

# Financial Reporting Completeness and the Quality of Audit Reports: Evidence from Kenyan Public Universities

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**Abstract:** Financial reporting completeness is critical to the credibility of financial information and the effectiveness of external auditing in public institutions. In Kenyan public universities, weaknesses in the completeness of financial statements, disclosures, supporting documentation, and reporting of financial obligations may affect audit report quality. This study evaluated the influence of financial reporting completeness on audit report quality in Kenyan public universities. The study was guided by Agency Theory and adopted a positivist research philosophy and cross-sectional research design. The target population comprised 175 respondents drawn from 35 publicly chartered universities in Kenya, including Deputy Vice Chancellors (Finance and Administration), Chief Finance Officers, internal auditors, accountants, and members of audit or finance committees. The study used a census approach at the institutional level, while purposive sampling selected respondents with direct knowledge of financial reporting and audit processes. The study collected primary data using structured questionnaires and obtained secondary data from published financial statements and audit reports. A pilot study involving 40 respondents from four public chartered universities achieved a 100% response rate. Reliability analysis established Cronbach's alpha coefficients of 0.886 for financial reporting completeness and 0.914 for audit report quality, confirming satisfactory internal consistency. Data from 151 respondents, representing an 86.3% response rate, were analyzed using descriptive statistics, Pearson correlation, and simple linear regression. Descriptive findings indicated that financial reporting completeness was practiced to a moderately high extent ( $M = 3.68$ ,  $SD = 1.16$ ). Pearson correlation analysis found a strong, positive, and statistically significant relationship between financial reporting completeness and audit report quality ( $r = .711$ ,  $p < .001$ ). Regression analysis further showed that financial reporting completeness significantly predicted audit report quality, explaining 50.6% of its variation ( $R^2 = .506$ , adjusted  $R^2 = .503$ ). The regression model was statistically significant,  $F(1,149) = 152.33$ ,  $p < .001$ , while financial reporting completeness had a positive and statistically significant effect on audit report quality ( $B = .295$ ,  $\beta = .711$ ,  $t = 12.366$ ,  $p < .001$ ). The null hypothesis was therefore rejected. The study concludes that greater completeness of financial reporting is associated with higher-quality audit reports. Public universities should strengthen financial reporting completeness, particularly in disclosing contingent liabilities, potential financial obligations, and future financial risks, alongside stronger pre-audit financial reporting reviews.

**Keywords:** Financial Reporting Completeness; Audit Report Quality; Public Universities; Financial Reporting; External Auditing; Agency Theory; Kenya

## 1. Introduction

Financial reporting is a fundamental component of accountability, transparency, and effective financial governance because it provides stakeholders with information to assess an organization's financial position, performance, and stewardship. In public sector organizations, financial reporting matters more because institutions are entrusted with financial resources to support the delivery of public services rather than to generate returns for private owners. Consequently, the usefulness of financial reports depends not only on whether financial statements are prepared, but also on whether the information presented is complete, reliable, relevant, and faithfully represents the underlying transactions and financial position of the reporting entity. Recent literature continues to identify financial reporting quality as an important issue in public-sector accountability and governance. For example, [1], argues that the quality of financial information presented by public-sector entities is central to transparency and informed public-sector decision-making. Within this broader context, financial reporting completeness is particularly important because incomplete financial information may prevent auditors and other users from obtaining a comprehensive understanding of an entity's financial activities and obligations. Completeness involves including and disclosing material financial information

necessary for users to understand the entity's financial position and performance. Recent empirical evidence shows a continuing relationship between financial reporting quality and the credibility of financial information. In a systematic review of financial reporting quality, [16] identified reporting reliability and related qualitative characteristics as ongoing concerns, particularly under conditions of financial uncertainty. Similarly, [8] found that organizational and governance conditions can affect financial reporting quality, reinforcing the importance of institutional mechanisms that support credible financial information.

The completeness of financial reporting also affects the audit process because auditors rely on financial statements and supporting disclosures to gather sufficient and appropriate audit evidence and form audit conclusions. [6], observes that audit outcomes, including audit reports and the quality of audited financial statements, provide important observable dimensions for understanding audit quality. He further notes that audit reports communicate information about the quality of financial statements to users and that audit quality cannot be considered independently of the information being audited. In the public sector, this relationship is particularly significant because audit reports serve not only management and governing bodies but also government, regulators, legislators, funding agencies, employees, students, and the wider public. Public-sector research similarly indicates that financial

reporting quality and audit quality are closely interconnected. Research on governmental auditing notes that financial reporting quality encompasses characteristics such as completeness, neutrality, and usefulness, and that financial reporting and audit quality are substantially interrelated. The higher education sector provides an important institutional setting in which financial reporting completeness can influence the quality and usefulness of audit outcomes. Universities manage substantial financial resources while simultaneously undertaking educational, research, infrastructural, and community-service functions. Consequently, their financial reporting systems must capture diverse transactions, assets, liabilities, funding sources, expenditures, and commitments. [7], examining universities in the United Kingdom, found that financial reporting quality was associated with the intensity of regulatory monitoring and resource dependence. Their findings show that financial reporting quality remains a key concern in higher education institutions and that external monitoring can influence the quality of university financial reporting. More recent evidence from Nigeria also demonstrates the relevance of the financial reporting–audit relationship in universities. [3], studying selected public universities in South-West Nigeria, examined audit quality and financial reporting quality and reported a significant relationship between the two constructs.

