders and outsiders and in the process enhancing firm's performance. The practice received increasing demand from firms all over the world because of the need to institute an independent verification while trying to minimize errors in book keeping, reduce misappropriation of company assets and business frauds (Lenz & Jeppesen, 2022). Several large firms across the globe have appreciated that, it is not possible to run business without being audited which has now been made as the central part of every organization.

Internal Audit Timeliness refers to the promptness with which internal audit processes are completed and reports are submitted. According to DeFond and Zhang (2014), timeliness in auditing is crucial as it ensures that the audit findings are relevant and actionable. Internal audit timeliness is particularly important because delays in audit reporting can lead to outdated recommendations, missed opportunities for corrective actions, and a reduction in the effectiveness of management decisions. Timely audits allow for the quick identification and resolution of internal control issues, fraud, and non-compliance, which can prevent financial and operational inefficiencies. Studies suggest that timely audits contribute to more accurate and transparent financial reporting, thus improving decision-making processes (Asare, 2021). Internal audit timeliness significantly affects financial performance by ensuring that issues are addressed before they escalate into costly problems. A timely internal audit helps companies detect operational inefficiencies, mitigate risks, and ensure compliance with regulatory standards, all of which contribute to improved financial performance (Alzeban & Gwilliam, 2014). When audits are conducted and reported promptly, management can take immediate corrective action, thus reducing the likelihood of financial losses or penalties. On the other hand, delayed audits can lead to undetected fraud, inaccurate financial reporting, and poor resource allocation, negatively affecting a company's profitability and financial health (Chen & Chen, 2024). Therefore, maintaining internal audit timeliness is key to safeguarding an organization's financial stability and long-term success.

Different contextual reports indicate the effect of internal audit timeliness on organizational performance. For instance, a case of the Jordanian Banks by Ahmad and Haniffa (2021) indicates that there is a significant impact of internal audit timeliness on the organizational performance in all banks. Lack of proper audit controls resulted in investors losing \$180 billion in the World Com Scam of 2002, \$150 million in the Tyco Scandal of 2002, \$1.4 billion in the Heath South Scandal of 2003 (the largest publicly traded firm), and \$3.9 billion in the America International Group (AIG) scandal of 2005 in the United States (Kabue, 2020). In Nigeria, efforts are being made progressively to enhance financial practices for auditing profession in the government sector, as well as a shift away from the chronological feature of the internal audit timeliness unit, which has been limited to capital administration due to numerous occurrences of breaches that have resulted in the demise of public entities. As a result, the government has placed a high value on oversight adherence, clarity in budgetary control, and responsibility to ensure efficiency in internal audit timeliness in the public sector (Adekola & Adewale, 2018). However, due to various incidences of accounting irregularities that resulted in the defunct of government institutions, dimensions have been improved significantly toward the enhancement of auditing requirements for internal audit timeliness in the public sector and the transition away from the traditional feature of the internal audit timeliness department that is constrained to asset management (Adekola & Adewale, 2018).

In Kenya, internal audit timeliness has been found to contribute to financial success. Internal audit control is effective in carrying out its obligations, thanks to skilled people who guarantee that control violations are notified on time and that remedial action is done to minimize waste and waste in the business (Mutulu, 2021). According to Kabue (2020) stated that internal audit timeliness has significantly excelled in the execution of government administrative tasks hence reducing the number of financial scandals recorded in various public institutions corporations such as the Sh13 billion loss in graft deals in key state departments such as the National Youth Service, Kenya Pipeline Company, the Anglo-Leasing corruption scandal and the recent KEMSA corruption scandal in the health care (Musungu, 2022).

