



THE EFFECT OF FINANCIAL REPORTING PRACTICES ON FINANCIAL ACCOUNTABILITY IN THE PUBLIC UNIVERSITIES IN KENYA

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Abstract:

This study evaluated the impact of financial reporting on financial accountability in public universities in Kenya. The study was anchored on Accountability Theory and Financial Accounting Theory. The target population comprised 409 respondents drawn from finance officers, council chairpersons, vice-chancellors, internally generated income coordinators, accountants, and internal auditors. A sample of 202 participants was determined using Yamane's formula. Employing a descriptive research design, primary data were collected through structured questionnaires. Data were analyzed using descriptive and inferential statistics. The linear regression model showed a negative and significant effect of financial reporting on financial accountability (unsupported expenditure) in the public universities in Kenya, with a regression coefficient of -0.287. The study concludes that effective application of financial reporting practices enhances financial accountability by curbing unsupported expenditures in Kenyan public universities. It recommends structured capacity-building for accounting staff and the establishment of robust authorization and approval frameworks to strengthen fiscal discipline and governance integrity.

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1. Introduction

Financial reporting is the process of recording, summarizing, and communicating financial information to stakeholders within defined reporting periods (Agung, 2020). In the public sector, it functions as a critical tool for transparency, oversight, and stakeholder trust. Accurate and timely financial reporting demonstrates compliance with fiscal regulations and enhances the credibility of institutional governance (Chalam & Ng'eni, 2017).

Financial reporting practices play a crucial role in the public sector by ensuring there is appropriate utilization of the funds and resources for the benefit of all stakeholders at large. Financial reporting practices improve the ability of the public sector to adhere to budgetary discipline, increase the efficiency of operations and distribute resources appropriately. It also ensures all the staff are responsible for their actions in the institutions, it helps in the management of the institution's revenue and expenditures through proper recording, and it also ensures all the information concerning the financial statements is communicated to the stakeholders at the right time (Hopper, Lassou, & Soobaroyen, 2017).

There is a systematic ignorance of adhering to financial reporting practices in many public sectors by those responsible for adopting accounting practices. Besides this ignorance, the public sectors have weak management systems that create loopholes for misappropriation of resources. There have been a lot of corruption cases and mismanagement of funds in universities that have led them to go bankrupt. These universities have been unable to pay their employees, and many of their projects have stalled (Johnston & Petacchi, 2017).

Financial reporting practices offer a framework, establish Generally Accepted Accounting Principles (GAAPS), and guide the creation, administration, and internal control of accounting and financial systems by state agencies and other public bodies. Regulations for public sector financial reporting promote accountability and openness in the management of university operations and enhance the quality of financial data supplied in public sector financial reports (Public Financial Management Act, 2020).

In public universities, there is a systemic ignorance of the crucial need of competent accounting. As a result, the effectiveness of the financial system, the stability of the global economy, and long-term sustainability are all greatly threatened by the lack of transparency. As a result, without openness, there can be no accountability or trust in university financial reporting. Therefore, it's important to educate University stakeholders so that they can take a greater interest in how their resources are managed. The significance of financial reporting in the public sector needs to be better understood by everyone, including world leaders, policymakers, and citizens (Ahmed & Ng'anga, 2019).

In Canada, financial accountability was established as a major motivator for an institution's success. Consequently, all the public sectors have adopted accounting practices to enhance financial accountability. An in-house monitoring method has been adopted for controlling the use of money in the public sector. Accounting practices have been identified to play a major role in identifying and preventing disappointment and safeguarding the physical and intangible assets in the public sector (Dewi, Azam, & Yusoff, 2019).

The financial and sovereign debt crises in the United States have highlighted the need for better accounting reporting practices by governmental entities and improvement in the management of public funds. These demands have become more pressing as a result of recent crises, and pressure on governments and other public sector entities to manage public resources more effectively has increased (Weygandt, Kimmel, & Kieso, 2018).

The joint meeting took note of the fact that the majority of governments and institutions have led the charge in promoting the adoption and implementation of accounting practices, particularly accrual accounting methods. It has been proven that appropriate adherence to accounting practices has enhanced public sector decision-making and increased institutional accountability to staff members. The need to increase efficiency and openness led to the development of accrual accounting (Weygandt, Kimmel, & Kieso, 2018).