The issue is particularly pertinent in developing-country public-sector environments where governments increasingly emphasize financial accountability, compliance with public-sector accounting standards, and effective stewardship of public resources. Research on financial reporting has continued to examine how accounting systems, disclosure practices, and reporting mechanisms influence the credibility of public-sector financial information. For instance, the global evidence reported by Bhatia and others on XBRL adoption indicates that mechanisms that improve the structure and accessibility of financial information can be associated with higher financial reporting quality, with the relationship being particularly evident in developing-country settings. In addition, research on government financial statements in Indonesia shows that financial reporting and audit quality remain important for maintaining public confidence in public financial management.

In Kenya, public universities operate within a public financial management environment that requires accountability for resources received from government, students, research sponsors, development partners, and other stakeholders. Under Article 229 of the Constitution of Kenya, the Auditor-General is constitutionally mandated to audit and report on the use and management of public resources, including those managed by public universities. The Auditor-General's reports on Kenyan public universities show the ongoing importance of financial reporting and external audit in university governance. The Office of the Auditor-General publishes consolidated audit reports covering public universities, including the 2021/2022 and 2022/2023 financial years. Recent Kenyan studies have also demonstrated growing scholarly attention to financial reporting within public universities. [2], examined the effect of International Public Sector Accounting Standards (IPSAS) adoption on financial reporting in Kenyan public universities, highlighting the importance of public-sector accounting standards in the

reporting environment. The study is particularly relevant because IPSAS-based reporting provides the institutional framework for recognizing, measuring, presenting, and disclosing financial information. More recently, [11] examined revenue recognition techniques and financial reporting quality in Kenyan public universities and found that revenue-recognition practices affect the reliability and quality of financial reports. [12] also examined expense-classification practices and financial reporting quality in Kenyan public universities, highlighting the importance of appropriate classification and comprehensive reporting in maintaining the credibility of university financial information.

Despite this growing body of literature, an important empirical gap remains. Existing Kenyan studies have largely focused on IPSAS adoption, revenue recognition, expense classification, financial reporting practices, and financial accountability, while paying relatively little attention to financial reporting completeness as a determinant of audit report quality in public universities. This distinction matters because a financial report may comply with prescribed reporting requirements while still challenging auditors when material information, supporting disclosures, transactions, balances, or relevant explanatory information is incomplete. Similarly, studies examining audit quality have frequently focused on auditor-related characteristics rather than examining how the completeness of the financial information supplied to the audit process shapes the resulting audit report. Evidence from Kenya's public-sector environment therefore provides a basis for investigating this relationship more directly. The gap is significant given that the Auditor-General continues to issue audit reports on public universities as part of the constitutional public-accountability framework. A formal audit requirement does not, by itself, guarantee that the resulting audit report will provide the highest possible level of assurance if the underlying financial information is incomplete or inadequately disclosed. Consequently, understanding whether and how financial reporting completeness influences audit report quality is important for strengthening financial accountability within Kenyan public universities. This study therefore examines financial reporting completeness and audit report quality in Kenyan public universities, with particular emphasis on whether more complete financial reporting contributes to higher-quality audit reports.

## 2. Statement of the Problem

Financial reporting completeness is critical to the credibility of financial statements because it ensures that material transactions, balances, disclosures, and obligations are captured and presented adequately. In Kenyan public universities, however, audit evidence continues to point to weaknesses in financial reporting. The Auditor-General's 2023/2024 summary report identified systemic issues relating to the presentation and disclosure of financial statements, inaccuracies in financial statements, unsupported balances, unreconciled variances, unsupported expenditure, and unresolved prior-year audit matters. These findings indicate continuing challenges in the completeness and reliability of financial information reported by public universities [14]. Recent empirical studies support this concern. [11] found that expense-classification practices significantly influenced the quality of financial reporting among Kenyan public

universities, while [12] similarly examined revenue-recognition practices as a determinant of financial reporting quality. These findings show that how financial information is recognized, classified, and presented remains an important issue in Kenyan public universities. More broadly, recent research on Kenyan public universities found a significant relationship between financial reporting practices and financial accountability, further demonstrating the importance of credible financial information in the university sector [5]. Despite this evidence, existing studies have predominantly examined financial reporting quality, financial reporting practices, revenue recognition, expense classification, and financial accountability, rather than specifically establishing whether financial reporting completeness influences audit report quality. This represents an important empirical gap because the Auditor-General's report is ultimately based on financial information and supporting evidence provided by the audited institution. The continued presence of inaccurate, unsupported, and unreconciled financial information raises the question of whether financial reporting completeness is associated with the quality of audit reports issued for public universities. Therefore, this study addresses the limited empirical evidence on how financial reporting completeness influences audit report quality in Kenyan public universities. Establishing this relationship is important for university management, audit committees, governing councils, regulators, and other stakeholders seeking to strengthen financial reporting and public-sector accountability.