1.1 Statement of the Problem

Savings and Credit Cooperatives (SACCOs) in Kenya and all over the world play a key part in development of the nations. They have tremendously contributed to the economic growth of third world countries in the world. Odhiambo (2022) established that SACCOs have led to an enhanced growth of the economy through funding enterprises that their members for them to engage in various businesses which in turn will create employment, generate revenue to the government through taxation and contributing to the country's exports. In Kenya for example, SACCOs contributes 31% to the country's gross domestic product which is the leading in Africa. In spite of the potentiality of SACCOs to contribute to the nation's growth, many SACCOs have not been able to discharge the financial services to its members as anticipated because of poor performance (Kiplagat, 2020). Despite of the SACCOs being the key pillars of economic growth in Kenya, in the past decades SACCOs have been struggling financially and some collapsing with members deposits due to poor governance, fraud and corruption, regulatory compliance issues, asset quality, financial mismanagement, limited financial literacy and inadequate risk management compliance (Gichinga et al., 2024) Moreover, a number of SACCOs in Kenya have reported many cases of failures as a result of reasons not yet uncovered. Financial performance as measured by return on asset has shown mixed outcome between 2017 and 2021. The return on asset of tier one deposit taking Saccos in Nairobi decreased from 2.02% in 2017 to 1.94% in 2018 thereafter it increased to 2.53% in 2019, and reduced to 2.04% in 2020 before increasing to 2.29% in 2021 (Gichinga et al., 2024).

Scanty systematically documented information exists that attributes internal audit practice and financial performance of SACCOS financially in Kenya. Ugwu et al, (2020) finds that audit timeliness had no significant effect on return on assets, earnings per share and net profit margin of Nigerian banks. These studies contradicted other researches which have established significant positive effect on financial performance (Rafiki & Sarea, 2020; Sishumba et al., 2022). Studies have also identified gaps in their researches and suggested for further studies. Mutulu (2021) examined the effect of internal audit on organizational performance of the State Corporations in Kenya. Therefore; the study recommends that further research can be extrapolated to other firms like social enterprises, commercial banks, deposit taking Saccos and other financial institutions. Nyikuli (2022) examined internal audit practices focusing on independence and competence and compliance to standards. However, the study recommended other studies to include other variables which this study sought to fill. Owing to this backdrop, therefore, the research strived to fill this literature deficiency and conduct the study on the internal audit practices on financial performance of deposit taking savings and credit societies in Western Kenya as a way of addressing the existing problem of poor performances of Saccos.

1.2 Research Objective

To determine the effect of internal audit timeliness on financial performance of deposit taking saccos in western Kenya

1.3 Research Hypothesis

H₀: Internal audit timeliness has no significant influence on financial performance of deposit taking sacco in western Kenya.

II. LITERATURE REVIEW

2.1 Theoretical Review

2.1.1 Signaling Theory

Signaling theory, initially proposed by Michael Spence in 1973, examines how individuals or organizations convey information to others in situations characterized by information asymmetry. The theory suggests that actors with private information may send signals to external parties to credibly communicate their attributes or intentions. These signals serve to reduce uncertainty and mitigate the adverse effects of asymmetric information. According to signaling theory, signals are credible when they are costly to produce or difficult to fake. The theory assumes that individuals or organizations act rationally to maximize their utility or outcomes. In signaling situations, senders of signals seek to convey information that enhances their reputation or credibility. Receivers of signals, meanwhile, interpret signals based on their perceived reliability and relevance. Additionally, signaling theory assumes that information asymmetry exists between senders and receivers, creating the need for signaling mechanisms to reduce uncertainty (Arrow, 1973).

However, signaling theory has been subject to critique. Critics argue that signaling can lead to information distortion or manipulation, as actors may strategically send misleading signals to deceive others. Additionally, signaling theory may overlook the role of trust and social norms in facilitating information exchange. Some researchers also question the practicality of signaling costly attributes, especially in contexts where actors may lack the resources or incentives to signal effectively (Milgrom & Roberts, 1986). This theory suggests that firms communicate information to external stakeholders through their actions. Timely internal audits signal a commitment to strong governance and financial transparency. This can increase investor confidence and potentially lead to better access to capital at favorable rates, improving financial performance. Timely audits demonstrate a proactive approach to risk management and financial health. This can enhance member trust and potentially attract more deposits, positively impacting financial performance.

