Editon Consortium Journal of Business and Management Studies [ISSN: 2664-9470]



Issue no: 01 | **Vol no:** 08 | **November** 2026: 200-213

The Effect of Financial Reporting Transparency on Audit Report Quality in Kenyan Public Universities

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Article History
Received: **2026.09.14**
Accepted: **2026.10.18**
Published: **2026.11.05**

Cite this article in APA
Boiywo, J. K., Magadi, S. O., & Ronoh, E. K. (2026). The effect of financial reporting transparency on audit report quality in Kenyan public universities. *Editon consortium journal of business and management studies, 8*(1), 200-213. https://doi.org/10.51317/8dtth710

Abstract
This study examined the effect of financial reporting transparency on audit report quality in Kenyan public universities. The quality of audit reports in Kenyan public universities remains a concern due to inadequate financial disclosures, incomplete reporting, and limited accessibility of financial information, which undermine audit reliability and institutional accountability. Anchored on Agency Theory, the study adopted a positivist research philosophy and a cross-sectional research design. The target population comprised 175 respondents, representing five respondents from each of the 35 publicly chartered universities, including finance officers, internal auditors, accountants, and audit or finance committee members. Institutional census and purposive sampling techniques were employed. Four universities outside the target population participated in the pilot study. Primary data were collected using structured questionnaires, while secondary data were obtained from published audit reports and financial statements. Data were analysed using descriptive statistics, Pearson correlation, and simple linear regression. Findings indicated moderately high financial reporting transparency ($M = 3.63$, $SD = 1.24$) and a positive, statistically significant relationship with audit report quality ($r = 0.612$, $p < 0.01$; $\beta = 0.598$, $p < 0.05$), explaining 37.5 per cent of its variation ($R^2 = 0.375$). The study concluded that transparent financial reporting facilitates reliable audit assessments by ensuring the availability of complete, timely, and accessible financial information. It recommends strengthening disclosure requirements and financial reporting practices to enhance audit credibility. The findings provide evidence to inform financial reporting policies, strengthen institutional oversight, and promote accountability in Kenyan public universities.

Key words: Accountability, audit report quality, financial disclosure, financial reporting transparency, public universities.

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INTRODUCTION

Financial reporting transparency has become an important aspect of corporate governance and public accountability because it facilitates access to accurate, timely, complete, and understandable financial information. Transparent financial reporting enables stakeholders to evaluate organisational financial performance, assess resource utilisation, and make informed decisions. It also reduces information asymmetry between management and stakeholders, thereby strengthening accountability and institutional credibility. Recent studies have associated financial reporting transparency with improved financial disclosure, stakeholder confidence, and organisational accountability (Darmawan, 2023; Neiroukh, 2025; Istrate, 2025). In public institutions, where financial resources are largely entrusted to management on behalf of citizens and other stakeholders, transparent reporting is particularly important for facilitating independent oversight and evaluating financial stewardship.

Audit report quality is equally important in promoting financial accountability because audit reports communicate independent assessments of financial statements and associated reporting practices. Audit report quality encompasses the clarity, accuracy, completeness, reliability, and usefulness of audit findings, conclusions, and recommendations. Although closely related, audit quality and audit report quality are distinct concepts: audit quality concerns the effectiveness of the auditing process, whereas audit report quality concerns the credibility and informational value of the resulting report. Empirical studies have established relationships between auditing practices and financial reporting quality, particularly regarding the detection of material misstatements, reporting reliability, and disclosure credibility (Darmawan, 2023; Orjinta et al., 2026; Pham, 2026). However, these findings do not necessarily establish whether improvements in financial reporting transparency are associated with corresponding improvements in the quality of audit reports.

The relationship between financial reporting transparency and audit report quality may be explained by the availability and reliability of financial information used during auditing. Financial statements supported by adequate disclosures, accessible records, and verifiable financial information provide a basis for audit planning, risk assessment, evidence gathering, and the formulation of audit conclusions. Conversely, incomplete disclosures, inconsistent financial records, and delayed reporting may constrain audit procedures and affect the clarity and reliability of audit findings. Neiroukh (2025) examined the importance of audit mechanisms in strengthening financial information reliability, while Kgalamone (2025) highlighted the informational value of financial disclosures in audit reporting. Similarly, Li (2025) examined the relevance of information accessibility to audit effectiveness. These studies provide a basis for investigating the relationship between transparency and audit report quality, although differences in their conceptualisation of auditing outcomes limit their direct applicability to public universities.

Within the public sector, financial reporting transparency is essential because government institutions are expected to account for the collection, allocation, and utilisation of public resources. Transparent financial disclosures facilitate scrutiny by auditors, oversight institutions, policymakers, and citizens, while audit reports provide information concerning financial accountability, compliance, and institutional financial management. Agostino et al. (2025) emphasised the growing importance of transparency and accountability mechanisms within contemporary public-sector governance. Public universities represent an important institutional setting because they manage government allocations, internally generated revenue, research grants, donor funding, and other financial resources. Their financial reporting practices are therefore subject to scrutiny by multiple stakeholders, including government agencies, university councils, employees, students, and development partners. Studies examining accountability and financial management in higher education have highlighted the importance of transparent reporting, institutional oversight, and effective governance arrangements (Agasisti & Soncin, 2021; Brusca et al., 2022; Caruana et al., 2023; Guthrie et al., 2023).