### 2.1 Objective of the Study

To evaluate the influence of financial reporting completeness on audit report quality in Kenyan public universities

### 2.2 Research Hypothesis

**H0:** Financial reporting completeness has no statistically significant effect on audit report quality in Kenyan public universities

### 2.3 Significance of the Study

The study is significant because it provides empirical evidence on how financial reporting completeness influences audit report quality in Kenyan public universities. The findings are expected to benefit university management by highlighting the importance of ensuring that financial transactions, balances, supporting documentation, and relevant disclosures are reported completely and accurately. Such improvements may strengthen the quality of financial information available for audit and enhance institutional financial accountability. The study is also expected to benefit audit committees and governing councils of public universities by providing evidence that can support stronger oversight of financial reporting and audit processes. The findings may help these oversight bodies identify and address reporting deficiencies before external audits. Auditors may also benefit from the study by better understanding the relationship between the completeness of financial information and audit report quality, thereby informing audit planning, evidence assessment, and reporting processes.

The findings may further be useful to policymakers and regulatory institutions, including the Ministry of Education, Commission for University Education, Public Sector Accounting Standards Board, and other public-sector oversight agencies. The evidence generated may inform the development and strengthening of guidelines and practices to improve completeness, transparency, and reliability in financial reporting among public universities. The study may also contribute to public accountability by supporting the availability of more comprehensive financial information for stakeholders who rely on university financial and audit reports to assess the stewardship of public resources. Finally, the study contributes to the existing body of knowledge on financial reporting and audit reporting in public-sector institutions, particularly within the higher education sector in developing economies. The findings may provide a basis for future researchers to examine other dimensions of financial reporting completeness, audit quality, and audit reporting in public universities and other public institutions.

## 3. Literature Review

This section reviews the literature on financial reporting completeness and audit report quality, emphasizing empirical and theoretical perspectives relevant to public-sector institutions. The review examines the extent to which completeness of financial information, including the appropriate recognition, presentation, disclosure, and supporting documentation of financial transactions and balances, influences the quality of audit reports. It draws on recent studies from global, regional, and Kenyan contexts to establish the current state of knowledge, identify areas of convergence and divergence in empirical findings, and demonstrate the knowledge gap the study addresses. This study pays particular attention to evidence from public universities and other public-sector organizations because of their distinctive accountability requirements and reliance on public resources.

### 3.1 Agency Theory

[10], advanced Agency Theory to explain the relationship between principals who delegate responsibilities and agents entrusted with performing them. The theory is based on the premise that the separation between ownership and control can create information asymmetry and conflicts of interest because agents generally have more information about organizational activities than principals do. In response, principals rely on monitoring and accountability mechanisms, including financial reporting and independent auditing, to assess how agents have managed entrusted resources. In Kenyan public universities, the government, taxpayers, and other stakeholders represent the principals, while university management acts as the agent responsible for managing public resources and reporting on their use. Agency Theory is relevant to financial reporting because complete and reliable financial information helps reduce information asymmetry between management and stakeholders. Recent empirical evidence supports this proposition. [7], examining financial reporting among universities, found that regulatory monitoring was associated with financial reporting quality, supporting the agency perspective that monitoring mechanisms can strengthen the quality of information

management provides. Similarly, [13] found that financial reporting quality was associated with accountability in public organizations, demonstrating the importance of credible financial information in the principal-agent relationship.

The theory is also relevant to auditing because external audits constitute an important monitoring mechanism through which principals obtain independent assurance regarding information prepared by management. Where financial reports contain complete information, including adequately supported transactions, balances, and disclosures, auditors have a stronger basis for obtaining sufficient and appropriate audit evidence and forming audit conclusions. Conversely, incomplete financial information can increase information asymmetry and create audit challenges. Thus, Agency Theory provides a basis for expecting financial reporting completeness to influence audit report quality. In this study, Agency Theory therefore explains the expected relationship between financial reporting completeness and audit report quality in Kenyan public universities. University management, as the agent, is expected to provide complete financial information concerning the institution's resources and financial activities, while auditors provide independent monitoring on behalf of stakeholders. The theory suggests that more complete financial reporting can reduce information asymmetry, facilitate effective audit verification, and support the production of credible and informative audit reports. The theory consequently provides a suitable foundation for examining whether financial reporting completeness influences audit report quality in Kenyan public universities.

