

**THE EFFECT OF ACCOUNTING INFORMATION SYSTEM ON
FINANCIAL REPORTING QUALITY IN HOUSING COOPERATIVE
SOCIETIES IN NAIROBI COUNTY**

BY

GLADYS NJANE

REG. NO: D61/77077/2015

**A RESEARCH PROJECT SUBMITTED IN PARTIAL
FULFILMENT OF THE REQUIREMENTS FOR THE
AWARD OF THE DEGREE OF MASTER OF BUSINESS
ADMINISTRATION, FACULTY OF BUSINESS AND
MANAGEMENT SCIENCES, UNIVERSITY OF NAIROBI**

AUGUST, 2023

DECLARATION

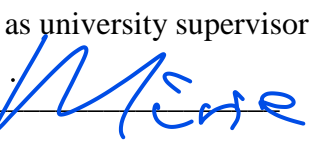
This research project is my original work which has never been presented for any other award at any other university.

Sign  Date 23/August/2023

GLADYS NJANE

D61/77077/2015

This research project has been submitted for examination purpose after my approval as university supervisor.

Sign  Date 23/08/2023

PROFESSOR MIRIE MWANGI

This research project has been submitted for examination with my approval as university co-supervisor.

Sign  Date 23 Aug 2023

MR. DAN CHIRCHIR

ACKNOWLEDGEMENT

I thank the Almighty Lord for good health and for the provision that has enabled me to meet the expenses incurred during the research. Also, this research could not have been a success without input of several people. First, I would wish to thank my supervisor Professor Mirie Mwangi and co-supervisor Mr. Dan Chirchir for the guidance and efforts made to see me come this far with the research project. Second, I want to thank my classmates who encouraged me throughout the study period. Third, I want to thank the management of different housing cooperatives in Nairobi who took the valuable time to fill these questionnaires. Lastly, I wish to thank the family members for their support, prayers and encouragement throughout the period have been undertaking project.

DEDICATION

With all humility, I would wish to dedicate this research project to my entire family.

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LIST OF ABBREVIATIONS AND ACRONYMS

CBK	Central Bank of Kenya
COSO	Committee Of Sponsoring Organizations
COTU	Central Trade Union Organization
GAAP	Generally Accepted Accounting Principles
IAS	International Accounting Standard
APC	Accounting Personnel Competence
IAT	Internal auditor tenure
IAI	Internal auditor independence
FASB	Financial Accounting Standards Board
ICT	Information and Communications Technology
IT	Information Technology
MINALOC	Ministry of Local Government
MIT	Massachusetts Institute of Technology
NACHU	National Cooperative Housing Union
NGO	Non-governmental organization
SACCOs	Savings, Credit and Cooperative Societies
SPSS	Statistical Package for the Social Sciences
TRA	Theory of Rational Action
VIF	Variance Inflation Factor
TPB	Theory of Planned Behavior
IC	Internal Controls
AS	Accounting Software
QFR	Quality of Financial Reporting

ABSTRACT

Quality financial reporting reflects comprehensive and transparent financial information over a specific period so as not to mislead investors in their decision-making. As management, investors, shareholders, investors, governments, and regulators make decisions based on financial reporting, financial reporting becomes an important process for companies and investors as it provides key information that these stakeholders and investors need for long-term financial decisions, and thus this study seeks to investigate the effect of accounting information system on financial reporting quality in housing cooperative societies in Nairobi County. The research used a quantitative technique, with data collected utilizing structured questionnaires. The target group for this research report was 132 housing co-operatives in Nairobi County, Kenya where a sample of 124 housing co-operatives-calculated using Yamanes formula-were drawn from the target population. In this study, questionnaires were the primary method of collecting data from participants, guaranteeing the quality of the primary data. Both descriptive and inferential statistics were used in the research, the former by means of measures like frequency and percentage and the mean and standard deviation, and the latter by means of tools like the Spearman correlation and multiple linear regressions. Tables, charts, and graphs were used to lay up the analysis results for ease of consumption. The data was analyzed using a 95% confidence interval and a 5% significant level. The descriptive statistics showed that most housing cooperatives use an accounting software that is able to track all the transaction, the accounting software is not able to automatically update the transactions in real-time. In addition, it was shown that the accounting information software enables the implementation of internal controls in the accounting information system. The respondents further said that most housing cooperatives have independent processes, checks and evaluation of control activities on an ongoing basis in the housing accounting information system. On staff motivation, it was shown that most housing cooperatives do not have the policy of retaining and promoting the employee with the highest work experience. The results also showed that majority of the internal Auditors in the housing cooperatives are certified by the relevant bodies. Lastly, it was shown that internal auditors have basic training on operations of housing cooperatives. The correlation coefficient shows that all the 5 independent variables had a strong positive and significant positive Pearson correlation coefficient with quality of financial reporting which was confirmed by the regression analysis where each independent variable showed a positive and significant beta coefficient. The study draws a conclusion that accounting software, internal controls, accounting personnel competence, internal auditor independence and internal auditor tenure are very instrumental in ensuring quality of financial reports. This study recommends that the management of these housing cooperatives upgrade the accounting software, the human resource department of the housing cooperatives put in place a policy of motivating those employees who have outstanding performance and they should put in place a policy of retaining the most qualified and experienced employees to make them competitive in the market. This study suggests that similar study be conducted in other firms especially the manufacturing sector to establish if similar findings may be observed.

