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Public Sector Accounting Standards and Quality Financial Reporting in Nairobi City County Government, Kenya

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ABSTRACT
Financial reports are of primary significance not just to the final consumers but to society as a whole, as they influence financial decisions that have a substantial influence on humanity. Various key issues are constantly impeding the quality and productivity of the county government financial reporting functions. This is related to weak proper accounting factors on the performance, poor management, insufficient financial guidelines for decision support, low employee desire, and negative mindsets about accounting and responsibility. In the context of this, this investigation seeks to determine the effect of adoption of public sector accounting standards on financial reporting of Nairobi city county government, Kenya. Its specific objective is to examine the effect of preparation of financial statements, disclosure of financial information, presentation of budget information of Nairobi city county government in Kenya. The investigation was anchored on stakeholder, institutional and the theory of Isomorphism. The investigation targeted a population of 102 Employees of Nairobi city county government in the finance and planning division mainly. This investigation adopted descriptive and inferential analysis for analyzing the data, a sample of eighty-one (81) employees was chosen using a stratified random sampling technique. The investigation used questionnaires that were given to the finance persons in the finance and planning division under the planning division of Nairobi city county government staff. Findings from the survey displayed that presentation of financial statements has a significant positive effect on the overall quality of financial reporting; the effect of financial information disclosure on the quality of financial reporting was both significant and negative; and while the presentation of budget information had a positive and insignificant effect on the quality of financial reporting, this effect was not statistically significant in Nairobi City County government in Kenya. The survey recommends that the county government should prioritize the improvement of the presentation of financial statements. This can be achieved by implementing standardized reporting formats that adhere to established accounting principles, ensuring consistency and clarity in financial disclosures.
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1.1 Background of the Study

Economic globalization has triggered several provisions in the public sector geared towards improving the efficacy and productivity of the execution of public accounting and reporting systems (Nistor, 2012; Andre, 2014). Based on the ideas and tenets of New Public Management (NPM), most Organization for Economic Cooperation and Development (OECD) countries have recently reformed the system of public accounting and reporting. The reforms' principal goals were to encourage greater sector administration as well as boost government transparency and accountability (Onyulo, 2017). Reforms in public management, as well as a succession of business failures and financial scandals involving world-renowned corporations, have driven a worldwide access to the financial openness and accountability (Opanyi, 2016). Following the European Union's sovereign debt crises in 2010-2012, the key issues were administrations' absence of adequate public financial reporting, a lack of accountability, openness and administration, and a dearth of fiscal management frameworks in many countries (IFAC 2012). There were no economic advantages for authorities to responsibly handle their money in a method that safeguarded the public's and investors' interests.

The adoption of International Public Sector Accounting Standards (IPSAS) was a key component of public-sector reforms, and it is at the heart of the revolution in global accounting, as well as a reaction to calls for increased government financial transparency and reporting (Chan, 2008; Opanyi, 2016). As a result, IPSAS are indeed de facto international baseline for appraising government accounting practice around the globe (Opanyi, 2016). The necessity for uniform accounting standards has been the main driver behind the establishment of global Public Sector Accounting Standards (PSASs) for financial reporting by the public sector. Whereas the businesses around the world are adopting International Financial Reporting Standards (IFRS), governments are adopting IPSAS, which promote rigorous accounting, complete transparency, account standardisation, and correctness, paving the way for credibility and validity, increased accountability, effective government, and improved excellent service execution. The development of global economies is heavily dependent on the quality of financial reporting, which fosters economic progress, ensures effective resource allocation, boosts investor confidence, and encourages accountability and openness (Corporate Finance Institute (2024).

Good financial reporting supports economic growth in developing economies by ensuring that resources are put to the best possible use. By offering transparent and dependable records of financial transactions, high-quality financial reporting helps reduce corruption. In order to prevent illegal activity and make sure that public and private monies are handled responsibly, this transparency is crucial (Alsmady, 2022). Corporate governance is enhanced in developing nations by high-quality financial reporting. More responsible and accountable management techniques are a direct result of improved governance frameworks. Accurate assessment of business taxes and other revenues is made easier for governments by high-quality financial reporting. This precision is necessary for managing public finances, as well as for financing infrastructure and necessary services (Carbon, 2023).

Massive resource aspects are routed through public sector firms in Kenya, as they are in other developing nations, and this has resulted within the public sector, having a notable role in the nation's economic growth (Macharia, 2014). Public entities in Kenya have underperformed as a result of inadequate financial report preparation. GoK financial reporting was noted as being unsatisfactory in a report by the GoK (2006) on PEFA public financial performance management report, with a shortage of punctuality, openness, appropriateness, correctness, and integrity. The GoK has had deficiency in funding levels for most key services due to public sector waste (Njeru, 2010). It was also discovered that a lack of excellent financial reporting allowed for fraud and corruption to flourish, compromising the integrity of corporate governance (Madawaki and Amran, 2016).

