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Original Article

Contextual Factors and Quality of Financial Reporting in Selected Public Technical Training Institutes in Kenya

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Keywords:

*Audit Committee,
Budgeting,
Contextual factors,
and Financial
Reporting.*

This study examined the factors influencing the credibility of financial reports in selected Technical and Vocational Training Institutes (TVTIs) in Kenya. Its specific research questions were to explore internal control systems, audit committees, the adoption of IPSASs, and budgets in relation to the quality of reports of TTIs. The theoretical basis for the study drew upon Accounting Theory, Information Asymmetry Theory, and Agency Theory. The study population included staff members and board officials from ten TTIs across Kenya, with a random sample size of 145 participants. Data was analysed via multiple linear regression and descriptive methods, then summarised in text and tables. According to study outcomes, internal controls, audit committee, IPSAS adoption, and approved budget implementation were revealed as the key determinants of financial reporting quality. This paper has thus established that internal control is significant for increasing the accuracy of the reports, reliability, and efficiency of the reporting process. Functional audit committees are also statistically positively related to financial reporting quality. For IPSAS adoption, implication was made clear that reporting practices were to be enhanced, and the observation done showed a valid and positive association with IPSAS adoption. These outcomes audit the committee's vitality in enhancing internal and financial reporting and improving accountability. It is beneficial to enhance financial reporting frameworks in public institutions to identify core facets regarding the financial statements' integrity. It also attaches great significance to internal control systems as every financial activity's reliable and sound framework. The results are believed to enhance confidence in utilising funds sourced from donors within the public sector entities. Therefore, the study suggests that stewardship authorities should demand compliance with sound financial and reporting practices and ensure that all organisations in the public sector adhere to the set standards.

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INTRODUCTION

Quality financial reporting embodies great significance as it impacts the decision-making process (Brigid, 2015). According to Oyula (2017), several governments have established that quality financial reporting is a prerequisite for achieving public trust in service delivery. A study by PwC (2018) observed that numerous developing nations were utilising reporting that is deficient in showing timeliness, credibility, relevancy, and accuracy of the financial reports.

Bukenya's (2014) study in Somalia identified five key yardsticks: accuracy, relevance, timelines, and understandability as the relevant yardsticks of accounts statements. The study confirmed that the reporting units where accounts statements were thought to be of high quality resulted in higher levels of financial performance.

According to Chapter 12 of the Kenyan Constitution 2010, accountability and openness, including public participation in public financial matters, are key principles. Also, the Kenyan constitution demands prudent utilisation of public funds and calls for clarity in fiscal reporting. Section 8(1) of the PFM Act (2012) stipulates that every taxpayer-funded institution will prepare its financial statements at the closure of every financial year. Section 8(3) further dictates that the entity will have to stick to the accounting standards provided by the PSASB of

Kenya when preparing the financial statements (PFM Act, 2012)

Financial integrity, according to Aluoch (2018), refers to the guarantee that account reports show a clear reflection of the status of the entity as at a given period of time. The researcher illustrates that integrity in the preparation of financial statements plays an important role in ensuring that financial statements have a positive impact on organisational performance. The management should, without fail, regularly furnish the board with financial reports and results compared to the budgetary estimates, and on the accurate updated status of the organisation's assets (De, Address *et al.*, 2015).

Quality of Financial Reporting

A high-level account report is key information in the decision-making process. Such high-quality information will objectively show the economic situation of the company within the reporting period. Quality financial reporting also benefits investors by making them gain confidence, minimising capital costs, and enhancing liquidity, in addition to enhancing fairness in pricing (Kothari, 2017).

The statement of financial position is the most significant to a business. This is because at any given time, it gives an indication of both financial health and the condition of the business. It indicates the business resources and obligations, as well as the interests of the business at any given time. By

looking at a balance sheet, one gets a glimpse of a firm's fiscal position in the accounting period. A statement of financial position shows a firm's summary of revenues, total expenses, and the net loss or profit in the financial period. It is an indicator of the profitability of the business. Revenues are income to the business derived from the payments from customers for the services and or goods offered by the firm. The firm utilises economic resources to provide the goods and services required by customers. Expenses are defined as the cost of economic resources a firm uses to produce goods and services that it makes available to customers. A determination of the loss or profit made is hence achieved by the accounting system matching the revenue and the incurred expenses in the accounting period (Pandey, 2019).