CHAPTER ONE

INTRODUCTION

1.1 Background of the Study

Financial reporting is the process of documenting and communicating financial activities and performance over a specific time period, usually quarterly, semi-annually, or annually (Hadiyanto, Puspitasari, & Ghani, 2018). This includes communicating financial data, such as financial statements, to users of financial statements, such as investors and creditors. This accounting information is used by business owners to conduct financial analysis on their company (Salehi & Abdipour, 2013). These people require high-quality financial reports because they rely on them to make sound investment decisions.

To avoid misleading investors in their decision-making, quality financial reporting must reflect complete and transparent financial information (Achim & Chis, 2014). A company's financial health and performance over a given time period are reflected in quality financial reporting. Financial reporting has grown in importance for businesses and investors as a result of the decisions that management, investors, shareholders, investors, governments, and regulators base their decisions on. This is because financial reporting provides the essential data that these stakeholders and investors need to make long-term financial decisions.

There is a need for accounting practice to be guided by some accounting principles since the main goal of preparing financial statements is to provide high-quality financial information that reflects the organization's performance during a given period (Hanini, 2014). This is the rationale behind Luca

Pacioli's invention of the accounting theory in 1494. (Coetsee, 2010). In the study and presentation of financial reporting principles, accounting theory alludes to advancements in accounting thought, practices, methodologies, and frameworks.

Accounting theory serves as a crucial framework for accounting practice because it contains a number of crucial components (Inyang, Eyo & Nkang, 2020). Relevance, usefulness, relevance, and consistency of the accounting information are among the essential components of accounting theory. Accounting theory's information must be applicable in all respects and helpful for making decisions. Additionally, the data must be trustworthy and consistent from one accounting period to the next.

Accounting theory advocates regular reviews of the accounting practices used in accounting and accounting regulatory frameworks. It covers the assumptions and various methodologies used by accountants in preparing financial reports.

The FASB publishes GAAP with the goal of enhancing consistency and comparability in accounting information. There is a call to maintain credible and transparent financial information so that investors and other decision-makers can base their economic and financial decisions on it (Salameh, 2011). The accuracy of these financial reports is determined by the company's accounting information system, which includes accounting software, risk management systems, and the accounting department's personnel qualifications.

1.1.1 Accounting Information Systems

Administrative tasks like planning, organizing, controlling, and making decisions cannot be completed without the aid of supplemental information systems, one of which is the accounting information system, in order to make the best use of a company's assets (Samer, 2016). The stated objective of the accounting information system, according to Borhan and Bader, is to identify, measure, collect, analyze, prepare, interpret, and communicate accounting information about specific entities to specific groups (2018). It is a way to describe a collection of resources (both human and material) that are put together to gather financial data in order to provide different decision-makers with the data they require at a particular time (Bodnar & Hopwood, 2010).

An accounting information system is made up of various components, including accounting software, accounting standards, human resources, and risk assessment tools. Accounts Receivable, Accounts Payable, Journals, Payroll, General Ledger, and Trial Balance are just a few of the accounting-related modules that can be processed and recorded more easily with the help of accounting software (Ramaj, 2014). It is a collection of tools used to maintain records and handle transactions like payroll, accounts payable, and accounts receivable. Accounting software's main objective is to guarantee complete transparency of all financial transactions while streamlining and automating numerous tasks related to accounts.

The software can manage budgets, carry out multi-currency accounting operations, handle payroll and customer relationship management tasks, and produce financial reports, depending on its intended use (Lesia, Olha, Galyna, Oksana, & Nataliia, 2021).

Third-party accounting software or a hybrid of locally modified third-party application software packages are purchased (Yakhin & Pressman, 2013). A web-enabled device can typically access accounting software online at any time and from any location. A desktop version is another option. Both the complexity and price of them vary greatly (Zadek et al., 2013). The first accounting software was released in 1971 (Lesia et al., 2021), and since then, accounting software has advanced from supporting basic accounting operations to performing real-time bookkeeping and assisting with financial processing and reporting (Astuty, 2015).