1.2 Statement of Problem

Satisfactory quality financial reporting is essential for efficient resource allocation and serve as ae foundation of good governance. This is supported by the assertion that Nature or quality of financial reporting gives internal and external Stakeholders insight into the control of their financial resources (Kadim &Sunardi, 2022). However, Reports provided by the office of the Auditor General reflect unfavorable audit opinions that are frequently provided on Nairobi City County Government's financial reports. According to BDA (2021), Nairobi City County continues to fall short of conditional funding totaling more than 500 million shillings each fiscal year. Several counties in Kenya were unable to use the Ksh 339.6 billion allotted to them in the fiscal year that concluded on June 30, 2018, according to the Fourth Quarter 2017/2018 Budget Performance Review Report. This amount exceeds Kshs. 75 billion, according to statistics, which were not spent during the prior fiscal year. During the fiscal years 2017–2018, counties only used 814.7 billion of the 1.15 trillion shillings allotted for spending. This is true even though more resources have been made available for development to boost the economy. According to the report, the counties spent Ksh 193.9 billion, or 44.4 percent, of the Ksh 437.1 billion that was allotted for development (Murigi, & Musau, 2023). Among the counties that face financial challenges in Kenya, Nairobi County is not left behind, and this vindicates the necessity of this study.

There are a number of studies done in respect to accounting standards and financial reports. Studies like, Ezejiofor, Okolocha and Ofulum (2020) revealed that IPSAS ensures credibility, integrity which is a key to international best financial practices. IPSAS according to Olola (2019), have a favorable and noteworthy influence on how well public finances are managed in Nigeria's public sector. Accounting standards and financial reporting in Asian countries were studied by Zhuquan and Javed (2018); the majority of South Asian countries have embraced the IPSASs, albeit to varying degrees. Although using diverse strategies and tactics, Bangladesh, Pakistan, Sri Lanka, and Nepal have all implemented IPSAS, but India continues to use a cash-based accounting system. Ijeoma (2014), IPSAS Implementation favorably affect the financial reporting's dependability, credibility, and integrity and open the door for reporting consistency.

Financial reporting in Kenya has been the subject of few researches. Lekamario (2017) investigated the variables influencing Kenyan county governments' financial reporting quality. The study recommended that IFMIS are reliable and work efficiently, and government management should be trained on IFMIS systems. Opanyi (2016) explored into how Kenyan financial reporting quality was affected by the introduction of IPSAS, recommending that the government of Kenya gradually transition to accrual basis IPSASs rather than the existing cash basis IPSASs.

Despite the importance of financial reporting requirements in the government ministries, there is little research on accounting standards and financial reporting in the Kenyan government ministries. The public has long wanted more relevant and trustworthy financial statements from the federal government, financial reports that capture and incorporate all important information needed by diverse consumers of the financial statements. The usefulness of accounting standards is a critical issue because it improves governments' ability to offer clear, relevant, reliable, and comparable financial information to legislative bodies, people, the media, taxpayers, donors, employees, and other stakeholders. Therefore this investigation aims at examining the effect of accounting standards on financial reporting in government ministries in Kenya.

1.3 Objectives of the Study

The investigation was guided by the following objectives listed below;

1.3.1 General Objective

The general objective of the investigation is to determine the effect of public sector accounting standards on financial reporting by Nairobi City County government in Kenya.

1.3.2 Specific objectives

i. Evaluate the effect of financial statements preparation on financial reporting by Nairobi City County government in Kenya.

ii. Investigate the effect of disclosure of financial information on financial reporting by Nairobi City County government in Kenya.

iii. Examine the effect of presentation of budget information on financial reporting by Nairobi county government in Kenya.

1.4 Research Hypotheses

H_{01}: Financial statements preparation does not significantly affect financial reporting by Nairobi county government in Kenya.
H_{02}: Disclosure of financial information does not have a significant effect on financial reporting by Nairobi county government in Kenya.
H_{03}: Presentation of budget information has a minor effect on financial reporting by Nairobi county government in Kenya.

2.1 Literature review

2.2 Theoretical Literature Review

The investigation made use of stakeholder theory, institutional theory, and the theory of budgeting to corroborate the link amongst the independent and dependent variables.

2.2.1 Stakeholder Theory

In describing the firm's aims, Ansoff (1965) was the first to invent the phrase stakeholder theory. According to the principle, a company's primary goal is to balance the competing needs of its numerous stakeholders. The following parties are involved in government financial reports: voters, fee-paying citizens, grantors, contributors, taxpayers, creditors and lenders, staff members, and contractors. The theory explains how established organizations build and operate in order to prepare accounting data that satisfies stakeholders' requirements (Omoro, 2014).

With this regard, government agencies must earn the trust of their publics (people in general, the federal government, labor unions, staff members, vendors, and the community of donors) by ensuring financial reporting clarity, accountability, and consistency by adopting and implementing IPSAS. Because any public institution relies on the support of taxpayers to survive, accountability is a critical factor in determining its long-term viability (Carien, 2010).Furthermore, these entities must adhere to the PFM Act of 2012, which mandates compliance with the law.

Stakeholders at public institutions may be unable to participate in day-to-day operations and might only depend on financial transparency to judge productivity, responsibility as well as sound financial management. According to this view, stakeholders' interests ought to always come first. Citizens, ministries, donors, government bodies, and agencies are all part of the public sector. They should always come first in the preparatory work, composition, reporting, and incentives. Therefore, the theory is suitable for the study as it supports disclosure of financial information and financial reporting.