In Kenya, public universities continue to experience financial management challenges associated with resource constraints, accumulated financial obligations, budgetary pressures, and increasing accountability requirements (Onsongo, 2022; Waweru & Okioga, 2023). These challenges raise concerns regarding the completeness, timeliness, and reliability of financial disclosures and their implications for audit reporting. Although public financial management reforms and the adoption of International Public Sector Accounting Standards have sought to strengthen financial

accountability, concerns persist regarding financial reporting compliance, disclosure adequacy, and recurring audit observations in public institutions (Nyamori et al., 2021; Oduor & Omagwa, 2023). Research addressing financial management and accountability in Kenyan public institutions has further underscored the importance of credible financial information and effective oversight mechanisms (Munga & Nzulwa, 2022; Kiptoo et al., 2024). Nevertheless, the extent to which financial reporting transparency is associated with the quality of audit reports in Kenyan public universities remains insufficiently established.

Existing literature provides considerable evidence on the relationships among financial reporting quality, audit quality, corporate governance, and institutional accountability. However, much of this research has examined the influence of auditing practices on financial reporting quality, with comparatively limited attention to financial reporting transparency as an explanatory variable and audit report quality as the outcome variable (Darmawan, 2023; Pham, 2024; Neiroukh, 2025). This creates a conceptual gap because evidence concerning audit quality cannot automatically be generalised to the quality of audit reports. Furthermore, the concentration of previous studies in corporate organisations, financial institutions, and general public-sector settings limits their applicability to public universities, which operate under distinctive funding, governance, and accountability arrangements. The limited empirical evidence from Kenyan public universities also presents a contextual gap. Consequently, this study examined the effect of financial reporting transparency on audit report quality in Kenyan public universities, with the intention of providing empirical evidence to inform financial disclosure practices, audit reporting, and institutional accountability.

The quality of audit reports in Kenyan public universities remains a significant accountability concern, as reflected in the persistent financial reporting irregularities and adverse audit findings reported by the Office of the Auditor-General. According to the Auditor-General's Summary Report on Public Universities for the Financial Year 2023/2024, only 12 of the 42 audited public universities (28%) received unmodified audit opinions, while 28 universities (67%) received qualified opinions and two universities (5%) received adverse opinions (Office of the Auditor-General, 2025). The report further identified unsupported financial balances amounting to KSh 20.04 million across three universities and unreconciled cashbook and bank statement balances totalling KSh 43.25 million across another three universities. These findings demonstrate persistent weaknesses in financial recordkeeping, supporting documentation, and reconciliation practices, raising concerns about the reliability of financial disclosures and the availability of sufficient audit evidence. Although modified audit opinions do not necessarily indicate deficiencies in the quality of auditors' reports, their prevalence highlights underlying financial reporting problems that warrant investigation into the relationship between financial reporting transparency and audit report quality.

Financial reporting transparency and audit report quality represent two distinct but potentially related dimensions of financial accountability. Financial reporting transparency concerns the accuracy, completeness, timeliness, accessibility, and understandability of financial disclosures, whereas audit report quality relates to the clarity, reliability, completeness, and usefulness of audit findings, conclusions, and recommendations. Inadequate financial disclosures and unsupported accounting records may constrain auditors' access to verifiable evidence, potentially affecting the formulation and communication of audit findings. However, the existence of financial reporting weaknesses does not automatically establish that audit reports are of poor quality. Although previous studies have examined financial reporting quality, audit quality, corporate governance, and public-sector accountability, much of the literature has focused on how audit quality influences financial reporting practices rather than examining financial reporting transparency as an explanatory factor associated with audit report quality (Darmawan, 2023; Neiroukh, 2025; Pham, 2024). Consequently, the extent to which transparent financial reporting contributes to credible, comprehensive, and informative audit reports remains insufficiently established.

Furthermore, existing empirical studies have predominantly focused on private-sector organisations, financial institutions, and broader public-sector entities, with comparatively limited attention to public universities operating under distinctive financial management and accountability arrangements. This presents a conceptual gap regarding the relationship between financial reporting transparency and audit report quality, alongside a contextual gap concerning the

applicability of existing findings to Kenyan public universities. Persistent audit observations documented by the Office of the Auditor-General (2025) further highlight the need for empirical investigation rather than assuming that greater transparency necessarily results in better audit reports. Against this background, the study examined the effect of financial reporting transparency on audit report quality in Kenyan public universities to establish the nature and statistical significance of the relationship and provide evidence for strengthening financial reporting practices, audit oversight, and institutional accountability.

Specifically, the study sought to determine the effect of financial reporting transparency on audit report quality in Kenyan public universities. The investigation was guided by the following null hypothesis: financial reporting transparency has no statistically significant effect on the quality of audit reports in Kenyan public universities.

