Influence of Internal Audit Risk Planning Practices on the Financial Performance of SACCOs in the Western Region of Kenya

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ABSTRACT

To better monitor and control risks, businesses may use risk-based internal audit (RBIA) practices. It also increases transparency and honesty in the financial reporting process. The Western Region and Kenyan Deposit Taking Savings and Credit Cooperatives (DT-SACCOs) are the primary subjects of this research. Despite having an audit department in place, some DT-SACCOs encounter difficulties in auditing their operations, such as a lack of audit evidence (too weak or incorrect) that makes it difficult for the auditor to make the proper choice or generate accurate findings. An internal audit that takes risk into account may help a company prioritize its resources where they will have the most impact. This allows the SACCO to boost its financial performance and provide better reporting to its members. This research looked at how risk-based internal audits affected the profitability of DT-SACCOs in Kenya's Western Region. Based on three theories - the Positive Accounting Theory of internal auditing risk planning, the Contingency Theory of risk management, and the Agency Theory of internal audit capacity—this descriptive study was conducted. Fifteen DT-SACCOs in the Western Region of Kenya will be the focus of the study. Primary data was collected from DT-SACCO members, with a response rate of five per SACCO. The data on financial performance was verified using secondary sources of information. Regression analysis shows that risk-based audit planning had a statistically significant effect on the financial performance of DT-SACCOs in the Western area (t = 5.626, p<0.05). The study recommended that SACCO management practice risk-based auditing with adequate planning from all stakeholders to enhance transparency and accountability. Furthermore, the management should ensure there is timely action on audit queries.

Keywords: *Risk Based Auditing, Internal Audit Risk Planning Practices, Financial Performance, SACCOs*

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1. INTRODUCTION

The practice of risk-based auditing has become more common in the auditing world. According to McNamee and McNamee (1995), who cited Mujalli (2020), risk-based auditing has progressed since the end of World War II from the validation of transactions to the examination of entire systems (Wang, Zhao, & Chang, 2020). Internal auditing has been around since at least 3500 B.C. (Görener, 2017), but it wasn't until 1941 that risk-based auditing really took off in the United States when the Institute of Internal Auditors (IIA) was founded. Over the years, the IIA has been a leader in improving risk-based auditing by approving and issuing statements of responsibilities, conducting research and developing a common body of knowledge, establishing continuing education and professional certification programs, and making and adopting standards for the professional practice of internal auditing, as well as a code of ethics (Erlina et al., 2020).

Internal auditing has seen a substantial change in emphasis from systems-based to process-based to risk-based auditing throughout the years (Wang et al., 2023) and is now mostly concerned with the latter. Companies are learning that this approach may help them better protect against risk and prioritize the risks that are most critical to their operations. Traditional audit plans often give most of their attention to the controls that currently exist and whether or not they are doing their job. After assessing the risks a company faces (as determined by management and the board of directors), risk-based audits work to fix and redefine controls based on the risks that are the most pressing and have the greatest potential for loss. A solid risk management program should be in place before attempting such an audit, according to the Chartered Institute of Internal Auditors (CIIA).

Risk-based internal auditing, or RBIA, is defined by the IIA as "a means of linking internal audit to an organization's general risk supervision structure" (Ciobu, 2017). This paves the way for internal audits to persuade the board that risks linked to possible risk instruments are being managed successfully by the risk management process. Risk-based audits follow the prescribed framework and are more successful than previous techniques because of this. The auditors are able to study the company more thoroughly by identifying potential loopholes that could trigger an alert for potential risks in the firm, thanks to the familiarity they have with the processes and the company as a whole made possible by RBIA (Drogalas & Siopi, 2017). However, it may be challenging for businesses to stick to their strategic plans because of the many internal and external forces that threaten the company's success. To protect the company against such risks, audits are conducted to check whether or not the business is following the rules and to spot any weaknesses that might be exploited.