2.2.2 Institutional Theory

The widely accepted theoretical perspective known as institutional theory emphasizes organizations as social and cultural systems, focusing on the more basic and durable aspects of social structure. It examines how formal norms for social behavior are provided by structures including rules, laws, standards, and processes (Scott, 2004). The formation and consistent application of these characteristics are explained by institutional theory in a number of ways. Institutional theory is usually analyzed from the perspective of regulatory policy. Better legal environments encourage the integration of good governance because they provide more incentives for businesses, and different nations have unique governance laws that act as models for implementation in the respective countries (Stulz, 2004).

In view of the political, social, and historical difficulties in recognizing organizational changes, the acceptance or rejection of these changes should be investigated. According to institutional theory, methods and organizational structures are adopted because they are favored by pertinent external institutions. Institutional networks foster norms and attitudes and socially construct compliance in addition to serving as tools for coordination and control in business dealings. The theory supports presentation of budget information.

2.2.3 The Theory of Budgeting

The concept of marginal utility was first introduced into the "theory of budgeting" by Verne Lewis (1952). Lewis argues that when "this is the point of balance where further spending or any reason produces an identical return," analysts should focus on marginal increases in public spending. Lewis (2012) stated that the relative value of these increments can thus be assessed using the "relative efficiency of accomplishing a universal objective." Identifying this common goal and assessing the relative merits of using public money for its pursuits are the responsibilities of politicians. Budgeters assist decision makers by providing distinct recommendations for each program at varying spending levels. The trade-offs between different applications for further funding is thus apparent.

Descriptive theory is usually informed by professional observation as they perform the work of financial assessments and is based on several observations, often obtained through surveys. There have been moments when normative theory and descriptive theory concur. The theory is suitable for the study as it supports financial statements preparation and presentation of budget information.

2.3 Empirical Review

The study reviews various empirical studies which are captured hereunder.

2.3.1 Financial Statement Preparation and Financial Reporting

In order to meet decision-making criteria, Opaniyi (2016) explored how the development of IPSAS affected the caliber of financial reporting. The investigation used secondary sources to collect data from 19 Kenyan government ministries. To analyze the investigation, descriptive statistics and a t-test for differences were used. The outcome of the investigation revealed that the implementation of IPSAS enhanced the caliber of qualities such as Similarity, pertinence, promptness, and accurate portrayal, whilst attributes like understandability declined in quality. According to the investigation’s outcome, there is a statistically noteworthy difference in how well financial reports based on outdated accounting standards and those based on IPSAS meet the requirements for decision usefulness. The previous study utilized secondary data and focused on government ministries. The present study utilized primary data and focused on NCCG in Kenya.

Zhuquan and Javed (2018) investigated the level to which the preparations of financial statements under IPSAS are being adopted in South Asia. Utilizing a literature review design, the study was carried out. A Google

Scholar literature search was carried out utilizing the terms Asia-Pacific, comprising Afghanistan, Bhutan, Nepal, Pakistan, Bangladesh, Sri Lanka, and the Maldives together with the descriptions IPSAS or IPSASs. For the investigation, nine papers were gathered. While Nepal, Bangladesh, Pakistan, and Sri Lanka have preparation of statement under IPSAS, they have done so in different ways and in diverse ways, but India continues to use the cash-based accounting system. The study findings revealed that majority of South Asian countries, though to varying degrees, have embraced the IPSASs. The aforementioned study was conducted in South Asian countries and utilized a literature review methodology. The present investigation was conducted in Nairobi County, Kenya and utilized descriptive methodology.

Olola (2019) explored the impact of IPSAS on the standard of financial reporting by the government of Nigeria. The investigation utilized primary data and a survey research design. Copies of the structured questionnaire, which was created in accordance with the three (3) research questions, were given to the participants. All of the employees of the Anambra State Ministry of Finance in Awka constituted the study's population. The 127 employees of the ministry made up the population element through census sampling. Standard deviations, mean scores, and frequency counts were employed to estimate the data gathered for the investigation. The investigation establish that the IPSAS have a favorable and noteworthy influence on the Nigerian public sector's effective administration of public finances. The prior study was conducted in Nigeria and utilized census sampling. The present study was conducted in Kenya and utilized stratified sampling technique.

Ezejiofor, Okolocha and Ofurum (2020) investigated the degree to which IPSAS implementation helped to reduce corrupt activities among Nigerian public officials. In the investigation, survey research approach was used. All employees of the Enugu State Ministries of Finance comprised the study's population. One hundred and twenty-seven (127) employees of the ministry made up the population element. A sample size of ninety-six (96) was drawn from the 127 ministry of finance employees through purposive sampling. Primary data was gathered via questionnaires. The researcher utilized SPSS to evaluate the data for the study by generating frequency counts, mean scores, and standard deviation. The investigation established that implementing IPSAS lowers corruption among ministry public servants. The study was carried out in Nigeria and utilized purposive sampling method. The recent study was carried out in Kenya and utilized stratified sampling technique.

