



# Internal Audit Report Quality and Financial Statement Accuracy of Savings and Credit Cooperatives Societies in Kenya

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## Abstract:

The focus of this study is to examine the correlation between the caliber of internal audit reports and the precision of financial reporting within Kenyan savings and credit cooperative societies (SACCOs). The accuracy of financial reporting is of paramount importance as it influences investment decisions and market efficacy. In view of SACCOs' limited accounting expertise, this investigation aims to evaluate the impact of adept internal auditors on financial accuracy and the internal audit function's role in enhancing controls and preventing fraud. The study utilizes agency and stakeholder theories to probe into the SACCO management-shareholder relationship. By highlighting the significance of accurate financial statements and internal audit quality, the study employs theoretical frameworks to analyze the impact of audit reporting quality on financial accuracy. The ultimate objective of this study is to augment our comprehension of the role of internal audit quality in enhancing financial accuracy in Kenyan SACCOs. The theoretical basis of agency and stakeholder theories facilitates the analysis of intricate SACCO dynamics. In light of the criticality of SACCOs in Kenya's financial sector, the insights derived from this study support governance strengthening and the promotion of accurate financial reporting.

**Keywords:** Internal audit report quality, Financial Statement Accuracy, SACCOs, Timeliness, Reliability, Relevance

**DOI:** 10.59413/ajocs/v3.i1.5

**ARK:** ark:/69431/AJoCS.v3i1.5

## 1. Background of Study

The capability of internal auditors to oversee all processes and procedures, assuring the correctness of

financial accounts, is referred to as the quality of internal audit. The usefulness and dependability of accounting reports are directly impacted by the correctness of financial accounts. Accurate financial statements are essential in the context of savings and credit cooperative societies (Saccos)

for influencing consumer investment choices and fostering market efficiency (Otieno, Mugo, Njeje, & Kimathi, 2015). Financial statements that give accurate and fair information about an organization's financial situation and economic performance are considered to be of high financial reporting quality, according to the Financial Accounting Standards Board (FASB) and the International Accounting Standards Board (IASB).

Consumer cooperative organizations, credit and thrift societies, and other varieties of cooperative societies exist. Cooperative societies are founded and run by people who might not have the necessary training or experience in accounting and finance. As a result, it is highly helpful for a person to become familiar with the key clauses of the applicable cooperative societies act and the related regulations. A society founded to support the operation of a society that intends to advance the financial interests of its members following cooperative principles may also be registered under the relevant laws. When legally registered, a society gains the ability to own property, enter into contracts, and have perpetual succession, as well as a common seal. Saccos (savings and credit cooperative organizations) are governed by the Sacco Societies Regulatory Authority (SASRA), an agency of the Kenyan government. SASRA was established in 2009 as a partially autonomous government body under the Ministry of Industrialization and Enterprise Development. Its main duties include controlling and regulating Kenya's deposit-taking sacco societies. The Sacco Societies Act of 2008 founded it. According to Otieno et al. (2015), the authority has regulatory authority under the Sacco Societies Act of 2008 and the regulations that go along with it.

Financial reporting's main objective is to provide accurate financial statements with information about economic entities. The ability to manage resources, make investment decisions, and increase market efficiency are all impacted by financial reporting, making it even more important (IASB, 2008). The financial statements produced by savings and credit cooperative societies serve as a basis for decision-making for many clients. (Kewo & Afiah, 2017).

Internal auditors that possess high levels of competence can improve their company's financial reporting environment in several ways. They first provide

the most pertinent facts, assisting managers in making decisions about the organization. Internal auditors can spot and reveal intentional financial misreporting, even in the early stages before it becomes a significant event. Both of these methods for improving financial reporting are associated with an organization's personnel quality, which is proxied by the amount of education among the workforce. Most educated employees provide supervisors with higher-quality inputs, improving reporting outcomes and resulting in accurate financial statements with fewer mistakes than those with only a high school diploma (Call, Campbell, Dhaliwal, & Moon, 2017). At the conclusion of each audit, internal auditors present a report outlining their conclusions, suggestions, and any additional management responses or action plans. Typically, internal audit reports have a body, an appendix, and an executive summary. Every audit finding in the report's main body must adhere to the "5 C's". Cause, criteria, condition, consequence, and corrective action are the Cs. Condition refers to the identification of a specific problem, whereas criteria refer to the standard utilized to identify the abnormality; cause reveals why the problem occurred; consequences provide the loss or risk that results from the findings; and corrective actions refer to the proposal of actions presented to the managers that they may take.

