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**Accounting Practices and Quality of Financial Reporting in Public
Secondary Schools in Nairobi City County, Kenya**



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Accounting Practices and Quality of Financial Reporting in Public Secondary Schools in Nairobi City County, Kenya

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Abstract

Purpose: To establish the effect of accounting practices and quality of financial reporting in public secondary schools in Nairobi City County, Kenya.

Methodology: For research design, the study utilized descriptive research and it encompassed both quantitative and qualitative analysis. The research utilized structured questionnaires to gather data and were distributed to 210 respondents who formed the sample drawn from total target populace. Data was analyzed using inferential statistics to find patterns and create predictive models, descriptive statistics provided an overview of the data.

Findings: Findings showed that digital accounting practices, bookkeeping, internal controls and budgeting together account for 67.0% of the variation in reporting quality. The study also established that internal controls ($\beta=0.261$; $p=0.000$), budgeting practices ($\beta=0.250$; $p=0.000$), bookkeeping practices ($\beta=0.277$; $p=0.000$) and digital accounting practices ($\beta=0.238$; $p=0.000$) had significant effect on quality of financial reporting.

Unique Contribution to Theory, Policy and Practice: The study contributes to theory as it deduced that robust accounting procedures are necessary for transparency, accuracy and accountability, both individually and collectively within public secondary schools. The study recommends that Principals need to take charge and set up strong internal controls of schools want to prevent conflicts of interest and to hold people accountable. This is made possible when they make clear who handles money. It is also recommended that County education and treasury officers should check in often and offer hands-on training in financial management. When schools tighten up these controls, it gets a lot harder for anyone to misuse funds.

Keywords: *Accounting Practices, Accounting Standards, Financial Reporting, Digital Accounting, Internal controls*

JEL Code: *M*

1.1 Introduction

A school, according to the World Bank (2007), is where students learn with help from teachers. Although secondary education links simple lessons to higher learning, it also creates chances that support individual growth as well as wider community advancement. Rather than only sharing information, it develops skills useful for work life or public engagement while gradually influencing how people think. World Bank (2024) additionally highlights that schooling is not solely a basic human entitlement but also key to national improvement. It contributes to poverty reduction, better health outcomes, gender equality and the promotion of stability and peace. Additionally, education is essential to attaining justice and diversity and offers substantial and long-lasting economic rewards.

Globally, public investment in education has contributed to a decrease in educational outcome inequality over time. However, the effect of public spending on inequality differs per nation based on how resources are distributed throughout educational levels, accounting for demographic and economic distribution (Max & Esteban, 2016). The MasterCard Foundation (2020) asserts that Africa's secondary education primary source of funding is public domestic financing. Governments have invested much in expanding education over the last 20 years, demonstrating a strong political commitment to the field. However, smaller economies and quickly expanding adolescent populations in many Sub-Saharan African nations have led to inadequate per-student expenditure in comparison to demand.

According to the Education Sector Report (2022), Kenya's Constitution guarantees free and compulsory basic education for all citizens in order to promote their pursuit of prosperity and acknowledges education as a fundamental right. The three pillars of Kenya's Constitution are economic, social, and political. The social pillar is centered on the development of human capital. The nation's economic progress is said to be mostly fueled by education, a crucial facilitator. According to Itegi (2016), Kenya's schools survive on a patchwork of funding where families contribute what they can, while government programs, like Constituency Development Funds (CDF), Free Day Secondary Funds (FDS), CDF and Free Primary Education grants (FPE) try to step in. Donors and businesses are also not left behind in these contributions. Therefore, it has become important for schools to track their spending in order to respect these efforts.

1.1.1 Accounting Practices

Accounting helps show where money in organizations go. It is sometimes known as business language (Ogunbiyi & Julian, 2022). This role becomes more important in schools since administrators manage spending meant for students. Therefore, school heads should grasp simple accounting practices and not see them as low priority because strong leadership relies on transparent budget control. Accounting techniques as by Tyokyaa (2016) enables schools to follow

how money flows through logging, categorizing, studying, summarizing then sharing insights for decisions. This includes gathering data, processing it, showing results and distributing reports to stakeholders as Nupakorn and Phapruke (2010) explain. These processes are very important in secondary education because shape future plans and still manage budgets (Munge et al., 2016). Accounting practices should ground the preparation of financial statements as Sigilai and Bett (2013) states.

When it comes to budgeting, it is mainly a budgeting tool and not just about spreadsheets. It directs funds in accordance to current demands and future targets as Kira and Natalia (2017). Otieno and Nyangechi (2013) argues that bookkeeping is the consistent recording of financial activities. Tasks like these are usually handled by junior staff who are responsible for tracking information and also safeguard assets. Finally, when dealing with finances, internal controls act as limits. These internal control measures according to Otieno and Nyangechi (2013), support output of reliable data. This reliability speaks to timely and informed decisions.