Therefore, effective accounting software should be able to track transactions, transfer data in real-time, be simple to use, and offer data security. These are regarded in this study as benchmarks for quality accounting software.

Delivering accurate results requires accounting information systems that successfully manage risks. The procedures followed by a board of directors, upper management, and other employees to ensure that the company's operational, reporting, and compliance goals are met are referred to as "internal control" in the COSO Internal Control Framework (2004). Financial statements of a company must be accurate and prepared in accordance with generally accepted accounting principles, and internal controls must be in place to guarantee this.

The International Accounting Standard (IAS) divides internal control into the following categories: planning and separation of duties; document control; asset maintenance; staff competence; arithmetic and accounting control; recording and record keeping; supervision; authorization and approval; call and rotation of tasks; cost checks; and routine and automatic checks.

Furthermore, competent people's services are required for effective accounting information systems. In the end, self-competence among employees is a crucial component of productivity, which aids businesses in achieving their objectives and dominating their industry (Potnuru & Sahoo, 2016). The ability to adapt to change, willingness to learn, readiness to improve oneself, readiness and ability to start acting, trust, endurance, receptivity, broad-mindedness, self-discipline, self-esteem, individualism, and self-determination are all considered to be components of self-competence (Siriwaiprapan, 2004). Self-awareness, goal-setting, stress management, emotional intelligence, and the ability to use one's own motives and emotions in one's professional life are among the competencies in this area (Elbaz et al., 2018). For the accounting information system to produce accurate financial reports, a professional accounting staff is required. Accountants must be qualified in their field and devoted to their work.

1.1.2 Financial Reporting Quality

Financial reporting is the dissemination of a company's financial performance reports to various stakeholders (Lim, 2013). Below are several criteria that can be used to assess the transparency and accuracy of a company's financial statements. It is essential to streamline the production of financial statements. It is not necessary for the financial statements to be overly large or complicated. The users find it challenging to use as a result. It is more dependable for its users the simpler it is. In essence, an account of all an entity's transactions and financial results, accountants are required to prepare current (timely) data that is relevant for decision-making and accurate data that they can produce every time they are required (Uden *et al.*, 2016).

Before the development of IT, accounting records were kept in ledgers and other paper records, and accountants had to keep a close eye on them to make sure they were always up-to-date enough to be used in reports sent to upper management (Bringham & Ehrhardt, 2014). The accounting and finance industries have changed as a result of information and communication technology (ICT), which allows employees to input data into computers as it is gathered from paper documents and then retrieve the desired data with a click (Kopacek, 2014).

The financial statements make no predictions for the future. They do, however, provide a recent history of the entity's performance (comparability), which users can use to forecast future performance based on the trend displayed. The research will concentrate on the accuracy (minimizing errors), relevance, and predictability of future performance (comparability). High-quality financial reports provide critical information to financial report users, allowing them to make critical decisions. In terms of accounting practice and the profession, technological advancements have been of exceptional value in harmonizing accounting work and developing efficiency in reporting financial results (Sugahara *et al.*, 2017), as well as improving report quality. Accounting is the practice of keeping records of economic transactions in a business to improve reporting and decision-making.

1.1.3 Accounting Information Systems and Financial

Reporting Quality

Financial reporting is the process of disclosing an organization's financial performance to various stakeholders (Lim, 2013). Accountants must prepare

up-to-date financial reports that are relevant for decision-making and use accurate data to produce them whenever necessary. They are financial and transactional accounts for an entity (Uden *et al.*, 2016).

Financial reporting quality can be assessed from a variety of perspectives, including simplicity, relevance, timeliness, and accuracy.

Accounting software is essential for determining the type of financial statements generated based on software customization in any institution. Accounting software will be critical in reducing errors (increasing accuracy) in financial reporting. Data was manually maintained prior to the introduction of IT, and such reports are prone to errors such as transposition, omission, commission, and so on. Accountants no longer need to record and present financial data manually, which is time-consuming, but instead use accounting software, which produces better results. (Miller, 2005).

Furthermore, accounting software may alter the rate at which financial reports are generated; as a result, reports are timely and relevant to management for decision making. Accounting software can also generate automated reports as needed by management, such as monthly, quarterly, or yearly. These reports are used to forecast a company's future performance. Sugut (2012) discovered that computerized accounting systems always consider time spent, speed, accuracy, and the likelihood of acquiring quality data.

1.1.4 Housing Cooperatives in Kenya

Kenyan cooperatives emerged from the country's agricultural sector in the early twentieth century. Because the Co-op Ordinance of 1931 prohibited black Africans from joining cooperatives, European settlers dominated cooperatives.

