

# Examining Auditors' Competence and Experience Influence on SACCOS Performance: Moderation Effects of Firm Size

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## **Abstract**

*Audits are necessary due to the division between ownership and control in contemporary economies. When shareholders entrust resources to management to maximize their wealth, they expect the agents to provide them with genuine and accurate reports. The study aimed to investigate the moderating effect of firm size on the relationship between auditor competence and experience on the performance of deposit-taking SACCOs in Kenya. A descriptive survey research approach was used. A sample of 223 was chosen randomly from a target of 504. Structured questionnaire was used to collect primary data. The data was examined using descriptive and inferential statistics. The study found a substantial moderating impact of business size on the association between auditor's competence and experience and performance. Regular examinations of the audit staff's ability in Saccos in Kenya by accredited entities are necessary to enhance performance of the internal audit department.*

**Keywords:** *Auditor's Competence and Experience, Firm Size, Financial Performance, Deposit Taking Saccos*

## **1.0 INTRODUCTION**

Audits are necessary due to the division between ownership and control in contemporary organizations, where shareholders entrust resources to management to increase their wealth. Opportunistic managers may not accurately represent the company's performance, perhaps causing financial loss to the owners (Trilaksana & Fadjaranie, 2021). Auditors play a crucial role in minimizing agency costs by decreasing information asymmetry and mitigating conflicting interests between parties. Audit services aim to decrease agency expenses by verifying financial accounts with the help of a competent and experienced auditor. The verification process includes gathering and assessing evidence that auditors use to formulate their professional opinion or judgment on the financial statements. Tahajuddin and Kertali (2018) found that the audit opinion presented in the audit report boosts the credibility and quality of the financial statements.

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

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

In Kenya, there have been recent allegations of accountants and auditing firms of listed businesses engaging in the fraudulent manipulation of company financial records in collaboration with management, to the detriment of shareholders. The disciplinary staff of ICPAK has addressed over 50 instances in the last two years and is now investigating six ongoing cases related to auditing quality. In 2015, ICPAK [the Institute of Certified Public Accountants of Kenya] pursued the management of Haco Tiger Brands and consultancy firm PricewaterhouseCoopers (PwC) over the accounting scandal. The watchdog was investigating the accounting firm PwC's failure to detect the huge and illegal

financial adjustments. In the same year, the watchdog opened an investigation into how auditing firm PKF handled the financial statements of Imperial Bank, which was unexpectedly placed under receivership. PKF, as the external auditors, had a duty to point out such financial malpractices in their reports (ICPAK, 2021).

Kenya's financial sector has witnessed remarkable growth and transformation, with SACCOS evolving into crucial entities that foster financial inclusion and stability. According to the Sacco Societies Regulatory Authority (SASRA), membership in Kenya's SACCOS grew to over 14 million by 2022, indicating a substantial increase in the number of people accessing financial services through these cooperatives. SACCOS in Kenya held deposits totaling over Ksh. 560 billion in 2022, showing their vital role in mobilizing savings. Furthermore, SACCOS issued loans worth more than Ksh. 510 billion in the same year, indicating their importance in providing credit to individuals and businesses (SASRA, 2022). The Financial Access National Survey indicated that SACCOS contributed significantly to Kenya's financial inclusion, with more than 50% of Kenyan adults having access to formal financial services in 2021, a significant improvement from previous years (CBK, 2022). Unlike traditional banks, DT SACCOS operate on cooperative principles, pooling resources from members to provide affordable credit and other financial services. These cooperatives cater to diverse membership, ranging from small-scale entrepreneurs to rural communities, reflecting the cooperative movement's commitment to democratic, community-driven financial solutions. Auditors form an integral part of the financial ecosystem, acting as guardians of financial integrity and transparency (Ugwu, Aikpitanyi & Idemudia, 2020). Their competence and experience play a vital role in ensuring that financial statements accurately represent the financial health of institutions.

In the context of DT SACCOS, the importance of auditor effectiveness is accentuated, considering their unique cooperative structure, member-focused operations, and regulatory compliance requirements. Moreover, the size of a financial institution, often measured by its assets, members, and overall operational scale, introduces a distinctive dimension to the dynamics of financial performance (Alshehhi, Nobanee & Khare, 2018). Larger institutions may benefit from economies of scale, enhanced risk management capabilities, and broader service offerings. However, they may also face challenges related to increased complexity, regulatory scrutiny, and the need for robust governance structures. Understanding the intricate relationship between auditor competence, experience, firm size, and financial performance is not just an academic exercise; it is a practical necessity (Wasonga, Nyamute, Omoro & Lishenga, 2020).

Internal auditor experience and competence play a crucial role in ensuring the effectiveness of internal audit functions within organizations. Research by Mihret, Yismaw, and Temesgen (2017) emphasizes that the competence of internal auditors significantly influences the quality and reliability of internal audit processes, ultimately contributing to improved organizational performance. Moreover, the experience of internal auditors enables them to effectively identify risks, assess controls, and provide valuable insights to management (Janvrin et al., 2018). A study by Gamerschlag et al. (2020) underscores the importance of continuous professional development and training for internal auditors to enhance their skills and competencies in adapting to evolving business environments. Additionally, the Institute of Internal Auditors (IIA) emphasizes the need for internal auditors to possess a diverse skill set, including analytical, communication, and problem-solving skills, to effectively fulfill their roles and responsibilities (IIA, 2020).

Financial performance significantly impacts the economic development of nations. Strong financial performance benefits shareholders by providing a return on their investment. Poor financial performance may result in institutional collapse and crisis, which can have adverse effects on economic development (Trilaksana & Fadjaranie, 2021). Internal and external variables may influence the success of companies. Internal elements are individual traits that impact the financial institution's performance, whereas macroeconomic influences are external to the institutions (Al-Tamimi, 2019). Akangwagye (2022) emphasizes that financial performance is a critical aspect of SACCO operations and is essential for their sustainability. Strong financial success in the SACCO is positively correlated with the ability to properly handle financial matters. Boubakary (2020) presented proof of a favorable correlation between financially related activities (such as planning and financial management) and the effective financial performance of SACCOs. Mboniyane, Mbohwa, and Pretorius (2023) consider financial performance crucial for the survival and decision-making of small-scale companies. When the financial industry is primarily controlled by SACCOs in a nation, any breakdown in this sub-sector significantly impacts the country's economic development. Bankruptcies in this subsector might have a contagion effect, potentially leading to financial crises and economic turmoil.