1.1.2 Quality of Financial Reporting

Financial reporting entails providing an organization's financial statements and associated data to external customers (IASB, 2010). Its main goal is to offer crucial information regarding reporting organizations so that well-informed decisions can be made. The concept varies according to a study's aims. Tang et al. (2008), for instance, describe it as the degree to which financial statements fairly and accurately depict the true performance and financial state of a business. Similarly, noting IASB (2008), financial reporting's goal is to offer lenders, other creditors, and present and prospective equity investors with helpful financial information so they may make decisions as capital providers.

FASB (1978) stressed long ago that financial reports must meet qualitative standards if they are to be effective and avoid poor quality. When quality reporting is high, the integrity and credence of public finance is increased. This therefore supports a responsible management of public resources (Caba & Lopez, 2009). This is not just theoretical for taxpayers. This is because according to Ellwood and Newbury (2006), people are entitled to understand where their funds go and ability to demand answers from organizations. Therefore, this stresses the essence of accurate financial information as it not only guides choices but also upholds openness to society (GASB, 2008). There are several standards that a strong reporting should meet which according to Beest et al. (2009), include the following; It should arrive on time, communicate clearly, reflect reality truthfully, matter to users and allow comparisons across cases.

1.2 Statement of the Problem

According to the Ministry of Education's (MOE) (2020) Operations Manual, the Kenyan government has continuously committed substantial resources to the education sector in order to

fulfill its constitutional obligations. Currently, the government allocates roughly 5.4% of the country's GDP to education. Furthermore, according to the MOE Strategic Plan (2018), county governments, the corporate sector, development partners, households, and the national government all work together to finance education in Kenya. Government-mobilized resources must be effectively used for the benefit of students. Internal control systems, accounting standards adherence, information technology and internal auditors' involvement greatly improve financial reports standards in local governments, according to a study by Anto and Yusran (2023) on the factors affecting financial report quality in India.

In a similar vein, Lydia and Kimani (2018) found that budgeting and the caliber of financial reporting at public colleges in Kenya's Uasin Gishu County were positively correlated. Teresa (2022) also underlined how important internal control systems are to raising the caliber of financial reports. This research purposes to assess how accounting procedures affect financial reporting standard in Kenya's Nairobi City County public secondary schools. Although school administrators are often regarded as both financial managers and accounting heads, Osioru (2017) observed that many lack the expertise needful for begetting reliable, high-quality financial reports. The main question is whether public secondary school principals' financial reports adhere to the requirements of timeliness, relevance, faithful portrayal, understandability, verifiability, and comparability.

1.3 Objectives of the Study

- i. To examine internal controls effects on financial reporting quality in Kenya's Nairobi City County public secondary schools.
- ii. To evaluate budgeting practices effects on financial reporting quality in Kenya's Nairobi City County public secondary schools.
- iii. To assess bookkeeping practices effects on financial reporting quality in Kenya's Nairobi City County public secondary schools.
- iv. To investigate digital accounting practices effects on financial reporting quality in Kenya's Nairobi City County public secondary schools.

2.0 Review of Literature

2.1 Theoretical Review

2.1.1 Positive accounting theory

Watts and Zimmerman (1986) claim the main goal of positive accounting theory is clarifying as well as forecasting real-world accounting methods. Its emergence came from weaknesses in normative models - these were seen as too basic, without strong theoretical grounding,

concentrated narrowly on single investors and relying on ideas hard to test through evidence. For this reason, it gained traction as a usable alternative. The framework acknowledges that within market-driven systems, financial data plays a key role in helping societies distribute resources more effectively.

Scott (2015) notes the theory's value comes from lowering financial and agreement-related expenses through forecasting how companies set their accounting rules. Since these decisions depend on company design and external conditions, they play a key role in oversight mechanisms. This approach by according to Wiratama and Asri (2020), has enabled the field to moving forward because consistent trends in reporting choices were uncovered. This is all while logical reasons behind them were given. Therefore, it forms a basis for interpreting practices, stresses contract-driven costs' impacts. Finally, it aids in the projection of upcoming regulatory selections.

When public high schools use ideas from positive accounting theory benefits are especially witnessed for school administrators and involved parties. It can inform the design of policies and initiatives in the education sector that bolster accountability, transparency and governance.

2.1.2 Agency theory

This theory was advanced by Jensen and Meckling (1976) as a means to examine contracts between principals and agents. Here, tasks are handled in the principals' interests when agents are handed control so that optimal results are achieved. In financial reporting as Laura (2000) points out, the link where owners serve as principals while managers act as agents is very crucial. This concept brings to attention the mismatches in goals emerging once authority shifts and is normally termed as a conflict of interest. Agency theory shows how this conflict might strain that relationship and consequently derailing the actions and efficiency of both sides.

Mardiasmo (2018) extends the concept to public accountability, where agents are obliged to report and disclose relevant activities to principals, who have the right to demand this information. In the public sector, the government functions as the agent, responsible for providing citizens who are the principals, with financial data that allows them to evaluate accountability and make informed social, political and economic decisions

Garcia-Lacalle and Torres (2021) emphasize that agency theory also addresses problem of information asymmetry. Because agents often hold more information than principals, disclosure becomes critical for maintaining responsibility. Principals, therefore, must monitor and manage agents carefully to prevent misuse of information and ensure transparency. The degree of accountability and disclosure is influenced by this relationship. In order to demonstrate public accountability, fit with corporate goals, and improve the entity's image and reputation, regulatory bodies and management must have increased openness and access to high-quality financial information (Garcia-Lacalle & Torres, 2021). Transparency and trustworthy information are

crucial for supervising managers and making sure they are responsible for their choices and overall performance within the context of agency theory.