2.3.2 Disclosure of Financial Information and Financial Reporting

The impact of electronic financial information disclosure on the effectiveness of the Palestinian capital markets was studied by Rashwan (2018). The study employed the utilization of primary data. Primary data was obtained via the use of questionnaires. The intendent audience comprised of one hundred and seventy-two (172) finance managers and division leaders employed for the listed Palestine stock exchange businesses. Census sampling was adopted to sample the one hundred and seventy-two (172) finance managers and division leaders to test the impact of electronic financial information disclosure on the Palestinian capital market's effectiveness. The study utilized descriptive and inferential statistics. The outcome of the investigation showed that the usage of electronic disclosure by businesses enhanced the understanding of financial reports by investors and augmented the quantity invested in Palestine Exchange Stock. The previous investigation was carried out in Palestine and utilized census sampling method. The present investigation was carried out in Kenya and utilized stratified sampling technique.

The impact of financial statement disclosure on the degree of asymmetry among Jordanian money deposit banks listed on the Amman Stock Exchange (ASE) was studied by Sa'ad (2019). The research population consisted of all 13money deposit banks in Jordan as of the end of 2017. Census sampling was utilized. During the 2016–2017 periods, data was obtained via secondary sources. Descriptive statistics and regression analysis were utilized to estimate the data. A negative, with statistically significant results, was discovered in the study variables' statistical analysis. The study revealed that the degree of information asymmetry amongst investors in money deposit banks' shares has been notably impacted by the periodic disclosure of those banks' financial statements in Jordan. The previous study was conducted in Jordan and utilized secondary data. Hence, the present study was done in Kenya and utilized primary data

Namakhabwa, Benedict, and Consolata (2022) evaluated the effects of financial information disclosure by the public sector on the standard of financial reporting in Kakamega County's public secondary schools. Legitimacy theory served as the basis for the investigation's theoretical framework. The investigation employed a descriptive research approach. A sample of 205 public secondary schools from the study's target population of 419 public secondary schools was nominated using a stratified random selection approach. A standardized questionnaire was utilized to collect primary data for the investigation. SPSS version 26 was utilized to estimate the data. Tables, models, frequencies, and percentages were utilized to show the outcome after analysis. The study findings revealed that Kakamega County's public secondary schools' financial reporting of a low caliber was considerably impacted by the publication of public sector financial information. The previous study targeted public secondary schools and focused on Kakamega County. The recent study targeted Nairobi County Government Office in Nairobi County.

Bushra (2023) looked into the effect of accounting disclosures on the trust of financial statement readers. The study utilized a correlational research design. Primary data was employed to obtain data through the use of structured questionnaires. The analysis of data was done by utilizing descriptive and inferential statistics. The investigation established that while the disclosure of non-financial information does not significantly affect investor confidence, the disclosure of accounting and financial information has an essential effect on investor confidence. The aforementioned study explored accounting disclosure on trust of financial statements readers and utilized correlational research design method. The recent study explored how financial information disclosure affects financial reporting and utilized descriptive research approach.

2.3.3 Presentation of Budget Information and Financial Reporting

Kibunja (2017) evaluated the impact of budgetary information process on Murang'a County Government's financial success. An explanatory non-experimental descriptive research approach was utilized for the investigation. 2,074 County employees working in the 13 operational departments made up the target population. An 83-person sample size was established by means of systematic sampling. The investigation utilized a quantitative approach to data analysis, utilizing SPSS software to perform multiple regression analysis for descriptive and inferential statistics. Charts, percentages, and frequency distributions were utilized to report the analysis of the data. The investigation outcome revealed that despite the decentralization of financial management among departments, efficiency gaps were found in the investigation's implementation of controls, monitoring, technology adoption, and timely supplemental budgeting. The aforesaid study utilized explanatory non-experimental descriptive methodology and systematic sampling technique. The current study utilized descriptive research design method and stratified sampling technique.

Nderitu (2018) examined the effects of budget information being included in financial statements on county governments in Kenya's central region. Lower, medium, and high level managers in Kenya's central region county administrations were the focus of the study. The investigator utilized a descriptive research approach for the investigation and collected data from both main and secondary sources. Prior to collecting secondary data from accounting departments' records and primary data from respondents, the researcher first requested authorization from the public relations officers of county governments. The data were interpreted using both descriptive and inferential data analysis techniques. The outcome of the investigation indicated that standardization of financial statement presentation by IPSASB was shown to significantly improve answerability and clearness, reduce the intricacy of existing financial reporting, and enhance the stakeholders' capacity to use financial information in making decisions. The aforesaid investigation utilized both primary and secondary data and focused on County Governments in Kenya Central Region. The present study utilized primary data only and focused on NCCG in Nairobi County, Kenya.

Ngala & Musau (2022) looked into how budgeting affected the standard of financial reporting in the Kenyan government of Nairobi City County. The 425 employees of NCCG's finance and economic planning department were the study's primary aim. 85 respondents made up the study's sample size, which was formed by taking a sample of 20% of the target audience. The investigation's 425 employees at NCCG's department of finance and economic planning were the focus of its causal research approach. The research utilized 85 respondents, or 20% of the target population, as its sample. The investigation employed both primary data from surveys and secondary data from several NCCG financial reports. Determinant of the cause and effect link amongst IFMIS budgeting information and the caliber of financial reporting was aided by multiple regression analysis. The analysis was helped by SPSS, and tables and prose compositions were utilized to display the outcomes. Based on the investigation, IFMIS budgeting improved the standard of financial reporting at NCCG. The prior study utilized causal research design and focused on IFMIS. The recent study examined PSAS and utilized descriptive research design.