The importance of legal and accounting systems in enhancing the credibility of financial statements and overall governance processes highlights the significance of a quality internal audit function in ensuring accurate financial statements. While internal auditors are expected to perform their tasks independently and impartially in accordance with professional standards, it is evident that their assessments can be influenced by their personal qualities. It is widely recognized that an individual's personality and cognitive abilities can impact their decision-making as information processors (Albawwat, Al-Hajaia, & Al Frijat, 2021).

This study's objective is to ascertain the effect of excellent internal audit reporting on the correctness of the financial statements of SACCOs with internal audit departments. Each SACCO must establish an internal audit function in accordance with SACCO regulations to ensure that member savings and interests are properly protected.

This department is in charge of evaluating and documenting the efficiency of the internal audit system and SACCO's financial operations. To protect member funds, the recently created internal audit position is anticipated to offer assurance and produce reports regarding SACCO's operations and transactions (Mbuti, 2017). Actual proof of the IAF's significance and capacity to provide oversight over the organization's internal operations and functions has been provided by studies. IAF has been demonstrated to play significant roles in strengthening internal control and monitoring environments within the business as well as reducing the likelihood of corruption and fraud.

Every company engages in everyday decision-making, according to Orieno et al. (2015). The quality of the underlying data that is supplied to the managers, who are the senior officials, determines how well these judgments turn out. As a summary of the organization's numerous activities, the financial statements' information is essential. Financial statements must be thorough in terms of substance, quality, and accuracy if they are to be respected by decision-makers. It ought to offer enough assurance to increase the accuracy of the data and lower uncertainty. Financial statements are used to communicate financial information that helps with investment, credit, and other company choices if accounting is seen as the "language of finance". Audited financial statements, provided by the auditor general, represent the accurate and legally binding financial position of a company at any given time. A financial report is beneficial to both current and potential investors, creditors, and other users as they make informed investment decisions.

## 2. Problem Statement

There hasn't been much research on the relationship between the calibre of internal audit reports and the calibre of financial reporting in developing nations, particularly in Africa. The existing work on this subject primarily uses statistics from wealthy countries. According to a study by Johl et al. (2013), when the internal audit function outsources its duties, the effectiveness of internal audits directly affects the correctness of irregular financial entries. The study suggests that investments play a role in determining the amount of income generated and

abnormal accruals recorded, as well as the independence of the internal audit organization and the financial orientation of audit activities. Additionally, a study reveals a strong correlation between the internal audit function and a company's accountability, underscoring the significance of well-performed internal audits for precise financial reporting (Kaawaase et al., 2021).

The introduction of Kenya's decentralized system of government has posed challenges for SACCO societies. In a 2011 SASRA press release, it was highlighted that these challenges stem from the diverse geographical locations of the societies and the lack of technical expertise at the board and executive levels. Various aspects require ongoing focus, such as governance, management capabilities, financial management, credit management, and automation. While ensuring prudent regulation is essential for incorporating SACCO societies into Kenya's financial sector and integrating them effectively, it is equally crucial to acknowledge and tackle the difficulties that SACCOs are encountering within the new governance framework. By doing so, SACCOs will be able to fully realize their potential and increase financial access throughout the nation. SACCOs also have opportunities at their disposal that they might use to lessen these difficulties. A study by Mumanyi (2014) aims to shed more light on the potential and difficulties faced by SACCOs in Kenya's new devolved government.