After the ban was lifted in 1945, black Africans were free to form cooperatives. Cooperatives were governed by the state until the mid-1990s, when the country began to liberalize its economy. This meant that the government was involved in the management of the cooperatives, which had both advantages and disadvantages.

Economic liberalization led to the creation and publication of Sessional Paper No. 6, a new policy framework for cooperatives, in 1997. To give cooperatives more operational flexibility, the Cooperatives Act was amended in 1997. The National Cooperatives Union (NACHU) was established in the early 1980s after the Central Trade Union Organization (COTU) realized the need to improve the living conditions of its members. The cooperative's board-imposed restrictions on NACHU that prevented the group from diversifying its revenue sources outside of its area of expertise—the creation of housing cooperatives. In the same way that the rest of the cooperative sector was governed, so was NACHU.

NACHU has been a valuable partner for other housing cooperative movements since its inception, assisting them with community development, program delivery, and capacity building. After so many years, this alliance is still going strong. NACHU and its allies have promoted the growth of the cooperative movement. In cities, 200,000 units are required annually, while 300,000 are required in rural areas. Over the next ten years, it will be necessary to build more than 2.9 million homes to accommodate population growth and urbanization. By 2050, it is anticipated that half of all people on earth will reside in cities. 50,000 units are produced annually as of right now.

The National Co-operative Housing Association's resources are available to low-income and middle-income workers in traditional workplaces, rural cooperatives connected to agricultural marketing cooperatives, middle-income workers in traditional workplaces, and middle-income workers in informal settlements who frequently work for themselves and have erratic incomes. All Members shall pay a one-time, non-refundable fee and shall acquire Shares at a discount, with the intent of actively enticing Members to resign. Members are not required to contribute on a regular basis, in other words. 16% of the 11,708 residents of his NACHU housing project in 2021 had an extremely low income, making up 16% of the population's total.

1.2 Research Problem

The majority of firms in Kenya now use accounting software, with Quick Books being the most popular option. The software improves the accountants' capacity to monitor fundamental financial data, including sales, expenses, creditors, and suppliers. Basic financial reports like balance sheets, profit and loss statements, cash flow statements, and bank reconciliations are among those that the software can produce. Management decisions are improved by the reports produced. Several accounting programs, such Sage Pastel, Microsoft Navision, and Tally, are frequently used. The ability of the user to make wise economic decisions is directly and indirectly impacted by their level of faith in the veracity of financial reporting. According to Josphat's (2017) research, a number of elements affect how reliable financial reports are, including the availability of human resources, top management with relevant experience, an efficient IFMIS, and a rigorous internal audit. In Kenya's

banking sector, technology, exposure to business settings, and internal training help accurate financial reporting (Tarus et al., 2015).

Enterprises and organizations may benefit from an effective accounting information system in a number of ways, including management choices, excellent financial reporting, efficient internal controls, and a complete record of the company's activities (Hla & Teru, 2015). High-quality financial reporting attracts a higher premium from investors than lower-quality financial reporting, which is a critical component in determining a company's worth (Adekoya et al., 2021). The top financial reporting software continues to be a system that offers cloud-based accounting software (Chen et al., 2011). Client reports can be delivered on time thanks to accounting software (Ghosh & Mondal, 2019). Computerized accounting enhances accounting procedures, client happiness, and bank efficiency (Sam et al., 2012). The system is crucial for determining how effective an organization is (Fowzia & Nasrin, 2011). Due to a lack of knowledge on how to use accounting systems, the majority of managers do not now use them (Arcego, 2015). Reports may be generated on a quarterly or annual basis in some cases, but they might not accurately depict the company's cash flow (Arcega, 2015). Computers make it possible to do a number of accounting tasks (Lina & Edita, 2015). It's a common belief that computers should produce reports that are attractive, quick, affordable, automatic, etc., but this is not always the case since a variety of other factors might influence the creation of such reports (Lii & Shii, 2009). Computers have flaws, but overall, things are better now than they were before their use. A growing research need exists in the area of computerized accounting systems. Research on the application of computerized accounting software in

the banking industry and NGOs have been conducted (Tarus et al., 2015). (Sugut, 2012). The application of computerized accounting systems in housing cooperatives has, however, received relatively little research. The application of computerized accounting systems in housing cooperatives has, however, received relatively little attention. The proposed study filled a gap in the literature by attempting to understand how accounting information systems affect the caliber of financial reporting in housing cooperative societies in Nairobi City County.

1.3 Objective of the Study

To analyze the effect of accounting information system on financial reporting quality in housing cooperative societies in Nairobi City County.