The RBIA method narrows down on the most critical aspects of a company's exposure to risk and then uses a variety of tactics, such as looking at the firm's goals and controls, to determine whether or not the available information supports those goals and controls. Audit activities, such as initiation, planning, fieldwork, conducting, communicating audit findings to important stakeholders in the organization, and following up, must be identified by risk-based auditors. This helps in ensuring that the presented financial statements accurately represent the status of the firm and are not skewed in any way (Tonya & Odhiambo, 2022).

Audit maturity, risk assignment, and yearly planning for risk-based audits are three aspects that contribute to the effectiveness of risk-based audit procedures in businesses (Ardianingsih & Payamta, 2022). Instead of focusing on the firm's financial transactions, which may be readily manipulated, a risk-based audit looks at the risks that emerge from inside the company and how to mitigate them (Putri et al., 2020).

1.1 Statement of the Problem

It has been shown that a risk-based internal audit has a beneficial effect on financial performance because it directs the internal audit activities toward addressing the most pressing threats to the company. An organization's financial performance may be enhanced by the use of risk-based internal auditing, which identifies and prioritizes areas of the business most at risk and produces thorough reports on these areas. Internal auditors may better mitigate risks to the business and aid in problem-solving by management using a risk-based auditing strategy, leading to enhanced financial results. An internal audit strategy is built on a risk-based audit methodology (Lois et al., 2021).

Despite widespread acknowledgement of the value of SACCOs' methods, certain organizations are struggling to function due to a lack of transparency about internal corporate conditions (Nyerere, 2022). Mismanagement, fraud, and predatory lending are sending a growing number of Kenyan SACCOs reeling. Due to poor leadership and corruption, several Kenyan SACCOs have failed (Karimi, 2018). It's possible the scam wouldn't have happened in the first place if those SACCOs had taken a risk-based approach to auditing and practiced good corporate governance in addition to having an audit department. This research was inspired by the fact that several SACCOs, despite implementing risk-based internal audits, have nevertheless underachieved. There isn't enough information to know how much of an effect SACCOs' risk-based internal audit has on their bottom lines. Therefore, the purpose of this study is to explain how RBIA affects SACCOs' efficiency and effectiveness. The study also aimed to determine whether factors act as moderators of the connection between risk-based internal audits and the financial performance of SACCOs in Kenya's Western Region.

There were 175 DT-SACCOs that were licensed to undertake deposit-taking business for the period ending December 2021. However, four (4) DT-SACCOs failed to maintain the minimum standards required for a SACCO to undertake deposit-taking business, and consequently, their respective licenses were withdrawn and/or not renewed in the year 2021, leaving a total of 171-DTSACCOs with valid licenses according to the SACC0 supervision annual report (2021). The study is then to investigate reasons for this or any gaps that exist.

Whereas studies have been done on risk-based auditing and financial performance, many have been done in the private sector and in different countries, neglecting the financial sector, especially the SACCO subsector, despite the influence such institutions have on national development (Puad & Abdullah, 2020; Mulwa & Opuodho, 2022), leaving a significant contextual and sectoral gap.

A review of previous studies has exposed methodological gaps, which this study sought to address. Studies have used only one research design, mainly a descriptive research design (Apreku-Djan et al., 2022; Geke, 2017; Lutta, 2014), which is inadequate to causally link the relationship between financial performance and risk-based auditing. Further, some studies have failed to use both descriptive and inferential statistics, and the application of descriptive statistics makes it difficult to make inferences and generalize the findings (Koutoupis & Tsamis, 2019;

Young, 2020). To fill these methodological gaps, this study adopted a descriptive and causal research design and, at the same time, employed triangulation.

In addition, some study findings have yielded mixed results, with some holding that risk-based auditing has a major influence on financial performance (Nyerere et al., 2021; Apreku-Djan et al., 2022; Sisco et al., 2020), while others hold a contrary opinion, leaving a significant empirical gap (Nugraha et al., 2022; Nurdiono & Gamayuni, 2018), finding an insignificant influence of risk-based auditing on performance. To fill this empirical gap, the study examined the influence of risk-based auditing on the financial performance of SACCOs in the western region of Kenya.