Research suggests a nuanced relationship between firm size, internal audit competence, experience, and financial performance. Chen et al. (2020) found that larger firms tend to invest more in internal audit resources, including hiring experienced professionals and implementing advanced audit technologies. However, the effectiveness of internal audit functions in larger firms may vary

due to complexities in organizational structure and operations (Sarens & Beelde, 2006). While internal audit competence and experience are essential for enhancing financial performance (Mihret et al., 2017), the impact may differ based on firm size. Smaller firms may benefit more from competent and experienced internal auditors due to their potential to improve risk management and internal control effectiveness (Janvrin et al., 2018). Conversely, larger firms may face challenges in aligning internal audit activities with strategic objectives, thus requiring tailored approaches to leverage internal audit capabilities for improved financial performance.

Savings and Credit Cooperative Societies (SACCOs) are prominent and significant cooperative societies in Kenya. Many Kenyan Saccos are facing challenges due to mismanagement, fraud, and bad loans, which are causing instability in the Sh1 trillion industry. If not addressed, this might have a detrimental impact on the overall economy. Hundreds of billions of shillings of members' funds are either lost or in danger due to financially distressed funds and Credit Co-operative Societies (Saccos). The State Department of Co-operatives has requested the Ethics and Anti-Corruption Commission (EACC) to assist in investigating and prosecuting corrupt officials to safeguard the savings of approximately 14 million Kenyan Sacco members (GoK, 2019).

As to SASRA (2019), three Saccos - Mwalimu, Ekeza, and Stima Investment Co-operative - are believed to have collectively lost about Sh3.6 billion due to mismanagement or fraud by its officers and board members. In 2020, the Sacco Societies Regulatory Authority terminated the licenses of Nandi Hekima SACCO in Kapsabet, Sukari SACCO in Mumias, and Miliki SACCO in Nairobi. As a result, these three financial cooperatives stopped providing Front Office Service Activity (FOSA) services and shifted to back-office activities. In 2021, the Saccos that were deregistered were Comoco located in Nairobi, with assets totaling Ksh. 650 million and deposits of Ksh. 350 million, Nyamira Tea with Ksh. 210 million, Nanyuki Equator with Ksh. 120 million, and Mombasa's Uchongaji with Ksh. 40 million. The licenses were revoked due to the four unions facing severe cash issues and corporate governance concerns, necessitating decisive action (SASRA, 2021).

Financial performance, in the context of Savings and Credit Cooperative Organizations (Saccos), can be defined as the ability of the Sacco to generate income relative to the assets it controls (Nderitu, 2022). Return on Assets (ROA) is a key metric used to assess this performance, indicating how effectively a Sacco utilizes its assets to generate profit. The SASRA report (2021) indicates that the DT-SACCOs had slower growth rates in all performance indicators in

2021 compared to 2020. DT-SACCOs' total assets increased by 10.08% in 2021, down from 12.75% in 2020. DT-SACCOs saw a 9.92% rise in total deposits in 2021, much lower than the 13.41% growth rate seen in 2020. In 2021, the gross and net loans for DT-SACCOs increased by 10% and 8.35% respectively, showing reduced growth rates. Metropolitan Sacco had a significant decrease in its asset base from Ksh. 16.73 billion in 2020 to 10.56 billion in 2021, causing it to fall from the 6th place to the 15th position. The Sacco failed to fulfill members' demands by retaining 50% of their dividends. Subsequently, the Sacco decided to cancel dividend payments for the year 2021, despite the audit report recommending dividend payouts (SASRA report 2021). The management was unable to explain why their total assets were reported as Sh28 billion whereas external auditors found them to be just over Sh14 billion.

The executives of Mwalimu National Sacco proceeded with the purchase of Aspire Bank despite red flags and recommendations in the audit report. They acquired 75% of the bank for Sh2.4 billion in a single transaction, bypassing required procedures and disregarding warnings from other key organizations. This move had a cost of Sh2.4 billion. SASRA (2018) said that the underperformance of SACCOs in Kenya is attributed to mismanagement, fraud, corruption, and the adoption of innovative accounting methods to conceal poor performance that is not shown during audits. As a result, many punishments were implemented, such as license revocation, SACCO de-registration, and placement on a watch list. The following Savings and Credit Cooperatives (Saccos) have been affected: Elimu, Nandi Hekima, Miliki Sacco, Sukari, Ainabkoi, Goodhope, Jitegemee, Kenya Midland, Orient, Uchongaji, Rachuonyo Teachers, Nyamira Teachers, Stake Kenya, Wevarcity, Telepost, and Jumuika Sacco Society Limited.

Auditors, with their competence and experience, are critical gatekeepers in ensuring the accuracy and reliability of financial statements (Sidiq & Krismiaji, 2020; Elewa & El-Haddad, 2019). However, limited information exists on whether the current level of auditor expertise is sufficient to address the complex financial landscape faced by SACCOS.

Sidiq and Krismiaji (2020) conducted a study on the relationship between internal auditor characteristics and financial performance in 660 businesses registered on the Indonesia Stock Exchange. The study found that auditor competence was significantly and positively related to performance, which goes against Elewa and El-Haddad's (2019) findings that internal auditor experience and competence had a non-significant beneficial effect on a company's ROA and ROE listed on the Egyptian Stock Exchange. Furthermore, both studies were conducted outside

Kenya and did not focus on Saccos resulting to a knowledge gap. Kwabena (2017) examined how the quality of internal audits as measured by internal auditor competence and experience impacts the financial performance of firms listed on the Nairobi Stock Exchange. Besides the study being conducted in Kenya, it did not focus on deposit taking Saccos. It aimed to fill knowledge gaps by concentrating on SACCOS, a unique financial context often overlooked in previous studies that focused on stock exchange-listed firms in Indonesia, Egypt, and Kenya. By introducing firm size as a moderating factor, the study provides new insights into how auditor characteristics affect financial performance. It also addresses conflicting findings from prior research, offering a nuanced perspective specific to deposit-taking SACCOS in Kenya. Therefore, the objectives of this study were to:

- i) Examine influence of Auditor's competence and experience on financial performance of Deposit Taking SACCOS in Kenya
- ii) To determine the moderating influence of firm size on the relationship between Auditor's competence and experience and financial performance of Deposit Taking SACCOS in Kenya.

## **2.0 LITERATURE REVIEW**

### **2.1 Theoretical Framework**

Birger Wernerfelt's 1984 essay "A Resource-Based View of the Firm" is considered the foundational work of the Resource Based View (RBV) paradigm (Dionysus & Arifin, 2020). Nevertheless, prior research by writers like Coase (1937), Selznick (1957), Penrose (1959), Stigler (1961), Chandler (1962), and Williamson (1975) that emphasized the significance of firm resources and their effects on firm performance can be found in the RBV theory (Chatterjee, Chaudhuri, Vrontis & Thrassou, 2023). According to RBV theory, companies shouldn't worry about getting their strategies to mesh with the outside world, but rather they should focus on making the most of their internal resources so that they may seize opportunities as they arise (Lubis, 2022). Nasano (2019) states that the core thesis of the theory is that in order for a corporation to establish a condition of sustained competitive advantage, it must acquire and hold resources and competencies that are valued, uncommon, unique, and non-substitutable. According to this idea, workers should be included in decision-making processes and seen as an investment rather than an expense. This theory also promotes learning, information sharing, creativity, and experimentation (Miller, 2019).