The statement of change on the financial position of a firm regarding cash is the cash flow statement, and will highlight variations in cash flow and the causes of the variations between two periods on the firm's balance sheet. This statement summarily shows the sources and uses of cash (Deyan, 2018).

By utilising qualitative characteristics, it is possible to accurately assess the usefulness of the financial reports, which ensure quality standards. This is achieved by ensuring that the reports are transparent, timely, verifiable, and easy to understand. The key emphasis is placed on ensuring the reports are accurate and transparent, free from any misleading information. The information will hence need to have a degree of predictability and precision, which are hallmarks of quality accounts (Gajvszky, 2015).

Pandey (2019), a key objective of financial statements is ensuring that shareholders are adequately educated on the financial performance as well as the status of the firm. The purpose of this is that shareholders are the real owners who have delegated directors to manage the company. As stewards acting for shareholders, directors are bound to prepare and furnish shareholders with well-prepared financial statements that have no

material misstatements and have qualitative characteristics to ensure the information is of good quality and relevant to shareholders.

According to Rashid (2021), financial statements possess the following qualitative characteristics: **Understandability:** The management must combine the statutory data with additional voluntary information disclosures to enhance the understandability of financial statements. Any complicated information must be clearly elaborated for ease of understanding. **Relevance:** The directors must ensure that only relevant fact is included in the financial reports. **Reliability:** The accounts report must have correct and reliable facts. In addition, information must adhere to the legally stipulated time frames. Since the financial statements are to give an accurate position of the firm, they must therefore be free from major errors and material misstatements. All the firms' transactions ought to adhere to the prudence concepts while accurately showing the nature of transactions and operations the firm has carried out. For the sections that are both judgmental and subjective, a lot of competencies had to go into preparing them. **Comparability** refers to presenting financial statements in a way that they can be compared to those of previous years. This quality allows the firm to make comparisons of performance across time frames. To achieve this characteristic, the firm will adapt accounting standards and policies consistent across jurisdictions and time periods. The consumers of the statements will hence be able to use them for identifying trends and improving decision-making. **Timeliness:** The information within the financial is only useful if provided in the stipulated timeframes. Any excessive delays must be avoided since up-to-date information is essential for the running of the firm. This characteristic is crucial and costly since it has to be adhered to as the firm cannot undo or recover from the damage of delayed information (Rashid, 2021).

A wide range of measurements that includes qualitative characteristics, measurements that use

models, and qualitative characteristics must be utilised in the preparation of accounts. Beneish model's (M-Score), Accrual-based models, Standardised Score, degree of Accounting Conservatism Indices (or scores), and the system of Internal Control were used. Prior studies indicate that the main cause of relying on indirect measures like proxies for the quality of financial reporting is that there are some qualities of financial reporting that are unobserved (Abernathy, 2010).

Contextual Factors

A strong internal control system ensures compliance with the set procedures and that the operations of the organisation are carried out as per the laid-down procedures (Amran & Beaty, 2018).

By using an internal reporting system, it is possible to evaluate if the financial information meets key aspects of comparability, usefulness, understandability, and reliability that will enhance the achievement of economic decisions. Another advantage is the enhancement of communication between different levels, like the management and operation levels. By providing relevant and representative information, the tool cements its relevance in the preparation of quality financial reports (Luis, 2011). IPSAS serves as a benchmark in evaluating accounting practices in the public sector of different countries across the globe (Chan, 2018).

The audit committee ensures that internal control procedures, regulations, policies, and utilisation of goods and services are being followed and working accordingly (Madawaki, 2015).

Audit committees have enhanced and improved the quality of financial reports (Zang *et al.*, 2016). An empowered, competent, independent, and highly qualified audit committee was quite effective in the detection of anomalies and material misstatements in the financial reports and prevented any risks of managers manipulating the financial reports.

Technical Training Institutes in Kenya

Technical and vocational education and training (TVET) takes a three-pronged approach in education by targeting education, training, and the development of skills for learners across many fields and professions. TVETs are hence a lifelong learning process with learners at the pre-secondary, post-secondary, and tertiary levels. TVETs utilise a work-based system of learning that combines with continuing training and professional advancement before the learners are deemed qualified. TVETs also have tailor-made skills suited to both the national and local context to develop the required skills. TVETs, hence, have integral components that include literacy and numeracy development, and citizenship skills (UNESCO, 2015).