### 3.2 Empirical Literature Review

Empirical studies have examined financial reporting quality from different perspectives, including completeness, disclosure, accounting practices, regulatory monitoring, and audit-related mechanisms. Globally, evidence suggests that the quality and comprehensiveness of financial information are closely linked to the effectiveness of accountability and assurance mechanisms. In Vietnam, [13], examined 177 responses from accountants and managers in public-sector organizations and found that financial reporting quality was significantly associated with accountability, with accountability mediating the relationship between reporting quality and organizational performance. Informed by Agency Theory, the study highlights the importance of credible financial information in reducing information asymmetry and strengthening accountability in public organizations. Similarly, [13] analyzed 1,089 local government financial reports covering 2021–2023 in Indonesia and examined factors influencing public-sector financial reporting quality. Their study demonstrates continued empirical interest in the determinants of financial reporting quality within public-sector institutions. At the institutional level, evidence from the higher education sector connects more closely to the present study. [7], examined financial reporting quality among UK universities using discretionary accruals as a measure of reporting quality and regulatory funding dependence as an indicator of resource dependence. Their findings showed that financial reporting quality increased with regulatory monitoring, although the effect varied according to universities' dependence on regulated funding. The study is particularly relevant because it empirically shows that

monitoring mechanisms influence the quality of financial information produced by universities and supports the agency perspective underlying the present study.

Further evidence connects financial reporting quality with auditing. [3], examined the relationship between audit quality and financial reporting quality in selected public universities in South-West Nigeria. Using data from public universities, the study reported a significant relationship between audit quality and financial reporting quality, demonstrating the close interaction between the quality of information prepared by university management and the effectiveness of the audit function. However, the direction of analysis differs from the present study because it primarily examined how audit quality affects financial reporting quality, whereas the current study examines whether the completeness of financial reporting influences audit report quality. In the Kenyan context, empirical studies have increasingly examined financial reporting practices within public institutions. [9], investigated the effect of disclosure of public-sector financial information on financial reporting quality in 205 public secondary schools in Kakamega County. The study focused on public-sector accounting standards practices and disclosure and provides evidence that disclosure-related practices are relevant to the quality of financial reporting in Kenyan public institutions. More recently, [5] examined financial reporting practices and financial accountability among public universities in Kenya using a target population of 409 respondents comprising finance officers, council chairpersons, vice-chancellors, accountants, internally generated income coordinators, and internal auditors. The study focused on public universities and highlights the ongoing empirical concern with financial reporting and accountability in Kenya's higher education sector.

Recent evidence from the Kenyan public-university sector has also examined specific accounting practices that influence reporting quality. [11], investigated revenue-recognition techniques and financial reporting quality in Kenyan public universities, while another study by [12] examined expense-classification techniques and financial reporting quality. These studies demonstrate that specific components of the financial reporting process can influence the quality of information reported by public universities. However, the focus on revenue recognition and expense classification leaves an important empirical gap concerning the broader completeness of financial reporting and its implications for audit report quality. Overall, the empirical literature indicates that reporting practices, disclosure, regulatory monitoring, accounting processes, and accountability mechanisms influence financial reporting quality. However, most existing studies have examined financial reporting quality as the dependent variable, while relatively little empirical attention has focused on financial reporting completeness as an explanatory variable for audit report quality. Moreover, studies in universities have largely focused on contexts outside Kenya or on financial reporting quality and accountability rather than audit report quality. This study therefore addresses this gap by examining whether financial reporting completeness influences audit report quality in Kenyan public universities.

### 3.3 Conceptual Framework

The conceptual framework illustrates the relationship between financial reporting completeness and audit report quality in Kenyan public universities. It posits that complete financial reporting, characterized by the comprehensive recording, presentation, disclosure, and supporting documentation of financial transactions, balances, assets, liabilities, revenues, and expenditures, provides auditors with adequate information for evaluating the reliability and fairness of financial statements. Consequently, greater completeness of financial reporting is expected to facilitate the audit process and contribute to the production of credible, accurate, and reliable audit reports. The conceptual relationship between financial reporting completeness and audit report quality is presented in Figure 1.

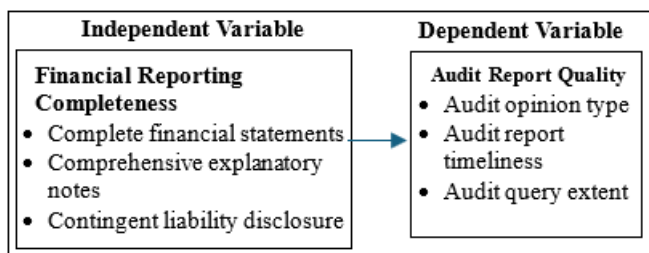


Figure 1: Conceptual Framework

### 4. Methodology

This study adopted a positivist research philosophy and a cross-sectional research design to examine how financial reporting completeness influences audit report quality in Kenyan public universities. The study targeted 175 respondents drawn from 35 publicly chartered universities in Kenya, comprising Deputy Vice Chancellors (Finance and Administration), Chief Finance Officers, Internal Auditors, Accountants, and members of Audit or Finance Committees. The study used a census approach at the institutional level, while purposive sampling selected respondents with direct knowledge of and involvement in financial reporting and audit processes. The study collected primary data using structured questionnaires with five-point Likert-scale items measuring financial reporting completeness and audit report quality, and obtained secondary data from published financial statements and audit reports issued by the Office of the Auditor-General. A pilot study of four public universities assessed the instrument's suitability and clarity. Content validity was established through expert review and alignment of questionnaire items with the study objective, while reliability was assessed using Cronbach's Alpha, with a coefficient of  $\alpha \geq 0.70$  considered acceptable. Data collection adhered to ethical principles, including informed consent, confidentiality, anonymity, and voluntary participation. Quantitative data were analyzed using SPSS version 27 with descriptive statistics, Pearson correlation, and simple linear regression.