Resource-based theory (RBT) can be applied to internal audit effectiveness in several ways. RBT is a management theory that suggests that firms can achieve competitive advantage by developing and leveraging their unique resources and capabilities. In the context of internal audit, RBT suggests that internal audit

departments can enhance their effectiveness by identifying and developing their own unique resources and capabilities (Freeman, Dmytriiev & Phillips, 2021). Internal audit departments have a number of unique resources that can be valuable to the organization, such as their expertise in risk assessment, control evaluation, and governance. By identifying and developing these resources, internal audit can enhance its ability to add value to the organization. Internal audit has a number of unique capabilities that can be used to improve organizational performance, such as its ability to identify and assess risks, evaluate the effectiveness of controls, and provide independent assurance to the audit committee and management. By leveraging these capabilities, internal audit can help the organization to achieve its objectives (Zahra, 2021). Because a competent internal audit workforce may be a useful resource to an organization's success, especially in areas of business risk management, regulatory compliance, and general governance, this theory was relevant to the present research. This is because the internal audit function is important to the current study.

In the context of "Examining Auditors' Competence and Experience Influence on SACCOS Performance: Moderation Effects of Firm Size," auditor competence and experience can be considered essential resources for SACCOs. Highly competent and experienced auditors possess specialized knowledge and skills that enable them to identify financial risks, improve financial reporting quality, and enhance overall SACCO performance (Ghosh & Moon, 2005; Sharma et al., 2020). Moreover, firm size acts as a moderator by amplifying the benefits derived from these auditor resources. Larger SACCOs have more extensive operations and complex environments requiring sophisticated auditing practices, making auditor competence and experience even more crucial (Hassan et al., 2019). By investing in and leveraging skilled and experienced auditors, SACCOs can create sustainable competitive advantages aligned with RBV principles.

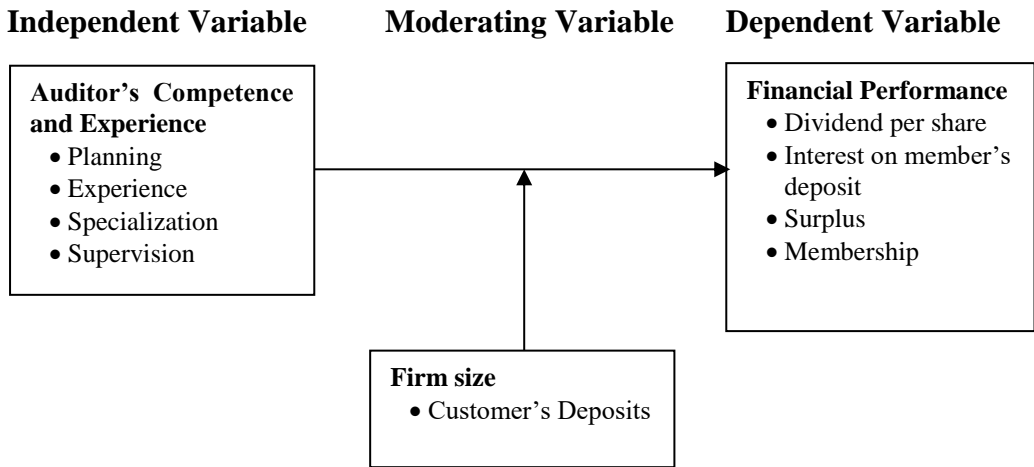
One of its key strengths lies in its strategic focus, directing firms to identify and leverage resources that are valuable, rare, and difficult to imitate (Barney, 1991). By doing so, firms can develop a unique position in the market that is not easily replicated by competitors. This strategic orientation towards internal resources aligns well with the notion of sustainability, as RBT suggests that firms can maintain their competitive advantage over time by continuously investing in and refining their resource base (Wernerfelt, 1984). One notable weakness of RBT is its assumption of resource homogeneity, which overlooks the fact that not all resources contribute equally to competitive advantage (Peteraf, 1993). Critics argue that this oversimplification may lead to an underestimation of the complexity of resource interactions within firms. Additionally, RBT's static view



of resources may not fully capture the dynamic nature of today's business environment, where rapid changes and disruptions are the norm (Priem & Butler, 2001).

### 2.2 Conceptual Review

A conceptual framework demonstrates the researcher's approach to explaining a phenomenon and the anticipated outcomes of a study. It demonstrates the interconnection of the researcher's factors. A conceptual framework is designed to help researchers identify factors in a study, as shown in Figure 1.0 below.



**Figure 1.0: Conceptual Framework**

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

The most fundamental question underlying firm policy is, ‘at what size is firm efficiency maximized?’ The expansion of the size of the firm increases its efficiency up to a certain level where any further increase becomes harmful since bureaucratic and other managerial issues and challenges set in. Hence the relationship between size and efficiency is non-linear in nature. We utilize the logarithm of the assets of the firm (logarithm) and their square so as to curb this likely non-linear association (Yuqi, 2007). According to Amato and Burson (2007), the size of an organization is primarily determined by the amount of assets it owns. An argument can be made that the larger the assets a firm owns, the more its ability to undertake a large number of projects with greater returns in comparison with small firms with a smaller amount of assets. Additionally, the bigger the firm, the larger the amount of collateral that can be pledged in a move to access credit facilities in comparison to their smaller competitors (Njoroge, 2014). Lee (2009) concluded that the amount of assets a firm controls has an influence on the level of profitability of the said firm from one year to the next.