The value management places on internal audit reports determines their calibre. As indicators of the quality of internal audits, this study takes into account factors including timeliness, relevance, and reliability. Internal audits are regarded as competent when they can evaluate the efficacy of internal controls and take part in risk management. However, internal audit staff cannot effectively perform their jobs if they lack professionalism, independence, and competence.

## 3. Theoretical Review

To illustrate the ideas and provide insight into how internal audit report quality affects the accuracy of financial statements on SACCOs in Kenya, a theoretical review framework will be used as the framework for the study.

### 3.1 Agency Theory

Agency theory, introduced by Adams in 1994, was used as the underlying theoretical framework for this study. According to Adams, agency theory clarifies the many duties and obligations given to internal auditors by the business in addition to assisting in understanding and preparing for the presence of internal audit. Adams also contends that agency theory can be utilized to forecast how internal audit function changes within the organization will affect it. In addition, he contends that agency theory offers a framework for study that is advantageous to both the academic community and the practice of internal auditing. The theory clarifies the roles and responsibilities of internal auditors in the context of this study, and its adoption could improve financial statements by lowering errors.

An agency relationship is defined by agency theory as a contractual agreement between one or more principals and an agent. Under this arrangement, the agent is given the decision-making ability to perform services on behalf of the principals. This idea can be used by numerous contracting organizations, either expressly or implicitly, as a reference for participant behavior inside a structured framework. Similarly, the agency relationship can form within the structure of the state government within public institutions, particularly in democratic countries (Herath & Albarqi, 2017). The approach is founded on the concept of distinguishing ownership (principal) from management (agent). When there is an information imbalance, the agent is more likely to pursue interests that are opposed to the principal's (Paulinus, Oluchukwu, & Somtochukwu, 2017).

This theory is chosen for this study because it provides a conceptual framework for understanding SACCOs as entities with two primary participants: SACCO management and shareholders. The agency theory further contends that although shareholders want employees and management of SACCOs to operate and make decisions in their best interests, they may act in their own self-interest. Additionally, shareholders anticipate that SACCO managers will abide by SASRA requirements. Agents might not always put the interests of the principals first and take self-interested or opportunistic actions. As a result, agency theory reinforces the importance of separating ownership and control to align the management's objectives with those of the owners (Buluma, Kung'u, & Mungai, 2017).

The agency hypothesis, according to Nelson and Oluoch (2019), highlights the significance of audit committees in guaranteeing the precision of financial statements. This concept motivates managers to present transparent financial statements that faithfully represent a company's earnings within a specific timeframe. Audit committees enhance overall performance by fulfilling their responsibilities and facilitating the compilation and upkeep of accurate financial records. The existence of an audit committee is positively correlated with the accuracy of financial statements. However, there is a potential risk that management may manipulate earnings to deceive shareholders by creating a false perception of the company's profitability.

The agency theory will be used in this study because it provides insights into the connection between the primary (shareholders) and the agents (management). In addition to its financial responsibilities, the audit committee represents the shareholders, with an equal number of shareholders and directors serving on it. As a result, the board of directors acts on behalf of the shareholders. Management (agents), on the other hand, has obligations that include compiling and presenting financial statements following International Financial Reporting Standards (IFRS), guaranteeing their correctness, and preventing major misstatements due to fraud or error. Following that, the audit committee evaluates and verifies these statements to ensure that they comply with legal standards and ethical principles.

### 3.2 Stakeholders' Theory

Smith (1976) established a thesis in his book "The Wealth of Nations" that states that the primary goal of a corporation is to generate profits and wealth for both shareholders and stakeholders. This theory focuses on three key concepts: "free markets," the self-regulating nature of the invisible hand, and enlightened self-interest. It advocates for as little government intervention and regulation as possible in the business sector. The idea proposes that by believing that markets are naturally governed by the invisible hand, enterprises pursuing their self-interest can maximize profits, thereby benefiting society as a whole. This theory is regarded as the cornerstone for analyzing financial accounts by Ouko and Atheru (2022), who use it as the dependent variable.