According to the Education Act (2013), a school manager is a person or organization responsible for managing and running a school. Letza (2002) emphasizes the applicability of agency theory in the field of education by arguing that managers, or principals, would not always behave in the best interests of stakeholders and might instead put their personal interests first. Letza (2002) highlights that secondary school principals must be regularly monitored as managers to make sure they are operating in the publics and educational development partners' best interests. Timely and accurate reporting to stakeholders supports this oversight.

2.1.3 Stewardship Theory

Stewardship theory according Mallin (2004) portrays managers to be caretakers who aim to protect and grow the assets put under their care. This is contrary to them just focusing on their personal gains, as is the norm. In this theory, mutual confidence is heavily relied upon. It therefore provides contrasting views to agency theory which prioritizes oversight and restraint (Mackenzie, 2007). It goes on to say that instead of pursuing individual/separate interests, executives aim at putting and directing efforts towards long-term firm health. As Cornforth, (2003) puts forth, this happens only when they adopt objectives that align with those of the shareholders.

Firm outcomes tied to profitability that stems from stewardship theory always provide basis for managerial motivation (Daly et al., 2003). When an organization attains its objectives, they are mirrored to be personal accomplishments. This is because leaders are seen as central figures. Therefore, stewardship theory mitigates the oversight expenses which are tied to owners-executives' governance conflicts.

Even though stewardship theory doesn't quite dwell on tight oversight, it recognizes that accounting structures are important in guiding proper resource use. Further, stewards are found to handle assets wisely and support a constant performance. This is attributed to the fact that they rely on mechanisms like audits, control procedures and/or compliance with standards. As already established by Daly et al. (2003), executives often tilt their actions towards company outcomes especially profitability. This is because they feel personal achievements are tied to firm results. Consequently, these shareholder-leaders conflicts reduce once their goals align.

Stewardship theory is relevant to education since they help explain how schools are led. Headteachers, according to Menyah (2013) serve as caretakers and support stakeholders' needs through guidance by duty and answerability. In like manner, Otieno and Nyangechi (2013) point out that those managing finances and operations at public high schools hold authority from parents, learners, state representatives, along with society at large.

2.1.4 Decision-Usefulness Theory

Decision-usefulness theory focuses on how decision-making is influenced by accounting (George, 1999). According to the author, accounting drives action through two ways: by sharing numbers and influencing conduct through preparers' behaviors whether direct or indirect. The main goal of the theory is relevance. This therefore means that details are pertinent to users like lenders, government agencies, shareholders or buyers.

Financial records might still serve real purposes even though Scott (2009) notes that they might be in wanting of ideal theory. Consequently, the theory centers on the people that are reliant on these reports and what active issues arise during decision-making. When these points are dealt with, accounting professionals are now able to adjust to how information is shared. In doing so, user demands are fit more closely and judgements are sped up.

When gauging accounting methods, Jonas and Young (1998) posit that the main measure should be decision utility. Their view implies that prior to report completion, the standard development needs early input from likely users where auditors are also included. While applying similar logic to education, Jill (2020) observes that for those highly reliant on accurate financial data, this usefulness concept is vital while shaping policies or assigning resources.

2.2 Empirical Review

This part examines previous research on the topic and highlighting what discoveries they made pertaining the various factors that affect financial reporting quality.

2.2.1 Internal Controls and Quality of Financial Reporting

Internal control as defined by Ngali (2019) is a continuous activity woven into regular job duties of employees and supervisors. These mechanisms help secure resources when they are applied effectively. They further support compliance to laws, enable operations to run smoothly and give assurance that set goals are achievable. Moreover, Afiah and Azwari (2015) back this idea by pointing out that fiscal outcomes are boosted by solid controls and at the same time, still uphold report reliability when stakeholder faith seems to be damaged.

Accountability according to Spitzer (2005), relies on setting up control systems that are solid. However, Mwindi (2008) notes that these processes which are developed and carried out by managers and employees help run operations smoothly, adhere to rules and maintain reports that are accurate. Moreover, Mawanda (2008) points out several advantages like cutting down fraud, lowering mistakes or limiting unnecessary losses which are considered real world. When companies expand monitoring tools become more significant, supervision is improved and trust in financial data is boosted (Kirsty, 2008). However, Kenyan universities reveal persistent challenges

like troubles in cashflow, late submissions, dishonest practices and assets being used inefficiently (Simiyu, 2011).

Several groups depend on financial records that are correct and reliable. Teresa (2022) points out them as investors, regulators, auditors and school administrators. The research emphasizes that a flaw in internal checks makes reports to be misleading, alters figures and choices made might be marred by insufficient supervision. Consequently, these issues damage a school's fiscal stability over time. Therefore because of such concerns, this research aims at exploring how control systems in publicly funded high schools influence reporting accuracy.