1.2 Research Objective

To determine the influence of internal audit risk planning practices on financial performance of SACCOs in Western Region, Kenya.

1.3 Research Hypothesis

H_0: Internal audit risk planning practices has no significant influence on financial performance of SACCOs in Western Region, Kenya.

II. LITERATURE REVIEW

2.1 Theoretical Review

Watts and Zimmerman (1986), the creators of positive accounting theory, argued that the focus of the field should be on providing explanations for accounting procedures. It does not provide guidance on which accounting technique should be used but rather explains and predicts which businesses will not utilize that specific approach. "Specifically, it is predicated on "the assumption that all individual actions are driven by self-interest and that individuals will always act in an opportunistic manner to the extent that the actions will increase their wealth" (Santoso & Sebayang, 2017). According to the positive accounting theory, this means that businesses will try to implement measures that curb self-interested behavior. The firm's managers (agents) require this so that their interests may be aligned with those of the firm's owners (principles). 'Monitoring cost' refers to the expenses incurred in resolving issues that arise within the agency relationship and putting in place suitable methods. In addition, according to Nasution et al. (2020), the normative approach to accounting theory analysis lacks a solid theoretical foundation because of its simplistic justification.

Watts and Zimmerman created a positive approach to accounting that is more focused on empirical research and provides justifications for a number of currently-used accounting procedures and methodologies, as well as seeking out new models for the advancement of accounting theory. That accounting theory exists to explain and foretell accounting practices and standards is a fundamental tenet of the more optimistic "positive" school of accounting thought. The goal of positive accounting theory is to provide a rationale for selecting and implementing accounting rules that will be most effective in the face of unforeseen future events. Using this framework, businesses use risk-based auditing to satisfy the requirements of management and shareholders for constant scrutiny of the control environment, making risk planning possible.

2.2 Conceptual Framework

A conceptual framework was used to identify variables in the study. In this study, it’s based on internal audit planning risk, which constitutes an independent variable, whereas the financial performance of SACCOs, whose indicators include return on assets and return on equity, constitutes the dependent variable, as shown in Figure 1 below.

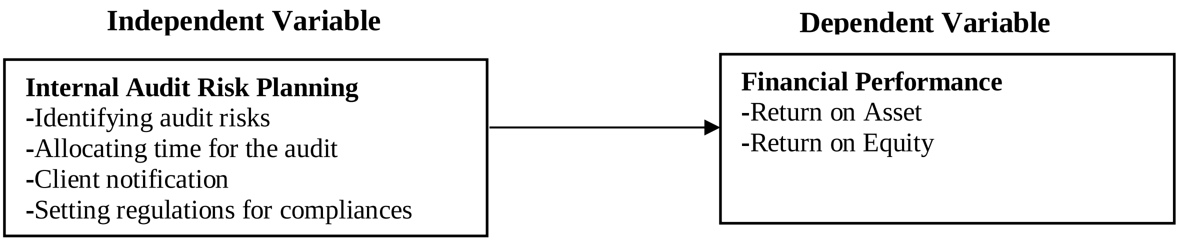

Figure 1
Conceptual Framework

2.3 Empirical Review

It was investigated by Nyerere et al. (2021) that SACCOs in Nairobi Metropolis, Kenya, allowed deposits. This study used information gathered from an audit manager for each of the 43 SACCOs in the Nairobi Metropolis area of Kenya. Applying regression models, we found that the practice of assigning and arranging audits based on risk had a statistically significant, positive impact on the financial performance of SACCOs. Mutua's (2012) research aimed to determine how adopting a risk-based audit strategy has influenced the bottom lines of Kenya's commercial banks. The authors suggest boosting risk assessment, risk management, risk-based annual planning, internal auditing standards, and internal auditing people to enhance risk-based auditing. The business might boost its bottom line by identifying the most consequential risks sooner and concentrating on mitigating them first. Thorough planning improves performance in terms of speed, accuracy, completeness, timeliness, convenience, and clarity.

