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FORENSIC ACCOUNTING PRACTICES AND FINANCIAL PERFORMANCE OF DEPOSIT TAKING SACCO'S IN KISII COUNTY, KENYA

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ABSTRACT

The general objective of the study was to establish the effect of forensic accounting practices on the financial performance of Deposit Taking Sacco's in Kisii County, Kenya. Theoretical scope of the study was grounded in the fraud triangle theory, routine activity theory, rational choice theory, and institutional theory. The study employed a descriptive design because it permitted the researcher to break down associations among a substantial number of factors in a study. The study targeted 91 respondents, comprising of finance managers, operation managers, sales and marketing managers, chief executive officers, credit managers, heads of accounts and heads of internal audit and risk management from 13 deposit taking Saccos in Kisii County. The study used primary data. Self-administered questionnaire structured on 5-point Likert type scale was used. Pilot test was done in 1 SACCOs targeting 9 respondents who were not used in the final study. To measure the reliability, Cronbach Alpha technique was employed. The study assessed content validity. Data was analyzed using both descriptive and inferential statistics, thus for descriptive mean, standard deviation, frequency and percentages was used. The data was tested for normality, multi-collinearity, and autocorrelation and homoscedastic test before regression. For inferential correlation analysis and multiple regression analysis was used. The primary method of analysis involved descriptive statistics, which were used to quantify means and standard deviations based on responses obtained from the questionnaires. Additionally, a linear regression model was employed to ascertain the nature and strength of the relationships among the study variables. The results indicated that fraud investigation, fraud prevention compliance audit and accounting staff expertise have significant positive effect on the financial performance of Deposit Taking Sacco's in Kisii County, Kenya. The study concluded that forensic accounting practices have significant positive effect on financial performance of Deposit Taking Sacco's in Kisii County, Kenya. The study recommended that SACCOs in Kisii County should enhance fraud investigation systems, prioritize fraud prevention strategies, conduct regular compliance audits, and invest in continuous professional development for accounting staff. Collaboration with external auditors and training for staff are also crucial for improving financial performance.

Key Words: *Fraud Investigation, Fraud Prevention, Compliance Audit, Accounting Staff Expertise*

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INTRODUCTION

According to the definition provided by Nzioki (2022), forensic accounting is the process of utilizing investigative methods in conjunction with accounting and business experience in order to develop information and viewpoints that can be utilized as proof by experts or even in a legal situation. The purpose of forensic accounting is to identify and prevent financial irregularities, as well as to produce evidence for judicial procedures. This is accomplished by combining accounting, auditing, and investigation approaches. The growth of forensic accounting techniques in Kenya can be ascribed to a number of different causes, including as an increased knowledge of fraud risks, changes in regulatory policies, and an increasing desire for accountability and transparency in financial transactions (ICPAK, 2019). Previous research (Mbugua, 2020; Karuti, 2020; Ugwu, 2021) has operationalized forensic accounting techniques to include fraud investigation, litigation support, and dispute settlement. These methods have been incorporated into the field.

It is clear that nations in Africa such as Nigeria, South Africa, and Ghana are leading the way in the direction of increased financial transparency in public agencies. For example, Nigeria has implemented the Treasury Single Account (TSA) and adopted the International Public Sector Accounting Standards (IPSAS) in order to enhance monitoring and reporting. Additionally, the Economic and Financial Crimes Commission (EFCC) is working to prevent corruption (Oso and Adekanmbi, 2018). The Public Finance Management Act and the meticulous work of the Office of the Auditor-General are the foundations upon which South Africa's solid public financial management is built. As a result, South Africa has earned excellent scores in the Open Budget Index for its transparency (Agyei-Mensah and Yamoah, 2018). In addition, the Ghana Audit Service and the Ghana Integrated Financial Management Information System (GForensic accounting practices) have each contributed to the enhancement of financial monitoring and transparency. This was accomplished through the Public Financial Management Act of 2016, which was passed in Ghana in 2016. According to Okpala (2019), the implementation of IPSAS in Ghana has added to the improvement of the uniformity and dependability of financial reporting. These reforms are illustrative of a continent-wide commitment to promoting good governance, combating corruption, and ensuring the effective administration of public resources for the benefit of residents. They are also reflective of a larger worldwide trend toward openness and accountability in the public sector.

There have been major attempts made in Kenya to increase financial accountability; however, there are still problems that need to be overcome, notably in county administrations, where there is still a significant worry regarding financial transparency. There have been reports of mismanagement and corruption within county administrations, which have raised doubts about the effectiveness of financial oversight mechanisms (Kyalo et al., 2019). This is despite the fact that the Public Finance Management Act has been implemented and oversight bodies such as the Office of the Controller of Budget and the Auditor-General's Office have been established. difficulties such as irregular procurement methods, misuse of public funds, and delayed audits have been brought to light, as described by Kimanzi et al. (2020). These difficulties indicate that there are deficiencies in governance and accountability at the local level. The issues of establishing financial accountability in Kenya's county governments are further exacerbated by the fact that there is a lack of timely and accurate financial reporting, as well as limited capacity and resources for auditing and monitoring (Kiprotich & Bii, 2018). In light of these persisting problems, it is imperative that study be conducted in order to investigate the fundamental reasons for inadequate financial accountability, particularly at the county level. A primary objective of this study was to evaluate the relationship between forensic accounting methods and the level of financial accountability that exists within Kenya's county administrations.

Financial accountability is said to play a significant role in public sectors, as stated by the Institute of Policy Analysis and Research (2014). This is due to the fact that it improves the provision of effectiveness in financial reporting, transparency in service delivery, and value for money. It is essential for the County Government to demonstrate a robust sense of accountability in the manner in which it utilizes public funds since it is held accountable to the general public for the decisions, actions, and services that it provides. As a result of the fact that shareholders, who are also known as taxpayers, provide funds to state institutions, the managers and administrators of these institutions should communicate the logic of accountability and responsibility in order to make efficient use of the resources; otherwise, they can refuse to provide additional resources. As a result, the public sector is required to adhere to a stringent standard of financial accountability.

The extent to which forensic accounting procedures are utilized by county governments in Kenya is substantial and expanding, and this trend is being driven by a number of important causes. In the course of their work, auditors general frequently bring to light broad instances of financial mismanagement and corruption, which calls for exhaustive forensic examinations. According to legal frameworks such as the Public Finance Management Act, severe financial scrutiny is required, and forensic accounting procedures are able to deliver this accountability. It has been easier to conduct forensic investigations that are both more accurate and efficient as a result of the use of technology, which includes digital tools and financial management systems. In addition, counties have made investments in specialist training programs and relationships with professional bodies in order to cultivate forensic accounting abilities among their workforce. An rising number of county governments across Kenya are demonstrating a strong commitment to promoting financial accountability, transparency, and integrity. This dedication is reflected in the increased adoption and integration of forensic accounting methods. When it comes to the financial accountability of county governments, however, it is still not entirely obvious how the forensic accounting methods will affect the situation.

Statement of the Problem

The financial health of Deposit-Taking SACCOs in Kisii County is critical to the region's economic stability, given their role in mobilizing savings and providing affordable credit to members. However, concerns persist regarding financial mismanagement, fraud, and weak Compliance audits, which threaten the sustainability of these institutions. Recent reports by the Sacco Societies Regulatory Authority (SASRA) reveal that non-performing loans (NPLs) in Kisii County’s SACCOs averaged 14.3% in 2023, significantly higher than the recommended 5% threshold, indicating poor credit risk management (SASRA, 2023). Additionally, forensic audit reports from 2022-2023 uncovered KSh 240 million in fraudulent transactions across five SACCOs in the region, pointing to weak fraud detection mechanisms (DCI Economic Crimes Unit, 2023).