2.2.2 Budgetary Practices and Quality of Financial Reporting

The basis of handling money is formed by budgeting. This involves, setting targets, predicting outcomes, executing plans and conducting reviews/evaluations. Organizations often fail to apply sound financial practices when there are no clear methods or instructions that are adequate. Budgets in education, are not only spending guides but also form tools for oversight. Budgets as pointed out by Enaohwo (1990), help minimize unpredictability when practical expense projections are conducted and frameworks for future tasks are organized. When funds are aligned to learning objectives, the main method which guides current and long-term actions is budgeting.

By forecasting income, costs and cash flow over time/periods, budgeting helps in planning (Palema, 2017). Budget oversight compares actual use against forecasted figures so that spending is actually on track. However, Opiyo (2014) while examining school funding in Uriri District, establishes that for growth strategies in Kenya's secondary institutions to be carried out, budgets is crucial. According to Raghunandan (2012), tracking advancement and handling disbursements is supported through financial planning across government, business and non-profit sector. Moreover, when fiscal results and operational output improve, they are linked to such practices as Uyarra (2020) notes. However, when researching high schools run by the state, Lucy (2007) uncovers that head teachers make budget decisions solely, excluding boards, instructors and finance officers from inputting any meaningful ideas. This is considered a very major flow. Teamwork and responsibility are derailed when there is limited involvement.

As IPSAS 24 (2006) state, when initial and revised budgets are compared to the actuals in financial reports, users are able to evaluate whether funds were used as per the plan. It is also here that the gaps between forecasts and actuals are revealed. Therefore, when budgets are aligned to results, organizations support operational direction and strengthen their accounting practices' clarity and confidence.

2.2.3 Bookkeeping Practices and Quality of Financial Reporting

Accounting involves carefully documenting, classifying and recording financial activities/transactions to support informed choices (Happay, 2023). Bookkeeping tasks such

recording transactions, posting entries or preparing trial balances make up foundation for financial reports. The process starts when transactions are entered in journals, then moved to and finally summarized into the trial balances. These trial balances further supply item's data into financial statements like balance sheet and income statement.

Accounting as noted by Aruwa and Reed (2009) is dependent on organized and steady documentation which keeps data accessible and long-term. This is done so that leaders can act wisely. Rather than just being clerical work, maintaining these records is key to sound choices. According to Shah (2020), schools especially rely on such practices since ongoing monitoring helps handle funds, supplies or activities effectively.

Wider financial goals are supported by accurate record-keeping. Reliable data as per Ahmad (2023) aids in assessments, meeting regulations and building investor trust. Moreover, organized setups are claimed to help firms generate prompt reports that display actual results (Graham et al., 2020). Similarly, this idea is backed by KNBS (2007) who emphasizes that solid documentation is essential when gauging profit or shaping economic decisions.

However, problems still exist. In Zimbabwe for example, an analysis by Maseko and Manyani in 2013, show how mid-sized companies manage accounting records. It showed that due to insufficient knowledge, numerous businesses suffered incomplete data which made proper evaluation of their financial outcomes very difficult. In Kenya, Kiugu (2010) calls for accountability through adopting user-friendly reporting formats and uniform framework. This will allow performance data to be more accessible, allow for consistent comparisons and strengthen openness.

According to Hamisi (2012), Kenya's government financial management systems have trouble providing timely and accurate financial data required for statutory reporting and decision-making. The dependability and credibility of financial reports are compromised by the inconsistencies that arise from the employment of different techniques to generate financial accounts. According to Hamisi (2012), the government must take care of its financial and service delivery responsibilities both now and in the future in order to guarantee long-term fiscal sustainability. Although school administrators are frequently seen as financial managers and bookkeeping leaders, Osioru (2017) pointed out that many of them lack the particular knowledge required to carry out these responsibilities successfully.

2.2.4 Digital Accounting and Quality of Financial Reporting

Digital accounting, according to Abdulle, *et al.*, (2019), is the integration of computer networks for financial information management and processing, where financial data is entered into computerized systems to produce outputs and reports. The use of manual data processing is greatly diminished by this digital method. Digital accounting changed how financial records are handled.

Physical paperwork as Troshani et al. (2019) state is now substituted by electronic tools that capture, keep and send data which boosts speed and efficiency with which reviews and summaries are done. Furthermore, as noted by Sunday and Udeme (2023) this shift includes managing every stage of financial actions, from creation through sharing and through programs that allow firms to rapidly produce reliable statements.

Benefits are witnessed when a company makes a move toward digital tools. This is shown when systems can do efficient automation of tasks, reduce errors, create clearer records and enable frequent correct updates (Meraghni, 2021). Digitized accounting as per Phornlaphatrachok and Nakakasindhu (2021) shows that insight into figures is enhanced and bigger workloads are handled which consequently allows for immediate retrieval of key details regardless of location. This technology helps firms to expand into flexible programs which reduces reliance on extra staff significantly and streamline workflows (Agata, 2023).