LITERATURE REVIEW

This section presents a review of the theoretical and empirical literature on financial reporting transparency and audit report quality. The theoretical review examines the theories underpinning the relationship between financial reporting transparency and audit outcomes, thereby providing the foundation for the study. The empirical literature is reviewed in accordance with the study objective to establish existing knowledge, identify gaps in the literature, and justify the need for the study. The reviewed literature is subsequently synthesised into a conceptual framework that illustrates the hypothesised relationship between financial reporting transparency and audit report quality in Kenyan public universities.

Theoretical Review

This study was anchored on Agency Theory, advanced by Jensen and Meckling (1976), which explains the relationship between principals who delegate decision-making authority and agents entrusted with managing resources on their behalf. The theory assumes that differences in interests and unequal access to information may create opportunities for opportunistic behaviour, resulting in agency costs and accountability challenges. Consequently, financial reporting, monitoring, and independent auditing constitute important governance mechanisms for reducing information asymmetry and safeguarding stakeholders' interests (Jensen & Meckling, 1976). Within public universities, university management acts as an agent responsible for managing financial resources entrusted to institutions by government agencies and other stakeholders. Transparent financial reporting enables these stakeholders to assess financial stewardship through accurate, complete, timely, and accessible disclosures. Independent auditing complements this accountability process by examining financial information and communicating findings through audit reports. Recent applications of Agency Theory to public-sector governance have emphasised the importance of financial disclosure, institutional accountability, and independent oversight in strengthening transparency and stakeholder confidence (Abdullah & Valentine, 2021; Caruana et al., 2023).

Despite its relevance, Agency Theory has limitations that influence the interpretation of empirical findings. First, its emphasis on self-interest and opportunistic behaviour may overlook professional ethics, institutional commitment, and stewardship responsibilities that shape financial reporting practices. Second, the theory assumes relatively identifiable principal–agent relationships, whereas public universities operate within complex accountability structures involving government agencies, university councils, auditors, employees, students, and other stakeholders with potentially competing expectations (Steccolini et al., 2024). Third, financial reporting transparency may be influenced by institutional capacity, regulatory requirements, internal controls, and organisational culture rather than managerial incentives alone. These limitations imply that a statistically significant relationship between financial reporting transparency and audit report quality should not automatically be interpreted as evidence that reduced agency conflicts caused improvements in audit reporting. Similarly, an insignificant relationship would not necessarily invalidate Agency Theory because institutional and professional factors may influence audit report quality independently of financial reporting transparency. Therefore, the theory provides an explanatory framework for interpreting the findings while recognising the possible influence of other organisational and governance factors.

Agency Theory explains the relationship between the study variables by positioning financial reporting transparency as an accountability mechanism that potentially influences the quality of audit reports. Financial reporting transparency, the independent variable, was conceptualised through the accuracy, completeness, timeliness, accessibility, and

understandability of financial disclosures. Audit report quality, the dependent variable, concerns the reliability, clarity, completeness, and usefulness of audit findings, conclusions, and recommendations. From an agency perspective, transparent financial reporting reduces information asymmetry by making financial information available for independent verification, potentially facilitating audit planning, evidence gathering, risk assessment, and the communication of audit findings. Conversely, incomplete disclosures and inaccessible financial records may constrain audit procedures and contribute to limitations in the evidence available to support audit conclusions. Nevertheless, transparency does not automatically guarantee high-quality audit reports because audit outcomes also depend on auditors' competence, independence, professional judgement, and the adequacy of audit procedures. Accordingly, Agency Theory supports the study objective by providing a theoretical basis for examining whether financial reporting transparency is statistically related to audit report quality in Kenyan public universities, while acknowledging that other institutional factors may influence the observed association.

Empirical Review

Empirical studies have examined the relationship between financial reporting practices and auditing outcomes across different institutional and geographical settings. However, the literature has predominantly focused on financial reporting quality as an outcome of auditing rather than examining financial reporting transparency as an independent variable influencing audit report quality. The reviewed studies provide evidence concerning financial disclosure, reporting timeliness, audit quality, and accountability, although differences in research designs, measurement approaches, and institutional settings limit the direct comparability of their findings.

Oyetola et al. (2024) investigated financial reporting quality in public universities in Southwest Nigeria, focusing on the relationship between audit quality and financial reporting characteristics. The study used a survey research design and targeted 250 senior management, audit, and finance personnel in 12 purposively selected public universities from a population of 19 institutions. A sample of 201 respondents was determined using Yamane's formula, and primary data were collected through structured questionnaires. Audit quality was examined as the independent variable, while financial reporting quality was assessed through timeliness, faithful representation, understandability, and comparability. Descriptive statistics and multiple regression analysis were employed. The findings established statistically significant relationships between audit quality and financial reporting timeliness, faithful representation, understandability, and comparability, with adjusted coefficients of determination of (51.6%, 59.8%, 41.6%, and 39.0%), respectively. Although the study demonstrates the importance of auditing in financial reporting, it examined audit quality as an explanatory variable rather than investigating how financial reporting transparency relates to audit report quality. Furthermore, its Nigerian setting limits the direct applicability of the findings to Kenyan public universities.