The regression model was specified as follows:

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

Where ARQ represents Audit Report Quality, FRC represents Financial Reporting Completeness,  $\beta_0$  represents the regression intercept,  $\beta_1$  represents the regression coefficient for financial reporting completeness, and  $\varepsilon$  represents the error

term. Diagnostic tests for normality, multicollinearity, heteroscedasticity, linearity, and autocorrelation were conducted to assess the data's suitability for regression analysis and strengthen the validity and reliability of the findings.

### 5. Findings

This section presents the study's findings on the relationship between financial reporting completeness and audit report quality in Kenyan public universities. The findings are presented in accordance with the study objective, which sought to evaluate the influence of financial reporting completeness on audit report quality. The analysis covers the response rate, descriptive statistics, correlation analysis, regression analysis, and hypothesis testing. The results are presented using tables and interpreted in relation to the study objective and the corresponding hypothesis.

#### 5.1 Response Rate

A total of 175 questionnaires were distributed to the targeted respondents drawn from public chartered universities in Kenya. Of these, 151 questionnaires were completed and returned, representing a response rate of 86.3%, while 24 questionnaires (13.7%) were not returned. The response rate was considered adequate for statistical analysis and provided a sufficient basis for examining the influence of financial reporting completeness on audit report quality. Table 1 presents the results.

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 were completed and returned, yielding a response rate of 86.3%. The high response rate demonstrates strong participation among the targeted respondents and provided adequate data for analysis. The respondents were considered appropriate sources of information because they were directly involved in financial reporting and audit-related processes within public universities. The achieved response rate was therefore considered sufficient to support the subsequent descriptive and inferential analyses examining the influence of financial reporting completeness on audit report quality in Kenyan public universities.

#### 5.2 Descriptive Statistics

Descriptive statistics summarized respondents' perceptions of financial reporting completeness and audit report quality in Kenyan public universities. The analysis focused on the extent to which financial reporting completeness was reflected in the recording, presentation, disclosure, and supporting documentation of financial information. Responses were measured using a five-point Likert scale ranging from 1 = Strongly Disagree to 5 = Strongly Agree. The mean and standard deviation described the central tendency and variability of responses, respectively. The findings provide an

overview of the prevailing level of financial reporting completeness and form the basis for subsequent inferential analysis examining its relationship with audit report quality.

### 5.2.1 Descriptive Statistics for Financial Reporting Completeness

Respondents were asked to indicate the extent to which financial reporting completeness was practiced in their respective public universities using a five-point Likert scale ranging from 1 = Not at all to 5 = To a very large extent. The

assessment focused on the completeness of financial statements, coverage of financial activities, adequacy of disclosures, accounting policies and estimates, and reporting of contingent and potential financial obligations. The mean and standard deviation summarized the responses. A higher mean indicated a greater extent of financial reporting completeness, while the standard deviation indicated the degree of variation in respondents' perceptions. Table 2 presents the results.

**Table 2: Financial Reporting Completeness (N = 151)**

| Statement                                            | 5 (VLE)    | 4 (LE)     | 3 (ME)     | 2 (SE)     | 1 (NA)     | Mean        | SD          |
|------------------------------------------------------|------------|------------|------------|------------|------------|-------------|-------------|
| Financial statements include all required components | 61 (40.4%) | 32 (21.2%) | 37 (24.5%) | 17 (11.3%) | 3 (2.0%)   | 3.87        | 1.09        |
| All major financial activities are reflected         | 52 (34.4%) | 47 (31.1%) | 20 (13.2%) | 20 (13.2%) | 12 (7.9%)  | 3.71        | 1.25        |
| No significant omissions in financial statements     | 69 (45.7%) | 29 (19.2%) | 24 (15.9%) | 20 (13.2%) | 9 (6.0%)   | 3.85        | 1.27        |
| Notes adequately explain financial figures           | 41 (27.2%) | 39 (25.8%) | 40 (26.5%) | 24 (15.9%) | 7 (4.6%)   | 3.55        | 1.19        |
| Accounting policies and estimates are disclosed      | 72 (47.7%) | 40 (26.5%) | 20 (13.2%) | 15 (9.9%)  | 4 (2.6%)   | 4.06        | 1.08        |
| Notes provide sufficient detail for users            | 73 (48.3%) | 43 (28.5%) | 30 (19.9%) | 3 (2.00%)  | 2 (1.3%)   | 4.2         | 0.9         |
| Contingent liabilities are fully disclosed           | 22 (14.6%) | 43 (28.5%) | 49 (32.5%) | 20 (13.2%) | 17 (11.3%) | 3.22        | 1.28        |
| Potential financial obligations explained            | 27 (17.9%) | 43 (28.5%) | 59 (39.1%) | 14 (9.3%)  | 8 (5.3%)   | 3.44        | 1.14        |
| Risks of future financial liabilities reported       | 27 (17.9%) | 30 (19.9%) | 57 (37.7%) | 27 (17.9%) | 10 (6.6%)  | 3.25        | 1.2         |
| <b>Overall Mean and SD</b>                           |            |            |            |            |            | <b>3.68</b> | <b>1.16</b> |