The agency theory, which primarily emphasizes shareholders as a corporate entity's single-interest group, left

a gap that the stakeholder's theory was created to fill. The stakeholders' theory expands the agency's remit to encompass a wide range of principals with the goal of identifying which stakeholders are worthy of management's attention. This idea holds that businesses have a social duty to take into account the interests of all parties affected by their actions. The initial proponent of the theory suggested reconsidering theoretical viewpoints that go beyond the typical owner-manager-employee structure and take into account the numerous interest groups involved. To be effective, organizations must respect connections since they can either impact or be influenced by the aims of the organization. This approach highlights the relevance of managerial decision-making and recognizes the intrinsic value of all stakeholders' interests without assuming any one set of interests has dominance. As financial cooperatives, SACCOs have commitments to various stakeholders, and it may not always be possible to meet all of their expectations. Effective stakeholder management is critical for mitigating the negative effects of conflicting interests among stakeholders, as such conflicts can impede SACCO's effectiveness.

As a result, SACCO management must make thoughtful decisions while keeping stakeholders' interests in mind. This also means that stakeholder interests have intrinsic value and that no single group of interests should predominate within the firm (Odhiambo, 2012). This theory helped the study highlight the significance of allowing all stakeholders to contribute their respective roles to SACCO affairs (Maina, 2017).

## 4. Conceptual Framework

This section focuses on the timeliness, relevance, and reliability of internal audit reports within a business context, utilizing Sacco societies in Kenya. The framework aids in comprehending the relationship between various variables. Figure 1 presents a summary of the relationship between the dependent and independent variables.

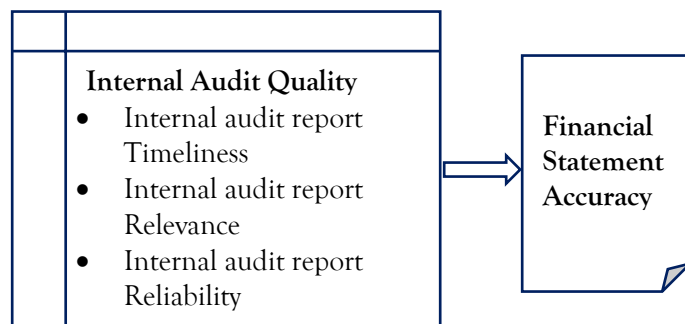


Figure 1: Conceptual Framework

### 4.1 Timeliness of internal audit report

Timeliness is the capacity of internal audit reporting to adhere to the specified deadlines for reporting to pertinent organizational units, according to Al Matarneh (2011). When the audit department doesn't deliver reports on time, it might have a negative impact on internal organizational processes, create unnecessary inefficiencies, and reveal perceived threats. These consequences lead to poor performance within the impacted organizational units, which could affect the performance of the whole business. Al Matarneh (2011) stressed the importance of timely reports in a study on the factors impacting audit quality in banks, stating that they give management information that can be used to lower risks and losses. Despite their increasing responsibilities, internal auditors are expected to deliver findings on time so that management can fix risks and weaknesses before losses arise. Management must have ample time to act on the recommendations made by the audit in order for the results to be timely and risk-based. Management is kept abreast of new changes and may maintain the company's risk management plans by receiving regular information on high-risk areas. Timely reports enable prompt decisions and controls, both of which are necessary for producing accurate financial statements (Mbuti, 2017).

### 4.2 Relevance of internal audit report

According to the International Accounting Standards Board (IASB), relevance has the potential to have an impact on choices made by users in their capacity as capital suppliers. Predictive and confirmatory value are common concepts used to describe relevance. Internal auditing is essential to examining and upholding the

accuracy of financial accounting in businesses. Internal audit reports offer helpful analysis and suggestions for general process enhancements in risk management, internal controls, and financial reporting. But in addition to their existence, these reports' quality is assessed according to how well they relate to the financial statements (Kewo & Afiah, 2017). The function of internal auditing is of utmost importance in a variety of domains, including but not limited to the safeguarding of financial reporting integrity, the reinforcement of investor confidence, and the guarantee of adherence to regulatory frameworks (Njagi, 2023). Furthermore, internal audit contributes to the identification of illicit activities and inaccuracies, the advancement of corporate governance, the maximization of business efficacy, the evaluation of creditworthiness, the advocacy of regulatory compliance and accountability, the cultivation of trust and transparency, and the protection of stakeholders' interests.