Despite regulatory frameworks mandating forensic accounting practices—such as fraud risk assessments, digital transaction tracking, and whistleblower systems—compliance remains inconsistent. A 2023 sector report found that only 37% of SACCOs in Kisii County had dedicated forensic accounting units, while 52% relied on reactive rather than proactive fraud detection (KUSCCO, 2023). This laxity has led to severe consequences: two SACCOs in Kisii were placed under statutory management in 2023 due to insolvency linked to undetected fraud (CBK, 2023). Furthermore, member confidence has eroded, with deposit growth stagnating at 4.2% compared to the national average of 8.1% (KNBS, 2023).

Despite ongoing efforts to improve financial oversight in the cooperative sector, there is limited empirical evidence on the role that forensic accounting practices play in enhancing the financial performance of deposit-taking SACCOs. For instance, Karuti, Mwaniki, and King'oriah (2019) examined the influence of forensic accounting regulations on fraud mitigation within Kenyan county governments. However, the study emphasized fraud control rather than financial performance, creating a conceptual gap. Similarly, Yegon and Jepkorir (2021) explored the relationship between forensic accounting and fraud in Nakuru County's public institutions, but the narrow institutional focus resulted in a methodological gap. Mbugua (2020) investigated the impact of forensic accounting on deposit-taking SACCOs in Nairobi County and found a positive relationship with performance indicators. Nevertheless, the contextual focus on urban SACCOs limits generalizability to rural settings such as Kisii County. Overall, the role of forensic accounting in promoting financial performance among SACCOs in devolved regions remains unclear. This study aimed to bridge that gap.

Objectives of the Study

To examine the effect of forensic accounting practices and financial performance of Deposit Taking Sacco's in Kisii County, Kenya. The following specific objectives guided the study;

- To determine the effect of fraud investigation on financial performance of Deposit Taking Sacco's in Kisii County, Kenya.
- To establish the effect fraud prevention on financial performance of Deposit Taking Sacco's in Kisii County, Kenya.
- To investigate the effect of compliance audit on financial performance of Deposit Taking Sacco's in Kisii County, Kenya.
- To find out the effect of accounting staff expertise on financial performance of Deposit Taking Sacco's in Kisii County, Kenya.

LITERATURE REVIEW

Theoretical Review

Fraud Triangle Theory

The fraud triangle theory is a model that was established by Donald R. Cressey in the 1950s. It is a model that is well recognized and used to describe the underlying variables that contribute to occupational fraud and white-collar crime (Cressey, 1953). This hypothesis was initially formed by Cressey on the basis of his research with convicted embezzlers; since then, it has undergone development and been elaborated upon by a number of different researchers and academics. In addition to its widespread use and widespread appeal, the Fraud Triangle Theory possesses a number of strengths that contribute to its popularity. To begin, it offers a comprehensive framework for getting a better understanding of the psychological and situational elements that contribute to fraudulent behavior (Shu & He, 2018). The theory provides insights into the conditions that may induce individuals to engage in fraudulent actions by concentrating on opportunity, pressure, and justification as the three primary factors. According to Albrecht, Albrecht, and Albrecht (2019), the Fraud Triangle Theory has played a significant role in the development of fraud risk assessment and prevention techniques in businesses. These strategies have enabled organizations to successfully identify and mitigate those risks associated with fraud. Nevertheless, the Fraud Triangle Theory is not without its flaws and restrictions. According to Shu and He (2018), critics say that it oversimplifies the complex nature of fraud by concentrating solely on human characteristics and failing to take into consideration environmental elements such as organizational culture or macroeconomic impacts within the context of fraud. Furthermore, the theory does not offer a conclusive explanation for all instances of fraud, as there are some people who are capable of doing fraudulent activities even when none of the three components of the triangle are present. However, in spite of these drawbacks, the Fraud

Triangle Theory continues to be an effective instrument for gaining a knowledge of professional fraud and fighting against it (Zhang, 2019).

Routine Activity Theory (RAT)

The Routine Activity theory (RAT) is an idea in the field of criminology that was initially proposed by Lawrence E. Cohen and Marcus Felson in the year 1979. In the beginning, it was developed as a framework to explain the reasons of criminal victimization. The primary focus of this framework was on the activities that individuals engage in on a daily basis and how they interact with their immediate surroundings. Since its inception, the theory has undergone significant development and has garnered widespread acceptance as a valuable instrument for studying and explaining a wide range of criminal behaviors. It has been utilized in a broad variety of situations, including as burglary, robbery, theft, and other types of street crimes. According to the theory, in order for a crime to take place, there must be a confluence of three primary factors: the presence of motivated criminals, suitable targets, and the absence of capable guardians (Cohen & Felson, 1979).

Rational Choice Theory

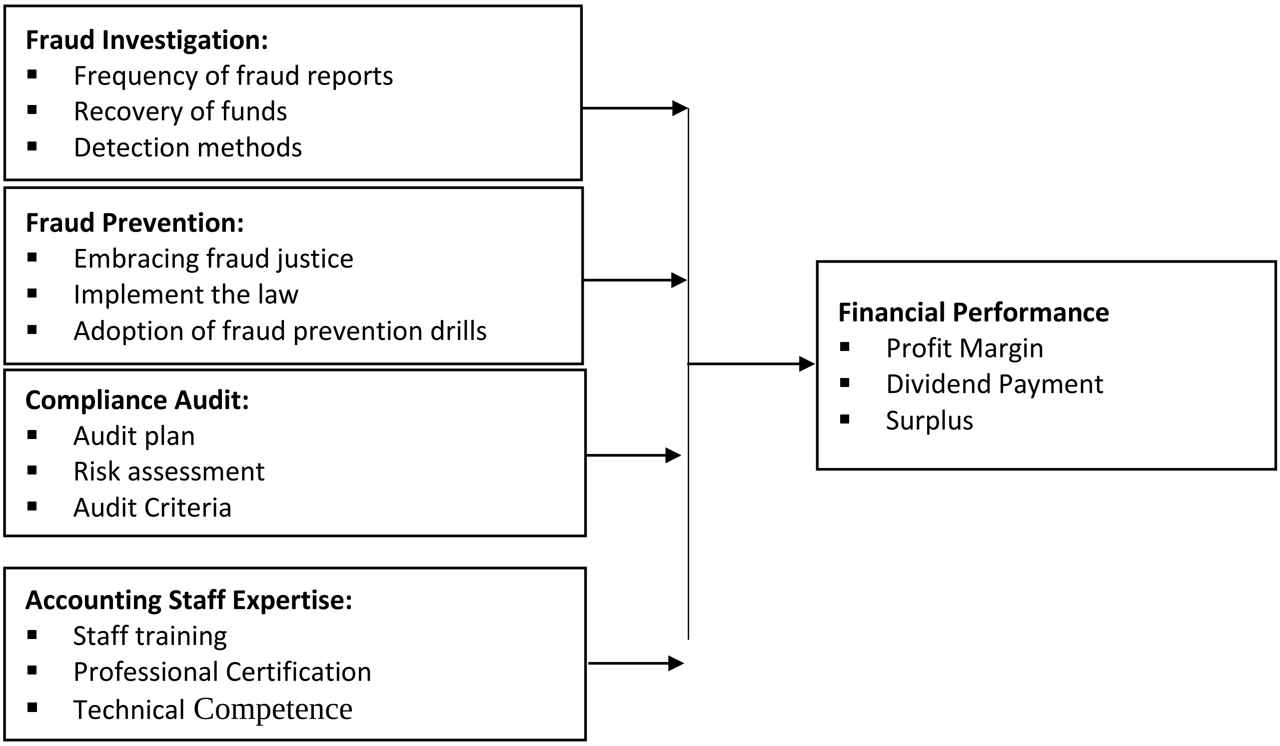
A major framework that is utilized in the field of social sciences for the purpose of analyzing the decision-making processes and behaviors of individuals is the rational choice theory, which is also referred to as the rational actor model. According to Cornish and Clarke (1986), the theory presupposes that humans are rational actors who make decisions based on a methodical appraisal of the available options and the costs and advantages that are connected with each of those possibilities. The rational choice theory may be traced back to classical economists like Jeremy Bentham and Adam Smith. These individuals are credited with developing the idea. Bentham is credited with the development of the utilitarian philosophy, which places an emphasis on the pursuit of individual happiness and the evaluation of satisfaction vs suffering in the process of decision-making. Economists such as Gary Becker and James Buchanan contributed to the further development of this notion by applying it to the study of human behavior in a variety of settings, such as situations involving criminal activity, political relations, and social interactions. The theory of rational choice has developed throughout the course of time to incorporate ideas from a variety of other social science areas. This evolution has resulted in the establishment of numerous varieties, one of which is bounded rationality, which is characterized by persons being thought to have limited cognitive ability and information-processing capacities (Simon, 1955). Additionally, principles from game theory have been introduced into the theory, with an emphasis placed on the strategic interactions that take place between rational actors (Axelrod, 1984).