Terer and Ngahu (2017) attempted to determine the factors that resulted in the adoption of risk-based internal auditing by the Kenya and Livestock Research Organization via their research. Internal auditing based on risk was shown to have a positive and statistically significant relationship with information and communication technology (ICT) infrastructure. According to the study's authors, modern information and communication technologies have a significant impact on the spread of risk-based internal auditing. For his part, Lutta (2014) set out to determine what prompted Kenya to adopt risk-based auditing. In order to learn what characteristics in Kenya's public sector affect the adoption of a risk-based auditing approach, this research used a cross-sectional, descriptive survey design. Results show that risk-based audits enhance public financial management's transparency, accountability, and flexibility to adapt to changing policy priorities.

Apreku-Djan et al. (2022) investigated risk-based auditing to see how it affected the value-based financial performance of banks listed on the Ghana stock market. Based on the findings of this study, effective risk management has a profoundly positive effect on the value-based financial performance of banks listed on the Ghana Stock Exchange. According to the study's findings, annual risk-based planning has a substantial, beneficial effect on the value-based financial performance of banks listed on the Ghana Stock Exchange. To determine if risk-oriented internal audit practices, including risk management, internal audit planning, internal audit capacity, and internal audit standards, have an effect on the financial performance of commercial state corporations in Kenya, Marete (2014) conducted an investigation. The study's findings pointed to a strong link between financial performance and risk management, internal audit planning, internal audit competency, and internal audit standards. In 2016, Gombe examined how risk-based internal auditing affected the ICS of SACCOs in Western Kenya. The results of the study showed that the design of an internal audit has a significant impact on ICS.

III. METHODOLOGY

The counties of Kakamega, Vihiga, Busia, and Bungoma made up the Western Region of Kenya, where the research took place. This research used a descriptive and correlational approach. Descriptive design is a valid option since it represents the state of play with regard to the study's variables and allows for more straightforward data collection on the phenomenon itself. The purpose of the research was to use correlational analysis to identify the connections between the independent factors and the effect they had on the dependent variable. The target population of this study was 90 employees, comprising internal auditors, accountants, credit officers, finance officers, finance managers, and chief executive officers and branch managers in Kakamega, Bungoma, Busia, and Vihiga counties. The study selected ninety (90) respondents, thus a census study.

This study used primary resources for its information. In order to get this information, we used structured questionnaires. Trans Nzoia County's Trans-National Times SACCO Society Ltd. was the site of a pilot trial. Trans-National Times SACCO Society Ltd. provided 12 volunteers for the study's pilot phase. In this research, we looked at the construct and content validity of the research instrument. The incorporation of the expert perspective of professors and lecturers from the Department of Business and Economics at Masinde Muliro University of Science and Technology enhanced the quality of the presentation. Construct validity showed that all factor loadings in this investigation were more than 0.4. Cronbach's alpha was used in the research as a quantitative measure of dependability. Alphas greater than 0.7 were found for each of the seven activities detailed in the Statement on Internal Audit Risk Planning and Financial Performance.

Both descriptive and inferential statistical approaches were used to examine the data and draw conclusions. Means and standard deviations were calculated along with other descriptive statistics, including frequency distributions and percentage breakdowns. Both regression and correlation were used in the inferential analysis. We used SPSS 26 to analyze the data we gathered. The data was shown in tables of frequencies and percentages.

IV. RESULTS

4.1 Descriptive Analysis

The respondents were asked to indicate their level of agreement, from strongly disagree (1) to strongly agree (5), in relation to seven statements related to internal audit risk planning practices. The results are as shown in Table 1.