1.4 Value of the Study

The findings of this study may be useful to several stakeholders, including policymakers, practitioners, and scholars. First, policymakers, including the players in housing cooperatives like NACHU, may use the findings to formulate policies to regulate the cooperatives. Based on the study findings, this study may also give recommendations to policymakers, acting as a solution to the challenges policymakers face in regulating cooperatives.

Second, this study may add to the existing body of knowledge for academicians. The findings may be useful to scholars because the research findings can be very important in validating the theoretical framework on the quality of financial reporting or even in developing new theories on the use of accounting information systems. The identified research gaps and

recommendations may serve as research topics for other researchers. When looking at the gaps that stakeholders should consider when doing future studies on the topic, it is important to look at these benefits.

Finally, for the general public and practitioners, the findings may highlight the qualities of good financial reports, which may help the practitioners make proper decisions based on the knowledge gained from financial reports. This may help in the general growth of the sector as players make informed decisions on where and how to invest their funds.

CHAPTER TWO

LITERATURE REVIEW

2.1 Introduction

This chapter describes the theories related to the research. It addresses conceptual frameworks, a review of study variables, a review of empirical literature, and a critique of the reviewed literature, and also provides research summary and research gaps. The chapter begins with a review of the literature on financial reporting theory in general. The second part is an overview of research done by various researchers in accounting systems, financial reporting and related fields, their methods and conclusions regarding accounting information systems and quality of financial reporting. Last, the chapter summarizes the literature, highlights the research gaps and conceptual frameworks.

2.2 Theoretical Review

A theoretical review evaluates theories that purport to explain the topic at hand, thereby advancing knowledge of the research at hand and offering support for ongoing research (Waswa, 2021). This study was founded on four theories, including accounting theory, diffusion of innovation theory, the theory of planned behavior, and human capital theory, to support accounting information systems and the integrity of financial reporting.

2.2.1 Accounting Theory

Accounting theory was created in 1494 by Luca Pacioli (Coetsee, 2010). He described accounting as the double entry bookkeeping technique employed by

merchants. The term "accounting theory" refers to advancements in accounting theory, methodology, and frameworks utilized in the research and analysis of financial reporting standards. The fact that accounting theory serves as a manual for actual financial reporting and accounting statements makes it more qualitative. According to Coetsee (2010), the most crucial aspect of accounting theory is that financial statements must provide significant information that may be used to make informed business decisions.

This study evaluates the origins of accounting principles as well as how they have evolved and been incorporated into the legal and regulatory frameworks controlling financial reporting and statements. Accounting theory can also be described as logical, intellectual reasoning that assesses and directs accounting practice. The dependent variable, the caliber of financial reporting, is guided by this theory.

2.2.2 Diffusion of Innovation Theory

Everett Rogers (1962) established the Diffusion of Innovation Hypothesis to explain how, why, and at what rate new ideas and technology spread (Kaminski, 2011). Diffusion is the method by which innovation is shared over time among users of a social network system, according to Kaminski (2011). The spread of new ideas is primarily impacted by four factors. Social structures, communication avenues, time, and innovation are some of these components. For control, coordination, planning, and decision-making, many businesses employ management information systems that are based on computer software (Dearing, 2009; Vishwanath, 2011).

This hypothesis explains how accounting software affects how firms adopt resource planning. Businesses should follow the prescribed procedures when making decisions based on innovation investment, taking into account elements that affect how technical systems are used, as well as organizational characteristics and the availability of human resources. The installed information system needs to benefit the user's obligations and be user-friendly. It ought to be simple to learn as well. Organizational managers should be aware that using the information system can help them become more competent. This hypothesis states that five aspects of innovation—trial ability, complexity, observability, compatibility, and comparative advantage—control the rate of adoption (Rogers, 2003).

The theory can be used to understand the factors that contribute to a new practice's acceptance as well as to identify the benefits and drawbacks of making changes to the practice. In light of this, managers should embrace the principle of the diffusion of innovation in accounting software. The first aim, which examines how accounting software affects the caliber of financial reporting, will be guided by the theory.