In the Government Administration of South Africa, accounting practices such as internal controls and accrual accounting have been identified to contribute significantly to the financial accountability of the public sector. Accrual accounting helped the public sector in recognising all the revenues and expenditures earned and incurred. Internal controls enable monitoring of employee staff to ensure they are doing the right thing at the right time, hence being responsible for their activities. There was also a report that emphasized the urgent need to strengthen institutions involved in public procurement, particularly in the areas of technical and human resource competence (Stolowy & Paugam, 2018).

Many public sector institutions operating in Kenya have accounting practices in place. Organizations like Moi University struggled to satisfy their daily operational needs because, despite implementing internal controls, it was unable to account for sh.6.5 billion that the government had given them. Due to a lack of financial responsibility, bad budgetary allocation, and financial reporting, other public sectors continue to experience poor financial management, and the majority are on the verge of withholding their support. While other organisations are losing donor money because of their weak internal control procedures (Kisanyanya, 2018).

The Kenyan government has worked hard to secure funding for all of the nation's public universities over the past decades. The government consistently raises the amount of money provided to the education sector each year. Millions of monies were normally deposited into the University account by the government and donor groups (Aifuwa, Embele, & Saidu, 2018). Each University student in Kenya receives roughly 75% of their

tuition fees from the government. The rise in funding has not been accompanied by an equivalent increase in financial reporting. Regulations and standards of financial reporting have not been adhered to (Aifuwa, Embele, & Saidu, 2018).

Public institutions in Kenya are rife with the agency problem, and they are supported in their educational endeavors with public monies. The government incurs expenses by paying for both national and international students' education. Costs for staff compensation, management, oversight, and inspection in public Universities are covered by the government. Accounting practices in public universities make it possible to reduce money theft and improper distribution. Accounting practices also clarify the policies and procedures for making choices on the affairs of the University, which may have occasionally been disregarded or forgotten by the many stakeholders. The transparency and accountability of Kenya's public institutions have improved as a result of adhering to accounting practices (Crawford, Morgan, & Cordery, 2018).

The Transparency International Kenya Report (2019) states that financial management risks in the Kenyan educational system undermine the educational values. The research evaluates the key risks that can lead to corruption opportunities at different levels of decision-making, resource allocation, and use. In accordance with this research, the education sector receives 73% of government spending on the social sector and 40% of all national recurrent spending. Five to seven percent of household income goes on education. Due to the size of the budgetary allocation, it is necessary to put in place responsible policies to guarantee that the public universities deliver services with honesty and responsiveness.

Therefore, universities should enforce standardized, timely financial reporting and open disclosure practices to enhance stakeholder confidence and regulatory compliance. Expanding revenue diversification through innovation, endowments, and partnerships, alongside disciplined expenditure governance, will bolster financial resilience. These strategic reforms require leadership commitment, professional competence, and an ethical culture that prioritizes accountability over procedural compliance.

Financial accountability in Kenyan public universities represents both a governance necessity and a developmental catalyst. It safeguards scarce public resources, strengthens institutional integrity, and ensures sustainable educational outcomes. Financial accountability, therefore, is not the end goal; it is the enabler of Kenya's broader vision for an equitable, knowledge-driven, and globally competitive economy.

2. Statement of Problem

Financial accountability is the cornerstone of institutional integrity, transparency, and sustainability in public universities. Its effectiveness depends on consistent adherence to sound public sector accounting practices that govern the management and reporting of public resources. Over the years, Kenyan public universities have adopted a range of accounting and financial management frameworks aligned with the Public Financial