2.4 Conceptual Framework

This is a graph that displays how the investigation variables are connected. This makes the link amongst the investigation's explanatory variables and dependent variables clear, making it possible to assess the study's link's trend.

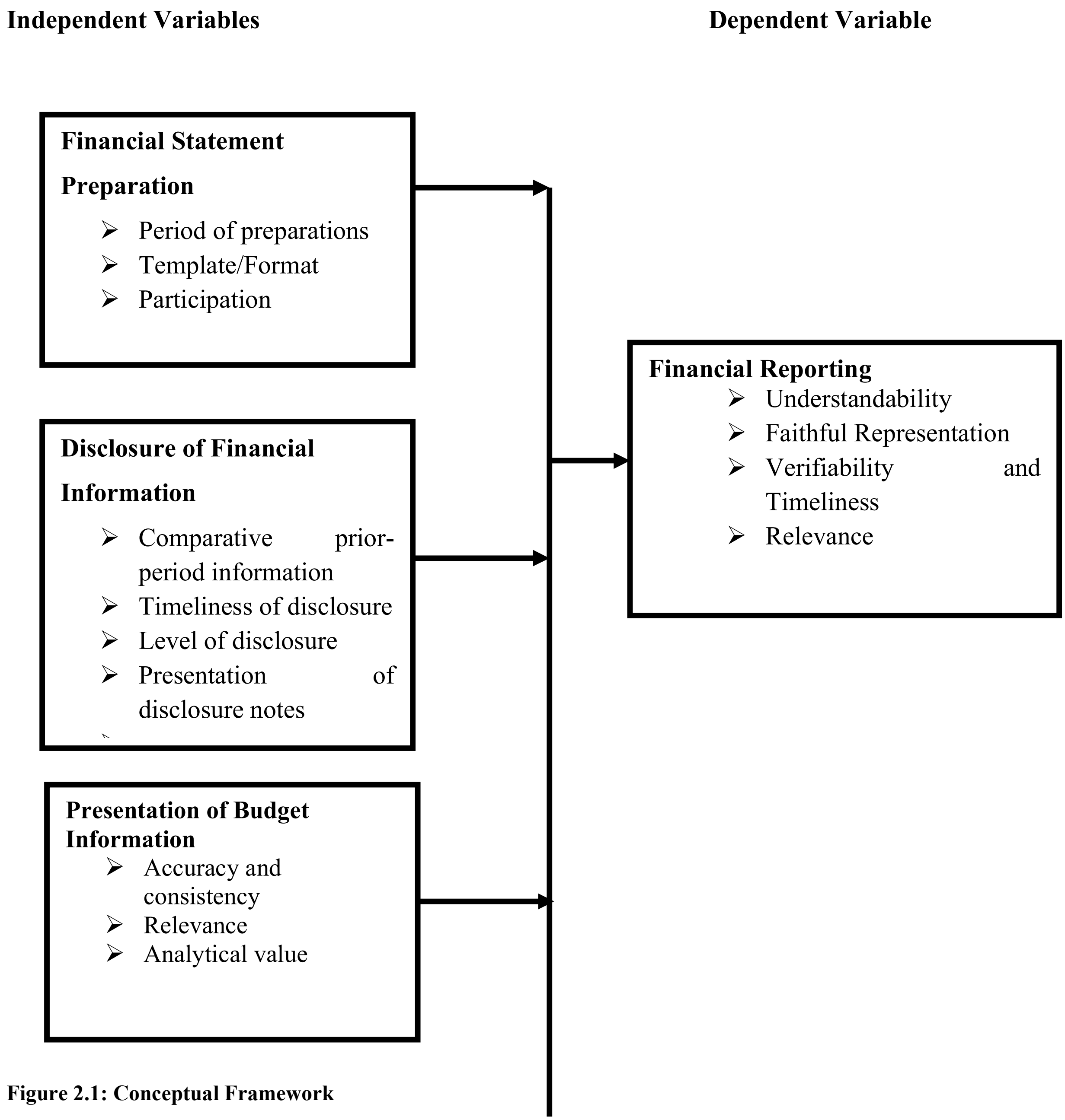

Figure 2.1: Conceptual Framework

Source: Researcher (2024)

3.1 Research Methodology

3.2 Research Design

In this examination, a descriptive research approach was used. Guest (2013) defines descriptive research as "a variety of surveys and evidence enquiries. It is a suggested approach that integrates all of the research's many elements (Saunders, Lewis & Thornhill, 2009). The principal aim of descriptive investigation is to characterize the present state of affairs. As a result, the investigator employed the techniques to collect and present information from the perspective of the respondents, while altering any of their statements. Primary data was collected using a semi structured questionnaire. A pilot study was also carried out to ensure validity and reliability of the research instrument. Other data diagnostics included normality, multicollinerality, and heteroskedasticity. Ethical considerations and standard as well as respondent's anonymity and confidentiality were highly maintained.

3.3 Target Population and sample size

A group of interest that is used to recruit study participants is known as the population target (Lavrakas, 2008). The finance and economic planning department in Nairobi City County Governmentis the investigation's target audience. The top and intermediate management of the Nairobi City County Government made up the investigation's population. Due to their involvement in the county government's mandates, plans, and performance metrics, the managers were included in the research to the extent that it was thought suitable. The target population for the study was one hundred and two (102) employees working in finance and economic planning department in Nairobi City County Government. Using the Yamane (1967) formula, a sample size of eighty-one (81) respondents was utilized.