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

## **2.3 Empirical Review**

### **2.3.1 Effect of auditor experience and competence on Financial Performance**

Smith and Jones (2023) conducted a comprehensive analysis of auditor experience and its impact on financial performance within the manufacturing sector. They collected data from a large sample of manufacturing firms over a five-year period and employed sophisticated statistical techniques to analyze the relationship between auditor experience and various financial performance metrics. While the study provides valuable insights into the manufacturing sector, it fails to consider the moderating effects of firm size or specific industry characteristics. Additionally, it does not explore the potential differences in auditor influence between publicly traded and privately held manufacturing firms. Wang and Liu (2023) investigated the relationship between auditor

competence and financial performance among listed companies in China. They collected financial data and auditor characteristics from a large sample of Chinese listed firms and used regression analysis to assess the impact of auditor competence on various financial performance indicators. While the study provides insights into the Chinese context, it overlooks potential differences in auditor influence across different industries or regions within China. Additionally, it does not consider the moderating effects of firm size or ownership structure on the relationship between auditor competence and financial performance. Garcia and Rodriguez (2022) examined the association between auditor experience and firm profitability in European markets. They collected data from a diverse sample of European firms and used advanced econometric methods to analyze the impact of auditor experience on profitability measures. While the study provides valuable insights into European markets, it overlooks potential differences in auditor influence across different countries or industries within Europe. Additionally, it does not explore the potential moderating effects of firm size or ownership structure on the relationship between auditor experience and firm profitability. Kim and Lee (2022) investigated the effect of auditor tenure on financial performance within the banking industry. They collected data from a sample of banks and financial institutions and used regression analysis to assess the impact of auditor tenure on various financial performance metrics. While the study provides insights into the banking industry, it does not consider potential differences in auditor influence between commercial banks, investment banks, or credit unions. Additionally, it does not explore the potential moderating effects of firm size or regulatory environment on the relationship between auditor tenure and financial performance. Chen and Li (2021) examined the relationship between auditor competence, experience, and financial performance in the context of family-owned businesses. They collected data from a sample of family-owned firms and used regression analysis to explore the impact of auditor attributes on financial performance metrics. While the study provides insights into family-owned businesses, it may not be generalizable to other types of firms with different ownership structures. Additionally, it does not consider potential differences in auditor influence between family-owned businesses in different industries or regions. Furthermore, the study may overlook the potential moderating effects of firm size or industry concentration on the relationship between auditor attributes and financial performance.

### **2.3.2 Moderating effect of Firm Size on Relationship between Auditor Experience and Competence on Financial Performance**

Madawaki, Ahmi and Ahmad (2022) focused on the moderating effect of size on the relationship between Internal Audit function and Business Performance.

Thirty-two (32) quoted manufacturing companies constituted the study sample. Data collection was done by means of questionnaire. It was found that organizational size does not influence the relationship between internal audit function and business performance. The study focuses on the moderating effect of organizational size on the relationship between the internal audit function and business performance in manufacturing companies. However, it does not specifically investigate the influence of auditor competence and experience on SACCOS performance, nor does it consider the unique characteristics of SACCOS operations and their regulatory environment. Shatnawi, Hanefah, Eldaia and Alaaraj (2022) sought to determine the effect of ACE on financial performance (FP) of companies listed on Amman Stock Exchange (ASE). It also aims to examine the moderating effect of firm size between ACE and FP in Jordan. This study uses data from 2009 to 2017 with 92 selected firms cover a period of 9 years of companies listed in ASE in industrial and service sectors. In terms of moderating effect, the findings showed that firm size positively moderated the effect of ACE on ROA and ROE in Jordan. However, it did not support the moderating role between ACE and Tobin's Q. Decision makers have to enforce the implementation of ERM in Jordanian companies to improve the FP. While this study examines the moderating effect of firm size on the relationship between Audit Committee Effectiveness (ACE) and financial performance in companies listed on the Amman Stock Exchange, it does not address the influence of auditor competence and experience on SACCOS performance. Additionally, the findings may not directly apply to the SACCOS sector in Kenya due to differences in regulatory frameworks and operational practices. Trilaksana and Fadjarenie (2021) aimed to analyze the effect of auditor reputation on performance by using firm size as a moderator. The study was conducted on 49 mining companies using certain criteria. The results showed that the reputation of auditors had a significant effect on profitability. Firm size is also able to be a moderator for profitability and audit delay, while auditor reputation has no effect. Although this study analyzes the effect of auditor reputation on performance with firm size as a moderator in mining companies, it does not explore the influence of auditor competence and experience on SACCOS performance. Moreover, the findings may not be directly transferable to the SACCOS context, which operates within a distinct financial services sector characterized by cooperative principles and regulatory requirements.

The study sought to test the following null hypotheses:

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

- ii) H<sub>02</sub>: Firm size has no significant moderating influence on the relationship between Auditor's competence and experience and financial performance of Deposit Taking SACCOs in Kenya.

### 3.0 MATERIAL AND METHODS

Assuming a worldview (or several worldviews) in the research, the study used a descriptive survey methodology (Creswell, 2006). The positivist philosophy of research formed the basis of this theory. Positivist researchers use a systematic approach to doing research, which involves defining a study subject, formulating research hypotheses, and selecting an appropriate technique which was the focus of this study. Positivism allows individuals to use statistical methods to evaluate hypotheses and analyze research data obtained via quantitative research methodologies. For the fiscal year ending December 31, 2023, researchers in Kenya examined 168 DT-SACCOs that have SASRA licenses. The unit of inquiry included 504 individuals with critical knowledge about the performance and auditing of the SACCOs, including accountants, internal auditors, and financial managers at the SACCOs' headquarters. The study utilized Yamane's method for estimating sample size (Yamane, 1967) to estimate the sample size, and the results are shown below:

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

Where;

n= sample size

N= population

e= Margin of error, taken as 0.05

Substituting the values in the formula;

$$n = \frac{504}{1+504(0.05^2)} = 223.008$$

$$n = 223 \text{ respondents}$$

This research made use of a simple random sampling procedure. To that end, 223 finance managers, chiefs of internal audit, and chief accountants from a target of 504. Primary data was gathered using questionnaires for the research. The research questionnaire was designed by the researcher himself. All of the constructs were evaluated using a five-point Likert-type scale, with 5 representing Strongly Agree, 4 representing Agree, 3 representing Undecided, 2 representing Disagree, and 1 representing Strongly Disagree. Table 1 shows measurement of study variables:

**Table 1: Measurement of Study Variables**

Variable	Type	Indicators	Sources	Measurement Scale
Auditor's Competence and Experience	Independent Variable	<ul style="list-style-type: none"> <li>▪ Planning</li> <li>▪ Experience</li> <li>▪ Specialization</li> <li>▪ Supervision</li> </ul>	Smith and Jones (2023), Garcia and Rodriguez (2022), Wang and Liu (2023)	Ordinal (5 Likert Scale)
Sacco Size	Moderating Variable	<ul style="list-style-type: none"> <li>▪ Customer's Deposits</li> </ul>	(Njoroge, 22014), Santosa (2020)	Ordinal (5 Likert Scale)
Financial Performance	Dependent Variable	<ul style="list-style-type: none"> <li>▪ Dividend per share</li> <li>▪ Interest on member's deposit</li> <li>▪ Surplus</li> <li>▪ Membership</li> </ul>	(Iliemena & Ijeoma, 2019), Shatnawi, Hanefah, Eldaia and Alaaraj (2022), Trilaksana and Fadjarenie (2021)	Ordinal (5 Likert Scale)