Management Act (2012) and International Public Sector Accounting Standards (IPSAS) to enhance transparency and compliance. However, despite these regulatory and procedural safeguards, the sector continues to experience persistent fiscal distress and governance failures. Auditor-General reports reveal recurring patterns of financial impropriety, weak internal controls, and mismanagement across several universities. For instance, Maasai Mara University could not account for KSh 13.3 million paid as sitting and mileage allowances to council members (The Auditor General Report, 2021); Moi University failed to remit payroll deductions totaling KSh 4.05 billion (Auditor-General, 2021); and Egerton University recorded unsupported council expenses of KSh 15.5 million (The Auditor General Report, 2021). The Presidential Working Party on Education Reforms (2023) further reported that public universities were burdened with KSh 18.6 billion in unpaid pension liabilities, KSh 13.7 billion in unremitted Pay-As-You-Earn (PAYE) deductions, and KSh 4.8 billion owed to suppliers. These fiscal lapses have resulted in salary arrears, stalled capital projects, and declining institutional solvency, raising fundamental concerns about financial accountability within the sector. The situation is aggravated by limited empirical inquiry into the effectiveness of public sector accounting practices in higher education institutions. Existing research has predominantly centered on commercial and manufacturing sectors, leaving a critical knowledge gap regarding how accounting practices influence financial accountability in public universities. Furthermore, the few studies conducted have produced inconsistent findings—some demonstrating a positive relationship between financial reporting practices and accountability, while others report insignificant or negative associations. Addressing this gap is essential to understanding the underlying causes of persistent financial mismanagement and to strengthening the governance, sustainability, and public trust in Kenya's higher education institutions.

2.1 Objective of the Study

To assess the effect of financial reporting on financial accountability in the public universities in Kenya.

2.2 Study Hypothesis

H₀₄: There is no significant association between financial reporting and financial accountability in the Kenyan public universities.

3. Literature Review

3.1 Theoretical Framework

This study is grounded on four theoretical lenses of Accountability Theory and Financial Accounting Theory.

3.1.1 Accountability Theory

Proposed by Tetlock in 1985. Accountability theory posits that individuals and institutions are motivated to act transparently when they anticipate being evaluated by an external party. It emphasizes that accountability extends beyond outcomes to include the decision-making process itself, where actors are required to justify their actions and demonstrate responsible stewardship over entrusted resources.

The concept of accountability explains why a person must be responsible and be able to justify his or her actions to another party. This increases accountability because the person involved in a particular action is required to account for the decisions and judgments made. Accountability was defined as a desirable trait among public leaders, government institutions, and businesses because it shows a willingness to accept responsibility. It was also defined as a mechanism because, in accountability, people are required to follow a procedure in elaborating their actions to a third party who has the authority to pass judgment on the actions and subject the person to potential penalties (Frink & Klimoski, 2004).

Individual liability perception in accountability can be influenced by a variety of factors, including the expectation of evaluation, the presence of another party, and identifiability. Accountability theory components, such as social presence, assessment anticipation, monitoring consciousness, and identifiability, can be influenced by designed artifacts, such as information technology, to improve organizational accountability (Bergsteiner, 2012).

The level of accountability in organizations, and communities is determined by three critical factors. Firstly, the experience we create for ourselves and others is the future we choose to step into. Secondly, the mindset we adopt to support that experience, which includes our beliefs about the people around us, the world, and ourselves. Lastly, the commitment we make. This refers to the consistent, unwavering action we take to support the experience we are creating, our beliefs, and our relationships. Each of these must be in line with our larger organizational goals (Christensen & Læg Reid, 2015).

The implication for this study is that accountability theory provides the behavioral rationale linking financial reporting practices to financial accountability outcomes. It suggests that when accounting systems are robust, monitoring is active, and reporting is transparent, decision-makers are incentivized to act responsibly. This, in turn, enhances financial integrity, operational efficiency, and stakeholder confidence, key pillars of sustainable university governance.

3.1.2 Financial Accounting Theory

Financial accounting theory, postulated by Canning (1929), provides the conceptual foundation for understanding how accounting practices evolve, are applied, and influence the integrity of financial reporting. It explains the logic behind the development of accounting standards and how these standards enhance the transparency, comparability, and reliability of financial statements. The theory is anchored on key qualitative elements—relevance, consistency, reliability, and faithful representation—

which together shape the credibility of financial information for decision-making (Whittington, 2007).

At its core, the theory emphasizes that accounting should accurately reflect an entity's economic reality through structured and standardized reporting. It operates under critical assumptions that business entity, going concern, monetary measurement, and periodicity, which ensure uniformity and comparability of financial data across reporting periods. These principles promote confidence among stakeholders and safeguard the accountability of those entrusted with managing public resources (Deegan, 2011).