2.2 Empirical Review

Arianpoor (2019) assessed the impact of audit timeliness on the financial performance of listed firms on the Tehran Stock Exchange. 126 firms were assessed for this study during 2013-2017. Results show that audit report lag has a negative and significant relationship with Return on assets (ROA) and Return on Equity (ROE) and a decrease in the number of days spent by independent auditors for signing annual reports would probably lead to the enhancement of firm performance. The study focuses on listed firms, neglecting the unique characteristics and challenges faced by SACCOs operating in the financial services sector. Ugwu et al. (2020) sought to determine the effect of audit firm characteristics on financial performance of money deposit banks in Nigeria. The study adopted the ex post facto and correlational research design. The study population comprised all money deposit banks in existence as at 2015 financial year end. The study finds that audit report lag had no significant effect on return on assets, earnings per share and net profit margin of Nigerian banks. The study focuses on money deposit banks in Nigeria, which may not directly represent SACCOs in Western Kenya due to differences in organizational structures, regulatory environments, and operational challenges.

Sabella and Mutmainah (2022) examined the effect of audit characteristics on the financial reporting timeliness in the Nigerian listed non-financial institution. The study selected 450 firm-year observations from 2011 to 2020 using a purposive sampling technique. The result reveals that audit price and audit firm size positively affect financial reporting timeliness, while audit tenure is negative but insignificantly related to financial reporting timeliness. The study focuses on local government financial reports in Indonesia, which may not directly represent SACCOs in Western Kenya due to differences in organizational structures, regulatory environments, and operational challenges. The study used audit timeliness as a dependent variable. Saputra and Fadjarenie (2022) conducted a study to determine the impact of internal audit on audit delay in mining entities listed on the Indonesia Stock Exchange between 2017 and 2019. Purposive sampling is used in the sampling procedure. The findings demonstrate that internal audit, as measured by audit committee size, has a significant impact on audit delay. The study focuses on audit delay in Nigeria, which may not directly represent SACCOs in Western Kenya due to differences in organizational structures, regulatory environments, and operational challenges. The study used audit timeliness as a dependent variable.

Poli et al. (2023) aimed to measure the effect of audit delay on the financial statements of the Indonesian manufacturing industry. The population of this study are all manufacturing industries listed on the Indonesia Stock Exchange. The results of this study indicate that solvency and good corporate governance affect the audit delay of

financial statements. However, profitability and company size have no effect on audit delay financial statements. The study focuses on mining entities listed on the Indonesia Stock Exchange, which may not directly represent SACCOs in Western Kenya due to differences in organizational structures, regulatory environments, and operational challenges. The study used audit timeliness as a dependent variable. Mbuti (2014) sought to determine the effect of internal audit reporting on financial performance of SACCOs. The researcher employed descriptive survey design. The target population of this study was all the SACCOs in Murang’a County which are estimated to be 400. Stratified sampling was utilized to select a sample of 120 SACCOs. A questionnaire was used to collect data. The study findings reveal that internal audit report completeness and timeliness of internal audit reporting all had significant effect on financial performance of SACCOs. However, internal audit reporting channels did not have a significant influence on financial performance of SACCOs. The study focuses on SACCOs in Murang’a County, Kenya, which may not fully represent SACCOs in Western Kenya as a whole. While the research examines the influence of internal audit reporting completeness and timeliness on SACCOs' financial performance, it lacks a detailed conceptual discussion on the specific concept of internal audit timeliness and its distinct impact on financial performance within the SACCO context.

Ogunmodede et al. (2023) investigated the moderating effect of abnormal audit fees on the relationship between audit delay and the quality of financial reporting in firms. Purposive sampling method was used to select the seven (7) firms that made up the sample participants. Secondary data were obtained from the annual financial reports. The findings revealed that the audit report time lag has no significant effect on the accruals quality of listed industrial goods in Nigeria. Although the study provides empirical evidence on audit delay and financial reporting quality in listed industrial goods firms, it does not explicitly focus on internal audit timeliness as a primary factor influencing financial performance. Sabella and Mutmainah (2022) discussed the influence of timeliness, and audit opinions on local government financial reports (LKPD). This research is quantitative research with secondary data. The results of the moderation test produce that timeliness is able to moderate the influence of government accounting standards and internal control systems on audit opinions. However, timeliness is not able to moderate the influence of follow-up recommendations on audit opinions. Although the study provides empirical evidence on audit delay and financial reporting quality in listed industrial goods firms, it does not explicitly focus on internal audit timeliness as a primary factor influencing financial performance.