Institutional Theory

Institutional Theory is a sociological theory that investigates the ways in which institutions, which are defined as pattern of behavior and norms that have been created over time, shape and influence the activities of individuals within a particular community or organization. According to Scott (2019), this theory places an emphasis on the fact that individuals and organizations function within a framework of rules, both official and informal, that define actions, responsibilities, and expectations that are considered acceptable. Legislation, rules, cultural standards, and organizational structures are all examples of institutions that fall under this category. According to the Institutional Theory, people' behaviors are not only driven by rational decision-making, but are also impacted by the demand for legitimacy and adherence to prevalent standards (DiMaggio & Powell, 1983). This theory was developed by DiMaggio and Powell from the year 1983.

In Kenya, the application of institutional theory to the concept of financial accountability in county governments can be helpful in gaining an understanding of the ways in which various institutional elements influence the manner in which financial duties and reporting are maintained. In order to function properly, the county government must adhere to a set of legal restrictions, which may include laws governing financial management and guidelines established by national legislation. This set of formal regulations establishes the parameters within which all financial actions are required to take place. In addition, informal norms that exist within the context of the local political and administrative system have the potential to impact financial practices (Ostrom, 2015).

Conceptual Framework



Independent Variables **Dependent Variable**

Figure 1: Conceptual Framework

Empirical Review

Fraud investigation is a part of the accounting practices which entails the utilization meticulous examination inquisitive exploration and expediting trails of all financial transactions with an aim of providing evidence on the activities (Bhasin, 2020). It is important that during the investigation process and after, that the accountants involved meet the investigation goal. The goal is to deter the occurrence of further detriment caused by the fraud as well as create a trail of how it all happened. This may cover activities such as bank accounts freezing, holding of email accounts, listening to all communications made by the perpetrators, and even making a follow up from the shadows. In addition, physical evidence of the transactions such as procurement plans, all purchase orders, delivery notes, commercial invoices and even payment vouchers should all be availed. This is culminated by accumulation of evidence for all cycle of activities undertaken in the organization since evidence resides in the procedures (Mukoro, Yamusa, & Faboyede, 2019).

Fraud prevention is a practice of cushioning the implication of the adverse effects of financial irregularities in both expenditure and reporting. Individuals with the intention of committing financial fraud are prevented from doing so when there are sound prevention measures put forward by the management. The most prudent prevention of financial fraud is establishing proactive measures that are well stipulated and clear to all people involved in the financial management of an entity. Forensic auditors must possess the capacity to came up with a proper investigative framework that allows them to analyse the existing policies and procedures and where necessary give recommendations to improve the existing policy to deter occurrence of any financial fraud (DeZoort & Harrison, 2018).

Korir (2022) found that control activities that entailed policies, rules, procedures, guidelines, division of labour, approval and authorization enhance significantly the level of performance financially in banks located in Bomet and Kericho Counties. The study for instance noted that the segregation of duties increased the cost of engaging in fraudulent activities among employees thus ensuring that the operations of the banks were secure this enhanced their financial performance.

Cherutich (2018) established that control activities and in particular well-defined segregation of duties, assets security and authorization of transactions substantially boosted the financial performance of hotels in Nairobi County which was measured using net income and return on assets. The study by Ogetange (2017) also reported similar findings in the context of supermarkets in Kajiado County. Some of the control activities implemented in these supermarkets included physical controls, operational performance reviews, segregation of duties, systems of approvals and authorizations as well as systems of verification on reconciliations.

Empirical research was carried out in Indonesia by Dityatama (2015) to examine auditor’s competency effect along with the independency effect to the auditors as a result of professional care through financial and auditing experts and the perceived internal audit quality influence. The data was obtained by making use of questionnaires. A total of 24 teams that consisted of internal auditors from local government of Lumajang regency were sampled. SEM path analysis was used to evaluate the data. The research's findings demonstrated that the existence of professional care (competence) had a significant effect on internal auditors.

Usman (2016) researched on the impact of IA competence within the regional inspectorate officers' department. The hypothesis tested in this research was that a higher level of competence among internal auditors leads to improved quality of internal audits. However, a common limitation encountered in this study was the inability of the inspectorate apparatus to detect audit findings internally, as they were only revealed by external auditors. The findings of the study confirmed that an increase in the competence levels of internal auditors directly contributes to an enhancement in the quality of internal audits within the department under investigation.

METHODOLOGY

The research design chosen for this study was causal research design. The research was centered on 13 deposit-taking SACCOs in Kisii County, as indicated by SASRA (2023). Afya Sacco, Kenya National Police DT SACCO, Mwalimu National DTS, Egerton DTS, Stima DT Sacco Society, Gusii Mwalimu Savings and Credit Cooperative Society, Achievas Sacco Society Limited, Wakenya Pamoja Sacco Society Ltd, Chai Sacco, Apstar Sacco Society Limited, Ltd, Unaitas Sacco Society Limited, Vision Point Sacco Society Limited and Waumini Sacco Society Limited. The study targeted 91 respondents, comprising of finance managers, operation managers, sales & marketing managers, credit managers, human resource managers, heads of accounts and heads of internal audit & risk management.

Data collection is a predefined process used to gather relevant information during a research endeavor, with the aim of analyzing and identifying relationships within the studied phenomena. Kombo and Tromp (2009) emphasize the significance of data collection in research as it enables the systematic collection of accurate data and the development of meaningful insights. A structured, closed-ended questionnaire was preferred due to its efficiency in rapidly gathering data from numerous respondents within a short timeframe. Furthermore, the study primarily focused on variables that are not directly observable, such as the views, opinions, perceptions, feelings, and attitudes of employees in the County governments. Questionnaires are well-suited for collecting such information as they allow respondents to provide their opinions on the research problem (Cooper and Schindler, 2012). To ensure the quality of the questionnaires, they were pilot-tested with ten Chairmen of County Assembly and Executive Audit Committees who were randomly selected but were not be included in the final study. This testing phase involved cross-verifying the content, structure, and nature of the questions to ensure comprehensive coverage of the research topic.

In the context of this study, the quantitative primary data gathered from the staff first underwent a thorough check for completeness and accuracy. Subsequently, this data was coded and analyzed using IBM SPSS version 26.0. The primary method of analysis involved descriptive statistics, which was used to quantify means and standard deviations based on responses obtained from the questionnaires. Additionally, a linear regression model was employed to ascertain the nature and strength of the relationships among the study variables. Linear regression is a research method used to estimate the degree of association between two or more study variables. The linear regression model was used in this study followed a specific structure, which was detailed as follows;

$$Y = \beta_0 + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + \varepsilon$$

Where:

Y = Performance of County Government

α = Intercept term

X_1 = Fraud Investigation

X_2 = Fraud Prevention

X_3 = Compliance Audit

X_4 = Accounting Staff Expertise

ε = error term.

β_1-β_3 = Regression coefficients

FINDINGS AND DISCUSSIONS

Response Rate

In this study, a total of 91 questionnaires were administered to the sampled respondents, 73 were successfully completed by the respondents which is a response rate of 80.2% of the total questionnaires. Richard (2005) observed that the Australian Vice Chancellors' committee and graduate careers council of Australia (2001) regarded an overall institutional response rate for the course experience questionnaire of at least 70% to be both desirable and achievable. The response rate of 80.2% which was attained during this study is acceptable because it is above the 60%.