Furthermore, Jackson (2023) outlines how accounting software reduces mistakes made by people, uses automatic math functions and still improves tasks like matching records, monitoring costs and sending bills. When such improvements are made, more time is freed up and better finances' evaluation are supported along with choices grounded on this evaluation. Anitha (2023) concludes that digital accounting ultimately raises financial data quality, leading to more reliable reporting and better-informed decisions.

3.0 Research Methodology

Descriptive research design was used in this study. Since it supports detailed review of current methods, the approach fits well with assessing financial reporting standards in public secondary schools within Nairobi City County. According to Kothari (2004), such frameworks support gathering numerical as well as non-numerical information. This opens room for studying how different factors interact.

The stratified random sample technique was employed in the study to guarantee representativeness. National Schools, Extra County Schools, County Schools, and Sub-County Schools were the four tiers of schools. The overall sample size was calculated by taking a proportionate sample from each group. The sample size for public secondary schools in Nairobi City County was determined using the Yamane (1967) formula. Therefore, 166 respondents were purposively selected representing School Principals and School Bursar/Clerk. A Structured questionnaire was the main data collection tool, featuring both open-ended and closed-ended questions. These questions were designed in alignment to research objectives.

Data was analyzed using inferential statistics to find patterns and create predictive models, descriptive statistics provided an overview of the data. Version 22.0 of the Statistical Package for the Social Sciences (SPSS) was used to analyze the data. Accounting practices effects on financial

report quality in public secondary schools across Nairobi City County was examined through multiple linear regression.

4.0 Research Findings and Discussion

4.1 Descriptive Analysis

Descriptive analysis used percentages to show the response from the respondents as shown in the tables below for each variable.

4.1.1 Accounting Practices and Quality of Financial Reporting

Internal controls are important as they hold school funds accountable, avoid fraud and ensure financial information is reliable. Descriptive analysis explores the quality of these controls to be implemented in schools with strengths and weaknesses in financial governance. With a strong internal control, the financial reports will be more accurate, transparent and in accordance to the accounting standards.

Table 1: Descriptive Statistics

Descriptive Statistics	Mean	Std. Dev.
Internal controls	3.72	1.258
Budgeting practices	3.59	1.270
Bookkeeping practices	3.72	1.053
Digital accounting practices	3.49	1.378
Quality of Financial Reporting	3.77	1.240

Source: Research Data (2025)

Internal controls are important as they hold school funds accountable, avoid fraud and ensure financial information is reliable. Descriptive analysis explores the quality of these controls to be implemented in schools with strengths and weaknesses in financial governance. With a strong internal control, the financial reports will be more accurate, transparent and in accordance to the accounting standards. The research by Ngali (2019), Teresa (2022), Afiah, and Azwari (2015) confirms the fact that high internal controls enhance financial reporting. Nonetheless, the lower rating of segregation of duties and the combination of neutral answers are parallel to the local results that effectiveness is not uniform and still has weaknesses. The literature therefore on the one hand justifies the benefits of controls and cautions that their effects may be hampered by the loopholes in implementation.

Budgeting is critical in the planning, allocation and monitoring of school expenditure. Descriptive analysis would indicate the uniformity of budgeting processes and whether they fit well with the best practices. The financial reporting is enhanced because good budgeting makes sure that the statements are well planned and are economically sound. (Kiptoo et al., 2022; Enaohwo, 1990;

Palema, 2017). Higher score on oversight also coincides with studies which emphasize on budget monitoring. However, the fair scores on the stakeholder involvement and printing/dissemination reflect the worry by Lucy (2007) that budgeting may be overtaken by principals and not participatory. There is a strong consensus in the literature although the same weaknesses are also mentioned as noted in the results.

Bookkeeping keeps proper records, which are the basis of the financial reports. Descriptive analysis verified adherence of schools to standard systematic records and documentation. Effective bookkeeping enhances the quality of reporting because data is accurate, complete and traceable. Therefore, public high schools were indicated to generally stick to already established accounting methods. Financial data becomes more dependable when tools such as trial balances, cash ledgers or journals are regularly applied. Consequently, reporting to be more precise, clear and responsible. Trustworthy outcomes according to researchers such as Happay (2023), Aruwa and Reed (2009) and Shah (2020) are underpinned by accurate documentation. Simultaneously, the positive picture is sourced by the research that provides incomplete records in the corresponding settings (Maseko and Manyani, 2013; Osioru, 2017). The result is thus confirmable in the literature that good bookkeeping enhances the quality of reports but it also cautions that there will be pockets of poor practice, which will still weaken the overall reliability.