2.3 Conceptual Framework

A conceptual framework helps the reader to quickly see the proposed relationships between the variables in the study and show the same graphically. In this study, internal audit timeliness was the independent variable while financial performance was the dependent as shown Figure 1.

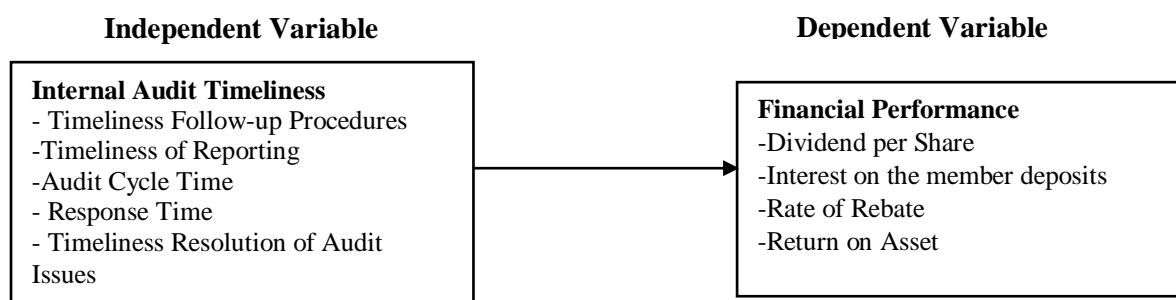


Figure 1
Conceptual Framework

III. METHODOLOGY

3.1 Research Design

This study employed descriptive survey research design. This was ideal in expressing the association between internal audit timeliness and financial Performance. Descriptive survey design deemed to be appropriate since it enables the researcher to conduct study on the phenomena that manipulation of variables is not allowed due to the fact that this study involves human subjects and information required cannot be manipulated and hence gives the actual situation on the ground (Kombo & Tromp, 2006).

3.2 Study location

The research was carried out within the Western Region of Kenya, spanning Kakamega, Vihiga, Busia, and Bungoma counties.

3.3 Target Population

This area hosts a total of 15 registered Deposit-taking Savings and Credit Cooperative Organizations (SACCOs). The research centered on 15 deposit-taking SACCOs in Kenya, as indicated by SASRA (2023). It aimed to involve 129 individuals, including internal auditors, accountants, finance officers, and chief executive officers from all 15 SACCOs.

3.4 Sample Size and Sampling Technique

The Krejcie and Morgan formula along stratified random and simple sampling technique was applied. This formula is a statistical method commonly utilized in research to determine the optimal sample size required to accurately represent a given population. It considers factors such as the desired level of confidence and the margin of error (Krejcie & Morgan, 1970).

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

Where

S is the desired sample size

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

N is the population size

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

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

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

3.5 Data Collection Instrument

The use of structured questionnaires allowed for the collection of the necessary data. Pilot study was conducted in Kisumu County. The study used 10 participants for pilot study 3 Saccos. The two types of validity of the research instrument that were examined in this study were construct validity and content validity. Employing professors and lecturers from Masinde Muliro University of Science and Technology's Department of Business and Economics allowed for the application of educated, informed opinion to the material presented. In this study, constructed validity indicated that all factor loadings were above 0.4. In order to quantify the degree of reliability, the study employed the Cronbach Alpha method. The seven statement of internal audit timeliness yielded an alpha of 0.956 while financial performance yielded an alpha of 0.965 all above 0.7

The data was analyzed using statistical methods that were both descriptive and inferential to reach findings and inferences. Descriptive statistics included frequency distributions, percentage breakdowns, means, and variances. The inferential analysis consisted of a combination of regression and correlation. When processing the collected data, SPSS 26 was utilized. Tables of frequencies and percentages were provided to illustrate the data.