Descriptive Statistics

Descriptive analysis for this section used percentages, frequencies, means and standard deviation to show the response from the respondents as shown in the tables below for each variable. The respondents were required to state their level of agreement on various statements on each variable. The level of agreement ranged from 1-strongly disagree, 2-disagree, 3-fairly agreed, 4-agree and 5- strongly agree. The results were as follows.

Fraud investigation and Performance

The sampled respondents were provided with 6 statements related to Fraud investigation. The results are as presented in Table 1.

Table 1: Fraud investigation

Statements	1	2	3	4	5	Mean
There are systems to detect fraud.	2.7%	12.3%	28.8%	15.1%	41.1%	3.79
The systems available can detect accounting errors made in the process of preparing financial reports.	8.2%	23.3%	26%	28.8%	13.7%	3.16
The audit systems have helped the Sacco to enhance its compliance with the set regulation.	8.2%	15.1%	23.3%	30.1%	23.3%	3.45
The fraud investigation system have improved financial reporting	1.4%	17.8%	17.8%	34.2%	28.8%	3.71
The Sacco's financial decision –making has been strengthened	2.7%	24.7%	23.3%	19.2%	30.1%	3.49
There is a significant relationship between fraud investigation and financial accountability.	8.2%	13.7%	30.1%	16.4%	31.5%	3.49

From Table 1, The first statement, "There are systems to detect fraud," received a high mean score of 3.79, indicating that most respondents agreed with the existence of fraud detection systems in the Sacco. Specifically, 56.2% of respondents agreed or strongly agreed, while only 15% expressed disagreement. This suggests that there are mechanisms or procedures in place designed to identify fraudulent activities within the financial operations of the county. The presence of such systems may reflect efforts by management or oversight bodies to mitigate financial irregularities and promote ethical conduct. However, the relatively moderate percentage of strong agreement (41.1%) suggests that while these systems exist, their robustness or effectiveness may still be in question, and there could be a need for enhancement or better enforcement.

The second statement assessed whether the available systems can detect accounting errors made during financial report preparation. This item recorded a relatively low mean score of 3.16, indicating a generally neutral stance among respondents. Only 42.5% agreed or strongly agreed, while 31.5% disagreed or strongly disagreed. This implies uncertainty or lack of confidence in the systems' ability to detect routine accounting errors, which are crucial for accurate financial reporting. The lower score could highlight weaknesses in existing systems, such as outdated audit software, insufficiently trained staff, or lack of comprehensive Compliance audits. Such limitations could undermine the quality of financial reports and expose the SACCOs to undetected financial misstatements.

The third statement focused on the role of audit systems in helping the Sacco comply with regulations, recording a mean score of 3.45. A slight majority (53.4%) of respondents agreed or strongly agreed, suggesting a moderate belief that audit systems contribute to regulatory compliance. This may indicate that while audit mechanisms are perceived to support adherence to set rules, their influence is not overwhelmingly strong. The remaining respondents were either neutral or disagreed, possibly reflecting inconsistent application of audit findings or limited enforcement. Therefore, while audit systems are seen as beneficial, their full potential in reinforcing compliance may not be fully realized, indicating room for improvement in how audit recommendations are implemented or monitored.

The fourth statement, "The fraud investigation system has improved financial reporting," received a relatively strong mean score of 3.71, with 63% of respondents expressing agreement. This indicates a generally positive perception of the role fraud investigations play in enhancing the accuracy, transparency, and credibility of financial reports. Improved reporting may result from more thorough audits, prompt follow-up on suspected irregularities, and strengthened Compliance audits. Respondents' support for this statement reflects an understanding that when fraud investigations are conducted effectively, they can uncover misstatements or omissions, leading to corrective measures that benefit the overall reporting process. The relatively high mean also shows that this benefit is being felt in practice, not just in policy.

In response to the fifth statement, regarding whether financial decision-making has been strengthened through fraud investigation systems, the mean score was 3.49, showing a moderately positive perception. Approximately 49.3% of respondents agreed or strongly agreed, while a considerable portion remained neutral. This suggests that although fraud investigations may contribute to informed financial decisions—by revealing vulnerabilities, inefficiencies, or mismanagement—this link may not be as direct or well-established in practice. Some respondents may feel that while fraud investigation helps create a more accountable environment, it does not necessarily translate into better or more strategic financial decisions, possibly due to limited use of findings in actual planning and budgeting processes.

Lastly, the statement on whether there is a significant relationship between fraud investigation and financial accountability had a mean score of 3.49, also indicating moderate agreement. With 47.9% agreement, the results suggest that nearly half of the respondents believe that fraud investigation contributes meaningfully to improving financial accountability in the Sacco. This reflects the notion that uncovering and addressing financial misconduct promotes transparency and responsible use of resources. However, the rest of the respondents were either neutral or disagreed, pointing to possible gaps in how fraud investigation outcomes are utilized to enforce accountability, or a perception that such practices are not consistently applied.

Fraud Prevention and Performance

The sampled respondents were provided with 6 statements related to Fraud prevention. The pertinent results are as shown in Table 2.

Table 2: Fraud prevention

Statements	1	2	3	4	5	Mean
The fraud prevention services provided are effective in forensic auditing	15.1%	1.4%	21.9%	39.7%	21.9%	3.52
The quality of expert testimony provided by Auditors support professionals is high	11%	9.6%	32.9%	19.2%	27.4%	3.42
Evidence collected is highly protected from being tampered with.	8.2%	8.2%	30.1%	37%	16.4%	3.45
Transparency within the Sacco has been enhanced by using auditors support to uncover misappropriations.	8.2%	9.6%	27.4%	39.7%	15.1%	3.44
Auditors supports are reliable to provide accurate information on financial practices.	8.2%	8.2%	19.2%	34.2%	30.1%	3.70
There is a significant relationship between auditors' supports and financial accountability.	9.6%	8.2%	21.9%	30.1%	30.1%	3.63

The results in Table 2, The first statement, "The fraud prevention services provided are effective in forensic auditing," recorded a mean score of 3.52, indicating that respondents generally agreed with the effectiveness of these services. A majority of 61.6% agreed or strongly agreed, reflecting confidence in the tools, processes, and mechanisms deployed to prevent fraud within the SACCOs through forensic audits. The relatively low percentage of strong disagreement (15.1%) suggests that although a minority perceive inefficiencies, overall satisfaction is evident. The responses point to the presence of proactive fraud detection systems that are capable of identifying potential fraudulent activities before they escalate, thereby safeguarding financial integrity.

The second statement, "The quality of expert testimony provided by auditors' support professionals is high," garnered a mean score of 3.42, showing moderate agreement among respondents. While 46.6% of participants agreed or strongly agreed, 20.6% expressed disagreement, and 32.9% remained neutral. This spread suggests some variation in perceptions regarding the expertise and value added by auditors during legal or investigative proceedings. Though a good number acknowledge the importance of professional input in uncovering financial fraud, others may feel that the quality of testimonies is inconsistent, possibly due to varied qualifications or limited forensic experience among professionals.

Regarding the statement, "Evidence collected is highly protected from being tampered with," the mean score was 3.45, indicating a moderately positive perception. With 53.4% of respondents agreeing or strongly agreeing, it suggests that respondents trust the mechanisms in place to safeguard evidence during fraud investigations. This reflects well on data integrity practices, chain of custody procedures, and document handling protocols. However, the 16.4% of strong agreement may indicate that while controls exist, enhancements could still be made to boost confidence in evidence security, particularly in highly sensitive or large-scale investigations.

The fourth statement assessed whether "Transparency within the SACCO has been enhanced by using auditors' support to uncover misappropriations," and had a mean of 3.44. Just over 54.8% of respondents agreed or strongly agreed, indicating a favorable view of audit-related transparency improvements. The results suggest that the deployment of auditor support services helps shed light on financial misdeeds, promoting openness and accountability. However, the relatively low strong agreement (15.1%) and a neutral group of 27.4% may reflect inconsistencies in how often such interventions occur or the limited scope of transparency outcomes from these audits.