3.4 Data Analysis and Presentation

The gathered data was reviewed in light of the study's objectives, with the purpose of attaining effective classification for correct parameter computation. Descriptive (mean, frequency and standard deviation), correlation, and inferential statistics and regression analysis with the aid of SPSS 21.0 was utilized. In order to facilitate understanding and description of the data, the findings was displayed as frequencies and percentages in tables. Multiple regression analyses was used to investigate the link amongst PSAS sand on financial reporting. This is based on the regression model shown below.

$FR = \beta_0 + \beta_1 PFS_1 + \beta_2 DFI_2 + \beta_3 PBI_3 + \varepsilon$
Where:

FR = Financial Reporting
PFS = Financial Statement Preparation
DFI = Disclosure of Financial Information
PBI = Presentation of Budget Information
β_0= Constant Term
β_1-β_3= Beta Coefficients
ε = Error term

4.0 Research Findings and Discussion

4.1.1 Response Rate

The study issued a total of 81 questionnaires.The outcome unveiled that the returned questionnaires account for 85.2% (69) of the total, indicating a strong response rate. Conversely, the unreturned questionnaires make up 14.8% (12)of the total. The high response rate of 85.2% suggests that the majority of the participants actively engaged with the survey and provided their valuable insights. This level of participation enhances the reliability and representativeness of the data collected, as it reduces the potential for non-response bias. This rate not only exceeds the acceptable benchmarks set by Dillman *et al* (2014) but also surpasses the average rates reported in the existing literature. The high level of engagement from the respondents contributes to the overall quality and reliability of the data, enhancing the validity and generalizability of the study's findings.

4.2 Descriptive Analysis

This segment considered the critical area of financial reporting, highlighting its significance in ensuring transparency and accountability within the government of Nairobi City County.

Table 4.1: Descriptive Statistics of Financial Reporting

Statement	Percentage					Mean	Std. Dev
	SD	D	N	A	SA		
Financial reporting are comprehensive as regards to IPSAS	1.4	0	2.9	65.2	30.4	4.2319	.64500
Reports are reliable and up to standard	2.9	7.2	11.6	59.4	18.8	3.8406	.91753
Reports are extensive for easy understanding	5.8	11.6	13.0	52.2	17.4	3.6377	1.08426
Average Score						**3.9034**	**0.88226**

Source: Field Survey (2024)

The various statements related to financial reporting showed that 95.6% of the respondents agree or strongly agree that financial reporting is comprehensive regarding IPSAS. This indicates a strong positive perception of the comprehensiveness of financial reports. However, only 1.4% of the respondents noted that financial reporting are comprehensive as regards to IPSAS with the outcome recording neutrality from 2.9% of the participants. The very high mean score of 4.2319, coupled with a low standard deviation, indicates strong consensus and satisfaction with the comprehensiveness of the financial reports in alignment with IPSAS. Approximately 78.2% of respondents agree or strongly agree that reports are reliable and meet standards. Contrarily, 2.9% of the respondents indicated strong disagreement with 7.2% indicating disagreement with the statement that reports are reliable and up to standard. The outcome recorded a neutral stance from 11.6% of the participants. The mean score of 3.8406 reflects a generally positive perception of the reliability and quality of the financial reports, although the slightly higher standard deviation suggests some variability in responses. 69.6% of respondents agree or strongly agree that reports are extensive enough for easy understanding. The respondent however, opposed with disagreement recorded by 11.6% of the respondents as strongly disagreed by 5.8% of the participants. It was also noted that 13% of the participants were neutral regarding the statement that reports are extensive for easy understanding. The mean score of 3.6377 is lower than the other statements, indicating some room for improvement in making the reports more comprehensive and user-friendly. The higher standard deviation reflects greater variability in opinions about the extensiveness and clarity of the reports.

The average score across the three items is 3.9034 with a standard deviation of 0.88226, reflecting an overall positive perception of financial reporting practices. This average score suggests that respondents generally feel favorably about the financial reporting's comprehensiveness, reliability, and understandability, although the variability in responses indicates room for improvement in certain areas. The outcome unveiled that there is a slightly lower and more variable perception regarding the ease of understanding and comprehensiveness of the reports, suggesting potential areas for improvement in making financial information more accessible and clear to all stakeholders.

4.2Inferential Statistics

4.2.1 Pearson Correlation Analysis

Correlation analysis plays a crucial role in examining the relationship between public sector accounting standards and quality financial reporting in Nairobi City County government in Kenya. By employing this statistical method, the researcher is able to measure not only the strength but also the direction of the association between public sector accounting standards and quality financial reporting. Table 4.2 provided a clear findings summary.