IV. FINDINGS & DISCUSSION

4.1 Response Rate

Out of 97 sampled the study attained 82 respondents turned out giving a response rate of 84.5%. This is provided as a good response rate Mugenda and Mugenda (2013).

4.2 Demographic Characteristics

The study sought for background information of the respondents as gender, age, level of academic qualifications attained, and the period in their current organization. The data obtained was analysed and presented in Table 1.

Table 1
Gender of Respondents

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

Table 1 reveals that 72.5% of the respondents are male, while 27.5% are female. This indicates a higher representation of men in the study sample. The majority of respondents being male suggests that men might be more involved in roles related to internal audit and financial management within the SACCOs studied. This could influence the perspectives and insights shared about internal audit practices and financial performance.

Table 2
Age of the Respondents

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

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

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

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

Table 3
Education of Respondents

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

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

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

and master's degree holders. This background is likely to impact the depth of analysis and insights provided in the study, reflecting a mix of foundational

4.3 Descriptive Analysis

The respondents were asked to indicate the level of agreement from strongly disagree (1) to strongly agree (5) in relation to seven statements related internal audit timeliness. The results are as shown in Table 4

Table 4

Internal Audit Timeliness

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

The internal audit team's timely follow-up on audit issues demonstrates a proactive approach towards addressing potential financial risks and opportunities," received a mean score of 4.01. The standard deviation of 1.01 suggests moderate variability in opinions. The results suggest that most respondents believe timely follow-up on audit issues is vital for proactively managing financial risks and opportunities. The high mean score indicates that respondents feel internal audit teams are generally effective in maintaining this timeliness, reflecting positively on the organization's commitment to proactive risk management. "Implementing efficient follow-up procedures for audit observations helps management address identified weaknesses before they escalate into significant financial problems," garnered a mean score of 3.82. The standard deviation of 1.20 reflects a fair degree of variability in responses. This result underscores the importance of having efficient follow-up procedures to manage weaknesses identified in audits. While the majority recognizes the value of these procedures, the notable percentage of neutrality and disagreement suggests that some organizations may still face challenges in implementing or perceiving the efficacy of these procedures. This could point to areas for improvement in communication or execution of follow-up protocols. This is in agreement with Sabella and Mutmainah (2022) who examined the effect of audit characteristics on the financial reporting timeliness in the Nigerian listed non-financial institution

"The internal audit team consistently provides timely reports on audit findings, allowing swift corrective actions to be taken," received a mean score of 3.68. The standard deviation of 1.22 indicates moderate variability. These findings suggest that while a majority perceives internal audit reporting as timely, a significant number do not fully agree, highlighting potential inconsistencies in report delivery or communication. Organizations may need to assess the timeliness of their audit reporting processes and ensure that corrective actions are communicated swiftly to maintain trust and effectiveness. "Timely reporting of audit findings by the internal audit team facilitates proactive measures to address financial challenges and capitalize on opportunities," the mean score was 3.91. The standard deviation of 0.96 suggests less variability and a more consistent agreement among respondents. The high level of agreement and low variability indicate that respondents generally see timely audit reporting as crucial for proactive financial management.



This reflects positively on organizations that prioritize prompt reporting, enabling them to address challenges and seize opportunities effectively. This findings concurs with those of Saputra and Fadjarenie (2022) who conducted a study to determine the impact of internal audit on audit delay in mining entities listed on the Indonesia Stock Exchange

Prompt responds to audit findings and recommendations, demonstrating a commitment to addressing auditing concerns," had a mean score of 3.66. The standard deviation of 1.30 indicates a higher level of variability in opinions. The responses suggest that while many see a prompt response to audit findings as a sign of commitment, there is significant variability in perceptions, with a considerable number of respondents feeling the responses are not prompt enough. This points to potential challenges in responsiveness or communication that organizations may need to address. "The SACCO exhibits responsiveness to internal audit findings, facilitating timely implementation of corrective measures," received a mean score of 3.71. The standard deviation of 1.27 suggests moderate variability. This indicates that while many respondents view SACCOs (Savings and Credit Cooperative Organizations) as responsive to audit findings, enabling timely corrective measures, there is a significant portion who either remain neutral or disagree. This highlights potential differences in how responsiveness is perceived or executed, suggesting areas for improvement in responsiveness and corrective action implementation.