The fifth statement, "Auditors' supports are reliable to provide accurate information on financial practices," received one of the highest scores in this set, with a mean of 3.70. A solid 64.3% agreed or strongly agreed, signaling strong confidence in the credibility and dependability of information provided through audit support. This reliability likely fosters trust among SACCO stakeholders and enhances the precision of decision-making processes. The high level of agreement underscores the important role that auditor support plays not only in uncovering malpractices but also in establishing verifiable financial records and processes.

Lastly, the sixth statement, "There is a significant relationship between auditors' supports and financial accountability," had a mean score of 3.63, pointing to general agreement. A combined 60.2% of respondents agreed or strongly agreed with the statement, affirming the view that effective auditor involvement improves financial responsibility and ethical stewardship. This finding underscores the strategic importance of audit functions in promoting accountability, preventing financial irregularities, and restoring donor and stakeholder confidence in the SACCO sector.

Compliance Audit

The sampled respondents were provided with 6 statements related to Compliance audit. The relevant results are as shown in Table 3.

Table 3: Compliance audit

Statements	1	2	3	4	5	Mean
Fraud examinations are carried out by skilled forensic accountants.	1.4%	17.8%	24.7%	45.2%	11%	3.47
Through fraud examination, audit compliance, asset misappropriations are identified for corrective action.	1.4%	16.4%	28.8%	35.6%	17.8%	3.52
Financial frauds involving misuse of funds are addressed through the fraud examination activities of forensic accountants.	1.4%	16.4%	23.3%	38.4%	20.5%	3.60
Dispute resolution are regular and have enhanced adherence to financial regulations.	1.4%	13.7%	19.2%	42.5%	23.3%	3.73
here is a significant relationship between compliance audit and performance.	1.4%	13.7%	16.4%	45.2%	23.3%	3.75
The audit evaluation standards are consistently applied across all branches and departments	1.4%	8.2%	20.5%	47.9%	21.9%	3.81

From Table 3, the first statement, "Fraud examinations are carried out by skilled forensic accountants," yielded a mean score of 3.47, indicating moderate agreement among respondents. The majority, about 56.2%, agreed or strongly agreed with the statement, suggesting a generally positive perception of the qualifications of professionals engaged in fraud examination. However, 24.7% were neutral, and 19.2% expressed some level of disagreement, possibly pointing to concerns about uneven skill levels or a lack of specialized training among forensic accountants in certain contexts. This highlights the need for ongoing capacity building and standardization in fraud examination procedures to ensure consistent performance across SACCOs.

The second statement, "Through fraud examination, audit compliance, asset misappropriations are identified for corrective action," recorded a mean score of 3.52. A combined 53.4% agreed or strongly agreed, reinforcing the belief that compliance audits contribute meaningfully to the detection of asset-related fraud. This suggests that SACCOs are using audit processes not just for routine compliance, but also as proactive tools for identifying and addressing financial mismanagement. However, the relatively high neutral response (28.8%) implies that while such examinations occur, their effectiveness in consistently identifying misappropriations may vary across branches or departments.

The third statement, "Financial frauds involving misuse of funds are addressed through the fraud examination activities of forensic accountants," had a higher mean score of 3.60, with 58.9% agreeing or strongly agreeing. This reflects a strong belief in the effectiveness of forensic accounting in managing fraud involving fund misuse. These findings indicate that fraud examination activities are increasingly viewed as central to addressing financial irregularities within SACCOs, providing a layer of accountability and deterrence against potential fraudulent behavior. However, the 16.4% disagreement reflects that some institutions might still struggle with enforcement or depth of examination.

For the fourth statement, "Dispute resolution are regular and have enhanced adherence to financial regulations," the mean was 3.73, indicating an even stronger level of agreement. Approximately 65.8% of respondents expressed agreement or strong agreement, underscoring that resolving disputes consistently has had a positive impact on regulatory compliance. This suggests that compliance audits in SACCOs are not only addressing technical financial issues but also playing a vital role in resolving financial disputes efficiently, promoting governance and trust. The lower level of disagreement (15.1%) also implies broader satisfaction with these dispute resolution mechanisms.

The fifth statement, "There is a significant relationship between compliance audit and performance," recorded a mean score of 3.75, demonstrating a solid agreement from the respondents. With 68.5% agreeing or strongly agreeing, there is a clear perception that compliance audits positively affect SACCO performance, likely by improving financial discipline, accountability, and decision-making processes. This underscores the critical link between regulatory adherence and improved operational outcomes, further reinforcing the importance of audit structures as a strategic performance management tool.

Lastly, the sixth statement, "The audit evaluation standards are consistently applied across all branches and departments," had the highest mean of 3.81, reflecting the strongest agreement among the six items. A majority of 69.8% agreed or strongly agreed, suggesting that most SACCOs have successfully institutionalized uniform audit standards. This consistency enhances the credibility and reliability of financial evaluations, ensuring that all units are held to the same level of scrutiny. Nevertheless, the 20.5% who remained neutral indicate that while standardization is evident, implementation may not be flawless across all operational levels.

Accounting Staff Expertise

The sampled respondents were provided with 6 statements related to accounting staff expertise. The relevant results are as shown in Table 4.

Table 4: Accounting staff expertise

Statements	1	2	3	4	5	Mean
Our SACCO provides regular forensic accounting training to enhance staff capacity in fraud detection and prevention.	21.9%	6.8%	21.9%	34.2%	15.1%	3.14
Training on forensic audit techniques has improved staff ability to detect irregularities in financial records.	19.2%	5.5%	9.6%	28.8%	37%	3.59
Most accounting staff hold certifications that include forensic accounting or fraud investigation components	21.9%	1.4%	20.5%	39.7%	16.4%	3.27
Professionally certified staff are better equipped to implement forensic audit procedures within our SACCO.	21.9%	0%	28.8%	30.1%	19.2%	3.25
Our accounting staff possess strong analytical skills for investigating suspicious financial transactions.	19.2%	0%	9.6%	61.6%	9.6%	3.42
Staff are technically skilled in using forensic accounting tools and techniques such as digital audit trails and data analytics.	19.2%	2.7%	20.5%	30.1%	27.4%	3.44

From Table 4, the first statement, "Our SACCO provides regular forensic accounting training to enhance staff capacity in fraud detection and prevention," received a mean score of 3.14, indicating a moderate level of agreement. Only 49.3% of respondents agreed or strongly agreed, suggesting that while some SACCOs have incorporated regular forensic training, it is not yet a universally adopted practice. Additionally, 28.7% either disagreed or strongly disagreed, highlighting a concern that investment in continuous professional development in forensic areas may still be lacking in many institutions.

For the second statement, "Training on forensic audit techniques has improved staff ability to detect irregularities in financial records," the mean score was 3.59, reflecting a more positive outlook. A strong 65.8% of respondents expressed agreement or strong agreement, indicating that where forensic training is provided, it has a meaningful impact on the competency of accounting staff. The relatively low level of disagreement (24.7%) implies that most respondents recognize the practical benefits of such training in strengthening internal financial controls and audit quality.

The third statement, "Most accounting staff hold certifications that include forensic accounting or fraud investigation components," had a lower mean score of 3.27. While 56.1% agreed or strongly agreed, the 23.3% who disagreed indicates that professional certification in forensic fields is not widespread among SACCO accounting personnel.

The fourth statement, "Professionally certified staff are better equipped to implement forensic audit procedures within our SACCO," also received a mean score of 3.25. A combined 49.3% agreed or strongly agreed, reinforcing the belief that certifications matter in boosting audit execution capabilities. However, the high neutral response rate (28.8%) might suggest a lack of awareness about the exact benefits of professional certification or a perception that formal credentials alone do not necessarily translate to practical forensic expertise.

In the fifth statement, "Our accounting staff possess strong analytical skills for investigating suspicious financial transactions," the mean score was 3.42. Notably, 71.2% of the respondents agreed or strongly agreed, pointing to strong confidence in the analytical competence of the SACCO accounting teams.