TVETs have a key mandate of empowering individual with the requisite skills to enable them to manipulate their local environment to spur both community and national development. This means what they teach must be relevant to the locality (Oghu, 2018).

TVETs can be credited with revolutionising the industrial, technological, and overall socio-economic advancement of the nation. TVETs have provided graduates with the required technical skills to make the youth a critical workforce with innovative and creative skills. Some areas they are interested in are catering, fashion, the construction industry, automotive industry, and plumbing (Langat, 2021).

The Kenyan TVET sector comprises National Polytechnics, TTIs, VTCs, and Technical Trainer Colleges. The Technical institution is coordinated by the Kenya Association of Technical Training Institutions (KATTI). The role of the Association is the provision of a common form that identifies similar interests to the institutions and then tailoring approaches that will enhance Technical in Kenya. The current number of accredited TTIs in Kenya, both public and private, stands at 2000 distributed across the country (Ndede, 2021). According to the

auditor general's audit report for financial years 2016/2017, 2017/2018, and 2018/2019, most of the TTIs in Kenya have been receiving a qualified opinion audit report. The basis of the qualification has been on the quality of financial statements presented for audit.

Statement of the Problem

As per a report released by the African Development Fund Kenya (2015), TVETs in Kenya face critical challenges in their financial reports that pose a challenge in the current highly competitive business environment. These challenges point to a need for the financial reporting of TVETs to be extensively reformed. The audit reports for financial years 2018/2019, 2019/2020, and 2020/2021 showed that most of the TTIs in Kenya have been receiving qualified/adverse and disclaimer audit opinion reports due to inconsistent and inaccurate account reports. The basis of the qualification has been on the quality of financial statements presented for audit. (Auditor General, Kenya 2022).

Weak controls and poor financial reports have made the TTI entities in Kenya provide financial information to the users which are insufficient to hold their management accountable for the public resources (Ngugi, 2017). Ochung (2017) in his study recommended that more research be done on other government institutions on the quality of financial reporting, hence creating the knowledge gap on other entities. Based on the existing research gap, the researcher explored the contextual factors and Kenya's selected public training institutes' quality of financial reporting.

Objectives of the Study

General Objective

The review was generally purposed to ascertain contextual factors on the financial reporting quality of selected Kenyan public technical training institutes (TTIs).

Specific Objectives

- To explore the internal control system's impact on the financial reporting quality of Kenya's public TTIs.
- To ascertain the International Public Sector Accounting Standards (IPSAS) adoption effects on the financial reporting quality of Kenya's public TTIs.
- To identify audit committee effects on the financial reporting quality of Kenya's public TTIs.
- To examine approved budget impacts on the financial reporting quality of Kenya's public TTIs.

Research Hypotheses

H₀₁ The Internal control system has no significant impact on the financial reporting quality of Kenya's public TTIs.

H₀₂ IPSAS adoption does not significantly affect the financial reporting quality of Kenya's public TTIs.

H₀₃ Audit committee has no substantial impact on the financial reporting quality of Kenya's public TTIs.

H₀₄ Approved budget does not have a significant effect on the financial reporting quality of Kenya's public TTIs

REVIEW OF LITERATURE

Theoretical Review

Accounting Theory

The theory illustrates logical reasoning that gives an overall framework to guide accounting practice and further enhance the development and evaluation of new accounting practices (Hendriksen, 1977). The key significance of the accounting theory is its usefulness. A key requirement of the corporate world is that financial statements need to provide key information to consumers of financial

statements to enable them to make informed business decisions backed by accurate facts. The accounting theory is hence deliberately designed to be flexible in that it is capable of providing quality and effective financial information even in changing legal environments. The theory stipulates that accounting information be made reliable, relevant, comparable, and consistent by adhering to accounting standards. GAAP makes it easy and possible for the consistent application across timelines and organisations (Alicia, 2021).