Audit issues identified by the internal audit team are promptly resolved," received a mean score of 3.80. The standard deviation of 1.21 reflects moderate variability in responses. These findings suggest that while many respondents believe in prompt resolution of audit issues, there is a noticeable portion who either remain neutral or disagree, indicating that resolution times might not always meet expectations. This highlights the need for organizations to evaluate and possibly improve their resolution processes to enhance perceptions of timeliness. "Timely resolution of audit issues reflects a culture of accountability and effectiveness, driving continuous improvement in auditing processes," achieved a mean score of 3.95. The standard deviation of 1.05 suggests a fairly consistent agreement. This strong agreement indicates that respondents generally associate timely resolution of audit issues with a culture of accountability and effectiveness. The high mean score reflects positively on organizations that prioritize timely issue resolution, as it is seen as a driver of continuous improvement in auditing processes.

Response times to internal audit findings and suggestions in SACCOs differ depending on the severity, magnitude, and intricacy of discovered problems. Though many SACCOs endeavor to act expediently, bureaucratic hurdles, budget constraints, and administrative obstacles occasionally cause delays. Slow reaction times may engender negative ramifications, such as waning donor faith, reduced membership, impaired fiscal performance, or heightened susceptibility to fraud. Organizations can stimulate rapid responses by imposing finite targets for rectification inspires urgency and dedication. Further earmarking sufficient capital allocations to tackle pressing matters conveys commitment and supports swifter resolution, tracking metrics tied to audit efficacies holds executives accountable for swift interventions and embedding explicit reference to corrective actions in performance criteria fortifies motivation. This agrees with Polii et al. (2023) who measured the effect of audit delay on the financial statements of the Indonesian manufacturing industry.

Table 5
Financial Performance Descriptive Statistics

	Financial performance	5	4	3	2	1	Mean	Std Dev
1	The dividend per share paid by the SACCO is fair and commensurate with its performance.	0 (0)	40.2 (33)	41.5 (34)	11 (9)	7.3 (6)	3.15	0.89
2	The SACCO effectively utilizes its profits to reward members through dividends.	0 (0)	39 (32)	36.6 (30)	7.3 (6)	17.1 (14)	2.98	1.08
3	The SACCO's dividend payout policy is transparent and communicated effectively to members.	0 (0)	40.2 (33)	23.2 (19)	20.7 (17)	15.9 (13)	2.88	1.12
4	The interest rates offered on member deposits by the SACCO are competitive with other financial institutions.	0 (0)	35.4 (29)	22 (18)	26.8 (22)	15.9 (13)	2.77	1.10
5	The SACCO effectively manages its liquidity to ensure consistent interest payments to members.	0 (0)	37.8 (31)	42.7 (35)	14.6 (12)	4.9 (4)	3.13	0.84
6	The rebate offered by the SACCO is sufficient to offset transaction costs and encourage member loyalty.	0 (0)	40.2 (33)	32.9 (27)	15.9 (13)	11 (9)	3.02	1.01
7	The SACCO's rebate policy is transparent and easily understood by members.	0 (0)	45.1 (37)	29.3 (24)	18.3 (15)	7.3 (6)	3.12	0.96
8	The rebate offered by the SACCO is competitive compared to other financial institutions.	0 (0)	37.8 (31)	32.9 (27)	14.6 (12)	14.6 (12)	2.94	1.058
9	The SACCO's management effectively utilizes its assets to generate returns for members	0 (0)	40.2 (33)	32.9 (27)	13.4 (11)	13.4 (11)	3.00	1.042
10	The return on assets achieved by my SACCO demonstrates its efficient use of resources.	0 (0)	37.8 (31)	32.9 (27)	23.2 (19)	6.1 (5)	3.02	0.929