Financial accounting theory is a vital aspect of accounting that evolved to address the limitations of the barter economy, where transactions were based on measurement and exchange values but hindered by inequality and the problem of coincident wants (Dutta & Patatoukas, 2017). The emergence of monetary economies and accounting theory helped overcome these inefficiencies by introducing systematic value determination and record-keeping. Financial accounting theory provides the foundation for developing financial reporting rules that reflect economic reality and ensure consistency in financial information. As accounting standards and financial reporting become more complex, accountants require specialized knowledge and skills to interpret and apply these principles effectively (Schroeder, Clark, & Cathey, 2022)

Within the context of Kenyan public universities, Financial Accounting Theory directly underpins the study's independent variable—financial reporting practices, a key component of public sector accounting. The theory links to the dependent variable—financial accountability—through its focus on transparency, disclosure, and adherence to standardized reporting frameworks such as the International Public Sector Accounting Standards (IPSAS). When universities apply accounting principles consistently and align financial statements with established standards, they enhance the reliability and credibility of their financial reports, thereby strengthening accountability to oversight bodies, government agencies, and the public.

The theory further implies that deviations from standard accounting frameworks lead to information asymmetry, misrepresentation of fiscal positions, and erosion of trust—factors that compromise institutional integrity and financial stewardship. Conversely, compliance with established reporting norms ensures that public resources are managed, reported, and audited in a manner that promotes efficiency, probity, and value for money.

The implication for this study is that financial reporting, grounded in Financial Accounting Theory, is not merely a compliance function but a governance mechanism that institutionalizes accountability. By embedding standardized accounting practices, public universities can enhance fiscal discipline, ensure accurate disclosure, and strengthen stakeholder confidence. In turn, this advances the broader objective of public sector transparency and socio-economic development through prudent management of public funds.

In essence, Financial Accounting Theory provides the intellectual scaffolding that connects public sector accounting practices with financial accountability outcomes, framing financial reporting as both an ethical obligation and a strategic tool for sustainable institutional governance. Collectively, these theories converge on a unified accountability framework where ethical stewardship, disciplined financial control, and transparent reporting operationalize public sector accounting practices as drivers of financial accountability in Kenyan public universities.

3.2 Empirical Literature Review

Chalam and Ng'eni (2017) aimed to evaluate the role of financial reporting in improving financial accountability in local governments. Primary and secondary data were used in the study. The secondary data was compiled primarily from the Central Auditor General Reports. Structured questionnaires were distributed to 28 different councils in order to collect primary data. Accountants, internal auditors, planning officers, procurement officers, council directors, and ward councilors were the most common respondents. The study employed both descriptive and inferential statistics in data analysis. According to the findings of the study, financial reporting has a significant and positive impact on the financial accountability of Tanzanian local governments.

Crawford *et al.* (2018) conducted a study to investigate the effects of financial reporting standards on the financial accountability of non-profit making organizations. The study adopted a descriptive survey research design. The target population was 605 staff of the organizations. The study used primary data obtained by the use of open and closed-ended questionnaires. The study used both descriptive and inferential statistics in data analysis. The study findings indicated that financial reporting standards have a positive and significant effect on the financial accountability of non-profit making organizations.

Nirwana and Haliah (2018) evaluated the impact of financial reporting quality on government performance. The study used a descriptive research design combined with a survey technique. Because of the nature of the objectives, the study also employed explanatory research. An explanatory survey with a quantitative approach was used as the research method. This study's population was proxy to the Regional Unit Organization, which consisted of 803 units of Local Government Agencies. The technique of purposive sampling was used. The study chose 130 participants using purposive sampling. Descriptive and inferential statistics were used to analyze the data. It was revealed that the quality of financial reporting had a positive impact on government performance.

Agung (2020) evaluated the effects of financial reporting quality on regional government performance in terms of accountability. The study used a descriptive and verification research design. It targeted employees of regional government work units. The study used primary data, which was collected by the use of closed-ended structured questionnaires. The study used both factor and regression analysis in data analysis. The

study findings indicated that financial reporting quality has a positive and significant effect on the accountability performance of regional government.