According to the accounting, financial professions are expected to work under four guiding assumptions. The first assumption is recognising that the business and its owners and creditors are separate entities. The second assumption is that the company is an ongoing entity not faced by a risk of bankruptcy. The third assumption is that the preparation of financial statements is done in dollar accounts. The fourth assumption stipulates time frames stating that the financial statements be made either monthly, quarterly, or annually (Tuovila, 2021). This theory supported the contextual factors and quality of financial statements.

Information Asymmetry

It was first proposed by Stiglitz (2000) and Spence (1973). According to the theory, instances where a disparity in the information possessed by two parties in a transaction occurs, the party that possesses more information will exploit this advantage to the disadvantage of the counterparty that has less information in the transaction. For this study, when an imbalance occurs in information possessed by managers and readers of the financial information, if the managers have more information than the readers, then the management will take advantage of the readers by manipulating financial statements, especially when the firm is experiencing poor performance. The information asymmetry theory aligned with the study as it expounded on the quality of financial statements.

Agency Theory

Founders identified two types of conflict arising from the business operations. The first conflict is between the managers and shareholders of a company. The second conflict is between the debt holders and equity holders. Disagreement arises because the managers of the firm, who are entrusted by the shareholders to manage the business on their behalf, sometimes do not make decisions that will optimise the shareholders' wealth. This theory demonstrates how the shareholders depend on the financial statements of the firms in decision-making.

Empirical Review

Internal Control and Financial Reporting

Mahunyo (2020) looked into internal control systems on Kenyan public institutions' financial performance, especially higher learning institutions. The research used a quantitative research method to determine that aspects which are the control environment, performance monitoring, communication, and information systems, as subcategories of internal controls, enhance the quality of reporting of financial statements of higher learning institutions. Generalising the observation made in this study, there is strong evidence that universities and colleges should strengthen their internal control systems to support improvement in financial performance and accountability.

According to Chabungwen & Kwasira (2017), internal control is a process led by the executive that involves key organisational stakeholders to achieve high operational quality, guarantee financial accountability, and adhere to the set laws and regulations. The internal control systems enhance the firm's achievement of both financial and organisational objectives (Afiah & Azwari, 2018).

Financial statements were deemed unreliable in cases where there were problems with the internal controls. The organisation will enhance accountability and accurate financial reporting by

developing and strengthening internal controls (Spitzer, 2005). The absence of well-developed internal controls will yield unreliable records and, hence, poor-quality financial reports and decision-making. When an organisation lacks internal control systems that accurately capture the transactions done, it will stand to lose a large quantity of its resources (Chabungwen & Kwarisa, 2017).

Chabungwen & Kwarisa (2017) and Afiah & Azwari (2015) in their study determined that internal controls directly influenced the process of preparing financial statements and the final quality of statements made. According to Wattayapoom and Premuroso (2020), a strong bond exists between a firm's internal controls and financial statements. This bond ultimately had a bearing on the quality of financial reporting and statements. Good quality financial statements providing accurate information can therefore be guaranteed by internal controls (Elbanan, 2008). Altamoro & Beatty (2010) in their study concluded that internal controls combined with consistency in financial reports ultimately enhanced the financial reporting of a firm. Organisations that showed evidence of credible financial reports possessed high internal controls (Mahmud, 2016).

Audit Committee and Financial Reporting

The study's objective of Abdullah Al-Hadrami (2019) was to establish the impact of audit committees and their competencies on the decision-making of firms listed in Bahrain. The research adopted a quantitative method of collecting data; the primary data collection instruments were questionnaires. Correlation analysis and linear regression tests were used to analyse the findings and the basic and/or significant relationships in the defined research elements. This study established the following empirical result: quality reports are enhanced by the audit committee's independence and competence.

The study's authors, Madawaki & Amran (2021), were concerned with understanding the role of audit

committees in the quality of financial reporting among Nigerian institutions. Thus, the study proved a positive relationship in audit committees with qualified and experienced members in financial and accounting issues. As a result of such audit committees with qualified members, organisations could strive for good financial reporting.

In the case of constituting audit committee members with high accounting and finance qualifications, the above researchers, Ham & Hu (2021), discovered that the market had a positive reaction. Concerning the qualified audit committee tasked with oversight, the private sector was the first to establish this structure. Audit committees were notably remarked in the past two decades as a significant link in enhancing the international structure of corporate governance systems. In the past, audit committees were non-compulsory in companies. Still, in the recent past, professional and regulatory bodies worldwide have recommended the adoption of audit committees and the increase in their responsibilities (ICPAK, 2015).