Research supervisors reviewed the questionnaire to ensure its validity for this study. Their feedback was carefully considered and used to improve the questionnaire's content validity. Besides, pilot test was done among 8 deposit taking SACCOs where 24 respondents (3 from each Saccos, accountants, internal auditors, and financial managers) commented on the clarity, relevance, simplicity and objectivity. To ensure that the test items were valid, factor analysis was used in cases when a variable had many observable constructions. The purpose of factor analysis was to establish sampling adequacy and convergent validity. To examine the reliability of observed correlated variables with respect to unseen constructs, factor analysis was used. The factor loadings with above 0.4 implied convergent validity. The study's design necessitated the use of Cronbach's alpha as a measure of internal consistency for the main data (Kombo & Tromp, 2009). This approach was used in cases when a value of 0.70 or above was deemed adequate. The statistical analysis was conducted using SPSS 26. Descriptive and inferential statistics were used in the investigation. This research made use of percentages, frequencies, standard deviations, and means. To test the first null hypothesis, simple linear regression was used. Hierarchical Regression Technique was used to examine moderating influence of size. Tables and models were then used to display the data. In accordance with the objectives, the data analysis was conducted:

$$Y = \beta_0 + \beta_1 X_1 + \beta_2 Z + \beta_3 X_1 Z + \varepsilon$$

Where;

Y = Financial Performance (Independent Variable)

B<sub>0</sub> = Constant

β<sub>1</sub> to β<sub>3</sub>= Regression Coefficients

X= Auditor’s competence and experience (Independent variable)

Z = Firm size (the moderating variable)

$X_i * Z$  = the interaction term between the independent variable and the moderating variable

$\varepsilon$  = the error of term.

## 4.0 RESULTS AND DISCUSSION

### 4.1 Factor Analysis

Main component analysis was applied and the results for Kaiser-Meyer-Olkin Measure of Sampling Adequacy (KMO) are shown in the Table 2 plus average factor loading to ascertain convergent validity.

**Table 2: KMO Table for Study Variables**

Variables	KMO Measure of Sampling Adequacy	Bartlett's Test of Sphericity Chi- Square	Sig	Average Factor Loadings
Auditor’s competence and experience	0.890	806.152	0.000	0.829
Firm size	0.854	347.700	0.000	0.800
Financial Performance	0.933	1158.666	0.000	0.7967

Source: Field Data (2023)

The results indicate high levels of sampling adequacy and convergent validity for all variables. The Kaiser-Meyer-Olkin (KMO) measures for auditor's competence and experience, firm size, and financial performance are 0.890, 0.854, and 0.933, respectively, exceeding the recommended threshold of 0.6. This suggests that the variables are suitable for factor analysis, indicating strong sampling adequacy. Additionally, Bartlett's tests of sphericity for all variables show statistically significant chi-square values ( $p < 0.05$ ), indicating that correlations between variables are sufficiently large for factor analysis. These results further support the adequacy of the sample for factor analysis. Moreover, the average factor loadings for each variable are substantial, with values of 0.829 for auditor's competence and experience, 0.800 for firm size, and 0.7967 for financial performance. Higher factor loadings indicate stronger relationships between variables and their underlying factors, demonstrating convergent validity—the degree to which items within a construct are related. Therefore, the results suggest that the variables are reliably measuring their respective constructs and are suitable for further analysis.

## 4.2 Descriptive Analysis

**Table 1: Auditor’s Competence and Experience**

No	Competence and Experience	5	4	3	2	1	Mean	S.D
1.	It is the responsibility of the external auditors to complete their audit job within the allotted time frame.	42.2 (68)	50.9 (82)	1.9 (3)	2.5 (4)	2.5 (4)	4.28	0.83
2.	The internal auditors possess the necessary degree of professional expertise to carry out auditing services.	32.3 (52)	60.2 (97)	2.5 (4)	3.1 (5)	1.9 (3)	4.18	0.78
3.	When it comes to employing external auditors, professional expertise is of the utmost importance.	36.6 (59)	52.8 (85)	4.3 (7)	3.1 (5)	3.1 (5)	4.17	0.89
4.	External auditors are responsible for identifying and reporting instances of fraud, financial irregularities, and other forms of misappropriation.	37.9 (61)	53.4 (86)	3.7 (6)	1.9 (3)	3.1 (5)	4.21	0.85
5.	The personnel working in internal auditing have the appropriate education in auditing.	33.5 (54)	58.4 (94)	3.7 (6)	3.1 (5)	1.2 (2)	4.20	0.76
6.	The internal audit function is responsible for detecting fraudulent activity.	24.8 (40)	60.9 (98)	8.7 (14)	3.7 (6)	1.9 (3)	4.03	0.81
7.	Those who are competent to perform audit functions are auditors working for the organization.	26.1 (42)	64.6 (104)	5 (8)	2.5 (4)	1.9 (3)	4.11	0.76
<b>Summary Statistics</b>							<b>4.17</b>	

Source: Field Data (2023)

The data in Table 1.0 shows that 42.2% (68) of the respondents strongly agreed and 50.9% (80) agreed that external auditors complete their audit job within the established time constraints. 1.9% of participants sometimes agreed, 2.5% disagreed, and another 2.5% strongly disagreed that external auditors do their audit task within the established time constraints. The respondents' mean rating of 4.28 indicated agreement with the proposition. The survey findings show that 32.3% (52) of respondents strongly agreed that internal auditors are professionally qualified for audit services, whereas 60.2% (97) agreed. Furthermore, 2.5% (4) of the respondents sometimes agreed, 3.1% (5) disagreed, and 1.9% (3) strongly disagreed on the professional competence of internal auditors to provide audit services. The respondents' average rating was 4.18, indicating agreement with the argument.



36.6% (59) of the respondents strongly agreed and 52.8% (85) agreed that professional competence is crucial when employing external auditors. Conversely, 4.3% (7) of the participants sometimes agreed, 3.1% (5) disagreed, and an additional 3.1% (5) strongly disagreed that professional competence is crucial when selecting external auditors. The respondents' average rating was 4.17, indicating agreement with the statement. From the survey findings, 37.9% (61) of participants highly agreed and 53.4% (80) agreed that external auditors identify and report frauds, financial irregularities, and other misappropriations. 3.7% of participants sometimes believed that external auditors identify and report frauds, financial inaccuracies, and other misappropriations. 1.9% disagreed, and 3.1% strongly disagreed with this statement. The respondents' average rating was 4.21, indicating agreement with the statement.