Table 2 indicates that financial reporting completeness was generally practiced to a moderately great extent in Kenyan public universities, as reflected by an overall mean of 3.68 (SD = 1.16). The highest mean score was recorded for the statement that notes provide sufficient detail for users (M = 4.20, SD = 0.90), followed by disclosure of accounting policies and estimates (M = 4.06, SD = 1.08). This suggests that respondents generally perceived universities as providing adequate explanatory information and disclosing important accounting policies and estimates in their financial reports. Financial statements including all required components also recorded a relatively high mean (M = 3.87, SD = 1.09), while the absence of significant omissions recorded a mean of 3.85 (SD = 1.27). Similarly, the extent to which financial statements reflected all major financial activities had a mean of 3.71 (SD = 1.25). These findings suggest that respondents generally perceived financial statements as capturing the major financial activities and required reporting components of the universities. However, respondents gave relatively lower mean scores for the disclosure of contingent liabilities (M = 3.22, SD = 1.28) and the reporting of risks of future financial liabilities (M = 3.25, SD = 1.20). The finding indicates comparatively weaker perceptions regarding the completeness of information relating to future and contingent financial obligations. The relatively higher standard deviations for these items also indicate greater variation in respondents' perceptions. Overall, the mean score of 3.68 suggests that financial reporting completeness was practiced relatively well, although gaps remained, particularly in disclosing contingent liabilities and potential future financial obligations.

### 5.3 Correlation Analysis

Pearson product-moment correlation analysis was conducted to determine the strength and direction of the relationship between financial reporting completeness and audit report quality in Kenyan public universities. The analysis used responses from 151 respondents. Pearson's correlation coefficient (r) ranges from -1 to +1, where a positive

coefficient indicates a positive relationship between the variables, while a coefficient closer to either -1 or +1 indicates a stronger relationship. Table 3 presents the results.

**Table 3: Correlation between Financial Reporting Completeness and Audit Report Quality**

| Variables                        | Financial Reporting Completeness | Audit Report Quality |
|----------------------------------|----------------------------------|----------------------|
| Financial Reporting Completeness | 1                                | 0.711**              |
| Audit Report Quality             | 0.711**                          | 1                    |
| Sig. (2-tailed)                  |                                  | 0                    |
| N                                | 151                              | 151                  |

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

Table 3 shows a strong positive relationship between financial reporting completeness and audit report quality ( $r = 0.711$ ,  $p < 0.001$ ). This suggests that higher financial reporting completeness was associated with higher audit report quality among Kenyan public universities. The statistically significant correlation indicates that the observed relationship was unlikely to have occurred by chance at the 1% significance level. This finding provides preliminary empirical evidence supporting the proposition that complete financial information, including adequate reporting and disclosure of financial transactions and obligations, is associated with audit report quality. However, correlation alone does not establish causality; therefore, regression analysis was conducted to determine the extent to which financial reporting completeness predicts audit report quality.

### 5.5 Model Summary

Simple linear regression analysis was conducted to determine the extent to which financial reporting completeness predicts audit report quality in Kenyan public universities. The analysis established the strength of the regression relationship and the proportion of variation in audit report quality explained by financial reporting completeness. Table 4 presents the model summary results.

**Table 4: Model Summary**

| Model | R     | R Square | Adjusted R Square | Std. Error of the Estimate |
|-------|-------|----------|-------------------|----------------------------|
| 1     | 0.711 | 0.506    | 0.503             | 0.704                      |

Table 4 shows that the model produced an R-value of 0.711, indicating a strong positive relationship between financial reporting completeness and audit report quality. The R-squared value of 0.506 indicates that financial reporting completeness explained 50.6% of the variation in audit report quality among Kenyan public universities. The remaining 49.4% of the variation was explained by other factors not included in the model. The adjusted R-squared of 0.503 indicates that the model's explanatory power remained stable after adjustment for the predictors included in the analysis. Overall, the model demonstrates that financial reporting completeness has substantial explanatory power for audit report quality, warranting further assessment of the model's statistical significance through analysis of variance.