2.2.3 Theory of Planned Behaviour

To improve the ability of the theory of rational action (TRA) to predict future conduct, Ajzen (1985) developed the theory of planned action. The TRA did not include perceived behavioral control, but Ajzen believed it would be wise to include it in his TPB (Belch & Belch, 2004). According to Ajzen (1991), a person's perception of behavioral control is their conviction that they can behave in a particular way. According to the Theory of Reasoned Action

(TRA), the greater one's intention (motivation) to engage in a behavior, the greater one's likelihood of actually doing so, provided that one has a positive assessment of the proposed action (attitude) and believes that a significant other wants him or her to carry out that behavior (subjective norm). Intentions to act are highly connected with both attitudes and subjective norms. Intentions and actions tend to go hand in hand (Sheppard, Hartwick & Warshaw, 1988). There are three categories of ideas that influence people's actions: those that are behavioral, those that are normative, and those that are controlling. Attitudes toward behavior, norms of conduct, and the sense of agency over one's actions are all the products of a group's shared ideas about the world. Ajzen (2002) argues that people's intentions to act are formed based on their preexisting attitudes toward conduct, their own subjective norms, and their level of perceived behavioral control. In particular, Noar and Zimmerman (2005) think that how people think they control their behavior affects how they act, directly and indirectly, through their behavioral intentions. The theory has received harsh criticism from academics for failing to take into consideration how implicit desires affect behavior. The absence of theoretical consideration of the role that emotions play in the formulation of intents and strategic decision-making games is another drawback. The majority of TPB research also solely look at relationships. Further randomized trials are advised by various experts for broader practical use (Sniehotta, 2009). Sussman and Gifford (2019) also carried out an experiment that questioned the idea that people's intentions and subsequent behaviors are influenced by their beliefs, social norms, and feeling of agency. The three crucial elements of attitudes,

social norms, perceived behavioral control, and intent were proposed to be mutually reinforcing.

2.2.4 Human Capital Theory

The Becker and Rosen (1962) and Rosen (1976) human capital theories assert that each employee has a distinctive set of intrinsic talents, teachable abilities, and knowledge. Hence, a person's stock of human capital, which comprises of their habits, knowledge, and social and personal traits (including creativity), is shown in a concrete way through their ability to do work that creates economic value (Claudia, 2014). There is no investment that comes close to the value of human capital. Without it, businesses cannot prosper, grow, or innovate. Companies that place a high priority on staff development via training and education experience an improvement in the quality and efficiency of their production (Kenton, 2014). With increased work knowledge and productivity, human capital development is supposed to raise an employee's market worth. Human capital theory is intimately related to business and macroeconomic studies of human resource management. The unique concept of task-specific human capital was first developed in 2004 by academics at Cornell University and the Massachusetts Institute of Technology. The transferable abilities required to complete a work are not always present since human capital is frequently learned for a particular sort of activity (or the talents required for a task) (Gibbons et al., 2004). According to Gibbons et al. (2006), this concept may be applied to examine job distributions, pay structures, internal contests, and career advancement chances.

One of the three fundamental categories of intellectual capital employed in corporate finance is human resources (together with real assets, intellectual

capital forms the total value of a company). Human capital is the value that individuals provide to a business as a result of their education, training, and experience (Maddocks & Beaney, 2002). The system combines the company's human capital to tackle operational problems. Businesses cannot access human capital since it comprises of immaterial traits that are unique to every person. As a result, when employees leave, the business loses crucial human capital. Another indicator of a company's human capital is how well it uses its workforce. The quality of a company's human resources and its standing as an employer are related.

2.3 Determinants of Financial Reporting Quality

2.3.1 Accounting Software

You may record and process accounting transactions using accounting software across functional modules including payroll, general ledger, accounts payable, journals, and trial balance (Ramaj, 2014). It is a collection of tools used to maintain records and handle activities including payroll, accounts payable, and accounts receivable. Accounting software's major objective is to provide complete transparency of all financial transactions while simplifying and automating numerous tasks linked to accounts. The program can manage budgets, carry out multi-currency accounting activities, handle payroll and customer relationship management, and provide financial reports, depending on its intended use (Lesia, Olha, Galyna, Oksana, & Nataliia, 2021).

Accounting software is either acquired from a third party or is a combination of locally updated third-party application software products (Yakhin & Pressman, 2013). Most accounting software is available online, anytime,

anywhere, on any web-enabled device. Furthermore, desktop-based options are available. Their intricacy and price range greatly (Zadek et al., 2013). Accounting software has developed from enabling basic accounting processes to doing real-time bookkeeping and supporting financial processing and reporting since the first accounting software was introduced in 1971 (Lesia et al., 2021). (Astuty, 2015). Thus, effective accounting software should be able to track transactions, transfer data in real-time, be simple to use, and offer data security. They are regarded in this study as benchmarks for quality accounting software.

2.3.2 Internal Controls

The methods used by a company's board of directors, top management, and other employees to ensure that the operations goals, reporting, and compliance are accomplished are referred to as "internal control" in the COSO Internal Control Framework (2004). Internal controls are in place to ensure that a corporation's financial statements are reliable and prepared in accordance with widely accepted accounting rules. According to the International Accounting Standard (IAS), internal control is divided into the following categories: planning and duty separation; document control; asset upkeep; staff competency; arithmetic and accounting control; recording and record keeping; supervision; authorization and approval; call and rotation of tasks; cost checks; and routine and automatic checks.