Table 4.2: Correlation Analysis Results

		FR	PFS	DFI	PBI
FR	Pearson Correlation	1			
	Sig. (2-tailed)				
PFS	Pearson Correlation	.512**	1		
	Sig. (2-tailed)	.000			
DFI	Pearson Correlation	-.190	.061	1	
	Sig. (2-tailed)	.118	.620		
PBI	Pearson Correlation	-.119	-.071	.592**	1
	Sig. (2-tailed)	.332	.564	.000	

Source: Field Survey (2024)

As discovered, there is a strong positive correlation between financial reporting and preparation for financial statements, with a coefficient of 0.512. This indicates that improvement in preparation for financial statements is associated with better financial reporting quality. The significance level ($p < 0.001$) suggests that this relationship is statistically significant. The outcome is consistent with Olola (2019); Ezejiofor, Okolocha and Ofurum (2020) and Opaniyi (2016). The correlation between financial reporting and disclosure of financial information is weak and negative (-0.190), indicating that the relationship is not significant ($p = 0.118$). This suggests that the role of disclosure of financial information may not have a direct positive impact on the quality of financial reporting in NCCG. The outcome is inconsistent with Bushra (2023); Sa'ad (2019) and Namakhabwa, Benedict, and Consolata (2022). The correlation between financial reporting and presentation of budget information is also weak and negative (-0.119), with a significance level of 0.332, indicating no significant relationship. This suggests that presentation of budget information may not significantly enhance the quality of financial reporting. The outcome is inconsistent with Nderitu (2018) and Ngala & Musau (2022).

4.5 Hypothesis Testing

The section presents hypothesis testing as they were presented in chapter one. The hypotheses **H_{01}, H_{02} and H_{03}** were analyzed using results from the multiple regression as shown in Table 4.3.

Table 4.3: Coefficients

FR	Coef.	Robust Std. Err.	t	P>t	[95% Conf.	Interval]
PFS	.5492184	.1657755	3.31	0.002	.2181418	.880295
DFI	-.2729065	.1082596	-2.52	0.014	-.4891158	-.0566972
PBI	.1337606	.2236774	0.60	0.552	-.312954	.5804753
_cons	2.376334	.7890281	3.01	0.004	.8005365	3.952132
R-Square	31.48					
F (3, 65)	4.20					
Prob > F	0.0088					

Source: Field Survey (2024)

Model specification

The outcome unveiled that the overall quality of financial reporting is represented by the constant term 2.376334, which indicates a baseline level of quality when other factors are held constant. The model's R-Square value of 31.48% suggests that approximately one-third of the variability in financial reporting quality can be explained by the independent variables (PFS, DFI, and PBI). The F-statistic of 4.20 with a p-value of 0.0088 indicates that the model is statistically significant, affirming that at least one of the predictors contributes to explaining the quality of financial reporting in Nairobi City County government in Kenya.

H_{01}: Financial statements preparation does not significantly affect financial reporting by Nairobi county government in Kenya.

The coefficient for presentation of financial statements is 0.5492184, indicating a positive and statistically significant relationship with the quality of financial reporting. The p-value of 0.002 which was less than 0.05 led to the rejection of the null hypothesis. It suggests that improvements in the presentation of financial statements are likely to enhance the quality of financial reporting.

The significant effect may be attributed to the clarity and comprehensiveness of the information provided. Well-structured financial statements enhance stakeholders' understanding and facilitate informed decision-making, thereby improving accountability and transparency. This aligns with the responsibilities outlined by the Nairobi City County's Finance and Economic Planning department, which emphasizes the importance of complying with accounting standards and ensuring proper financial management practices. The outcome aligns with Olola (2019) unveiled that that the IPSAS have a favorable and noteworthy influence on the Nigerian public sector's effective administration of public finances. Ezejiofor, Okolocha and Ofurum (2020) established that implementing IPSAS lowers corruption among ministry public servants.

H_{02}: Disclosure of financial information does not have a significant effect on financial reporting by Nairobi county government in Kenya.

In contrast, the coefficient for disclosure of financial information is -0.2729065, which indicates a negative and statistically significant relationship with financial reporting quality. The p-value of 0.014 which was less than 0.05 led to the rejection of the null hypothesis. It therefore implies that increased disclosure may necessarily correlate with improved financial reporting quality in this context.

The significant effect can be attributed to the enhanced transparency and accountability it fosters among stakeholders. This transparency allows for better scrutiny and understanding of financial data, which is crucial for informed decision-making and trust in public financial management. Furthermore, effective disclosure practices likely align with established accounting standards, thereby improving the overall credibility and reliability of the financial reports produced by the county government. The outcome that emanates from the survey corroborates Sa'ad (2019) who demonstrated a negative, with statistically significant results, revealing that the degree of information asymmetry amongst investors in money deposit banks' shares has been notably impacted by the periodic disclosure of those banks' financial statements in Jordan. Namakhabwa, Benedict, and Consolata (2022) revealed that Kakamega County's public secondary schools' financial reporting of a low caliber was considerably impacted by the publication of public sector financial information.

H_{03}: Presentation of budget information has a minor effect on financial reporting by Nairobi county government in Kenya.

The coefficient for presentation of budget information is 0.1337606, which is not statistically significant the p-value of 0.552 which was greater than 0.05 led to failure to reject the null hypothesis. This indicates that the presentation of budget information does not have a clear impact on the quality of financial reporting in Nairobi City County.