Efficiency, accuracy, and real-time reporting are increased in financial management by utilizing digital tools. Descriptive analysis will show the extent to which digital practices are embraced and the impact that they have on the accuracy of records and the speed of reporting. The increased use of the digital option minimizes the mistakes and simplifies the accessibility of data, improving the quality of reporting. The overall mean score for digital accounting practices was 3.49, reflecting a moderate level of integration of accounting software into school financial management. The relatively high standard deviations across all items point to variability in adoption rates, likely influenced by differences in ICT infrastructure, training, and budget allocations across schools. Digital accounting practice (mean = 3.49): the medium mean is identical to the agreement that digital tools are more accurate, timely and audit trails (Abdulle et al., 2019; Troshani et al., 2019; Meraghni, 2021; Jackson, 2023). The identified variance - not all schools using software - reflects the literature on the barriers, which include infrastructure, training and policy. Therefore, the literature provides a consensus that digitization enhances reporting where it has been adopted but justifies the inconsistency in uptake.

Good-quality reporting demonstrates financial information's degree of preparedness in decisions in terms of accuracy and transparency. Descriptive analysis quantifies the perceptions of reliability, comparability, and relevance of the stakeholders. Good reporting creates accountability and trust in the school's financial management. The indicators of quality of financial reporting together gave an average score of 3.77, suggesting school financial reports are fairly solid, yet clearer and more

meaningful presentation is still required. These qualitative elements could be further improved by initiatives to standardize reporting patterns and train financial personnel. Quality of financial reporting (mean = 3.77): the overall positive mean, particularly high scores on comparability and timeliness, but lower scores on understandability and relevance, is similar to normative and empirical (Tang et al., 2008; Beest et al., 2009) studies that have defined high-quality reports on these dimensions. Local criticisms observe that there have been consistent disclosure and relevance gaps. To the point, the literature supports the findings of the study according to which reports tend to be acceptable on certain metrics (timeliness, comparability) but, nonetheless, require enhancement regarding their clarity and content that is of interest to stakeholders.

4.2 Inferential Statistics

4.2.1 Correlation Analysis

The correlation study that evaluated the relationship between the independent variables—internal controls, budgeting procedures, bookkeeping procedures, and digital accounting procedures—and the dependent variable—quality of financial reporting—is presented in this subsection. Pearson Product-Moment Correlation was used in the analysis to determine the direction and strength of the linear correlations between these variables. A value of +1 denotes a perfect positive linear link, a value of -1 denotes a perfect negative linear relationship, and a value of 0 denotes no linear relationship between the variables. Correlation coefficients, for easier interpretation, were grouped into five ranges where (0.00–0.19) was very weak, then weak at (0.20–0.39), moderate (0.40–0.59) strong (0.60–0.79), and very strong (0.80–1.00) and using this framework the examination was done to establish statistical linkage. Table 2 delineates summarized findings.

Table 2: Correlations Matrix

		Internal controls	Budgeting practices	Bookkeeping practices	Digital accounting practices
Internal controls	Pearson Correlation	1			
	Sig. (2-tailed)				
	N	136			
Budgeting practices	Pearson Correlation	.386**	1		
	Sig. (2-tailed)	.000			
	N	136	136		
Bookkeeping practices	Pearson Correlation	.055	-.059	1	
	Sig. (2-tailed)	.526	.494		
	N	136	136	136	
Digital accounting practices	Pearson Correlation	.130	.034	.490**	1
	Sig. (2-tailed)	.131	.691	.000	
	N	136	136	136	136
Quality of financial reporting	Pearson Correlation	.502**	.461**	.496**	.572**
	Sig. (2-tailed)	.000	.000	.000	.000
	N	136	136	136	136

Source: Survey Data, 2025

The analysis showed that internal controls positively, moderately and statistically significantly correlated with financial reporting quality ($r = 0.502$, $p < 0.01$). Strong systems of authorization, segregation of duties, and routine checks appear to improve the timeliness, accuracy, and reliability of reports. A significant moderate correlation was displayed by Budgeting practices ($r = 0.461$, $p < 0.01$). Schools do stakeholders' involvement and make sure that oversight is proper when they comply to IPSAS 24 and PFM Act. Therefore, reports that are high in quality are produced and budgeting's role in accountability and openness is boosted.

Similarly, bookkeeping moderately and significantly correlated with fiscal reporting standards ($r = 0.496$, $p < 0.01$). Consequently, when records like cashbooks, journals, ledgers and trial balances are regularly updated, financial data become more accurate, comparable and complete and reports more dependable. Moreover, digital accounting procedures were revealed to have the highest correlation with reporting quality ($r = 0.572$, $p < 0.01$) out of all the four variables. Timeliness and readability of reports are increased when schools use accounting software to enter data, prepare

reports and conduct monitoring. This therefore demonstrates that digital tools aid in transformation of financial management and raising of reporting standards in schools.

4.2.2 Model Summary

The regression analysis summarizes the model that shows a number of important metrics. They are the correlation coefficient (R), the coefficient of determination (R^2), and the adjusted R^2 that demonstrate the extent to which the independent variables can explain the changes in the dependent variable. This summary will have an overall effect of the goodness of fit and would point to the extent and direction of variables' relationship. The larger the value of R^2 , the more the model accounts the variation in the dependent variable indicating high predictive power. The results are as shown in Table 3.