2.3.3 Accounting Personnel Competence

In the end, self-competence among employees is a crucial component of productivity, which aids organizations in achieving their objectives and

dominating their sector (Potnuru & Sahoo, 2016). The ability to adapt to change, willingness to learn, readiness to improve oneself, readiness to take initiative, trust, endurance, receptivity, broad-mindedness, self-discipline, self-esteem, individualism, and self-determination are all examples of self-competence (Siriwaiprapan, 2004). Self-awareness, goal-setting, stress management, emotional intelligence, and the ability to use one's own reasons and emotions in one's work life are among the competencies in this domain (Elbaz et al., 2018). Hence, for the accounting information system to provide accurate financial reports, having a skilled accounting personnel is essential. Accountants need to be motivated to work and have the necessary abilities and expertise.

2.3.4 Auditor Independence

According to Hayes, Dassen, Schilder, and Wallage, (2004) independent auditors are those who can maintain objectivity throughout the auditing process. Assuring objectivity in the audit report also entails carrying out objective audit tests, evaluating objective audit findings, and executing objective audit tests. Also, according to Soltani's definition from 2007, auditor independence refers to the auditors' ability to undertake an audit with objectivity and impartiality. As a result, in accordance with the criteria given above, auditor independence refers to the external auditor's freedom from interference by parties having a financial stake in the company being audited. Prior research on audit independence has been done in both the public and commercial sectors. For instance, Bakar et al. (2005) employed business size as a measure of external audit independence, whereas Rusmanto (2001) and Oladele, Tasie, and Harcourt (2012) focused on internal and external

characteristics, respectively. Moreover, Sharma and Iselin (2012) utilized tenure and audit committee multiple-directorships as indices of external auditor independence, whereas Omondi and Ochieng (2017) used audit tenure and firm size. Moreover, Abd, Kadir, and Indrijawati (2021) employed the expertise skepticism of auditors. As indicators of external auditor independence in this study, auditor rotation, auditor professionalism, and auditor competence will be employed.

2.3.5 Internal Auditor Tenure

Several studies have advocated for obligatory auditor rotation in order to promote auditor independence by fostering a fresh view on client risk and engagement concerns (2022). Due to auditor change, financial reports may be delayed. If a corporation or issuer has utilized the same auditing firm for a certain number of years, it has an audit tenure. It is the length of time an auditing firm has worked with a given client. Long-term connections between customers and audit companies, according to Geiger and Raghunandan, might jeopardize impartiality (2002). Ratnaningsih (2016) identified a link between audit tenure, audit delay, and timely financial reporting, as did Distianingsih et al. (2017), Anggreni et al. (2016), and Latrini et al. (2016). There is a discrepancy between what Praptika, Putu, and Rasmini (2016) discovered in their research. They discovered that the duration of an audit assignment had no bearing on whether or not an audit was completed on time.

Internal and external stakeholders place a premium on the duration of the restricted audit to ensure the auditors' continuous neutrality. Most companies replace their auditors every three to five years. The rotation, which is generally

based on the organization's policies, must be approved by the board of directors. Cameran et al. discovered in their 2016 study that audit quality is best near the conclusion of an engagement. This is because an auditor leaving has little motivation to give up their independence before losing a client they have worked hard to develop, and an auditor coming in is more likely to discover faults committed by the auditor departing.

2.4 Empirical literature review

A literature review is an explanation and overview of the entire and current state of knowledge on a certain topic available in journal articles or academic publications (Machi & McEvoy, 2012). A literature search was conducted to determine the relationship between each of the predictor variables and the outcome variable.

2.4.1 Accounting Software and Quality of Financial Reporting

Ashia (2021) explored if accounting software has a substantial impact on financial reporting quality in Kumasi, Ghana. It also values the help of accounting software in effectively preparing financial statements and recording accurate transactions, as well as the level of adoption and application of information technology by accounting experts in this sector and adapting to worldwide accounting. The research initially examined the early phases of AS adoption in firms, discovering that low accounting staff abilities, unplanned and uncoordinated innovation, and a lack of a big organization hindered the technology from providing the anticipated effects.

The study then goes through how these early issues might be solved later on to yield more beneficial results. Comprehensive data analysis, departmental

representation in planning, and technology firm assistance at the highest organizational level all contribute to this achievement. The Ashia (2021) study focused on electricity companies, whose regulatory framework is significantly different from housing cooperatives, creating a contextual gap that this study sought to bridge by determining whether accounting software has a significant impact on the quality of financial reporting among Nairobi City County housing cooperatives.