Kesemekpor et al. (2024) examined audit committee effectiveness and financial reporting quality in public universities in Ghana, considering the moderating role of perceived audit quality. The study collected primary data through structured questionnaires administered to 215 audit committee members and financial officers selected purposively. Financial reporting quality constituted the dependent variable, while audit committee characteristics, including independence, financial expertise, committee size, meeting frequency, and communication with external auditors, were examined as explanatory factors. The findings indicated that effective audit committees were positively associated with financial reporting quality and that perceived audit quality strengthened this relationship. The study provides relevant evidence concerning the importance of institutional oversight and auditing in university financial accountability. However, its emphasis on audit committee effectiveness and financial reporting quality differs conceptually from the present study, which examines financial reporting transparency and audit report quality. The study's Ghanaian context also leaves uncertainty regarding the applicability of its findings to Kenyan public universities.

Within Kenya, Nanzala et al. (2025) examined the influence of revenue recognition techniques on financial reporting quality in public universities, considering university size as a moderating variable. The study targeted 866 respondents and selected a sample of 274 through stratified random sampling. Data were analysed using descriptive and inferential statistics, including hierarchical regression analysis. Revenue recognition practices constituted the principal independent variable,

while financial reporting quality was the dependent variable. The findings established a statistically significant negative relationship between creative accounting practices in revenue recognition and financial reporting quality. These findings suggest that weaknesses in accounting practices may compromise the credibility of financial disclosures in public universities. Nevertheless, the study concentrated on revenue recognition and financial reporting quality rather than financial reporting transparency and the informational quality of audit reports. Consequently, it provides contextual evidence concerning accounting practices in Kenyan universities but does not directly address the relationship investigated in the present study.

Additional evidence concerning financial accountability in Kenyan public universities is provided by the Office of the Auditor-General (2025). The Auditor-General's review of 42 public universities for the 2023/2024 financial year established that 28 universities (67%) received qualified audit opinions, 12 universities (28%) received unmodified opinions, and two universities (5%) received adverse opinions. The report also identified unsupported financial balances amounting to KSh 20.04 million and unreconciled cashbook and bank statement balances totalling KSh 43.25 million across the affected institutions. These findings provide documentary evidence of weaknesses in financial records and disclosures that may constrain the availability of reliable audit evidence. However, the report is an institutional audit assessment rather than an explanatory empirical study and does not establish whether financial reporting transparency predicts audit report quality. Moreover, modified audit opinions reflect identified financial reporting issues and should not automatically be interpreted as evidence of poor-quality audit reports.

A synthesis of the reviewed evidence reveals broad agreement that financial reporting practices, auditing mechanisms, and institutional oversight are important components of financial accountability. Studies conducted in Nigeria and Ghana primarily examined how audit quality and audit committee effectiveness influence financial reporting quality, while Kenyan evidence has concentrated on specific accounting practices and their implications for financial reporting. Despite these contributions, the direction of the relationship investigated in the present study remains insufficiently established. Specifically, the reviewed studies do not directly explain whether financial reporting transparency, measured through the accuracy, completeness, timeliness, accessibility, and understandability of financial information, is significantly associated with audit report quality, reflected in the reliability, clarity, completeness, and usefulness of audit findings and conclusions. This conceptual gap, together with limited empirical evidence specifically addressing the relationship in Kenyan public universities, provides the justification for the present study. Accordingly, the study examined the effect of financial reporting transparency on audit report quality in Kenyan public universities using descriptive statistics, Pearson correlation, and simple linear regression analysis.

Conceptual Framework

The conceptual framework illustrates the relationship between financial reporting transparency and audit report quality in Kenyan public universities. It posits that transparent financial reporting, characterised by accurate, complete, timely, and accessible financial information, enhances the effectiveness of the audit process and contributes to the production of reliable and credible audit reports, as presented in Figure 1.

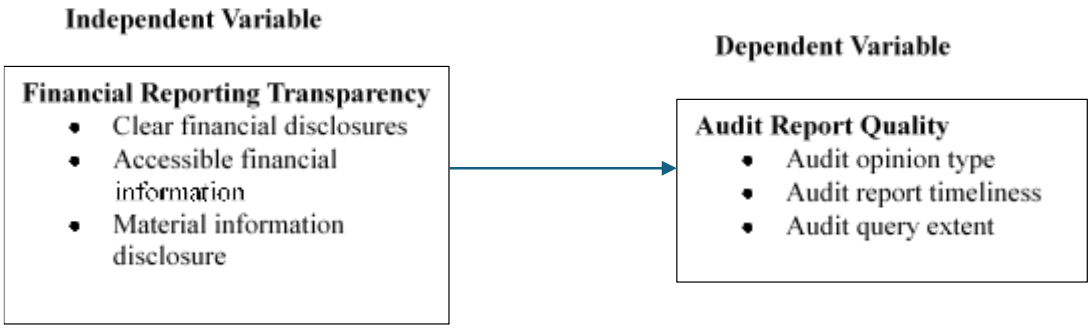


Figure 1: Conceptual Framework

METHODOLOGY

The study adopted a positivist research philosophy and a cross-sectional research design to examine the relationship between financial reporting transparency and audit report quality in Kenyan public universities. Positivism was considered appropriate because the study sought to measure the variables objectively, test a predetermined hypothesis, and establish their statistical relationship using quantitative data. The cross-sectional design facilitated the collection of information from respondents during a single study period, allowing the researcher to assess differences in financial reporting transparency and audit report quality across universities without requiring repeated observations over time. However, the design was intended to establish statistical associations rather than definitive causal relationships.