Table 1

Internal Audit Risk Planning Practices

Statements	5	4	3	2	1	Mean	SD
1. Risk based audit reporting time is defined	11.8 (8)	44.1 (30)	20.6 (14)	16.2 (11)	7.4 (5)	3.37	1.12
2. Risk based audit planning is practiced to enhance transparency and accountability	14.7 (10)	25 (17)	36.8 (25)	17.6 (12)	5.9 (4)	3.25	1.10
3. There are annual plans and programs for individual risk-based audit assignments	11.8 (8)	48.5 (33)	26.5 (18)	11.8 (8)	1.5 (1)	3.57	0.90
4. Risk based audit annual plans are discussed with the management	29.4 (20)	19.1 (13)	20.6 (14)	23.5 (16)	7.4 (5)	3.40	1.33
5. There is timely action on audit queries	5.9 (4)	33.8 (23)	42.6 (29)	14.7 (10)	2.9 (2)	3.25	0.89
6. Audit recommendations are implemented by the Management	5.9 (4)	42.6 (29)	32.4 (22)	11.8 (8)	7.4 (5)	3.28	1.01
7. Risk based audit reporting time is defined	29.4 (20)	30.9 (21)	20.6 (14)	10.3 (7)	8.8 (6)	3.62	1.26

N=68, 1=Strongly Disagree, 2=Disagree, 3-Neutral, 4=Agree, 5=Strongly Agree, S. D=Standard Deviation

Table 1 shows that 11.8% (8) are highly agreeing and 44.1% (30) are agreeing that the timeframe for risk-based audit reporting is set. Also, although 16.2% (11) of respondents disagreed with the assumption that a set timeframe exists for risk-based audit reporting, only 7.4% (5) severely disagreed. Respondents mostly agreed with the statement, with a mean of 3.27 and a much lower standard deviation of 1.12. 14.7% (10/30) of respondents strongly agreed, and 25% (17/30) agreed that risk-based audit planning is used to improve openness and responsibility. Risk-based audit planning is used to improve openness and responsibility, although only 38% of respondents (25 out of a total of 59) agreed with this statement. Responses were mostly positive, with a mean of 3.25 and a substantial standard deviation of 1.10. Only 11.8% (8) of respondents strongly agreed, but 48.5% (33) agreed that there are yearly plans and procedures for individual risk-based audit assignments. In addition, 26.5 percent (18 people) agreed, 11.8 percent (8) disagreed, and 1.5 percent (1) strongly disagreed that there are yearly plans and processes for individual risk-based audit assignments. The respondents overwhelmingly agreed with the statement, giving it a mean score of 3.57 and a large standard deviation of 0.90. The results showed that 29% (n = 20) of respondents strongly agreed that yearly plans for risk-based audits are discussed with management, while another 19% (n = 13) agreed with this assertion. In addition, 20.6 percent of respondents (14 people) were in agreement, 23.5 percent of respondents (16 people) were not, and 7.5 percent of respondents (5) were not. The average agreement was 3.40 out of 5, with a high standard deviation of 1.33, indicating that most respondents agreed with the statement.

The data showed that 33.8% (23) of those polled agreed that there is a prompt response to audit questions, with 5.9% (four people) highly agreeing with this statement. Additionally, 42.6% (29) of respondents somewhat agreed, 14.7% (10) disagreed, and 2.9% (2) strongly disagreed that there is a quick response to audit questions. With a mean agreement of 3.25 and a small standard deviation of 0.89, the respondents were mostly in agreement with the statement. 5.9% of respondents (4) strongly agreed, whereas 42.6% of respondents (29) agreed that audit suggestions are adopted by the management. Another 32.4 percent (22) agreed that management makes an effort to implement the findings of audits, while 11.8 percent (8) disagreed and 7.5 percent (5) strongly disagreed. The respondents were mostly in agreement with the statement, giving it a mean agreement score of 3.28 and a substantial standard deviation of 1.01. Finally, 29.4% (20) of respondents strongly agreed, and an additional 30.9% (21) agreed, that a timeframe for reporting the results of a risk-based audit is established. However, only 20.6% (14) of respondents strongly agreed, 10.3% (7) disagreed, and 8.8% (6) were neutral about whether or not a specified time frame exists for risk-based audit reporting. The respondents gave this statement a mean score of 3.62, with a substantial standard deviation of 1.26.