The caliber of internal audit reports has a direct impact on the correctness of financial accounting. Management and stakeholders can spot circumstances where financial statements may be inaccurate with the aid of pertinent audit findings. Internal audit reports that are pertinent help businesses address critical corrective actions by providing detailed information on control flaws, fraud suspicions, or noncompliance problems. Management and stakeholders can spot circumstances where financial statements may be inaccurate with the aid of pertinent audit findings. Relevant internal audit reports provide specific insights into control weaknesses, potential fraud, or noncompliance issues, enabling businesses to take the necessary remedial action and enhancing the accuracy of financial statements.

### 4.3 Reliability of internal audit report

Reliability refers to the accuracy, consistency, and dependability of information presented in internal audit reports. It also addresses the completeness, correctness, and verifiability of the report's findings, conclusions, and recommendations. A reliable internal audit report guarantees that the information provided is reliable, unprejudiced, and supported by sufficient evidence, increasing its credibility and utility (Kewo & Afiah, 2017). With reference to the subject of Audit Committee Independence, it can be posited that enhancing the

autonomy of such committees could serve as a means to bolster the overall caliber of audit reports. It is pertinent to note that this enhanced quality has a direct and tangible impact on the prevalence of Financial Distress, as has been noted by Kamau et al. (2023). The dependability of the report is crucial because it affects how management, stakeholders, and external auditors use and interpret it. A reliable internal audit report fosters trust and confidence in the findings, enabling knowledgeable decision-making and corrective actions to enhance financial statement accuracy.

Reliable internal audit reports are essential components of external auditors' audit processes. External auditors rely on the work of internal auditors to make sure that financial records are accurate. An effective and successful audit is made possible by a reliable internal audit report that gives the external auditor more confidence in the organization's financial reporting procedures.

### 4.4 Financial Statement Accuracy

Financial statement that provides reliable and pertinent financial information. Financial statement quality, according to Wood and Horner (2010), is "the presentation of the state of entities and activities in a fair and useful manner to users of financial statements. The accuracy of the financial statements, which show an entity's financial situation and operating results at the end of the period, is reported in accordance with accounting principles for financial reporting. They can use the data that is produced by accurate financial reporting because it contains information with high-quality attributes, such as financial information. The individuals fulfilling the role of accountants within the specific organization are known to express concern with regards to the precision, or degree of exactness, of the accounting policies and estimates that have been implemented within their respective work environment. Conversely, auditors, who are responsible for reviewing and evaluating the financial information that has been presented to them, are primarily interested in the accuracy, or correctness, of the accounting data that has been disseminated. It is anticipated that their mutual interdependence is set to escalate over the forthcoming years, as forecasted by Kamau and Ilamoya (2023).

Financial statement users rely on audited financial accounts to assure the accuracy of financial statements used to support lending decisions. They use financial statements

to make economic decisions. Internal auditors' opinions confirm that accounting standards were followed in the preparation of the financial statements and that the organization being audited's financial status, operational results, and surplus or deficit amount are accurately reported. The audit report also acts as a deterrent to the creation of inferior material (Mbuti, 2014).

## 5. Empirical Review of Literature

To help the board fulfill its governance obligations, a capable internal audit function is essential. When OLeary and Stewart (2007) presented the five ethical issues to 66 auditors, they were conducting exploratory research. A key element of corporate governance was examined in each case to discover how it affected moral judgment. These included an organizational code of conduct, external auditor characteristics, management honesty regarding various accounting standards, management integrity regarding audit pressure, and support for the audit committee. The researcher was able to illustrate the many ethical decision-making procedures connected to audit and corporate governance as a result.