### 5.6 Analysis of Variance (ANOVA)

Analysis of variance (ANOVA) was conducted to determine whether the regression model statistically explained variation in audit report quality. The analysis assessed whether financial reporting completeness significantly predicted audit report quality among Kenyan public universities. Table 5 presents the results.

**Table 5: ANOVA**

| Model        | Sum of Squares | df         | Mean Square | F      | Sig.  |
|--------------|----------------|------------|-------------|--------|-------|
| Regression   | 75.52          | 1          | 75.52       | 152.33 | 0.000 |
| Residual     | 73.88          | 149        | 0.496       |        |       |
| <b>Total</b> | <b>149.4</b>   | <b>150</b> |             |        |       |

Table 5 shows that the regression model was statistically significant,  $F(1, 149) = 152.33, p < 0.001$ . This demonstrates that financial reporting completeness significantly explains variation in audit report quality among Kenyan public universities. The significant F-statistic further indicates that the regression model better explains audit report quality than a model with no predictors. In conjunction with the model summary, which showed that financial reporting completeness explained 50.6% of the variation in audit report quality, the findings provide evidence of a statistically significant relationship between the two variables.

### 5.7 Regression Coefficients

Regression analysis was conducted to determine the direction, magnitude, and statistical significance of financial reporting completeness's influence on audit report quality in Kenyan public universities. Table 6 presents the results.

**Table 6: Regression Coefficients**

| Model                            | Unstandardized Coefficient B | Std. Error | Standardized Beta ( $\beta$ ) | t      | Sig.  |
|----------------------------------|------------------------------|------------|-------------------------------|--------|-------|
| (Constant)                       | 2.116                        | 0.171      | —                             | 12.374 | 0.000 |
| Financial Reporting Completeness | 0.295                        | 0.024      | 0.711                         | 12.366 | 0.000 |

Table 6 shows that financial reporting completeness positively and significantly influenced audit report quality ( $B = 0.295, \beta = 0.711, t = 12.366, p < 0.001$ ). The positive coefficient indicates that higher financial reporting completeness was associated with higher audit report quality. The standardized beta coefficient of 0.711 indicates a strong positive contribution of financial reporting completeness to audit report quality. The statistically significant t-value further demonstrates that the observed contribution was significant at the 5% level.

The regression equation was expressed as:

$$ARQ = 2.116 + 0.295FRC + \epsilon$$

This implies that a one-unit increase in financial reporting completeness was associated with a 0.295-unit increase in audit report quality, holding other factors constant. The finding is consistent with the model summary, which indicated that financial reporting completeness explained 50.6% of the variation in audit report quality ( $R^2 = 0.506$ ). It is also consistent with the ANOVA results, which showed that the overall regression model was statistically significant. Therefore, the study rejected the null hypothesis that financial reporting completeness does not significantly influence audit report quality in Kenyan public universities.

### 5.8 Hypothesis Testing

The study tested the null hypothesis that financial reporting completeness does not significantly influence audit report quality in Kenyan public universities. The study tested the hypothesis using the regression coefficient, with the decision rule that the null hypothesis would be rejected if the p-value was less than 0.05. Table 7 presents the results.

**Table 7: Hypothesis Testing**

| Hypothesis                                                                                                                            | $\beta$ | t-value | p-value | Decision              |
|---------------------------------------------------------------------------------------------------------------------------------------|---------|---------|---------|-----------------------|
| H <sub>0</sub> : Financial reporting completeness has no significant influence on audit report quality in Kenyan public universities. | 0.711   | 12.366  | 0       | Reject H <sub>0</sub> |

Table 7 shows that financial reporting completeness positively and significantly influenced audit report quality ( $\beta = 0.711, t = 12.366, p < 0.001$ ). Since the p-value of 0.000 is less than the 0.05 significance level, the null hypothesis was rejected. The study therefore established that financial reporting completeness significantly influenced audit report quality in Kenyan public universities. The positive beta coefficient further indicates that higher levels of financial reporting completeness were associated with higher audit report quality. This finding is consistent with the correlation result ( $r = 0.711$ ) and the regression model, which explained 50.6% of the variation in audit report quality.

## 6. Summary of Findings

The study evaluated the influence of financial reporting completeness on audit report quality in Kenyan public universities. Descriptive findings established that financial reporting completeness was relatively well practiced, with an overall mean of 3.68 and a standard deviation of 1.16. The highest-rated aspect was the provision of sufficient detail in