Table 2
Financial Performance Descriptive Statistics

Statements	5	4	3	2	1	Mean	S.D
1. The capital base of deposit taking SACCO has consistently increased	30.9 (21)	38.2 (26)	8.8 (6)	22.1 (15)	0 (0)	3.78	1.12
2. Profitability of deposit taking SACCOs have consistently increased	20.6 (14)	35.3 (24)	29.4 (20)	11.8 (8)	2.9 (2)	3.59	1.04
3. Customer service shave improved with increase in innovations like ATMs	44.1 (30)	17.6 (12)	26.5 (18)	8.8 (6)	2.9 (2)	3.91	1.16
4. SACCO membership has expanded over years	30.9 (21)	29.4 (20)	27.9 (19)	8.8 (6)	2.9 (2)	3.76	1.08
5. Customer services have improved with adequate increase	42.6 (29)	17.6 (12)	25 (17)	11.8 (8)	2.9 (2)	3.85	1.19
6. Renumeration of employees in deposit taking SACCOs is adequate	17.6 (12)	29.4 (20)	41.2 (28)	11.8 (8)	0 (0)	3.53	0.92
7. Dividend per share of deposit taking SACCOs has consistently increased	26.5 (18)	44.1 (30)	11.8 (8)	14.7 (10)	2.9 (2)	3.76	1.09
8. Interest on members deposits has been increasing over years	42.6 (29)	35.3 (24)	4.4 (3)	17.6 (12)	0 (0)	4.03	1.092

N=68, 1=Strongly Disagree, 2=Disagree, 3-Neutral, 4=Agree, 5=Strongly Agree, S. D=Standard Deviation

Table 2 shows that thirty-nine percent (13) of respondents strongly agree that the capital base of deposit-taking SACCO has continually expanded, while an additional thirty-eight percent (26) agree with the notion. In addition, although 8.8% (6) of people were strongly agreeing with the statement, 22.1% (15) of people were strongly disagreeing with the statement. An overwhelming majority of respondents (3.78) were in agreement with the statement, with a substantial standard deviation (1.12). Twenty-six percent of respondents (14) strongly agreed, and thirty-five percent of respondents (24) agreed that deposit-taking SACCOs had constantly grown their profitability. In contrast, just 29.4% (20 people) agreed that deposit-taking SACCOs had constantly grown their profitability, while 11.8% (8) disagreed and 2.9% (2) severely disagreed. The respondents agreed with the statement by a substantial margin (mean of 3.59, standard deviation of 1.04). A total of 44.1% (30) of respondents gave a positive response to the statement that "customer service has improved with an increase in innovations like ATMs." Another 17.6% (12) gave a positive response. As for whether or not innovations like ATMs have enhanced customer service, 26.5% (18) of respondents agreed, 8.8% (6) disapproved, and 2.9% (2) severely disagreed. The respondents agreed with the statement by a substantial margin (mean of 3.91, standard deviation of 1.16). The results showed that 30.9 percent (21) of people in the sample were in agreement with the assertion that SACCO membership has grown throughout the years, whereas 29.4 percent (20) were in agreement.