According to IIA (2018), audit committees are crucial in increasing integrity and independence, as well as the effectiveness of the audit of the government's internal and external oversight activities and reporting of any irregularities to the board of management. Thus, there will be means of ensuring that suggestions in audit reports are followed by action, with the improvement and correction actions being addressed promptly.

Adoption of IPSAS and Financial Reporting

Tawia (2022) researched how IPSAS adoption impacts the quality of governance using a case study method from Western European and Sub-Saharan countries. The researcher concluded that IPSAS positively impacted the quality of governance by increasing stakeholder transparency and accountability. The study therefore provided empirical evidence to both regulators and policymakers as they aim to achieve universal

harmonisation in developing nations by adapting IPSAS.

Anderson (2019) established that when firms complied with IPSAS, they were able to produce good financial reports in the context of their financial decision-making. This further enhanced their accountability and transparency.

Further studies carried out by Alesani *et al.* (2022) on the attributes of IPSAS determined that factors like age, qualifications, and knowledge levels directly impacted how organisations adapted IPSAS. Further, the use of accrual basis IPSAS accounting showed that financial reports were greatly enhanced by good record keeping of assets and liabilities (Wayne, 2017).

According to IFAC (2019), IPSAS are standards of financial reporting suitable for reporting within the public sector to guarantee public interests in the ways presentations and disclosures are made to ensure public resources can be accounted for. The origin of IPSAS can be traced to the global financial crisis, which showed just how issues of accountability and credibility had in the way they reported assets and liabilities. IPSAS, therefore, came in as a system tailor-made to deal with such gaps in government.

The 2008 crisis, according to Bergman (2011), made it possible for stakeholders to discover that the systems used by various governments were not capable of forecasting financial issues of such magnitude. IPSAS was therefore adapted as an effective solution that was comprehensive in the ways it ensured that the reporting frameworks adhered to proper and effective reporting regulations. Such ensured that the recognition, the regulation, the measurement, and disclosure in government financial statements were harmonised (Ernst & Young, 2012).

Implementation of Approved Budget and Financial Reporting

Budgeting is a key area for major contributions to the accounting profession and knowledge. Firms work with annual budgets and thus any enhancement to the budgetary process will positively impact the budget. Budgeting is hence a key tool used in the evaluation process (Schwartz *et al.*, 2014).

Michael Van Roestel (2021), in his study on the collaborative approach to budgeting and its impact, reached the conclusion that accurate forecasting can be achieved by an organisation by increasing the number of people involved in budgeting. The members selected should bring on board expertise and experience in budgeting. Collaborative budgets that best serve the needs of the organisation were achieved by having more participants. Organisations, therefore, need to move away from the practice of having a few members of the organisation handling the budgeting process. This study had a gap in establishing whether budgets affected accounts statements. Onduso (2019) studied the impact of budgets on manufacturing industries. Cross-sectional methodology was utilised to target eighteen stock exchange-listed manufacturing firms. The research used a census survey to select the targeted firms and collected primary and secondary data for analysis. Budgets were found to positively impact the performance of the firms.

RESEARCH METHODOLOGY

Consistent with Kerlinger (1986), research designs serve as structured frameworks that guide studies towards answering their problems alongside their research questions. This researcher adopted descriptive research to explore contextual elements on financial reporting quality at TTIs. The research target population consisted of Key employees from the Audit, administration, accounting/finance, and operations departments of select TTIs throughout Kenya. A total of 145 staff members, together with

board members, comprised the target population within the various departments across 10 TTIs. The researcher collected primary data using questionnaires with closed and open-ended questions. Audited financial statements were also a source of secondary data.