Empirical evidence consistently links high-quality financial reporting to improved financial accountability across public and non-profit contexts. Studies by Chalam & Ng'eni (2017), Crawford *et al.* (2018), Nirwana & Haliah (2018) and Agung (2020) uniformly report positive and significant associations between reporting quality (timeliness, completeness, disclosure) and accountability outcomes (performance metrics, auditability, stakeholder confidence). Conceptually, these studies align: rigorous reporting reduces information asymmetry, enables effective oversight, and anchors corrective governance action.

Methodologically, the literature is dominated by cross-sectional survey designs supplemented in some cases with secondary audit data. Respondent pools commonly include accountants, auditors and managers—actors closest to reporting processes—while analyses employ descriptive, factor and regression techniques to test relationships. Strengths include consistent operational focus on reporting quality and use of inferential methods; weaknesses include reliance on perception measures, limited longitudinal data, and variable dependent proxies (performance, audit qualifications, stakeholder perceptions), which reduce comparability and causal inference.

Differences and anomalies surface in magnitude and causal interpretation. Some studies report stronger effects where reporting measures are validated against external audit outcomes or where institutional oversight is robust; weaker effects appear in settings where reporting improvements are nominal (better disclosure without enforcement) or where political and procurement dynamics blunt reporting gains. These divergences suggest that reporting quality is necessary but not sufficient—its efficacy depends on enforcement, audit capacity and linkage to decision-making.

3.3 Conceptual Framework

This section conceptualizes financial reporting practices and the financial accountability of public universities in Kenya.



4. Methodology

This section describes the target population and the procedures that will be used to gather and analyze the research data.

4.1 Research Design

This study employed a descriptive research design to systematically collect and analyze data on the relationship between financial reporting practices and financial accountability in Kenyan public universities. The design is ideal as it captures both quantitative elements of financial reporting quality and accountability and institutional governance.

4.2 Target Population

The target population for this study was 325 respondents consisting of 35 Finance officers, 35 Council Chairpersons, 35 Vice chancellors, 35 IGI coordinators, 150 Accountants and 35 Internal Auditors in all thirty-five accredited public Universities in Kenya. Table 1 below shows the target population of the Study.

Table 1: Target population

Category	Number	Percentages
Finance officers	41	10%
Council chairpersons	41	10%
Vice chancellors	41	10%
IGI- In charge	41	10%
Accountants	204	50%
Internal auditors	41	10%
Total	409	100%

Source: Universities' human resource registry.

3.3 Sampling Technique

The study used Yamane's Sample formula to determine the sample size. Yamane's sample calculation is a way to determine the sample size for a study. It is the most ideal method to use when the only thing you know about the underlying population you are sampling from is its size. The formula was developed by Yamane (1967) and used by Ngigi & Kawira (2015). Taro Yamane's Sampling Method can only be used for populations below four hundred (400); this is according to Oluyemi Ayodele Olonite (2021).

The formula is as follows;

$$n = \frac{N}{1+N(e)^2}$$

Where:

n = required sample size,

e = level of significance taken to be 0.05,

N = the population size,

1 = constant,

N = 409,

e = 0.05.

$$n = \frac{409}{1+409(0.05)^2} = 202$$

The sample of each category was calculated based on the proportion calculated by dividing the category target respondents by the total target population and multiplying it by the total sample size. The respondents were then further chosen using simple random sampling. The sample is shown in Table 2.

$$\text{Finance officers} = \frac{41}{409} * 202 = 20,$$

$$\text{Council Chairpersons} = \frac{41}{409} * 202 = 20,$$

$$\text{Vice Chancellors} = \frac{41}{409} * 202 = 20,$$

$$\text{IGI in-charge} = \frac{41}{409} * 202 = 20,$$

$$\text{Accountants} = \frac{204}{409} * 202 = 20,$$

$$\text{Internal Auditors} = \frac{41}{409} * 202 = 20.$$

Table 2: Sample Population

Category	Number
Finance officers	20
Council Chairpersons	20
Vice Chancellors	20
IGI- In charge	20
Accountants	102
Internal Auditors	20
Total	202

Source: Universities' human resource registry.