Regarding internal audit, 33.5% (54) of the respondents strongly agreed that staff had appropriate auditing education, whereas 58.4% (94) agreed. 3.7% (6) of respondents sometimes agreed, 3.1% (5) disagreed, and 1.2% (2) strongly disagreed that internal audit personnel had necessary auditing education. The respondents' agreement with the statement had a mean of 4.20. Results show that 24.8% (40) of respondents strongly agreed that frauds are detected by the internal audit function, whereas 60.9% (98) agreed with this statement. Furthermore, 8.7% (14) of the participants sometimes agreed, 3.7% (6) disagreed, and 1.9% (3) strongly disagreed that internal audit function identifies frauds. The respondents' mean score of 4.03 indicated agreement with the argument.

Furthermore, 26.1% (42) of the participants strongly agreed and 64.6% (6) agreed that the auditors in the company are competent to perform audit tasks. 5% of the respondents agreed, 2.5% disagreed, and 1.9% strongly disagreed that auditors in the company are competent to execute audit role. The respondents' average rating was 4.11, indicating agreement with the argument.

**Table 2: Firm size**

No	Member's Deposit	5	4	3	2	1	Mean	S.D
1.	In order to encourage members to make deposits, the Sacco provides interest rates that are competitive.	52.8 (85)	41.6 (67)	2.5 (4)	2.5 (4)	0.6 (1)	4.43	0.72
2.	Financial literacy has been implemented by the Sacco in order to increase the deposits made by its members.	37.9 (61)	57.8 (93)	0.6 (1)	2.5 (4)	1.2 (2)	4.29	0.72
3.	The Sacco has a variety of savings programs available in order to entice contributions from its members.	32.3 (52)	63.4 (102)	0 (0)	3.7 (6)	0.6 (1)	4.23	0.69
4.	For the purpose of increasing the deposit base of its members, the Sacco has established a cooperation and partnership with the employer.	39.8 (64)	55.9 (90)	0 (0)	3.7 (6)	0.6 (1)	4.30	0.72
5.	The Sacco provides members with perks and incentives in order to encourage them to make deposits.	37.3 (60)	56.5 (91)	0.6 (1)	1.9 (3)	3.7 (6)	4.22	0.86
<b>Summary Statistics</b>							<b>4.29</b>	

Source: Field Data (2023)

In order to encourage members to deposit more money, the Sacco provides attractive interest rates, which 52.8% of respondents (85 people) highly agreed about, while 41.6% (67 people) agreed. In addition, 2.5% of the participants (or 4 people) sometimes agreed, 2.5% disagreed, and 0.6% strongly disagreed that the Sacco provided competitive interest rates to promote member deposits. The respondents agreed with the statement, with a mean score of 4.43 and a standard deviation of 0.72. The survey did reveal that 57.8% of the participants agreed that the Sacco had improved its members' deposits via financial literacy, and 37.9% of those individuals were highly in agreement. The following percentages of respondents were also involved: 1.2% strongly disagreed, 2.5% disagreed, and 0.6% sometimes agreed that the Sacco had used financial literacy to increase member deposits. The statement was agreed upon by the respondents with a mean score of 4.29 and a standard deviation of 0.72.

In respect to the Sacco's ability to entice members to deposit funds, 32.3% (52 people) were in strong agreement and 63.4% (102) agreed that the Sacco offers a variety of savings plans to entice members' contributions. However, 3.7% of respondents disagreed with this statement and 0.6% strongly disagreed. The statement was agreed upon by the respondents with a mean score of 4.23 and a standard deviation of 0.69. Despite this, 55.9% of respondents (90) and 39.8% (64), respectively, agreed that the Sacco has partnered with employers to increase the deposit base of its members. Also, regarding the Sacco's engagement and

partnership with the employer to increase its members' deposit base, 3.7% (6) of respondents disagreed and 0.6% (1) disagreed significantly. Respondents agreed with the statement, with a mean score of 4.30 and a standard deviation of 0.72. Lastly, regarding the Sacco's incentives and awards to stimulate member deposits, 37.3% (60) of the respondents were in strong agreement, while 56.5% (91) agreed. Furthermore, when asked if the Sacco provides incentives and prizes to members to promote deposits, 0.6% (1) sometimes agreed, 1.9% (3) disagreed, and 3.7% (6) disagreed. Based on a standard deviation of 0.86 and a mean of 4.22, the respondents agreed with the statement.

### 4.3 Inferential Analysis

#### 4.3.1 Simple Linear Regression Analysis

The purpose of this research was to determine whether or not the level of expertise and experience of auditors affected the financial results of Kenyan SACCOs that accepted deposits. In order to accomplish its goal and, by extension, to test the null hypothesis, the research used inferential statistics, such as linear regression analysis:  $H_{01}$ : Auditor's competence and experience has no significant influence on financial performance of Deposit Taking SACCOs in Kenya.

**Table 3: Simple Linear Regression- Auditor's Competence and Experience**

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate		
1	.651 <sup>a</sup>	.424	.420	.42880		
Model	Sum of Squares	Df	Mean Square	F	Sig.	
1 Regression	21.505	1	21.505	116.958	.000 <sup>b</sup>	
Residual	29.235	159	.184			
Total	50.740	160				
Model	Unstandardized Coefficients		Standardized Coefficients		T	Sig.
	B	Std. Error	Beta			
1 (Constant)	1.825	.213		8.557	.000	
Competence and Experience	.546	.051	.651	10.815	.000	

a. Dependent Variable: Financial Performance

Source: Field Data (2023)

One way to find out how much of the variation in the dependent variable (financial performance) can be explained by the independent variables (Auditor competence and Experience) is to look at the model summary table. Given that the auditor's knowledge and expertise accounted for as much as 42.4% of the variation in the financial performance of Kenyan deposit-taking saccos (Table 3),

we may deduce that this explanation is robust. When the F-statistic is large, it means the regression model has a good chance of being correct. This goes beyond what might be anticipated from a random variable and indicates that the model can account for a considerable amount of the dependent variable's volatility. Given that the model was significant at 95% confidence level (F (1,159)= 116.958, p < 0.05) in the ANOVA table, we may conclude that it is viable.

Auditors' skill and experience are reflected in the regression equation, which is;

$$Y_{Per} = 1.825 + 0.546X_1$$

A significant t-statistic indicates that the regression coefficient for that independent variable is statistically significant. This proves, after accounting for all other independent factors, that there is a statistically significant link between the independent and dependent variables. Given that the regression equation indicates a positive and statistically significant link (P<0.05), it follows that for every one unit increase in auditor skill and experience, financial performance would rise by half a unit. The results of the regression and correlation analyses demonstrate a strong positive link between financial success and auditor skill and experience.