Lastly, the sixth statement, "Staff are technically skilled in using forensic accounting tools and techniques such as digital audit trails and data analytics," received a mean score of 3.44, reflecting a relatively high level of agreement. A total of 57.5% of respondents reported positively, indicating that technical proficiency in modern forensic tools is increasingly present among SACCO staff. This is an encouraging sign, especially as financial crimes become more sophisticated and digitally enabled. Nonetheless, 22.2% were neutral and 21.9% disagreed, suggesting that tool-based technical skills might not be uniformly distributed across all branches or personnel.

Financial Performance

The sampled respondents were provided with 6 statements related to Financial performance of Sacco. The relevant results are as shown in Table 5.

Table 5: Performance

Statements	1	2	3	4	5	Mean
Our SACCO has consistently recorded a stable or increasing profit margin over the last three financial years.	6.8%	16.4%	35.6%	27.4%	13.7%	3.25
Efficient financial practices in our SACCO have contributed to improvement of our profit margins.	6.8%	11%	30.1%	38.4%	13.7%	3.41
Our SACCO pays dividends to members on a regular and timely basis.	6.8%	0%	17.8%	49.3%	26%	3.88
Dividend payments have increased progressively as the SACCO's financial performance has improved.	6.8%	5.5%	19.2%	35.6%	32.9%	3.82
The SACCO generates a financial surplus after meeting all operational and financial obligations.	11%	6.8%	8.2%	39.7%	34.2%	3.79
Annual surpluses are reinvested to expand the SACCO's services and increase member value.	13.7%	11%	27.4%	27.4%	20.5%	3.30

From Table 5, the first statement, "Our SACCO has consistently recorded a stable or increasing profit margin over the last three financial years," received a mean score of 3.25. While 41.1% of the respondents agreed or strongly agreed with this statement, it indicates a moderate level of consistency in profit margins. However, the 23.2% of respondents who disagreed or strongly disagreed suggest that there may be fluctuations or challenges faced by some SACCOs in maintaining a stable profit margin.

In the second statement, "Efficient financial practices in our SACCO have contributed to the improvement of our profit margins," the mean score was 3.41, with 52.1% of respondents expressing agreement or strong agreement. This demonstrates that efficient financial management practices, such as cost control, investment strategies, and prudent financial planning, have a noticeable positive impact on the SACCO's profit margins. However, 17.8% of respondents remained neutral, which could suggest that the implementation of these practices is not always uniform across all branches or members of the SACCO, and some areas might still require enhancements to maximize profitability.

For the third statement, "Our SACCO pays dividends to members on a regular and timely basis," the mean score was 3.88, which indicates a very positive response. With 75.3% of respondents agreeing or strongly agreeing, this suggests that SACCOs are fulfilling their commitment to distribute dividends to their members regularly, which is a key indicator of financial success and stability. The relatively low level of disagreement (6.8%) underscores the consistency of dividend payments, which likely enhances member satisfaction and loyalty.

The fourth statement, "Dividend payments have increased progressively as the SACCO's financial performance has improved," had a mean score of 3.82, further supporting the idea that SACCOs are linking financial performance to member returns. 68.5% of respondents agreed or strongly agreed with this statement, indicating that as SACCOs perform better financially, they are able to distribute greater dividends to their members.

The fifth statement, "The SACCO generates a financial surplus after meeting all operational and financial obligations," received a mean score of 3.79, with 73.9% of respondents expressing agreement or strong agreement. This suggests that the majority of SACCOs are generating surpluses after fulfilling their obligations, a sign of healthy financial management. However, the 17.8% who disagreed or strongly disagreed could reflect challenges faced by some SACCOs in covering all operational costs while maintaining profitability.

Finally, the sixth statement, "Annual surpluses are reinvested to expand the SACCO's services and increase member value," had a mean score of 3.30, with 47.4% of respondents agreeing or strongly agreeing. While this shows that some SACCOs are reinvesting surpluses for growth and expansion, the relatively high neutral response rate (27.4%) and the 24.7% who disagreed or strongly disagreed highlight that not all SACCOs may be effectively using surpluses to reinvest in service expansion.

Inferential Analyses

Pearson Correlation Results

The correlation coefficient (r) results are presented as shown in Table 4.10 using Pearson correlation analysis, which computes the direction (Positive/negative) and the strength (Ranges from -1 to +1) of the relationship between two continues or ratio/scale variables.

Table 6: Multiple Correlation Matrix

		FI	FP	CA	ASE
FI: Fraud investigation	Pearson Correlation	1	.570**	.146	.125
	Sig. (2-tailed)		.000	.219	.294
	N	73	73	73	73
FP: Fraud prevention	Pearson Correlation	.570**	1	.466**	.443**
	Sig. (2-tailed)	.000		.000	.000
	N	73	73	73	73
CA: Compliance audit	Pearson Correlation	.146	.466**	1	.656**
	Sig. (2-tailed)	.219	.000		.000
	N	73	73	73	73
ASE: Accounting staff expertise	Pearson Correlation	.125	.443**	.656**	1
	Sig. (2-tailed)	.294	.000	.000	
	N	73	73	73	73
Financial Performance	Pearson Correlation	.516**	.757**	.707**	.658**
	Sig. (2-tailed)	.000	.000	.000	.000
	N	73	73	73	73

**. Correlation is significant at the 0.01 level (2-tailed).

The first correlation coefficient between fraud investigation and performance is 0.516, which indicates a moderate positive correlation. This suggests that as the effectiveness of fraud investigation activities improves, the performance of SACCOs also tends to increase. The relationship is statistically significant, as the p-value is 0.000, well below the 0.01 significance level. This finding highlights the importance of fraud investigation in enhancing SACCO performance, emphasizing the role of detecting and addressing financial misconduct in improving financial performance. This result is consistent with studies like those by Clements & Knudstrup (2016), which emphasize the importance of fraud investigations in public institutions, and Mukoro et al. (2019), who argue that fraud investigations in the public sector are essential for detecting financial misconduct and ensuring proper financial management. The positive correlation suggests that the detection and rectification of fraudulent activities can improve transparency, reduce financial losses, and enhance overall financial performance. However, the moderate strength of the correlation suggests that fraud investigation, while important, is not the sole determinant of SACCO performance.

The second correlation coefficient, between fraud prevention and performance, is 0.757, which represents a strong positive relationship. The significant correlation (p = 0.000) suggests that the effectiveness of fraud prevention measures is highly associated with improved performance in SACCOs. Fraud prevention practices such as proactive audits, internal controls, and fraud deterrence strategies likely lead to better financial performance by reducing losses and maintaining financial integrity. The strength of this correlation underscores the importance of robust fraud prevention systems in ensuring the long-term sustainability and profitability of SACCOs. This result aligns with the findings of DeZoort & Harrison (2018) and Olongo (2013), who note that implementing proactive fraud prevention strategies, including strong internal controls and compliance audits, enhances financial integrity and organizational performance. Fraud prevention practices help to reduce fraud-related losses and maintain financial stability, thus driving improved financial performance. The strength of the correlation highlights the critical importance of having robust fraud prevention systems in place for long-term sustainability. The strong correlation could also suggest that SACCOs with better fraud prevention measures may have a more resilient financial structure and a higher level of trust among members.