The target population comprised 175 respondents drawn from 35 publicly chartered universities in Kenya, representing five respondents from each institution. The respondents included Deputy Vice-Chancellors responsible for Finance and Administration, Chief Finance Officers, Internal Auditors, Accountants, and members of Audit or Finance Committees. These categories were selected because their responsibilities involve financial management, preparation and review of financial statements, internal controls, audit coordination, and institutional financial oversight. Respondents were eligible if they held relevant financial reporting, accounting, auditing, or oversight responsibilities and possessed sufficient knowledge of their institution's financial reporting and audit processes. Personnel without direct involvement in these activities were excluded because they were unlikely to possess the specialised information required. A census approach was employed to include all 35 universities, while purposive sampling was used to identify five eligible respondents from each institution, ensuring representation of relevant professional responsibilities.

Primary data were collected using structured questionnaires containing five-point Likert-scale statements measuring financial reporting transparency and audit report quality. Financial reporting transparency was assessed through the accuracy, completeness, timeliness, accessibility, and understandability of financial disclosures, while audit report quality was assessed through the reliability, clarity, completeness, and usefulness of audit findings and recommendations. Secondary data were obtained from published financial statements and reports issued by the Office of the Auditor-General. Documentary analysis involved identifying the relevant institutional reports, extracting information using a standardised document-review checklist, and coding observations relating to financial disclosures, audit opinions, unsupported balances, reporting delays, and recurring audit findings. The documentary evidence was used to complement questionnaire responses and assess consistency between respondents' perceptions and documented financial reporting practices. Audit opinions were treated as indicators of reported financial statement deficiencies rather than direct measures of audit report quality.

A pilot study was conducted in four public universities outside the 35 institutions included in the main study to assess the clarity, relevance, and suitability of the questionnaire. Content validity was established through expert assessment of the instrument's alignment with the study objectives and operational definitions. Reliability was assessed using Cronbach's alpha, with coefficients of at least 0.70 considered acceptable. Quantitative data were coded and analysed using SPSS version 27. Descriptive statistics, including frequencies, percentages, means, and standard deviations, were used to summarise the responses. Composite scores were computed from the relevant Likert-scale items to represent financial reporting transparency and audit report quality. Pearson correlation was employed to determine the direction and strength of the linear association between the composite variables, while simple linear regression was used to estimate the relationship between financial reporting transparency and audit report quality. These techniques were considered appropriate for approximately continuous composite scores, subject to assessment of linearity, distributional characteristics, and other regression assumptions.

$$ARQ = \beta_0 + \beta_1 FRT + \varepsilon$$

Where ARQ represents Audit Report Quality, FRT represents Financial Reporting Transparency, β_0 is the intercept, β_1 is the regression coefficient, and ε is the error term.

Regression diagnostics were undertaken to assess the adequacy of the model. Normality of residuals was examined using the Shapiro–Wilk test, supported by histograms and normal probability plots, with $p > 0.05$ indicating insufficient evidence to reject normality.

Linearity was assessed using scatterplots and residual plots to establish whether the relationship was approximately linear. Homoscedasticity was examined using residual plots and the Breusch–Pagan test, with $p > 0.05$ indicating insufficient evidence of heteroscedasticity. Independence of residuals was assessed in relation to the sampling structure, with the Durbin–Watson statistic considered where an appropriate observation ordering was justified; values near 2 were interpreted as indicating limited first-order serial correlation. Multicollinearity testing was not applicable because the specified regression model contained only one independent variable. Where diagnostic assumptions were violated, appropriate corrective procedures, including robust standard errors or alternative estimation approaches, were considered. Statistical significance was evaluated at the 5 per cent level, while the coefficient of determination (\(R^2\)) was used to establish the proportion of variation in audit report quality explained by financial reporting transparency.

The study was conducted in accordance with established ethical principles governing research involving human participants. Before data collection, the researcher sought the relevant institutional ethical clearance, research authorisation from the National Commission for Science, Technology and Innovation (NACOSTI), and permission from participating universities, as applicable. Respondents were informed about the purpose of the study, the voluntary nature of participation, their right to withdraw, and the intended use of the information collected. Informed consent was obtained before questionnaire administration. Confidentiality was maintained by excluding respondents' names and other direct personal identifiers from the analytical dataset, assigning identification codes to questionnaires, and restricting access to research data to authorised persons. Findings were presented in aggregate form to minimise the possibility of identifying individual respondents. Secondary financial statements and audit reports were obtained from publicly available institutional and government sources and used exclusively for the stated research purposes.