A researcher from Kenya (Njiru, 2016) significantly advanced the subject of the study by demonstrating how internal controls affect the caliber of financial reporting in publicly traded water distribution companies. The main goals were to investigate the effects of work segmentation, financial reconciliations, inventory audits, and cost management on the operations of water firms. A descriptive survey study design was used in the research, and a sample of 60 chiefs and 32 internal auditors was used. A questionnaire was used to gather the information. According to the results, task segregation, cash reconciliations, inventory audits, and cost management all help water companies report their finances more accurately.

According to the study, companies are more likely to have internal control weaknesses if their audit committees are less financially savvy—more particularly, less financially savvy in both accounting and non-accounting areas. Furthermore, if their auditors are more independent, they are likely to be detected as having an internal control problem.

The study discovered a significant relationship between internal control systems and financial success. The

investigation recommends that the internal audit department carry out competency profiling. This profiling should be based on what the university expects the internal auditor to do and how many personnel would be required to do this work. The research emphasized the significance of the internal audit department in establishing internal controls that impact an organization's financial performance. According to the report, effective internal auditing plays a crucial role in financial performance. The study concluded that enhancing risk-based auditing through internal auditing standards and staffing can help businesses swiftly identify issues and focus on high-risk areas, thereby enhancing transparency and accountability and ultimately improving financial performance. This finding highlights the correlation between financial performance and the role of internal audit (Ondieki, 2013).

Developing countries and economies experiencing significant transformations are recognizing the crucial role of financial reporting quality in influencing investor decisions. As a result, they are placing increased importance on transparency and reliability in corporate accounting and reporting. These countries are focusing on developing various components of their accounting infrastructure to effectively gather and utilize financial resources. Regulatory requirements and diverse sources of accounting influence have a huge effect on financial reporting practices compared to additional factors. Consequently, international standards like the International Financial Reporting Standards (IFRS) and local laws such as Business Law No. 22 (1997) in Jordan mandate public shareholding companies to establish robust internal controls over accounting information to ensure its reliability.

The enactment of the Sarbanes-Oxley Act of 2002 introduced Section 404, which mandates that public companies in the United States evaluate their internal controls for financial reporting in their annual reports. This regulation is widely recognized as one of the most rigorous requirements in this context. The assessment involves several components, such as a statement affirming that management is responsible for establishing and maintaining internal controls, an evaluation of the sufficiency of these controls as of the end of the latest fiscal year, a description of the evaluation process, and a confirmation that an external auditor has issued a report validating management's assessment of internal controls. While the

rules do not specify a particular framework to follow, the chosen framework must meet certain criteria. It should be objective, allowing for both reasonable and reliable subjective and quantitative assessments. It should consider all relevant factors that could impact the determination of the effectiveness of internal controls, and it should be relevant to evaluating internal control over financial reporting (Al-Dmour, 2018).

Financial reporting is used by businesses to report on their performance. The International Accounting Standards Board proposed a set of standards for the ideas and procedures to be used in the production of financial reports. These regulations are known as generally accepted accounting principles (GAAP). Before diverse users will take the reports seriously, a third party (an external auditor) must analyze them and attest to their accuracy. Through the SASRA Act, the government establishes guidelines for the preparation and submission of reports to the government auditor. Different management philosophies are used by different managers. Organizational communication, task delegation, and management support are indicators of a manager's management style. A manager who gives assistance to junior staff, assigns them duties, and promotes excellent communication is more likely to succeed than one who doesn't. The diversity of a board is often seen as one of its assets. Diverse occupations should be represented on a good board. These individuals ought to be recognizable in their field of employment as well. The board should have representation from both genders. The board should be made up of a diverse group of individuals from various backgrounds. Both young and old should have their needs met.

## 5. Research Gaps

Several research studies have investigated the correlation between the quality of internal audit reports and the accuracy of financial statements. The effectiveness of the internal audit function and the caliber of financial reporting were examined by Rahmatika and Afiah (2014) with an emphasis on the consequences for sound governance in Indonesian local government. The study used a survey methodology and looked at 70 active local governments in Indonesia spread over 7 districts. Primary data were gathered through questionnaires, and a proportionate stratified random selection strategy was used to choose the

sample. The study's findings led to the following conclusions: Firstly, there were no appreciable differences in the seven local governments' governance methods or the impact of internal audit quality on financial reporting. Second, the caliber of financial reporting was significantly impacted by the efficiency of the internal audit function. Thirdly, the internal audit role made a significant difference in how well governance was implemented. The effectiveness of the implementation of good governance was also significantly influenced by the caliber of financial reporting.