Quantitative data was analysed using a multiple regression, a statistical approach used to model multiple independent variables and test them on a dependent outcome, which was structured as follows

$$Y = \beta_0 + \beta_1X_1 + \beta_2X_2 + \beta_3X_3 + \beta_4X_4 + \epsilon$$

Where:

Y = Financial reporting quality

β_0 = Constant

β_1 - β_3 = Regression Coefficients of factors influencing quality financial reporting

X₁ = Internal Controls

X₂ = Audit Committee Existence X₃ = Adoption of IPSAS

X₄ = Approved budget

ϵ = Error Term

RESEARCH FINDINGS AND DISCUSSION

Response Rate

From 145 questionnaires issued to the ten technical training institutes of Kisumu East TTI, one hundred twenty-three (123) were fully completed and returned after three weeks. This resulted in an 85% response rate, which is regarded as sufficient for data analysis, as supported by Mugenda (2003).

Table 1: Response Rate

Response	Respondents	Percentage
Returned	123	85
Not Returned	22	15
Total Distributed	145	100

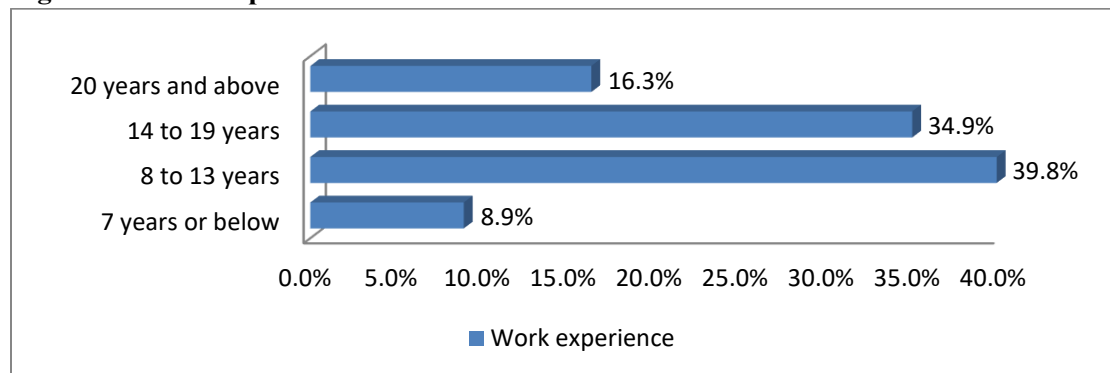
Source: Survey Data (2025)

Table 1 shows an 85% response rate. Although the study aimed to reach all 145 targeted respondents, only 123 fully completed questionnaires were received by the end of the data collection period. The remaining 22 respondents did not participate.

Work Experience

It was necessary to understand the experience levels of the staff who handle financial reporting. Insights into respondents' tenure in the workforce are presented in Figure 1.

Figure 1: Work Experience



Source: Survey Data (2025)

Figure 1 outcome evidence that the majority of respondents (39.8%) had worked for a period ranging from 8 years to 13 years, 34.9% between 14 years and 19 years, 16.3% for 20 years or above, and 8.9% for 7 years or below. A clear pattern emerges that most respondents had maintained employment for upwards of eight years.

Descriptive Statistics Results

Table 2: Descriptive Statistics

Descriptive Statistics	Mean	Std Dev
Internal controls	4.12	0.86
Audit Committee	4.11	0.84
Adopting IPAS	4.19	0.72
Implementation of the approved budget	4.33	0.70

Source: *Research Data (2025)*

This result suggests that there is a strong consensus among participants regarding the implementation of these essential policies, indicating commitment to ethical standards and responsible business conduct within the organisation. The findings agree with Mahunyo's (2020) research observation that there is strong evidence that universities and colleges should strengthen their internal control systems to support improvement in financial performance and accountability.

Table 2 results depict a 4.12 aggregate mean and a 0.86 standard deviation score, implying respondents' consensus that the internal control system affected Kenya's TTIs' financial reporting quality. This conclusion implies that there is a strong perception among the participants regarding the importance of internal controls in boosting financial reports' reliability and accuracy in these institutions. Findings concur with Altamoro & Beatty (2010) in their study, who concluded that internal controls combined with consistency in financial reports ultimately enhanced the financial reporting of a firm.