FINDINGS AND DISCUSSION

This section presents the findings on the relationship between financial reporting transparency and audit report quality in Kenyan public universities. The analysis was based on primary data collected through structured questionnaires, complemented by secondary information from published financial statements and audit reports. Descriptive statistics, Pearson correlation, and simple linear regression were employed to examine the study variables and assess their statistical relationship. The findings are presented in accordance with the study objective, beginning with the response rate, followed by descriptive and inferential results.

Response Rate

A total of 175 questionnaires were administered to respondents drawn from 35 publicly chartered universities in Kenya. Of these, 151 questionnaires were completed and returned, representing a response rate of 86.3 per cent, while 24 questionnaires (13.7%) were not returned. Table 1 presents the response rate.

Table 1: Response Rate

Category	Number	Percentage (%)
Questionnaires Issued	175	100
Questionnaires Returned	151	86.3
Questionnaires Not Returned	24	13.7
Total	**175**	**100**

Table 1 shows that 151 of the 175 questionnaires administered were completed and returned, yielding a response rate of 86.3 per cent. This high response rate demonstrates substantial participation among the targeted respondents and provides an adequate number of observations for descriptive and inferential statistical analyses. According to Saunders et al. (2023), achieving an adequate survey response rate is important for obtaining sufficient data to address research objectives and support meaningful statistical analysis. The 24 unreturned questionnaires accounted for 13.7 per cent of the administered instruments. Although the achieved response rate reduces concerns regarding incomplete participation, it does not automatically eliminate nonresponse bias or guarantee the representativeness of respondents, as emphasised by Saunders et al. (2023). Nevertheless, the 151 completed questionnaires provided a substantial dataset for examining the relationship

between financial reporting transparency and audit report quality in Kenyan public universities.

Descriptive Statistics

Descriptive statistics were employed to summarise respondents' perceptions of financial reporting transparency and audit report quality in Kenyan public universities. The analysis involved frequencies, percentages, means, and standard deviations to assess the extent of implementation of the study variables and variations in respondents' perceptions.

Descriptive Statistics for Financial Reporting Transparency

Respondents were asked to indicate the extent to which financial reporting transparency practices were implemented in their respective universities using a five-point Likert scale, where 1 = Not at All (NA), 2 = Small Extent (SE), 3 = Moderate Extent (ME), 4 = Large Extent (LE), and 5 = Very Large Extent (VLE). Mean scores were interpreted using equal intervals of 0.80, calculated by dividing the scale range (5 − 1) by the five response categories. Accordingly, scores of 1.00–1.80 indicated Not at All, 1.81–2.60 Small Extent, 2.61–3.40 Moderate Extent, 3.41–4.20 Large Extent, and 4.21–5.00 Very Large Extent. Higher mean scores represented greater perceived implementation of financial reporting transparency practices, while standard deviations indicated variations in respondents' assessments. The results are presented in Table 2

Table 2: Financial Reporting Transparency

Statement	5 (VLE)	4 (LE)	3 (ME)	2 (SE)	1 (NA)	Mean	SD
Financial statements are presented clearly and understandably	49 (32.5%)	42 (27.8%)	30 (19.9%)	18 (11.9%)	12 (7.9%)	3.65	1.29
Financial reports clearly present the financial position and performance	72 (47.7%)	36 (23.8%)	16 (10.6%)	20 (13.2%)	7 (4.6%)	3.97	1.27
Users can easily interpret disclosed financial information	61 (40.4%)	37 (24.5%)	29 (19.2%)	14 (9.3%)	10 (6.6%)	3.83	1.28
Financial reports are accessible to stakeholders	38 (25.2%)	26 (17.2%)	63 (41.7%)	18 (11.9%)	6 (4.0%)	3.48	1.15
Authorised users obtain financial information without delays	34 (22.5%)	25 (16.6%)	72 (47.7%)	7 (4.6%)	13 (8.6%)	3.40	1.17
Multiple channels exist for accessing financial information	31 (20.5%)	27 (17.9%)	51 (33.8%)	21 (13.9%)	21 (13.9%)	3.17	1.32
Material financial information is adequately disclosed	41 (27.2%)	49 (32.5%)	40 (26.5%)	12 (7.9%)	9 (6.0%)	3.67	1.17
Significant financial transactions are fully reported	53 (35.1%)	24 (15.9%)	38 (25.2%)	24 (15.9%)	12 (7.9%)	3.54	1.34
Risks and financial obligations are clearly disclosed	65 (43.0%)	38 (25.2%)	29 (19.2%)	10 (6.6%)	9 (6.0%)	3.93	1.16
Overall Mean and SD						**3.63**	**1.24**