Table 3: Model Summary of Multiple Linear Regression

Model	R	R Square	Adjusted R Square	Std. Error
1	.825 ^a	.680	.670	.4607

a. Predictors: (Constant), Bookkeeping practices, internal controls, digital accounting practices and budgeting practices

b. Dependent Variable: Quality of financial reporting

Source: Survey Data, 2025

Research determined an 0.825 correlation coefficient, as represented by R, and this was found in Table 3, which can be seen above. Because of this, the result of 0.680 was an indicator of a strong degree of prediction on financial reporting standard. It was determined that the coefficient of determination, often known as R square, was 0.680, which indicated that accounting practices could account for 68.0% of reported financial reporting quality. The adjusted R^2 value of 0.670 provided a reliable measure of variance explained by the model. This means that digital accounting practices, bookkeeping, internal controls and budgeting together account for 67.0% of the variation in reporting quality. The small difference between the R^2 and adjusted R^2 values shows that the model fits the data well, supporting its use in predicting relationships between these factors and reporting quality (Dhakal, 2019). However, the remaining 32.0% of variation is linked to other influences outside this examination's scope.

4.2.3 Analysis of Variance (ANOVA)

Regression analysis ANOVA table tests the overall effect of the independent variables on the dependent variable as a statistical significance. It compares the F-statistic and the p-value to identify whether the regression model fits the data more than the model without predictors. In case

the F-test is significant, at least one independent variable has a significant ability to account the change in the outcome. Table 4 notes the outcomes.

Table 4: ANOVA Results for Multiple Linear Regression

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	59.107	4	14.777	69.611	.000 ^b
	Residual	27.808	131	.212		
Total		86.915	135			

a. Dependent Variable: Quality of financial reporting

b. Predictors: (Constant), Bookkeeping practices, Internal controls, Bookkeeping practices, Digital Accounting Practices

Source: Survey Data, 2025

Sawyer (2017) notes that analysis of variance (ANOVA) is a statistical tool used to judge the importance of research results and to show how much variation exists within a regression model. Beyond this, it helps the researcher identify which model provides the most useful insights by highlighting responses that carry significant outcomes. When the F-statistic is significant, it signals that the regression model itself is meaningful, since it explains a notable share of the variation in the dependent variable rather than results occurring by chance. In this study, the ANOVA output produced an F-statistic of 69.611 with a p-value of .000, which is well below the standard threshold of 0.05. This outcome confirms that the regression model is statistically valid. It further shows that the set of independent variables collectively have a strong influence on financial reporting's quality. Put simply, the model fits the data well.

4.2.4 Regression Results

The regression table shows the predicted coefficient of the individual predictors, standard error, t-value, and level of significance (p-value). These figures indicate the direction and strength of the relationship either positive or negative. Analysis relied on B coefficients and corresponding p-values, with tests conducted at the 95% confidence level ($\alpha = 0.05$). The regression coefficients presented in Table 5 provide a comprehensive analysis of how the selected accounting practices namely internal controls, budgeting practices, bookkeeping practices and digital accounting practices affect financial reporting quality. The unstandardized coefficients indicate the magnitude of change in the dependent variable (quality of financial reporting) for each unit change in the independent variables, holding all other factors constant.

Table 5: Regression Coefficients Results for Multiple Linear Regression

Model	Unstandardized Coefficients		Standardized Coefficients		Sig.
	B	Std. Error	Beta	t	
1 (Constant)	.036	.237		.153	.879
Internal controls	.261	.040	.351	6.526	.000
Budgeting practices	.250	.045	.301	5.576	.000
Bookkeeping practices	.277	.049	.323	5.674	.000
Digital Accounting Practices	.238	.038	.362	6.338	.000

a. Dependent Variable: Quality of financial reporting

Source: Survey Data, 2025

As Table 5 reveals, when all accounting practices are held constant, the baseline financial reporting quality would be 0.036. Introducing internal controls increases reporting quality by $\beta = 0.261$ ($p = 0.000$), budgeting practices by $\beta = 0.250$ ($p = 0.000$), bookkeeping practices by $\beta = 0.277$ ($p = 0.000$), and digital accounting practices by $\beta = 0.238$ ($p = 0.000$). Accordingly, the multiple regression model can be expressed as:

Quality of Financial Reporting (Y) = 0.036 + 0.261(Internal Controls) + 0.250(Budgeting Practices) + 0.277(Bookkeeping Practices) + 0.238(Digital Accounting Practices).

4.2.5 Hypotheses Testing

Ho1. Internal controls does not significantly affect financial reporting quality in Kenya's Nairobi City County public secondary schools

The first objective of the study sought to establish how internal controls affect financial reporting quality in Kenya's Nairobi City County public secondary schools, and the findings are as shown in Table 5. To achieve this objective the null hypothesis, states that internal controls do not significantly influence financial reporting's quality in public secondary schools within Nairobi City County, Kenya. The null hypothesis was rejected, confirming that internal controls significantly positively affect financial reporting ($\beta = 0.261$, $p = 0.000 < 0.05$). Therefore, clear approval procedures, proper separation of responsibilities and steady recordkeeping which are examples of internal controls directly enhance the accuracy and trustworthiness of school financial reports. Moreover, the results of this study align with those of Kirsty (2008), Simiyu (2011) and Teresa (2022).