#### Moderating Influence of Firm Size on the Relationship between Auditor's competence and experience and the Financial Performance

Hierarchical regression analysis was performed to determine whether Firm size had a moderation role on the relationship between Auditor's competence and experience and financial performance of Deposit Taking Saccos in Kenya.

**Table 4: Hierarchical Regression Model Summary**

Model	R	R <sup>2</sup>	Adj. R <sup>2</sup>	Std. Error Change Statistics					Sig. Change	F
				Estimate	Change	Change	df1	df2		
1	.239 <sup>a</sup>	.057	.051	.54854	.057	9.631	1	159	.002	
2	.699 <sup>b</sup>	.488	.481	.40552	.431	132.921	1	158	.000	
3	.830 <sup>c</sup>	.689	.683	.31686	.201	101.796	1	157	.000	
4	.867 <sup>d</sup>	.752	.746	.28382	.063	39.687	1	156	.000	

a. Predictors: (Constant), Period of Service

b. Predictors: (Constant), Period of Work, Competence and Experience

c. Predictors: (Constant), Period of Work, Competence and Experience, Sacco size

d. Predictors: (Constant), Period of Work, Competence and Experience, Sacco size, Competence and Experience\* Sacco size,

Source: Field Data (2023)

Table 4 shows that in Model 1, the duration of service had a statistically significant positive correlation with financial success (p=0.002). An R2 value of 0.057 was achieved in this model. Model 1 accounted for 5.7% of the variation

in the dependent variable, financial success. Model 2 achieved an R<sup>2</sup> value of 0.431. The independent variables in the model accounted for 43.1% of the variance, resulting in an increase in the R-squared value to 48.8% (R-squared = 0.488), which was statistically significant at P=0.000. Model 3 revealed that business size, term of service, auditor's competence and experience, and the moderating variable were substantially and collectively associated with financial performance (p<0.05). The R<sup>2</sup> increased from 0.488 (48.8%) to 0.689 (68.9%), indicating an extra 0.201 (20.1%) was included in the model.

To examine how the size of the firm affects the connection between the auditor's competence and experience and financial performance, the interaction term of the independent variable (auditor's competence and experience) and the moderator (firm size) were included in the regression model to create model 4. The model showed that the interaction between Auditor's competence and experience and Firm size explained a greater amount of variance compared to Firm size and Auditor's competence and experience separately (R<sup>2</sup> = 0.752, p = .000). This suggests a potentially important moderating effect of Firm size on the connection between auditor's competence and experience and financial performance of Deposit Taking Saccos.

**Table 5: Regression Coefficient of Moderating influence**

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
	B	Std. Error	Beta		
1 (Constant)	3.621	.161		22.554	.000
Period of Work	.131	.042	.239	3.103	.002
2 (Constant)	1.297	.234		5.543	.000
Period of Work	.139	.031	.253	4.447	.000
Competence and Experience	.551	.048	.657	11.529	.000
3 (Constant)	.320	.207		1.544	.125
Period of Work	.088	.025	.161	3.545	.001
Competence and Experience	.286	.046	.341	6.267	.000
Firm Size	.528	.052	.555	10.089	.000
4 (Constant)	-2.817	.531		-5.303	.000
Period of Work	.099	.022	.181	4.440	.000
Competence and Experience	1.388	.180	1.654	7.727	.000
Firm Size	1.321	.134	1.390	9.833	.000
CNE*Firm Size	.270	.043	1.930	6.300	.000

a. Dependent Variable: Financial Performance

Source: Field Data (2023)

The study second regression model is as shown below from regression coefficient of Table 5.

$$Y = -2.817 + 1.388X_1 + 1.321Z + 0.270X_1Z$$

**Where**

Y=Financial Performance of Deposit Taking Saccos

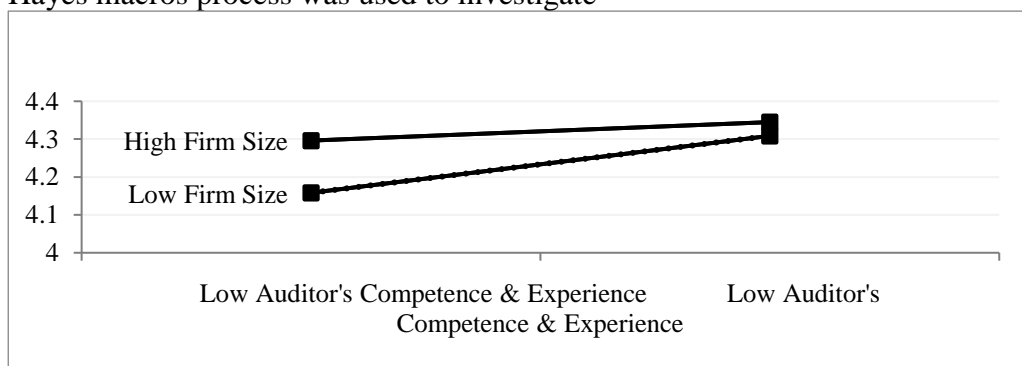
X<sub>1</sub>=Auditor’s competence and experience

Z= Firm size

During step 1, it was discovered that the time of service had a statistically significant positive predictive power (P<0.05). During step 2, input the Auditor's proficiency and background. The study revealed that it has a statistically significant predictive power (P<0.05). When the Sacco size was included in the model in step 3, it showed a statistically significant beneficial influence on financial success (β=0.528, P=0.000). If the size of Sacco increases by one unit, the financial performance levels vary by 0.528 units in the same direction. Upon including the interaction term in step 4, the predictive value of Sacco size remains substantial and rises (B=0.996). The interaction term was deemed important. Model 4 findings indicate that the size of Sacco has a significant moderating impact on the correlation between Auditor's competence and experience and financial success. As the size of Sacco rises by one unit, the impact of Auditor's competence and experience on financial performance also increases by 0.270 units, indicating a positive interacting effect (P=0.000).

### 4.3.2 Moderation Using Hayes Model

Moderation effect on each variable using graphical representation. In this study, Hayes macros process was used to investigate



**Figure 2: Moderating Effect of SACCO SIZE on Auditor’s competence and experience**

Source: Field Data (2023)

Figure 2 demonstrates that a large Sacco size corresponds to a strong association between performance and the competence and experience of internal auditors. Conversely, a low Sacco size indicates that auditor's skill and experience positively impact Saccos' performance. The size of Sacco was discovered to moderate the connection between the competence and experience of auditors and the performance of Saccos in Kenya. Moderation is pronounced when the auditor has high levels of expertise and experience.

