

**AN ASSESMENT OF THE EFFECTIVENESS OF INTERNAL AUDIT
FUNCTION ON GROWTH OF SAVINGS & CREDIT COOPERATIVE
SOCIETIES (SACCOS) IN KENYA: A CASE STUDY OF SACCOS IN
NAIROBI.**

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ABSTRACT

The evolution of internal auditing in the last period was a very dynamic one, being affected by the increasing attention for its role in corporate governance, especially because of its links with internal control and risk management systems. Internal auditors had to extend their area of actions, becoming more involved in risk management, control and governance processes. In the light of these changes, new concepts begins to be more and more in the center of attention, the added value by internal audit to organizations and its effectiveness. Internal audit effectiveness has become a fruitful topic over the decade; this is because of the important roles play by the internal auditors in organizational survival and achievement. Most of the organizations whether public or private has established internal audit department with the mind of enjoying the benefit behind the internal audit service. Therefore, in line with this, the general purpose of this study was to assess the effectiveness of internal audit function on growth of SACCOs. Saving and Credit Cooperative Societies that have an effective internal audit function tend to reduce their costs arising from the losses due to ineffective policies and risk management. The objectives of this study was study was to find out if the management really influenced the effectiveness of the internal audit function, establish the extent to which the auditor's scope of work affect their effectiveness and to establish whether the auditors carry on their functions independently to facilitate the realization of their goals. Also to evaluate if the sector (public versus private) affect their effectiveness. Descriptive research design was used in this research and it involved getting opinions and attitude from respondents. The target population was the employees of SACCOs in Nairobi. Simple random sampling was used in this study. A sample size of 25 participants was chosen. Information was collected from both primary and secondary sources. Primary data was collected by use of structured questionnaires and interviews while secondary data was obtained by looking at the existing literature. The data was analyzed using percentages and frequency table's .The relationship between internal audit function and quality of financial reporting was analyzed using statistical package of social sciences (SPSS) with reference to Pearson correlation coefficient. From the study, it was found out that good internal audit function where there is absolute independence, the business is carried out in an orderly and efficient manner, all business assets are safe guarded properly against misuse, reliable records are kept which are some sources of information for preparation of financial statements necessary for managerial decision, prevention and detection of errors and fraud, optimal use of organizational resources, and