In addition, 27.9% (19) of people said they somewhat agreed, 8.8% (6) of people said they disagreed, and 2.9% (2) of people said they definitely disagreed that SACCO membership had grown throughout the years. The respondents agreed with the statement by a substantial margin (mean of 3.76, standard deviation of 1.08). The data showed that 42.6 percent of respondents (29 people) strongly agreed that customer services have improved, and 17.6 percent (12 people) felt that they had improved enough. Twenty-five percent (17 people) agreed that customer services had improved with an appropriate increase, whereas 11.8 percent (8) disagreed and 2.9 percent (2) severely disagreed. There was widespread consensus among respondents, with a mean of 3.85 and a substantial standard deviation of 11.19 in favor of the proposition. Only 17.6% (12) of respondents strongly felt that pay in deposit-taking SACCOs is sufficient, whereas 29.4% (20) agreed. Moreover, the remuneration of workers in deposit-taking SACCOs is appropriate, with 41.2% (28) of respondents fairly agreeing and 11.8% (8) disagreeing. The respondents agreed with the statement by a substantial margin (mean of 3.53, standard deviation of 1.92). The dividend per share of deposit-taking SACCOs has been rising steadily, as agreed with by 44.1% (30) of respondents (26.5% of whom strongly agreed). However, just 14.7% (eleven) of respondents believed that dividends paid out by deposit-taking SACCOs had been on the up-and-up, while only 2.9% (2) strongly disapproved. The respondents gave the claim a mean score of 3.76 out of a possible 4 and a significant standard deviation of 1.09. Lastly, 35.3% (24) of respondents agreed, and 42.6% (29) of those who answered the survey strongly agreed that interest on members' savings has been growing over the years. The percentage of people who strongly agree that interest on members' deposits has been rising over the years was 4.4% (3), whereas the percentage of those who disagree was 17.6% (12). The respondents mostly agreed with the argument, with a mean score of 4.03 and a considerable standard deviation of 1.092.

4.2 Inferential Analysis

Internal audit risk planning techniques were hypothesized to have no impact on the financial results of SACCOs in Western Kenya. Regression and the Pearson Correlation Coefficient were used to get this conclusion. The study's hypothesized results were put to the test as follows:

H_0: Internal audit risk planning practices has no significant influence on financial performance of SACCOs in Western Region, Kenya.

4.2.1 Pearson Correlation

Table 3 shows a statistically significant positive association between internal audit risk planning procedures and financial performance (r=0.569, p=0.000). So, if SACCOs in Western Kenya did a better job of incorporating risk planning into their internal audits, their bottom lines would improve. Nyerere, Njeru, and Mugo (2021) studied the SACCOs in Nairobi Metropolis, Kenya that accepted deposits. Positive statistical significance was shown between risk-based audit planning and SACCOs' bottom lines. According to Le and Nguyen (2020), six variables affect RBAA adoption: auditor competence, technological progress, audit fees, auditor motivation, audit duration, and client risk. Of them, the competence of auditors and advances in technology have the greatest and most beneficial effects on RBAA's spread. The audit technique based on business risks and its combined dimensions was shown to significantly reduce unsystematic risks in Jordanian banks by Al-Qudah (2021). The research also indicated that the business risk-based audit strategy, when considering all of its aspects, is effective in lowering operational risks in Jordanian institutions.

Table 3
Correlation Analysis

		Internal audit risk planning practices
Internal audit risk planning practices	Pearson Correlation	.569**
	Sig. (2-tailed)	.000
	N	68

4.2.2 Regression Analysis

SACCOs of county governments in Western Kenya's financial performance was analysed through regression to ascertain the impact of internal audit risk planning techniques on that performance. Table 4 displays the obtained outcomes.