The findings in Table 2 indicate that Kenyan public universities were perceived to implement financial reporting transparency practices to a large extent, as shown by the overall mean of 3.63 (SD = 1.24), which falls within the 3.41–4.20 interpretation range. The highest-rated indicators were clarity in presenting

financial position and performance (M = 3.97, SD = 1.27) and disclosure of financial risks and obligations (M = 3.93, SD = 1.16), suggesting relatively favourable perceptions of financial disclosure practices. Similarly, the understandability of disclosed financial information (M = 3.83, SD = 1.28) and adequacy of material financial disclosures (M = 3.67, SD = 1.17) were rated to a large extent. These findings are consistent with Nanzala et al. (2025), who established that financial reporting practices significantly influence reporting quality in Kenyan public universities, although their study specifically examined revenue recognition techniques. The findings also relate to Oyetola et al. (2024), who demonstrated the importance of financial reporting characteristics, including understandability, faithful representation, and timeliness, in Nigerian public universities. However, comparatively lower ratings were recorded for the availability of multiple channels for accessing financial information (M = 3.17, SD = 1.32) and timely access to financial information (M = 3.40, SD = 1.17), both indicating implementation to a moderate extent.

These findings suggest that accessibility and timely dissemination remain relatively weaker dimensions of financial reporting transparency, despite favourable assessments of disclosure clarity and completeness. This observation is relevant to Kesemekpor et al. (2024), who associated effective institutional oversight with financial reporting quality in Ghanaian public universities. Overall, the findings indicate that respondents perceived financial reporting transparency practices favourably, although further improvements in information accessibility and dissemination may be necessary to strengthen accountability and support effective audit processes.

Correlation Analysis

Pearson correlation analysis was conducted to examine the strength and direction of the relationship between financial reporting transparency and audit report quality in Kenyan public universities. Pearson's correlation coefficient (r) ranges from −1 to +1, where positive values indicate a positive relationship, negative values indicate an inverse relationship, and values approaching zero indicate a weak linear association. The results are presented in Table 3.

Table 3: Correlation Coefficient Matrix

Variables	Financial Reporting Transparency	Audit Report Quality
Financial Reporting Transparency	1.000	
Audit Report Quality	0.612**	1.000

Note: **Correlation is statistically significant at the 0.01 level (two-tailed); $p < 0.001$.

The findings presented in Table 3 indicate a strong positive and statistically significant relationship between financial reporting transparency and audit report quality ($r = 0.612$, $p < 0.001$). This suggests that higher levels of financial reporting transparency were associated with higher perceived audit report quality in Kenyan public universities. The findings are consistent with the broader evidence of Oyetola et al. (2024), who established significant relationships between audit quality and financial reporting characteristics in Nigerian public universities, although their study examined the relationship in the opposite direction. Similarly, Kesemekpor et al. (2024) established the importance of institutional auditing and oversight mechanisms in enhancing financial reporting quality in Ghanaian public universities. The present findings extend this evidence by demonstrating a positive association between financial reporting transparency and audit report quality within the Kenyan public university context. Nevertheless, the correlation indicates an association between the variables and does not independently establish a causal relationship.

Model Summary

To assess the predictive power of financial reporting transparency on audit report quality, a simple linear regression model was tested.

Table 4: Model Summary

Model	R	R Square	Adjusted R-Square	Std. Error of the Estimate
1	0.612	0.375	0.371	0.486

The model summary shows an R value of 0.612, consistent with the correlation results and indicating a strong positive relationship between financial reporting transparency and audit report quality. The R-squared value of 0.375 implies that 37.5 per cent of the variation in audit report quality is explained by financial reporting transparency. This demonstrates that financial reporting transparency has substantial explanatory power in predicting audit report quality. The adjusted R-squared value of 0.371 further confirms the model's reliability. At the same time, the standard error of the estimate (0.486) indicates a relatively low level of prediction error, suggesting that the model fits the data reasonably well.

Analysis of Variance

Analysis of Variance (ANOVA) was conducted to assess the overall statistical significance of the simple linear regression model examining the relationship between financial reporting transparency and audit report quality in Kenyan public universities. The F-test evaluated the null hypothesis that financial reporting transparency does not significantly explain variations in audit report quality (H_0: $\beta_1 = 0$) against the alternative hypothesis that financial reporting transparency significantly explains variations in audit report quality (H_1: $\beta_1 \neq 0$). The results are presented in Table 5.

Table 5: ANOVA Table

Model	Sum of Squares	df	Mean Square	F	Sig.
Regression	18.563	1	18.563	89.15	0.000
Residual	30.939	149	0.208		
Total	49.502	150			

The findings presented in Table 5 indicate that the regression model was statistically significant, $F(1, 149) = 89.40$, $p < 0.001$, demonstrating that the model incorporating financial reporting transparency provided a significantly better explanation of variations in audit report quality than an intercept-only model. The regression degrees of freedom (1) represent the single independent variable, while the residual degrees of freedom (149) reflect the remaining observations after estimating the intercept and regression coefficient from 151 responses. Since the significance level was below 0.05, the null hypothesis that financial reporting transparency has no statistically significant linear relationship with audit report quality was rejected. The findings therefore provide evidence that financial reporting transparency contributes significantly to the model's explanatory power in Kenyan public universities. However, the F-test establishes the overall statistical significance of the regression model and does not independently indicate the direction or magnitude of the relationship, which are determined from the regression coefficients.