The dividend per share paid by the SACCO is fair and commensurate with its performance," received a mean score of 3.15. The standard deviation of 0.89 suggests relatively consistent opinions among respondents. These results indicate a general perception that the SACCO's dividends are somewhat aligned with its financial performance, though the absence of ratings at 5 suggests that many respondents feel there might be room for improvement in ensuring that dividends are entirely fair and reflective of actual performance. The presence of a significant minority that disagrees highlights possible concerns about how dividends are calculated and distributed, which may require more transparency or adjustments in dividend policies. "The SACCO effectively utilizes its profits to reward members through dividends," achieved a mean score of 2.98. The standard deviation of 1.08 reflects greater variability in responses compared to the first statement. These findings suggest that while a majority feel the SACCO is using profits effectively for dividends, a significant portion of respondents are not fully satisfied. The variation in responses could indicate differing experiences among members, where some may feel adequately rewarded while others do not. This discrepancy could be due to varying expectations or a lack of clarity in how profits are distributed as dividends.

The SACCO's dividend payout policy is transparent and communicated effectively to members," had a mean score of 2.88. The standard deviation of 1.12 indicates moderate variability in opinions. These results highlight a potential issue with how the dividend payout policy is perceived, suggesting that many respondents feel it lacks transparency or is not communicated effectively. This perception can lead to misunderstandings or mistrust among members, emphasizing the need for clearer communication and better alignment of the policy with member expectations to enhance understanding and satisfaction. "The interest rates offered on member deposits by the SACCO are competitive with other financial institutions," received a mean score of 2.77. The standard deviation of 1.10 reflects moderate variability. These findings suggest a widespread belief that the interest rates offered by the SACCO may not be competitive with those of other financial institutions. This perception might lead to potential member dissatisfaction, as competitive interest rates are a crucial factor for members when deciding where to deposit their funds. The SACCO might need to reevaluate its interest rate policies to remain competitive and retain member trust. Saputra and Fadjarine (2022) conducted a study to determine the impact of internal audit on audit delay in mining entities listed on the Indonesia Stock Exchange found financial performance of value.

The SACCO effectively manages its liquidity to ensure consistent interest payments to members," achieved a mean score of 3.13. The standard deviation of 0.84 suggests relatively consistent responses. These results indicate a relatively positive perception of the SACCO's liquidity management practices, with most respondents believing that it effectively ensures consistent interest payments. This suggests a level of confidence in the SACCO's ability to manage its financial obligations and maintain liquidity, which is vital for financial stability and member satisfaction. "The rebate offered by the SACCO is sufficient to offset transaction costs and encourage member loyalty," had a mean score of 3.02. The standard deviation of 1.01 indicates moderate variability in responses. These findings suggest that while many respondents feel the rebates are adequate to offset transaction costs and promote loyalty, a significant number do not. This could indicate a need for the SACCO to reassess its rebate policies, ensuring they are competitive and appealing enough to retain members and encourage continued engagement.

The SACCO's rebate policy is transparent and easily understood by members," achieved a mean score of 3.12. The standard deviation of 0.96 reflects moderate variability. These results highlight a potential need for improved communication regarding the SACCO's rebate policy. While many respondents find it transparent and understandable, a significant portion does not, indicating possible areas for enhancing clarity and ensuring members are fully aware of how rebates are determined and distributed. "The rebate offered by the SACCO is competitive compared to other financial institutions," had a mean score of 2.94. The standard deviation of 1.058 indicates moderate variability in opinions. These findings suggest a perception that the SACCO's rebates may not be as competitive as those offered by other financial institutions. This perception could impact member satisfaction and loyalty, as competitive rebates are a significant factor for members when comparing financial institutions. The SACCO may need to reevaluate its rebate offerings to remain competitive and appealing to its members.

The SACCO's management effectively utilizes its assets to generate returns for members," received a mean score of 3.00. The standard deviation of 1.042 suggests moderate variability in responses. These results indicate that while many respondents feel the SACCO's management effectively utilizes assets to generate returns, a significant portion remains dissatisfied. This could highlight potential inefficiencies or opportunities for improvement in asset management practices, emphasizing the need for better alignment with member expectations and financial objectives. "The return on assets achieved by my SACCO demonstrates its efficient use of resources," achieved a mean score of 3.02. However, 29.3% disagreed, reflecting concerns about resource efficiency. The standard deviation of 0.929 indicates relatively consistent responses. These findings suggest a general belief that the SACCO's return on assets reflects efficient resource use, but there remains a notable portion of respondents who are not convinced. This could point to perceived inefficiencies or areas for improvement in how resources are utilized to achieve financial returns, highlighting the need for more transparent and effective asset management strategies. This agrees with Ugwu et al.