Table 2 displayed outcomes showing a 4.11 average score and 0.84 standard deviation for audit

Here, the analysis delves into outcomes linked to the variables under investigation. Respondents provided their opinions using a five-point Likert scale, indicating ratings as: 1 (strongly disagree), 2 (disagree), 3 (neutral), 4 (agree), and 5 (strongly agree). The analysis utilised mean and standard deviation to interpret the data. Responses with mean values of 2.5 or below were categorised as negative, whereas mean values between 3.4 and 5.0 were considered indicative of positive perceptions.

committees. This implies that the participants generally agreed that the audit committee significantly impacted financial reporting quality within Technical Training Institutions (TTIs) in Kenya. According to IIA (2018), audit committees play a critical role in increasing integrity and independence, as well as the effectiveness of the audit of the government's internal and external oversight activities and reporting of any irregularities to the board of management.

The results depicted outcomes indicate participants' consensus that IPSAS adoption impacts Kenya's TTIs' financial reporting quality as evidenced by a 4.19 aggregate mean and 0.72 standard deviation. The results suggest that the respondents believe the adoption of these standards significantly enhances the accuracy and reliability of financial reports in these institutions. The findings agree with Bergman's (2011) research observation that stakeholders can discover that the systems used by various governments were not capable of forecasting financial issues of such magnitude.

The findings indicate agreement from the respondents on all the statements regarding approved budget impacts on Kenya's TTI's

financial reporting quality, as evidenced by a 4.33 aggregate mean and a 0.70 standard deviation score. These findings imply that there is a significant recognition of the budget's role in enhancing the financial reporting standards within these institutions. Pandey's (2019) research observation indicates that a key objective of financial statements is ensuring that shareholders are adequately educated on the financial performance as well as the firm's status.

Inferential Analysis Results

Table 3: Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	0.895	0.801	0.786	1.0235

Source: Survey Data (2025)

Adjusted R-squared value was determined as 0.801, indicating that 80.1% of the quality of financial reporting variations in selected public technical training institutes in Kenya was attributed to the internal control system, IPSAS adoption, audit committee and approved budget. Therefore, the remaining 19.1% was due to other contextual factors that were not examined.

Table 4: ANOVA Table

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	152.645	4	38.161	44.032	0.003
	Residual	102.268	118	0.867		
	Total	254.913	122			

Source: Survey Data (2025)

The findings indicate that the mean square value was 38.161 lower than the F value of 44.032. The significance value was 0.003, below 0.005. Therefore, evidence from the model confirmed that its predictive power regarding the contextual factors under examination could impact financial reporting quality in selected public technical training institutes in Kenya.

The research thoroughly examined the degree to which explanatory variables influenced the explained variable, which was assessed through insights drawn from the model summary, ANOVA, and examination of coefficient estimates.

Model Summary

An analysis was conducted on a model to assess its overall fitness within the study and its predictive capabilities. The results are displayed in Table 3.

Analysis of Variance

To determine whether independent variables exerted a statistically significant influence on the dependent variable, model significance was tested using ANOVA. This assessment's outcomes are delineated in Table 4.

Coefficients

The coefficients of the multiple regressions were established to examine the specific contribution of each predictor to the dependent variable while controlling for other factors' influence. Outcomes are depicted in Table 5.

Table 5: Coefficients

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
	B	Std. Error	Beta		
1 (Constant)	0.674	0.125		5.392	0.003
Internal control	0.745	0.334	0.0234	2.231	0.002
Audit committee	0.779	0.287	0.0371	2.714	0.001
Adopting IPSAS	0.706	0.336	0.0169	2.101	0.004
Implementation of the approved budget	0.793	0.245	0.0415	3.237	0.001

Source: *Survey Data (2025)*

The research indicated that Kenya's TTIs' financial reporting quality was at 0.674 in the absence of the independent variables examined. The derived model is represented as:

$$\text{Quality of financial reporting} = 0.674 + 0.745(\text{internal control}) + 0.779(\text{audit committee}) + 0.706(\text{adopting IPSAS}) + 0.793(\text{implementation of approved budget}) + \epsilon$$

Hypotheses Testing

H₀₁: The Internal control system has no significant impact on the financial reporting quality of Kenya's public TTIs.

In Kenya's TTIs, internal control practices showed a notable statistical association with improved financial reporting quality ($\beta = 0.0234$, $t = 2.231$, $p = 0.002$), rejecting the null hypothesis. In addition, an improvement in internal control could lead to an improvement in Kenya's TTIs' financial reporting quality by 0.745, keeping the audit committee, IPSAS adoption, and implementation of the approved budget constant. The findings agree with Mahunyo's (2020) research observation that there is strong evidence that universities and colleges should strengthen their internal control systems to support improvement in financial performance and accountability.