3.4 Data Collection Instruments

Questionnaires were used to gather primary data with the help of research assistants. This is selected due to the technical nature of the scale's items and the requirement to ensure the validity of the respondent's response. Closed-ended questions in the form of 5 5-point Likert scale were employed by the researcher. Closed-ended questions are cost-effective, easy to administer, easier to answer by the respondents and ensure confidentiality to the respondents.

3.5 Data Analysis and Presentation

Data collected was cleaned, sorted and coded before being analyzed using the Statistical Package for Social Sciences (SPSS) software. Descriptive and inferential descriptive

statistics were used for data analysis. Descriptive statistics helped in facilitating data visualization and allowed data to be presented in a meaningful and understandable manner. It comprised mean, standard deviation, standard error, minimum and maximum values. Inferential statistics helps in drawing conclusions based on extrapolations, and it comprises linear regression analysis. The linear regression model allowed the researcher to assess the strength of the relationship between the dependent variable and the predictor variables. The data analyzed was presented using graphs, tables, charts, and figures. The researcher carried out a linear regression analysis to determine the relationship between financial reporting practices and financial accountability in public universities in Kenya.

$$Y = \beta_0 + \beta_1 FR + \varepsilon$$

Where:

Y = financial accountability,

FR = financial reporting,

β_1 = regression coefficients.

4. Data Presentation, Analysis and Discussion

4.1 Descriptive Statistics on Application of Financial Reporting in Public Universities in Kenya

Table 3 shows results on the application of financial reporting management practices in public universities in Kenya.

Table 3: Application of Financial reporting in public universities

Checklist	Yes	No
Does the university prepare financial reports annually?	41 (100%)	0 (0%)
Are reports submitted to oversight bodies?	35 (85.4%)	6 (14.6%)
Are reports prepared in compliance with IPSAS?	26 (63.4%)	15 (36.6%)
Are audit reports published and accessible to stakeholders?	3 (7.3%)	38 (92.7%)

Source: Study data (2024).

Table 3 presents the application of financial reporting practices in public universities. The results show that all universities (100%) prepare annual financial reports, reflecting compliance with statutory requirements. A majority (85.4%) submit their reports to oversight bodies, while 14.6% do not, indicating gaps in accountability. In terms of compliance, 63.4% of universities prepare their reports in line with IPSAS, while 36.6% have yet to fully align with international standards. Notably, only 7.3% of institutions publish audit reports for stakeholder access, with 92.7% failing to do so, highlighting low

levels of transparency. Overall, while annual reporting and submission to oversight bodies are widely practiced, compliance with international standards and public accessibility of audit reports remain weak, limiting the effectiveness of financial reporting in promoting accountability.

4.2 Linear Regression Analysis Results

Table 4 shows the regression coefficient of the independent variables, which aids in explaining how each affects the dependent variable.

Table 4: Linear Regression Analysis

Model	Unstandardized Coefficients		t	Sig.
	B	Std. Error		
(Constant)	6.466	1.349	4.793	.000
Financial reporting	-.261	.064	-4.097	.021

Therefore, based on the results, the constant value of 6.466 is significant at 95% confidence interval, indicated with a p-value of $0.000 < 0.05$. The significance was also supported with a t-test value of 4.793, which is greater than a critical value of 1.972. The constant value depicted that when public universities in Kenya have not adopted financial reporting practices, the average financial accountability measured by the amount of unsupported expenditure in the public universities is approximately Sh. 2.9 million per year (Antilog of 6.466).

Financial reporting had a coefficient of -0.261. The predictor shows a negative coefficient, implying that inefficiencies or weaknesses in these financial reporting practices correspond with a decline in financial accountability levels. In essence, the findings affirm that sound implementation of these financial reporting practices is critical for strengthening financial accountability.

The results from the regression coefficient analysis were used to establish the following regression model.

$$Y = 6.466 - 0.261FR$$

The study objective was to assess the effect of financial reporting on financial accountability in the public universities in Kenya. This was anchored on the null hypothesis that there is no significant association between financial reporting and financial accountability in the Kenyan public universities.