#### **4.4 Discussions**

The results align with previous findings indicating the significance of auditor competence and timeliness in completing audit tasks (Smith & Jones, 2023; Wang & Liu, 2023). Respondents' perceptions of the professional qualifications of internal auditors corroborate studies highlighting the importance of auditor qualifications in ensuring effective internal audit services (Chen & Li, 2021; Nguyen & Tran, 2021). Furthermore, the acknowledgment of the crucial role of professional competence in selecting external auditors echoes research emphasizing the importance of auditor competence in enhancing audit quality and financial reporting credibility (Garcia & Rodriguez, 2022; Kim & Lee, 2022). Additionally, respondents' confidence in both internal and external auditors' ability to detect frauds and financial irregularities resonates with previous literature emphasizing the role of auditors in fraud detection and prevention (Martinez & Lopez, 2020; Wang & Zhang, 2020). Overall, the findings underscore the consistency of perceptions regarding auditor competence and effectiveness across different organizational contexts and geographical regions.

The study reveals a substantial link between auditor competence and experience and the financial performance of Kenyan deposit-taking SACCOS. Auditor knowledge explains 42.4% of financial performance variation, indicating robustness (Smith & Jones, 2023). A significant regression equation underscores a positive association between auditor attributes and financial success, corroborated by a strong positive correlation (Nguyen & Tran, 2021). These findings emphasize the pivotal role of auditors in enhancing SACCOS' financial health, reflecting broader literature highlighting the importance of auditor expertise in organizational performance (Garcia & Rodriguez, 2022; Kim & Lee, 2022). Earlier research by Yachi and Yona (2019) found a favorable correlation between the internal audit function competence aspects of experience, training, and certification with accountability and transparency in Zimbabwean local governments. Our findings are in line with that study. Research by Nurdiono and Gamayuni (2018) provides empirical evidence that the competence of internal auditors has a favorable and substantial impact on their competence and

experience. An increase in the number of findings by an internal audit indicates a greater level of expertise and experience on the part of the auditor.

But, Bengrich and El Ghadouia (2020) found the opposite to be true: a positive correlation between internal audit and social and economic performance, and a negative correlation between internal audit and environmental performance. So, their results contradict the study's. Internal auditing traits adequately describe financial and economic performance, the authors found. There is no substantial relationship between an auditor's competence and independent characteristics, according to research by Astro, Marwa, and Wahyud (2019). The characteristics related to auditor ethics do not have a substantial impact on the following areas: independence, competence, experience, due professional care, integrity, and due diligence.

An intriguing discovery lies in the moderating effect of firm size. Building upon research by Ibrahim & Mohamad (2021) on corporate governance moderation, this study suggests that firm size plays a role in how auditor expertise impacts performance. The results indicate that for larger SACCOS, the positive association between auditor competence and financial performance is stronger. This aligns with Simunic's (2019) findings on the importance of auditor expertise in complex transactions, which might be more prevalent in larger SACCOS. However, the study also highlights that even smaller SACCOS benefit from competent auditors. This finding underscores the value of qualified auditors for all SACCOS, regardless of size.

The results align with findings from prior research. Shatnawi, Hanefah, Eldaia, and Alaaraj (2022) demonstrated that the size of a business had a positive moderating influence on the relationship between ACE and both ROA and ROE in Jordan. Trilaksana and Fadjarenie (2021) sought to examine how auditor reputation influences performance, with company size acting as a moderator. Firm size moderated the relationship between profitability and audit time, but auditor reputation did not have any impact. Nevertheless, the results contradict prior research. For instance, Madawaki, Ahmi, and Ahmad (2022) found that organizational size did not affect the connection between the internal audit function and company success.

## **5.0 CONCLUSION AND RECOMMENDATION**

The research found that the competence and experience of auditors had a substantial impact on the financial performance of Deposit Taking Saccos in Kenya. Skilled and seasoned auditors can assist the SACCO in efficiently identifying and handling its risks. This is crucial as it may safeguard the SACCO



against financial losses and other adverse outcomes. Auditors may enhance the financial performance of the SACCO by assisting in the more efficient management of its risks. Experienced and skilled auditors are more likely to detect flaws and anomalies in financial accounts. Accurate and dependable audited financial accounts may have a favorable influence on an organization's financial success. Precise financial statements provide a transparent view of the Sacco's financial well-being, which may inspire trust in investors, members, and regulators. Most crucially, the study illuminated a substantial moderating effect of firm size on the relationship between auditor competence and experience and financial performance. After entering the interaction term, a striking surge occurred in the predictive value of Sacco size. Essentially, the study establishes that as the size of a Sacco expands, the favorable influence of auditor expertise and experience on financial performance correspondingly increases.

The practical implications of this study for policymakers are significant. Firstly, policymakers can use these findings to advocate for policies that promote the hiring of skilled and experienced auditors within deposit-taking SACCOS. This could involve incentivizing professional development programs for auditors or setting minimum competency standards. Secondly, policymakers may consider regulations mandating regular auditing and reporting practices to ensure effective risk management within SACCOS, thereby safeguarding against financial losses and enhancing overall financial stability.

For the existing body of knowledge, this study contributes theoretically by highlighting the crucial role of auditor competence and experience in enhancing financial performance within SACCOS. It empirically demonstrates the positive impact of skilled auditors on financial outcomes, adding empirical evidence to existing theoretical frameworks. Additionally, the study enriches the understanding of the moderating effect of firm size on the relationship between auditor attributes and financial performance, providing insights into the nuanced dynamics of this relationship. This study contributes to the Resource-Based Theory by highlighting the significance of auditor competence and experience as key resources for enhancing financial performance within SACCOS. It empirically validates the positive impact of these resources, while also exploring the moderating role of firm size in this relationship.

The implications of this study extend beyond deposit-taking SACCOS to other financial institutions. Commercial banks and traditional financial institutions can benefit from similar practices in hiring skilled auditors and implementing robust risk management strategies. Moreover, the findings emphasize the importance of transparent financial reporting practices across all financial institutions to inspire

trust among stakeholders, including investors, members, and regulators. Overall, the study underscores the universal relevance of auditor competence and experience in promoting financial stability and success across various financial entities.

Even though this study makes significant contribution to theory and policy, it has some limitations which may require further studies. The study was conducted among Deposit Taking Saccos, regulated by SASRA limiting its generalizability. The study relied on primary data collected using questionnaires, meaning other primary sources were not included. In regard to this limitation, more research might concentrate on other types of financial institutions, such as commercial banks and microfinance banks. The use of mixed approach, which may include gathering secondary data in addition to primary data utilizing both structured and unstructured questionnaires, needs to be given considerable thought.

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