Table 4
Linear Regression Analysis

Model Summary[b]

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.569[a]	.324	.314	.75723

a. Predictors: (Constant), Internal Audit Risk Planning
b. Dependent Variable: Financial Performance

ANOVA[a]

Model		Sum of Squares	Df	Mean Square	F	Sig.
1	Regression	18.151	1	18.151	31.655	.000[b]
	Residual	37.844	66	.573		
	Total	55.995	67			

a. Dependent Variable: Financial Performance
b. Predictors: (Constant), Internal Audit Risk Planning

Coefficients[a]

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	1.874	.351		5.348	.000
	Internal Audit Risk Planning	.561	.100	.569	5.626	.000

a. Dependent Variable: Financial Performance

According to Table 4, the R square, which is the coefficient of determination, reveals that internal audit risk planning techniques substantially account for up to 32.4% of the variance in financial performance (R2 = 0.324, P = 0.000). This shows that there is a link between internal audit risk planning techniques and monetary outcomes. Table

4.0 shows that the F test yielded a value of (1, 66) = 31.655, P 0.05, indicating that the model is a good fit for describing the variance in the dependent variable. It also suggests that a company's risk-planning procedures conducted by its internal auditors might be a reliable indicator of its financial results. Internal audit risk planning techniques had a value of 0.561 for the unstandardized regression coefficient (), which was statistically significant at the.05. This study suggested that a one-unit shift in internal audit risk planning procedures would lead to a 0.561-unit shift in financial results. Therefore, the following regression equation was presented to estimate the monetary output of SACCOs in Western Region, Kenya, as a direct outcome of internal audit risk planning practices:

Financial performance = 1.874+0.561 Internal audit risk planning practices

From the results, it is evident that internal audit risk planning practices have a significant positive influence on the financial performance of SACCOs in the Western Region of Kenya. The findings of this study are similar to those of Nugraha et al. (2022), who sought to determine how much influence the risk-based planning of internal audits and competence have on audit quality with the paradigm of internal auditors as a moderating variable. The results of this study prove that good risk-based internal audit planning will achieve quality audit goals. In addition, auditors who have good competence will also affect the quality of audit results. Fraud detection by risk-based internal audit planning was studied by Sisco et al. (2020). The findings indicated that the auditors' capacity to identify fraud is considerably and favorably influenced by the use of risk-based internal audits, the competency of the government's internal auditors, and the independence of the auditors.

Further, this is consistent with Riungu (2018), who found out by using a regression model on the study variables, the dependent variable being operational efficiency and the independent variable being risk-based internal audit measured in terms of variables such as risk evaluation, internal audit competence, risk-based planning, and internal auditing standards. 18.4% of the sources of operational efficiencies in the DTS may possibly be the result of the joint effects of the predictor variables. For his 2014 study, Kabare aimed to determine how risk-based audits affected the bottom lines of Kenya's commercial state businesses. The study's results revealed that risk management and yearly risk-based audit planning had a substantial impact on the financial performance of state enterprises in Kenya during the three years of the study's time frame. Based on the results, it can be said that there is a correlation between risk-based audit parameters and the economic success of Kenya's state-owned enterprises.

V. CONCLUSIONS & RECOMMENDATIONS

5.1 Conclusions

The research found that SACCOs in Kenya's Western Region had better financial results when they followed best practices for internal audit risk planning. SACCOs' financial results are improved thanks to yearly plans and programs that allocate risks and set deadlines for reporting on those risks. Internal audit risk planning practices are essential for ensuring that an organization's internal audit function operates effectively and efficiently. The goal of risk planning is to identify and prioritize audit areas based on the level of risk they pose to the organization. In conclusion, internal audit risk planning practices are essential for any organization that wants to improve its risk management, internal audit, and overall governance and oversight.

5.2 Recommendations

The study recommended that SACCO management practice risk-based auditing with adequate planning from all stakeholders to enhance transparency and accountability. Furthermore, the management should ensure there is timely action on audit queries. Furthermore, internal audit risk planning is an ongoing process. Therefore, internal audit risk planning should be flexible and responsive to changes in the organization's risk profile and the external business environment. Regularly reviewing and updating your audit plan will help ensure that it remains effective in mitigating risks and adding value to the organization. Lastly, the internal audit plan should be based on a risk assessment of the organization. This will ensure that the audit resources are focused on the most important areas.

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