The third correlation, between compliance audit and performance, is 0.707, reflecting a strong positive correlation as well. The statistical significance (p = 0.000) indicates that SACCOs that conduct regular and thorough compliance audits experience better financial performance. This correlation suggests that ensuring adherence to financial regulations and standards helps SACCOs operate more efficiently and reduces the risk of financial mismanagement. Regular compliance audits contribute to transparency, accountability, and better decision-making, all of which have a positive impact on financial performance. Studies like those by Korir (2022) and Cherutich (2018) support this conclusion, showing that compliance audits help detect inefficiencies, fraud, and mismanagement, leading to improved financial performance. By ensuring transparency and accountability, regular compliance audits help SACCOs operate more efficiently and reduce the risks associated with financial misconduct. The result suggests that SACCOs with a stronger focus on compliance audits are more likely to perform better, as these audits promote sound financial decision-making and risk management. However, the correlation is slightly lower than that for fraud prevention, indicating that compliance audits, while important, may not have the same level of impact on performance

The last correlation between accounting staff expertise and performance is 0.658, which represents a moderate to strong positive relationship. The significant correlation (p = 0.000) indicates that accounting staff expertise is positively associated with the financial performance of SACCOs. This result underscores the importance of having well-trained, skilled, and knowledgeable accounting professionals who can apply their expertise to improve financial management practices, identify inefficiencies, and ensure the accurate reporting of financial activities, all of which contribute to better financial performance. This finding aligns with research by Njoroge (2016) and Usman (2016), who highlight the importance of technical competence in internal auditors and accounting staff in improving the quality of financial reporting and fraud detection. Accounting staff with expertise in areas like forensic accounting can identify inefficiencies, detect financial misconduct, and ensure accurate reporting, all of which contribute to better financial outcomes. The correlation is somewhat weaker than that for fraud prevention and compliance audits, which suggests that while accounting staff expertise is important, it may be more effective when coupled with strong fraud prevention and compliance practices.

Multiple Regression Analysis

In this section, the multiple regression analysis was conducted to determine the influence of forensic accounting practices—including compliance audit, fraud investigation, fraud prevention, and accounting staff expertise on the performance of SACCOs in Kisii County. The aim of this analysis was to assess the collective impact of these constructs on SACCO performance when considered together in the regression model. The results of multiple linear regression analysis were presented in Table 7.

Table 7: Model Summary

					Change Statistics				
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	R Square Change	F Change	df1	df2	Sig. F Change
1	.891[a]	.795	.783	.461171606363076	.795	65.809	4	68	.000

a. Predictors: (Constant), Accounting Staff Expertise, Fraud Investigation, Compliance Audit, Fraud Prevention
b. Dependent Variable: Performance

Table 7: Model Summary provides key statistics related to the regression model. The R value is 0.891, which indicates a strong positive relationship between the predictors (accounting staff expertise, fraud investigation, compliance audit, and fraud prevention) and the dependent variable, performance. The R Square value is 0.795, meaning that approximately 79.5% of the variation in SACCO performance can be explained by the combination of these four forensic accounting practices. This is a substantial proportion, suggesting that these factors are highly influential in determining the financial performance of SACCOs.

The Adjusted R Square value of 0.783 takes into account the number of predictors in the model and shows that, even after adjusting for the number of variables, 78.3% of the variation in performance is explained by the predictors. This suggests that the model is quite robust and that the predictors contribute significantly to explaining SACCO performance.

Table 8: ANOVA Table

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	55.985	4	13.996	65.809	.000[b]
	Residual	14.462	68	.213		
	Total	70.447	72			

a. Dependent Variable: Performance

b. Predictors: (Constant), Accounting Staff Expertise, Fraud Investigation, Compliance Audit, Fraud Prevention

The F-statistic for the model is 65.809, calculated by dividing the mean square for the regression (13.996) by the mean square for the residual (0.213). The degrees of freedom (df) for the model are 4 for the regression and 68 for the residual, resulting in the F-statistic being $F(4, 68) = 65.809$. This test statistic is used to determine the overall significance of the regression model. A high F-statistic value indicates that the independent variables in the model explain a substantial amount of the variation in the dependent variable, performance.

The significance (p-value) of the F-statistic is 0.000, which is less than the conventional significance threshold of 0.05. This indicates that the model is statistically significant, meaning the predictors—accounting staff expertise, fraud investigation, compliance audit, and fraud prevention have a meaningful impact on SACCO performance. Therefore, we can conclude that the independent variables are significantly related to the performance of SACCOs, as $P < 0.05$.

The presented in Table 9 shows unstandardized coefficients, standardized coefficients, t statistic and significant values.

Table 9: **Coefficients on effect of Forensic Accounting Practices Constructs on Financial Performance**

Model	Unstandardized Coefficients B	Std. Error	Standardized Coefficients Beta	T	Sig.
1(Constant)	-.378	.270		-1.401	.166
Fraud Investigation	.210	.061	.233	3.421	.001
Fraud Prevention	.335	.074	.354	4.557	.000
Compliance Audit	.385	.084	.349	4.612	.000
Accounting Staff Expertise	.187	.058	.243	3.251	.002

a. Dependent Variable: Financial Performance

A regression of the four predictor variables against performance established the multiple linear regression model as below as indicated in Table 9:

$$Y=-0.378 + 0.210 X_1+0.335 X_2+0.385 X_3+ 0.187 X_4$$

Where Y is the dependent variable (Financial Performance),

X_1 is Fraud investigation

X_2 is Fraud prevention

X_3 is Compliance audit system

X_4 is Accounting staff expertise

Fraud Investigation and Financial Performance of Sacco

The unstandardized coefficient for fraud investigation is 0.210, with a standardized coefficient (Beta) of 0.233. This means that for every one-unit increase in fraud investigation, SACCO performance is expected to increase by 0.210 units. The t-statistic of 3.421 and the significance value of 0.001 indicate that fraud investigation has a statistically significant positive impact on performance. This suggests that enhancing fraud investigation practices within SACCOs can lead to a measurable improvement in their overall financial performance. Fraud investigation plays a critical role in identifying and mitigating fraudulent activities, which ultimately strengthens the financial integrity of the SACCO.

This result supports the findings of Bhasin (2020) and Mukoro, Yamusa, & Faboyede (2019), who argue that effective fraud investigation is essential for detecting financial misconduct and ensuring the integrity of financial practices. By identifying and addressing fraud promptly, SACCOs can prevent significant financial losses and ensure that resources are used efficiently, which directly contributes to better performance. In contrast, challenges such as interference and threats to auditors can undermine the effectiveness of fraud investigations. As noted by Clements & Knudstrup (2016), fraud investigations in the public sector often face obstacles from individuals in high positions who may attempt to block the investigation or collude with the fraudsters. Despite these challenges, the positive relationship observed in this study emphasizes the importance of fostering a conducive environment for fraud investigations to thrive.

Fraud Prevention and Financial Performance of Sacco

The unstandardized coefficient for fraud prevention is 0.335, with a standardized coefficient of 0.354. This indicates that for each unit increase in fraud prevention efforts, SACCO performance is expected to increase by 0.335 units. The t-statistic of 4.557 and the significance value of 0.000 confirm that fraud prevention has a highly significant positive effect on performance. The stronger effect (higher unstandardized coefficient compared to fraud investigation) suggests that implementing preventive measures to avoid fraud is more impactful on SACCO performance. Proactive fraud prevention strategies can help reduce the occurrence of fraud, thereby improving financial stability and overall performance.

This finding aligns with the work of Olongo (2013), who identified a strong relationship between fraud prevention and performance in the banking sector. Olongo's study emphasized that banks with robust fraud prevention measures tended to perform better, as they were able to minimize fraud-related losses. Similarly, research by DeZoort & Harrison (2018) found that proactive fraud detection and prevention mechanisms were crucial in enhancing the financial performance of public institutions. In contrast, if fraud prevention policies are not effectively implemented or continuously updated, gaps may exist, which can lead to financial mismanagement, as seen in the study by Kyalo Kalio & Ngahu (2019) regarding Nakuru County's challenges in enforcing fraud prevention policies.

Compliance Audit and Financial Performance of Sacco

The unstandardized coefficient for compliance audit is 0.385, with a standardized coefficient of 0.349. This means that a one-unit increase in compliance audit activities is expected to result in a 0.385-unit increase in SACCO performance. With a t-statistic of

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4.612 and a significance value of 0.000, the compliance audit is statistically significant and positively related to performance. Compliance audits ensure that SACCOs adhere to financial regulations and standards, and their consistent implementation can contribute to better governance, reduce financial irregularities, and improve the overall financial performance of the organization.