H₀₂: IPSAS adoption does not significantly affect the financial reporting quality of Kenya's public TTIs.

IPSAS adoption by Kenyan TTIs significantly boosted financial reporting quality ($\beta=0.0169$, $t=2.101$, $p=0.004$), thus rejecting the null hypothesis. The review revealed that holding internal control, audit committee, and implementation of approved budget constant, the adoption of IPSAA could influence the quality of financial reporting of these institutions by 0.706. The findings agree with Tawia's (2022) research conclusions that IPSAS positively impacted the quality of governance by increasing stakeholder transparency and accountability.

H₀₃: Audit committee has no substantial impact on the financial reporting quality of Kenya's public TTIs

The research demonstrated that the audit committee substantially positively correlated with Kenya's TTIs' financial reporting quality ($\beta=0.0371$, $t=2.714$, $p=0.001$). The null hypothesis failed to withstand statistical scrutiny, prompting its rejection. Moreover, an improvement in the audit committee could lead to an improvement in the quality of financial reporting in TTIs in Kenya by 0.779, keeping internal control, IPSAS adoption, and implementation of approved budget constant. The finding agrees with Madawaki & Amran's (2021) research observation that there is a positive relationship in audit committees with qualified and

experienced members in financial and accounting issues.

H₀₄: The approved budget does not significantly impact the financial reporting quality of Kenya's public TTIs

The research indicated that the approved budget of TTIs in Kenya had significantly enhanced their quality of financial reporting ($\beta=0.0415$, $t=3.237$, $p=0.001$). Therefore, the null hypothesis was rejected. Furthermore, the study demonstrated that keeping internal control, audit committee, and IPSAS constant, the approved budget could influence Kenya's TTIs' financial reporting quality by a factor of 0.793. This outcome resonates with Onduso (2019), who ascertained that budgets positively impact the performance of the firms.

CONCLUSIONS OF THE STUDY

Research has proved that internal controls alongside audit committees and the IPSAS adoption method and budget implementation practices create positive results for financial reporting quality in Kenya. The research results demonstrated that internal controls generated the biggest effect, with the audit committee ranking second before IPSAS adoption and approved budget implementation. A statistical analysis proved the model's ability to predict the dependent variable because state organisations should focus on these four factors as priorities.

The research confirmed that all investigated variables affect the quality of financial reporting at an intermediate level. Efficient operation of a country's economy depends on a high-quality financial reporting system. The effective financial reporting remains hindered in Kenya alongside other developing nations due to weak accountability structures and limited transparency measures, together with inadequately skilled public sector personnel.

The research findings validate that the examined variables demonstrate both significant statistical effects and moderate influence on financial report

quality at the public institutions studied in Kenya's public training sector. The existence of audit committees together with IPSAS adoption constitutes emerging practices in Kenya's public sector. The institutions will display their entire beneficial effects more clearly as institutions advance toward full implementation.

RECOMMENDATIONS OF THE STUDY

These recommendations are drawn from the study's findings and conclusions.

Government

This study recommends that public sector institutions prioritise the enhancement of internal control systems, establish well-structured audit committees with qualified and experienced members, and fully implement IPSASs and adhere to the approved budget. These measures are essential for improving financial disclosure, ensuring accountability, and promoting transparency in public financial reporting.

Regulatory Authorities

Regulatory authorities are tasked with ensuring that state entities comply with established procedures and regulations. To fulfil this responsibility, they must ensure that all public institutions adhere to proper controls, maintain effective audit committees, fully implement international public accounting standards, and faithfully implement the budget. This approach promotes high-quality reporting, safeguards public resources, and helps prevent waste and financial losses.

Scholars

In-depth scholarly exploration on factors that influence quality reporting in Kenya's public entities remains considerably scarce, with few studies offering concrete findings. As a result, there remains a significant opportunity for scholars to explore this area further—especially in light of the ongoing development of devolved governance in the country. Additionally, research on the

management of public resources should be expanded to provide valuable insights that can guide public resource managers in identifying and implementing areas for improvement.

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