The lack of significance suggests that while budget information is presented, it may not be effectively utilized in improving financial reporting outcomes. The insignificant effect may stem from the fact that the budget information may not be effectively communicated or utilized, leading to a disconnect between budgeting processes and actual financial reporting practices. Additionally, the reliance on integrated financial management information systems (IFMIS) may not be fully optimized, resulting in inadequate integration of budget data with financial reporting standards, thereby diminishing its impact on overall reporting quality. The output disagrees with Nderitu (2018) who unveiled that standardization of financial statement presentation by IPSASB was shown to significantly improve answerability and clearness, reduce the intricacy of existing financial reporting, and enhance the stakeholders' capacity to use financial information in making decisions. Ngala & Musau (2022) disclosed that IFMIS budgeting improved the standard of financial reporting at NCCG. The recorded variation in the outcomes could be linked to the contextual settings of the studies as well as the measurements utilized in the studies.

5.1 Summary of Findings

The survey primarily evaluated public sector accounting standards effect on the quality of financial reporting within the Nairobi City County government in Kenya. Specifically, the empirical study focused on assessing how the presentation of financial statements, the disclosure of financial information, and the presentation of budget information influenced the quality of financial reporting in this context. Utilizing correlation and regression analysis techniques, the survey results are summarized in the following sections.

The survey examined presentation of financial statements effect on the quality of financial reporting. The correlation analysis uncovered a strong, positive, and statistically significant correlation between the quality of financial reporting and the manner in which financial statements are prepared. Furthermore, the results of the regression analysis corroborated these findings, confirming that the presentation of financial statements has a significant positive effect on the overall quality of financial reporting. These findings suggest that adherence to established accounting standards and practices in presenting these statements likely contributes to the overall reliability and quality of financial reporting in the county.

The survey analyzed financial information disclosure effect on the quality of financial reporting. The correlation results indicated a weak, negative, and statistically insignificant relationship between the quality of financial reporting and the disclosure of financial information. However, the regression analysis revealed that the effect of financial information disclosure on the quality of financial reporting was both significant and negative. This finding suggests the way financial information is revealed possess clarity, relevance, or consistency, potentially promoting transparency.

The survey unraveled the relationship between the presentation of budget information and the quality of financial reporting. The correlation analysis revealed a weak, negative and statistically insignificant association between financial reporting quality and the manner in which budget information is presented. Further, the regression modeling uncovered that while the presentation of budget information had a positive effect on the quality of financial reporting, this effect was not statistically significant. This means that although budget details are showcased, they might not be efficiently leveraged to enhance financial reporting results.

5.3 Conclusion

The study investigated the influence of public sector accounting standards on the quality of financial reporting within the Nairobi City County government in Kenya. The results uncovered various insights and conclusions regarding how different elements of public sector accounting impact financial reporting quality. Notably, the research highlighted that the manner in which financial statements are presented has a positive and significant effect on the overall quality of financial reporting. The survey concludes that presentation of financial statements play a vital role in enhancing the quality of financial reporting in the City County indicating that clear and well-structured financial reporting practices enhance transparency and accountability. This relationship underscores the importance of adhering to established accounting standards, which contribute to the reliability of financial information provided to stakeholders. Consequently, improving the presentation of financial statements can lead to better decision-making and increased trust in the financial management of the county government.

The study also investigated financial information disclosure effect on the quality of financial reporting within the Nairobi City County government in Kenya. The survey indicated that the disclosure of financial information negatively and significantly affected the quality of financial reporting. Based on the findings, the conclusion is that disclosure of financial information significantly affects the quality of financial reporting in Nairobi City County highlights the critical role of transparency in enhancing accountability and trust among stakeholders. Therefore, effective disclosure practices ensure that relevant financial data is accessible and understandable, which in turn fosters informed decision-making and improves the overall governance of the county's financial management.

The survey assessed how the presentation of budget information influences the quality of financial reporting in the Nairobi City County government in Kenya. In relation to this aim, the findings revealed that while the presentation of budget information had a positive effect on the quality of financial reporting, this effect was not statistically significant. The survey concludes that presentation of budget information does not play an important role in improving the quality of financial reporting suggesting that the current budgeting practices and their integration with the financial reporting process may be inadequate. This finding highlights the need for the county government to review its budgeting framework and ensure that budget data is effectively incorporated into the overall financial reporting system.

5.4 Recommendations

Drawing from the survey results, the following recommendations were identified. The survey recommends that the county government should prioritize the improvement of the presentation of financial statements. This can be achieved by implementing standardized reporting formats that adhere to established accounting principles, ensuring consistency and clarity in financial disclosures. Additionally, providing training and capacity-building programs for financial staff would enhance their skills in preparing and presenting financial statements, thereby fostering a culture of transparency and accountability. Furthermore, regular audits and reviews of financial reports should be conducted to identify areas for improvement, ensuring that the financial information presented is not only accurate but also accessible to stakeholders, ultimately strengthening public trust in the county's financial management practices.

The county government should strengthen its disclosure practices by establishing clear guidelines and standards for financial information dissemination. This includes ensuring that all relevant financial data is not only accessible but also presented in a user-friendly manner to facilitate understanding among stakeholders. Additionally, implementing regular training programs for financial staff on best practices in disclosure and transparency would improve the quality of information shared, ultimately fostering greater accountability and trust in the county's financial management processes.

The county government should strengthen the linkage between budget information presentation and financial reporting practices. This can be achieved by ensuring that budget data is presented in a user-friendly format, with clear explanations of revenue sources, expenditure categories, and budget allocations. This will facilitate better understanding and utilization of budget information by stakeholders.

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