Regression Coefficient

The regression coefficients table presents the unstandardized and standardised coefficients, t-statistics, and significance levels. These values indicate the direction and strength of the effect of financial reporting transparency on audit report quality.

Table 6: Regression Coefficients

Model	Unstandardized Coefficients (B)	Std. Error	Standardised Coefficients (Beta)	t	Sig.
(Constant)	1.436	0.214	—	6.710	0.000
Financial Reporting Transparency	0.598	0.063	0.612	9.442	0.000

The unstandardised beta coefficient of 0.598 indicates that a one-unit increase in financial reporting transparency is associated with a 0.598-unit increase in audit report quality, holding other factors constant.

The standardised beta coefficient (0.612) confirms a strong positive influence, consistent with the correlation and model summary results. The t-value of 9.442 and p-value < 0.001 indicate that the effect of financial reporting transparency on audit report quality is statistically significant.

Hypothesis Testing

Hypothesis testing was conducted to determine whether financial reporting transparency has a statistically significant effect on the quality of audit reports in Kenyan public universities. The decision was based on the significance value (p-value) obtained from the regression analysis at a 5 per cent level of significance.

Table 7: Hypothesis Testing Results

Hypothesis	Beta (β)	t-value	Sig. (p-value)	Decision
H_0: Financial reporting transparency has no significant effect on the quality of audit reports in Kenyan public universities.	0.598	9.442	0.000	Rejected

The results in Table 7 show that financial reporting transparency has a positive and statistically significant effect on audit report quality ($\beta = 0.598$, $t = 9.442$, $p < 0.05$). Since the p-value is less than the 0.05 level of significance, the null hypothesis was rejected. This implies that financial reporting transparency significantly influences the quality of audit reports in Kenyan public universities. The positive beta coefficient further indicates that improvements in financial reporting transparency lead to higher levels of audit report quality.

Summary of Findings

The study established that financial reporting transparency practices were perceived to be implemented to a large extent in Kenyan public universities, with an overall mean score of 3.63 (SD = 1.24). Financial disclosure clarity and completeness emerged as relatively stronger dimensions, while information accessibility and timely dissemination remained areas requiring improvement. Pearson correlation analysis established a positive and statistically significant relationship between financial reporting transparency and audit report quality ($r = 0.612$, $p < 0.001$).

Regression analysis further demonstrated that financial reporting transparency was a significant predictor of audit report quality ($\beta = 0.598$, $p < 0.05$), explaining 37.5 per cent of the observed variation ($R^2 = 0.375$). Overall, the findings suggest that financial reporting transparency is an important factor associated with audit report quality in Kenyan public universities, although other institutional and audit-related factors may also contribute to differences in audit reporting outcomes.

CONCLUSION AND RECOMMENDATIONS

Conclusion: The study concludes that financial reporting transparency is an important factor associated with audit report quality in Kenyan public universities, particularly through the provision of clear, complete, accessible, and timely financial information.

The principal contribution of the study lies in extending existing empirical knowledge by examining financial reporting transparency as an explanatory variable of audit report quality within the public university context, where previous research has predominantly focused on the influence of audit quality on financial reporting practices. The findings provide empirical support for Agency Theory by demonstrating the relevance of transparent financial disclosures in reducing information asymmetry and facilitating independent financial oversight.

From a practical perspective, the study highlights the importance of strengthening financial disclosure practices, particularly information accessibility and timely dissemination, to support credible audit assessments and institutional accountability. Nevertheless, the cross-sectional research design limits causal interpretation, while reliance on respondents' perceptions introduces the possibility of response bias. Furthermore, financial reporting transparency does not fully account for differences in audit report quality, suggesting that other institutional, governance, and audit-related factors may also be relevant.

Overall, the study contributes to the understanding of financial accountability in Kenyan public universities and provides a foundation for strengthening financial reporting practices, audit oversight, and future research on the determinants of audit report quality.

Recommendations: This section presents recommendations based on the study's findings and conclusions on the effect of financial reporting transparency on audit report quality in Kenyan public universities. The recommendations are intended to

enhance policy formulation and institutional practices to improve financial accountability and audit effectiveness.

Recommendations for Policy

The study recommends that policymakers and regulatory agencies strengthen policies and guidelines that promote financial reporting transparency within public universities. Emphasis should be placed on enforcing compliance with public sector accounting standards, enhancing disclosure requirements, and ensuring the timely publication of financial reports. Additionally, mechanisms should be established to improve the accessibility of financial information for stakeholders, thereby fostering accountability and strengthening audit quality.

Recommendations for Decision Making

The study recommends that university management invest in systems and practices that enhance financial reporting transparency. Particular attention should be given to improving the accessibility, clarity, completeness, and timeliness of financial information.

University leaders should also promote a culture of openness and accountability in financial management to support auditors' work and improve the credibility of audit reports. By strengthening transparency practices, public universities can enhance stakeholder confidence and improve the overall quality of audit outcomes.

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