(2020) who found the effect of audit firm characteristics on financial performance of money deposit banks in Nigeria as significant.

4.4 Inferential Analysis

The null hypothesis of the study was that internal audit timeliness has no significant influence on financial performance of deposit taking Saccos in western Kenya. This was achieved using Pearson Correlation and Regression analysis.

4.4.1 Pearson Correlation

Table 6

Correlation Analysis

		Financial Performance
Internal audit timeliness	Pearson Correlation	.683**
	Sig. (2-tailed)	.000
	N	82

From the correlation Table 3.0, the correlation coefficient between internal audit timeliness and financial performance positive and strong ($r = 0.683$, $p < 0.05$). This implies that improvement in internal audit timeliness would results to significant improvement in financial performance. Timeliness in internal audits is crucial for identifying and addressing issues promptly, which is strongly linked to better financial results. The results are supported by Mbuti (2014) revealed that internal audit report completeness and timeliness of internal audit reporting all had significant effect on financial performance of SACCOs. However, Ogunmodede et al. (2023) revealed that the audit report time lag has no significant effect on the accruals quality of listed industrial goods in Nigeria.

4.4.2 Regression Analysis

Simple linear regression analysis was done to determine the influence of internal audit timeliness on the financial performance of deposit taking Saccos. Results were presented in Table 7.

Table 7

Linear Regression Analysis

Model Summary ^b						
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate		
1	.683 ^a	.467	.459	.69143		
a. Predictors: (Constant), Internal audit timeliness						
b. Dependent Variable: Financial Performance						
ANOVA ^a						
Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	28.017	1	28.017	58.603	.000 ^b
	Residual	32.031	81	.478		
	Total	60.048	82			
a. Dependent Variable: Financial Performance						
b. Predictors: (Constant), Internal audit timeliness						
Coefficients ^a						
Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	1.689	.303		5.579	.000
	Internal audit timeliness	.587	.077	.683	7.655	.000
a. Dependent Variable: Financial Performance						

The coefficient of determination (R Square) stands at 0.467, indicating that approximately 46.7% of the variability in financial performance can be explained by variations in internal audit timeliness. This suggests a moderately strong association between the two variables. The model, with internal audit timeliness as a predictor, exhibits a notable ability to explain variations in financial performance. From the ANOVA table significance of the model had a value ($F(1, 68) = 58.603$, $p < 0.05$) this shows that model was significant at 95% confidence level hence the model is feasible therefore good fit for this study. The results suggest that the regression model, incorporating internal audit timeliness as a predictor, significantly explains the variance in financial performance in deposit taking.

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

$$\text{Financial performance} = 1.689 + 0.587 \text{ Internal audit timeliness}$$

The regression results underscore the critical role of internal audit timeliness in determining financial performance. The statistically significant coefficients and standardized values emphasize the relevance of internal audit timeliness as a predictor. The results are supported by Mbuti (2014) reveal that internal audit report completeness and timeliness of internal audit reporting all had significant effect on financial performance of SACCOs. However, internal audit reporting channels did not have a significant influence on financial performance of SACCOs. Saputra and Fadjaranie (2022) demonstrate that internal audit, as measured by audit committee size, has a significant impact on audit delay. However, Arianpoor (2019) showed that audit report lag has a negative and significant relationship with ROA and ROE and a decrease in the number of days spent by independent auditors for signing annual reports would probably lead to the enhancement of firm performance. Ugwu et al. (2020) found that audit report lag had no significant effect on return on assets, earnings per share and net profit margin of Nigerian banks.

V. CONCLUSIONS & RECOMMENDATIONS

5.1 Conclusions

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

5.2 Recommendations

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

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