Ho2. Budgeting processes does not significantly affect financial reporting quality in Kenya's Nairobi City County public secondary schools

The study also examined budgeting procedures effects. Although budgeting was initially assumed to have little impact, it showed a significant relationship ($\beta = 0.250$, $p = 0.000 < 0.05$) and leading to rejection of the null hypothesis. In practice, stronger budgeting methods result in reporting that is more reliable. Moreover, accuracy of records and accountability improve when spending aligns with financial goals. Furthermore, when proper planning is done, both the clarity and trustworthiness of financial reports are enhanced. Consequently, these results support earlier studies by Raghunandan (2012), Palema (2017) and Kiptoo et al. (2022).

Ho3: Bookkeeping practice does not significantly affect financial reporting quality in Kenya's Nairobi City County public secondary schools

The third objective of the study was to assess bookkeeping practices effects. Here, null hypothesis was not accepted as a significant positive connection was established ($\beta = 0.277$, $p = 0.000 < 0.05$) was revealed. When schools had better bookkeeping methods, records became more accurate. Consequently, these outcome support previous work by Graham et al., Osioru (2017), Happay (2023) and Ahmad (2023), which stress why careful recording practices are very important for financial disclosures of high-quality.

Ho4: Digital accounting practice does not significantly affect financial reporting quality in Kenya's Nairobi City County public secondary schools

A significant positive link was shown when the fourth objective which was digital accounting practices effects was examined as the null hypothesis was rejected ($\beta = 0.238$, $p = 0.000 < 0.05$). This suggests, therefore that reporting is better supported by digitized methods via faster delivery, fewer errors and clearer presentation. This outcome concurs with findings of Abdulle et al. (2019), Troshani et al. (2019), Meraghni (2021), Phornlaphatrachakorn and Nakakasindhu (2021), Sunday and Udeme (2023), Jackson (2023) and Anitha (2023) that when technology supports accounting processes, is enhanced.

5.0 Conclusions and Recommendations**5.1 Conclusions**

The study found that strong internal controls really make a difference when it comes to financial reporting in public secondary schools. Further, the probability of doing mistakes is kept low and records are kept honest when regular internal audits, clear authorization steps and splitting up responsibilities are followed. Moreover, schools that use these systems also are able to detect problems quicker and stop irregularities way before. Therefore, accountability and the making of solid decisions is upheld.

When wanting reliable reports, budgeting becomes key. Good budgeting means reports actually show where the money goes and what schools plan to achieve. It's easier for schools to see how funds are used and hold people responsible if different stakeholders are brought in, budgets are reviewed regularly and rules are stuck unto. Therefore, careful budgeting keeps spending to be disciplined and helps schools plan for the future.

The study further established that accurate and comprehensive reporting depends on strong bookkeeping practices. As established, production of reliable reports require that schools should update ledgers consistently and reconcile accounts regularly. Furthermore, well-trained staff should follow standard procedures. Consequently, documentation and traceability will be enhanced, errors will be reduced and audit readiness shall be improved. Therefore, financial responsibility and integrity is safeguarded by good bookkeeping.

Financial reports quality is really boosted by taking up digital tools. Here, everything moves faster and more smoothly, mistakes drop, data stays safer and reports get pulled together in less time. Furthermore, because these systems use standard formats and real-time tracking administrators find it easier to keep tabs on school finances. Concluding, this type of transparency was not there before stressing that digital tools is the way to go.

5.2 Recommendations of the study

Principals need to take charge and set up strong internal controls of schools want to prevent conflicts of interest and to hold people accountable. This is made possible when they make clear who handles money. Further, they should schedule regular internal audits and deal with something right away when something doesn't add up.

The Board of Management and department heads should help the school figure out its priorities. Further, when allocations are made, they should align to what the school actually expects to bring in and the school needs. Moreover, the bookkeepers should stick to using the same kind of ledger books or a good computerized system so that there is consistency. Principals are also encouraged to always remain vigilant to catch on mistakes and sniff out any suspicious activities.

The Ministry of Education, together with the National Treasury, needs to make sure that every public secondary school has solid internal controls in place. That means rules for regular internal audits, keeping financial duties separate, and documenting every transaction properly. County education and treasury officers should check in often and offer hands-on training in financial management. When schools tighten up these controls, it gets a lot harder for anyone to misuse funds. Plus, transparency goes up and financial reports actually start to mean something.

MOE and National Treasury need to get on the same page and set up clear bookkeeping rules. Every school should have to use official templates and keep full records. They also need trained accounting staff who actually know what they're doing. Moreover, MOE and Treasury should

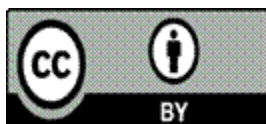
work with the ICT Authority to roll out a nationwide digital system, funding for computers and internet, standard software, and ongoing staff training all included. Education and treasury teams should manage the rollout and help schools with any technical issues.

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