The results of regression analysis in Table 4 show that financial reporting had a regression coefficient of -.261 with a p value of 0.021. The p-value was less than 0.05, signifying that there is a significant effect of financial reporting on financial accountability in Kenyan Public Universities. This was also supported with a t value of -4.097, which is less than the t critical value of -1.972. Therefore, the null hypothesis that there is no significant association between financial reporting and financial accountability

in the Kenyan public universities. This depicts that a percentage increase in financial reporting will improve financial accountability in public schools in Kenya through the reduction of unsupported expenditure by 0.261 from 6.466 to 6.205, resulting in unsupported expenditure of 1.6 million (Antilog of 6.205).

This implies that comprehensive and accurate financial reporting provides a clear and detailed account of all financial transactions, enabling transparency and accountability. By maintaining precise records and regularly updating financial statements, universities can ensure that all expenditures are properly documented and justified. Financial reporting involves the systematic presentation of financial data, including income, expenses, assets, and liabilities, which facilitates better monitoring and control of financial activities. Regular audits and reviews of these reports help identify any irregularities or discrepancies, allowing for timely corrective actions. This level of scrutiny ensures that all financial transactions are legitimate and supported by appropriate documentation, thereby reducing the occurrence of unsupported expenditures and enhancing overall financial accountability in public universities.

The study established that financial reporting significantly enhances financial accountability, which is well-grounded in financial accounting theory and accountability theory. Financial accounting theory posits that high-quality, accurate, and timely financial reports improve transparency and decision-making, which strengthens accountability. This aligns with the study's finding that compliance with reporting standards enhances stakeholder confidence. From the accountability theory standpoint, transparent financial reporting ensures that universities can be held responsible for financial actions and outcomes, providing clear evidence of how resources are utilized in line with public expectations.

The above results were similar to the descriptive statistics findings that showed that the implementation of financial reporting by public Universities in Kenya improves financial accountability. This is supported by constructs such as compliance with statutory requirements, timely financial reporting at the University, and accurate financial information reporting, which improve financial accountability in public Kenyan universities.

The findings concur with other findings from different studies. For example, a study conducted by Chalam and Ng'eni (2017) found that financial reporting has a significant and positive impact on the financial accountability of Tanzanian local governments. In addition, the study conducted by Agung (2020) revealed by that financial reporting quality has a positive and significant effect on accountability performance of the regional government.

5. Conclusions and Recommendations of the Study

5.1 Conclusions of the Study

The study concluded that financial reporting plays a significant role in enhancing financial accountability in public universities in Kenya. The negative and significant

relationship observed suggests that improved implementation of financial reporting practices—such as adherence to statutory requirements, timely submission of financial reports, and accuracy in financial information—leads to a reduction in unsupported and irregular expenditures, thereby strengthening accountability mechanisms. Effective financial reporting ensures that university management provides transparent, reliable, and verifiable financial information to stakeholders, including government agencies, oversight bodies, and the public.

This transparency fosters confidence and trust in the financial management of public institutions and helps identify areas of financial inefficiency or mismanagement. Moreover, compliance with statutory reporting standards promotes consistency and comparability across institutions, while timely reporting enhances decision-making and facilitates corrective actions. The study underscores that the institutionalization of sound financial reporting practices is essential for fostering a culture of accountability, prudent resource utilization, and sustainable financial governance in public universities. Ultimately, strengthening financial reporting systems not only reduces unsupported expenditures but also contributes to improved financial discipline, transparency, and overall institutional integrity.

5.2 Recommendations of the Study

The study recommends targeted reforms to strengthen financial accountability in Kenyan public universities through enhanced public sector accounting practices. Universities should fully adopt accrual accounting by improving staff competence, enforcing strict recognition of transactions, standardizing accounting procedures, and automating financial systems for accuracy and transparency. Financial reporting must prioritize continuous training on IPSAS standards, timely reporting, comprehensive audits, and establishment of financial reporting committees to ensure accuracy and public trust. Overall, the study advocates a shift from procedural adherence to strategic accountability—anchored in professional capacity, digital transformation, and strong institutional governance.

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Conflict of Interest Statement

The authors declare no conflicts of interest.

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