financial statement notes, which recorded a mean of 4.20 and a standard deviation of 0.90, followed by the disclosure of accounting policies and estimates, with a mean of 4.06 and a standard deviation of 1.08. The inclusion of all required components in financial statements recorded a mean of 3.87, while the absence of significant omissions recorded a mean of 3.85. The findings also indicated that financial statements generally reflected all major financial activities ( $M = 3.71$ ). However, respondents gave lower ratings for the disclosure of contingent liabilities ( $M = 3.22$ ,  $SD = 1.28$ ), reporting of risks associated with future financial liabilities ( $M = 3.25$ ,  $SD = 1.20$ ), and explanation of potential financial obligations ( $M = 3.44$ ,  $SD = 1.14$ ). These findings indicate that although public universities generally reported financial information completely, weaknesses persisted in disclosing contingent obligations and future financial risks. Inferential findings showed a strong, positive, and statistically significant relationship between financial reporting completeness and audit report quality, with Pearson's correlation coefficient of  $r = .711$ ,  $p < .001$ . The finding indicates that higher levels of financial reporting completeness were associated with higher levels of audit report quality. Simple linear regression analysis further established that financial reporting completeness significantly predicted audit report quality, with  $R = .711$ ,  $R^2 = .506$ , and an adjusted  $R^2 = .503$ . This implies that financial reporting completeness explained 50.6% of the variation in audit report quality, while the remaining 49.4% was attributable to other factors outside the model. The ANOVA results confirmed that the regression model was statistically significant,  $F(1,149) = 152.33$ ,  $p < .001$ . The regression coefficient also showed that financial reporting completeness had a positive and statistically significant influence on audit report quality ( $B = .295$ ,  $\beta = .711$ ,  $t = 12.366$ ,  $p < .001$ ). Consequently, the null hypothesis that financial reporting completeness has no significant influence on audit report quality in Kenyan public universities was rejected. Overall, the findings demonstrate that completeness of financial information, including adequate disclosure and reporting of financial obligations, is an important factor in supporting the quality of audit reports issued for Kenyan public universities.

## 7. Conclusion

Based on the descriptive findings, the study concludes that Kenyan public universities generally practice financial reporting completeness. Universities demonstrated relatively strong practices in providing detailed notes to financial statements, disclosing accounting policies and estimates, and including required components in financial statements. However, comparatively lower ratings for contingent liabilities, potential financial obligations, and future financial risks indicate areas where reporting completeness needs further strengthening. The inferential findings indicate that financial reporting completeness is positively and significantly associated with audit report quality in Kenyan public universities. The strong correlation and significant regression results show that more complete financial reporting provides auditors with more comprehensive information to assess financial transactions, balances, disclosures, and obligations. The explanatory power of 50.6% further indicates that financial reporting completeness constitutes an important factor in explaining variations in audit report quality, although other institutional and audit-related factors also contribute.

The study therefore concludes that strengthening financial reporting completeness can improve audit report quality in Kenyan public universities. Particular attention should be directed towards areas that were relatively weaker in the descriptive findings, especially the disclosure of contingent liabilities, potential financial obligations, and risks of future financial liabilities.

## 8. Recommendations

### 8.1 Policy Recommendations

The Public Sector Accounting Standards Board (PSASB), the Ministry of Education, and other relevant oversight institutions should strengthen financial reporting guidelines for public universities by providing clearer requirements and practical guidance on disclosure completeness. Particular emphasis should be placed on contingent liabilities, potential financial obligations, future financial risks, and supporting disclosures. Universities could incorporate standardized disclosure checklists into the financial reporting process to systematically confirm that they capture all material financial information before submitting financial statements for audit. The policy framework should also strengthen pre-audit financial reporting reviews within public universities. Universities should be required to conduct structured internal reviews of financial statements to confirm the completeness, accuracy, consistency, and adequacy of disclosures before submitting them to external auditors. Such measures would strengthen accountability and reduce avoidable reporting deficiencies that may affect audit report quality.

### 8.2 Practice Recommendations

University management should strengthen internal financial reporting processes by introducing comprehensive reporting checklists covering financial statement components, supporting documentation, accounting policies, estimates, contingent liabilities, commitments, and future financial obligations. The relatively low descriptive scores for contingent liabilities and future financial risks indicate these areas need particular attention. Chief Finance Officers, accountants, internal auditors, and other officers involved in financial reporting should receive continuous professional training on applicable public-sector accounting standards and disclosure requirements. Training should emphasize identifying and reporting material obligations and risks that may not be immediately reflected in conventional financial statement balances. Audit and finance committees should also intensify their review of financial statements before external audit. Their oversight should extend beyond numerical accuracy to include the completeness of disclosures and the adequacy of explanations supporting reported figures. Strengthening this review process could improve the quality of information available to external auditors and contribute to more informative and credible audit reports.

### 8.3 Theoretical Recommendations

The findings support applying Agency Theory to explain financial reporting and audit processes in public universities. The significant positive relationship between financial reporting completeness and audit report quality demonstrates

the importance of complete financial information in reducing information asymmetry between university management and stakeholders. The study therefore recommends continued application of Agency Theory in public-sector financial reporting research, particularly in examining how reporting and monitoring mechanisms promote accountability. Future theoretical work should, however, extend the agency perspective by incorporating other organizational and institutional factors that may explain audit report quality. Since financial reporting completeness explained 50.6% of the variation in audit report quality, the remaining variation suggests that factors such as internal control effectiveness, audit committee effectiveness, auditor independence, financial management capacity, and institutional governance may also be relevant. Integrating these factors with Agency Theory could provide a more comprehensive explanation of audit report quality in public universities.

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