Apadore and Noor (2013) emphasize the importance of accurate and timely financial statements, as shareholders and investors rely on dependable financial information for their decision-making processes. The study investigates the connection between various aspects of corporate governance and the time taken to complete audit reports for companies listed on Bursa Malaysia. A random sample of 180 businesses from the years 2009 and 2010 was selected for the study. While regression analysis is used to identify the empirical link between variables and the timeliness of audit reports, descriptive statistics are used to examine how long it takes auditors to complete the audit process. According to the research, the size of the audit committee, ownership concentration, organizational size, and profitability have a big impact on how quickly audit reports are prepared. However, no correlation was observed between the audit committee's knowledge, regularity, independence, or categories of auditors. According to Kinyenze (2022), studies conducted in developed countries in the past have demonstrated that effective corporate governance norms can help lessen dishonest earnings management. Numerous high-profile corporate disasters have been attributed to the board of directors' lack of rigorous oversight. Although there haven't been as many corporate catastrophes in Africa as on other continents, there's always room for development. This study aims to close this gap in the body of existing research by increasing our understanding of the operation and outcomes of audit committees in SACCOs (Savings and Credit Cooperative Organizations) in Kenya. No research has specifically addressed the variables that affect factories. The norm of financial reporting, in particular, focuses on counties, as far as the researcher is aware.

## 6. Summary and Conclusions

Reports from internal audits must contain sufficient information to allow stakeholders to comprehend the findings and their potential impact on the accuracy of financial statements. It is commonly observed that some reports lack the necessary detail and precision, which diminishes their value. The faults that have been discovered, their causes, and any potential implications they may have on the financial statements must be fully explained to stakeholders. As noted by Knapp and Knapp (2001), the quality of internal audit reports may be compromised by inadequate documentation of the audit techniques used. Without sufficient documentation, it is difficult for other parties, such as regulators or external auditors, to assess the legitimacy and rigor of the internal audit work (Pizzini, Lin, & Ziegenfuss, 2015).

Thanks to technological advancements, internal auditors now have access to a wide range of data that they can leverage to enhance the accuracy of financial statements. However, the limited use of data analytics in internal audit reports is often criticized. By utilizing data analytics, auditors can identify patterns, anomalies, and trends that could signify fraud or inaccuracies in financial statements (Vasarhelyi & Lam, 2019). As organizational environments evolve, new risks emerge that could impact the accuracy of financial statements. Internal audit reports should proactively address these emerging risks to ensure that stakeholders are informed. However, in some reports, the potential impact of new dangers may not be adequately considered or described to ensure stakeholders are informed. The potential impact of emerging risks on financial statements may not be appropriately taken into account or disclosed in some reports, which is a problem. Timely reporting of internal audit findings is crucial to allow management to take immediate action. Reporting delays may make it more challenging to remediate identified issues and increase the risk of erroneous financial statements. Timely reporting is essential to maintain the relevance and effectiveness of internal audit results.

In order to effectively manage and report finances, it is crucial to involve individuals in determining their information needs, developing procedures and systems for accurate data collection, translating data into pertinent information, and presenting it. The primary source of information about an enterprise's financial health and

changes to its financial status is its financial statements. The information contained in financial statements can be useful to financial users when making economic decisions. Financial statements must be accurate, up-to-date, reliable, and provided in a timely manner. These statements provide a detailed view of the organization's financial condition and include information on assets, liabilities, equity, revenue, and expenses (Njeru, 2018). As noted by Gamayuni (2018), a thorough internal audit will have examined internal controls and financial statements to ensure the accuracy and integrity of financial reporting and increase its dependability. Internal audits also help to guard against false financial reporting.

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