This finding is consistent with research by Korir (2022) and Cherutich (2018), which demonstrated that compliance audits play a significant role in improving financial performance. Korir's study, which focused on banks, found that segregation of duties and approval processes significantly enhanced financial performance by deterring fraudulent activities. Similarly, Cherutich's research on hotels in Nairobi County highlighted the positive impact of well-defined control activities, such as compliance audits, on improving financial performance. However, the effectiveness of compliance audits can be hindered by incomplete implementation or lack of follow-up, as seen in the study by Ahmed & Nganga (2019), which indicated that even in the presence of compliance audits, challenges in fully implementing fraud prevention measures still existed in some county governments.

Accounting Staff Expertise and Financial Performance of Sacco

The unstandardized coefficient for accounting staff expertise is 0.187, with a standardized coefficient of 0.243. This indicates that for every one-unit increase in accounting staff expertise, SACCO performance is expected to increase by 0.187 units. The t-statistic of 3.251 and the significance value of 0.002 show that accounting staff expertise is also a significant predictor of SACCO performance, albeit with a smaller effect compared to the other variables. The expertise of accounting staff, particularly in forensic accounting and fraud detection, plays an essential role in improving financial reporting accuracy and reducing errors or fraudulent practices. Investing in the professional development of staff can positively affect the overall financial performance of SACCOs.

Research supports this finding, with studies such as those by Dityatama (2015) and Njoroge (2016), which emphasize that a higher level of technical competence among auditors and accounting staff enhances the quality of financial reporting and internal audits. In particular, forensic accounting expertise has been shown to improve fraud detection and prevent financial mismanagement, which ultimately contributes to better financial outcomes. However, the positive impact of accounting staff expertise can be diminished if the necessary training and professional development opportunities are not provided, as noted by Usman (2016), who found that a lack of internal audit capacity in some government departments hampered performance. Therefore, investing in the continuous development of accounting staff is crucial for sustained financial performance.

CONCLUSIONS AND RECOMMENDATIONS

Fraud investigation plays a crucial role in enhancing the financial performance of SACCOs in Kisii County. Respondents generally expressed positive views regarding the effectiveness of fraud investigation systems, recognizing their importance in fostering transparency and accountability. The data analysis confirmed that strong fraud investigation efforts contribute significantly to improving the financial performance of SACCOs. By ensuring that fraudulent activities are detected and addressed promptly, SACCOs can better safeguard their financial resources, leading to stronger financial outcomes and long-term sustainability.

Fraud prevention is a vital determinant of financial performance in SACCOs in Kisii County. Respondents strongly supported the implementation of fraud prevention measures, such as forensic audits, which are seen as essential for maintaining financial integrity. The analysis affirmed a significant positive relationship between fraud prevention efforts and financial performance, demonstrating that SACCOs that prioritize proactive fraud prevention strategies experience improved financial stability. By addressing potential financial risks before they escalate, SACCOs can reduce losses and enhance their ability to achieve their financial goals.

Compliance audits are indispensable for improving the financial performance of SACCOs in Kisii County. Respondents emphasized the importance of compliance audits in ensuring adherence to regulatory standards and promoting financial transparency. The analysis indicated a strong positive link between compliance audits and financial performance, highlighting that SACCOs that regularly conduct audits are better positioned to identify areas of improvement and address financial mismanagement. Through adherence to legal and regulatory frameworks, SACCOs can enhance their operational efficiency, strengthen their financial standing, and foster trust among stakeholders.

Accounting staff expertise plays a significant role in boosting the financial performance of SACCOs in Kisii County. The findings revealed that accounting staff with specialized knowledge, particularly in forensic accounting, contribute positively to financial management and fraud detection. The data analysis confirmed that the expertise of accounting staff has a positive influence on financial performance, although the impact was somewhat less pronounced than other factors like fraud prevention. Well-trained accounting staff are crucial in ensuring sound financial management practices, which ultimately enhances the financial health and performance of SACCOs.

Based on the findings, it is recommended that SACCOs in Kisii County enhance their fraud investigation systems to further improve their financial performance. SACCOs should invest in advanced fraud detection technologies and ensure that investigations are thorough and consistently implemented. Regular training for staff involved in fraud investigations is essential to ensure they are up-to-date with the latest techniques and methodologies. Additionally, SACCOs should consider increasing their collaboration with external auditors and regulatory bodies to strengthen the effectiveness of fraud investigations and foster a culture of transparency and accountability within the organization.

In light of the findings, it is recommended that SACCOs in Kisii County prioritize the implementation of comprehensive fraud prevention strategies. SACCOs should invest in robust forensic auditing systems and ensure that fraud prevention measures are applied proactively rather than reactively. It is also crucial to continuously evaluate and update internal controls to address emerging threats. Furthermore, SACCOs should establish clear reporting and accountability mechanisms to encourage whistleblowing and prevent fraud at early stages. Collaboration with external auditors and other financial institutions can also enhance the overall effectiveness of fraud prevention efforts, safeguarding long-term financial stability.

Given the findings, it is recommended that SACCOs in Kisii County strengthen their commitment to regular compliance audits. SACCOs should ensure that compliance audits are not only conducted periodically but are comprehensive and cover all aspects of financial operations. It is also vital to invest in training for audit staff to enhance their ability to identify potential financial mismanagement or non-compliance with regulations. SACCOs should work closely with regulatory authorities to ensure that audit standards are met and that the findings of these audits are acted upon. This will promote greater transparency, accountability, and overall improved financial performance.

To further improve financial performance, it is recommended that SACCOs in Kisii County invest in continuous professional development for their accounting staff. Providing regular training in forensic accounting and advanced financial management techniques will enhance their ability to detect and prevent financial irregularities. SACCOs should also encourage accounting staff to obtain certifications that include forensic accounting components, further strengthening their expertise. By fostering a culture of continuous learning, SACCOs can ensure their accounting teams are equipped with the latest skills and knowledge to adapt to evolving financial challenges, ultimately contributing to improved financial performance.

Suggestion for Further Studies

The current study focused on the influence of forensic accounting practices on financial performance of Sacco in Kisii County. The examined Fraud investigation, fraud prevention, compliance audit and accounting staff expertise.

While this study focused on fraud investigation, fraud prevention, compliance audits, and accounting staff expertise, other forensic accounting practices, such as asset tracing, financial statement fraud detection, and digital forensics, could be examined in future studies. Expanding the scope of forensic accounting practices may provide a more comprehensive view of the role forensic accounting plays in improving financial performance. Studies that explore how other practices such as data analytics and technology integration in forensic accounting influence organizational performance could offer further insights into the evolving field of forensic accounting (Fanning & Cogger, 2020).

Future research could benefit from incorporating mediator or moderator variables to explore the mechanisms through which forensic accounting practices influence financial performance. For example, organizational culture, governance structures, or internal controls could moderate the relationship between forensic accounting practices and financial outcomes. Similarly, factors such as organizational size, industry, or leadership style could act as mediators that explain why forensic accounting practices lead to improved performance in some organizations but not others. The inclusion of such variables could enrich the findings by providing a deeper understanding of the complex interactions at play (Baron & Kenny, 1986).

This study was limited to Saccos in Kisii County, and its findings may not be generalizable to other regions. A comparative study conducted in different counties within Kenya could reveal regional variations in the adoption and impact of forensic accounting practices. Understanding regional differences could help policymakers and practitioners tailor forensic accounting strategies to suit the unique needs and challenges of different counties. It could also provide insights into the influence of local regulatory environments on the effectiveness of forensic accounting practices.

While the current study focused on Saccos, future research could broaden the scope to include other financial institutions, such as banks, microfinance institutions, and insurance companies. Different types of financial institutions may face distinct challenges and risks, which could affect the role and impact of forensic accounting practices on their financial performance. Researching a broader range of financial institutions would offer a more comprehensive understanding of how forensic accounting practices influence financial outcomes across the financial sector.

The current study relied on primary data obtained from respondents. Future research could combine both primary and secondary data sources to provide a more robust analysis. Secondary data, such as financial records, audit reports, and previous forensic accounting investigations, could complement primary data and provide additional insights into the long-term effects of forensic accounting practices on financial performance. Combining both data types could increase the validity and reliability of the study's findings (Creswell & Plano Clark, 2017).

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