Chong and Nizam (2018) investigated whether AIS has a major impact on business performance. He sought to present facts to help corporate owners and managers realize the significance of attaining success via the use of AIS. According to corporate finance literature. The findings indicated that the properties of AIS (its efficiency, dependability, ease of use, data quality, and accuracy of data from AIS) had a substantial influence on the company's overall performance. Chong et al. (2018) utilized business performance as the outcome variable in their study, creating a conceptual vacuum that this study attempted to fill by providing evidence on whether AIS may impact the quality of financial reports among housing cooperatives in Nairobi city county, Kenya. Fadzilah (2017) researched the association between Accounting Software and the commercial performance of Malaysian enterprises in Malaysia. He wanted to help business owners and managers realize the value of utilizing accounting software to improve business performance. His regression research demonstrated that enterprises must adopt AIS to assure corporate viability and sustainability in an increasingly competitive market, while also boosting skills and efficiency in business operations. This research solely advised that organizations employ AIS to assure company viability.

Moqueira (2015) investigated the impact of electronic accounting on service delivery in financial institutions in Kenya. A case study on Wakenya Pamoja Sacco was undertaken in Kisii town. The writer employed a descriptive survey design to conduct the study, which was targeted at 126 Wakenya Pamoja Sacco employees. Using the basic random sampling approach, a sample size of 56 respondents was chosen at random. A standardized questionnaire is a data collection analytical model. The author discovered that Wakenya Pamoja Sacco staff suffered accounting system breakdown owing to power supply issues. Another study conclusion indicates that the majority of clients are pleased with the performance of Wakenya Pamoja Sacco's accounting software. Despite being crucial to understanding this study, Moqueira (2015) used service delivery as the outcome variable. However, this creates a conceptual gap that was filled by literature on the potential impact of accounting software on the standard of financial reporting among housing cooperatives in Nairobi City County.

2.4.2 Internal Controls and Quality of Financial Reporting

Rafat (2019) investigated if the internal control system of Jordanian banks had any visible influence on the accuracy of their financial statements. Control environment, control procedure implementation, risk assessment, information and communication flow, and supervisory framework were among the internal control metrics examined. Data was collected from 20 different financial institutions using questionnaires. According to the findings, these Jordanian banks use internal control as a risk management approach, which has a significant impact on the accuracy of their financial statements. Rafat (2019) only covered Jordan's financial institutions, therefore some background

knowledge is absent. The study of the impact of internal controls on the accuracy of financial reporting by housing cooperatives in Nairobi City County, Kenya, will assist fill the gap by looking at how internal controls affect that accuracy.

Lari, Salehi, and Safdel (2019) investigated whether a lack of internal controls has an impact on the accuracy of financial reporting. We compared the means across participant panels to evaluate our hypothesis. The results showed that weak internal controls had a negative impact on the accuracy of financial statements. Simply speaking, careless accounting indicates a lack of effective internal controls. This study adds new theoretical frameworks since it relies on panel data from secondary sources. This study will make use of primary information acquired via a structured questionnaire to fill up the gaps.

To better understand its impact on the accuracy of the firms' financial reports, AL-Kharusi and Matriano's research on the internal control system of the Oman Companies was conducted in 2022. A sample of 80 workers were interviewed and given questionnaires to complete. We next utilized SPSS to examine the data after receiving the final data collection tool. This research has a lot to teach us. It is impossible to overestimate the significance of a sound internal control system and its positive relationship to the accuracy of financial statements. There may be a cultural disconnect because AL-Kharusi and Matriano's research (2022) was conducted in Oman Arab, where the regulatory climate for the housing cooperative may be different from that in Kenya. To meet this demand, this study investigates local housing cooperatives to ascertain if they use internal controls and, if so, what impact those controls

may have on the accuracy of the financial reports generated by the cooperatives.

Makerere University served as the basis for Nzibonera and Ninsiima's (2020) investigation of the influence of internal financial controls on working capital management at Ugandan public universities. A quantitative cross-sectional research design was one of the methods used. We were able to gather data from the professors and administration of the finance and internal audit departments, as well as the rest of Makerere University, using a self-administered, closed-ended questionnaire. The empirical data were evaluated using Pearson's descriptive statistics, correlations, and regression tests.

The results show that internal control procedures have no statistically significant impact on working capital management. The research by Nzibonera et al. (2020) may lack context because it was done at public institutions, which may have quite different management and legal constraints than housing cooperatives. By examining the effect of internal controls on the caliber of financial reporting for housing cooperatives in Kenya, this study will fill in the gaps.

Asiligwa and Rennox (2017) investigated the influence of internal controls on the financial performance of Kenyan commercial banks. Primary data were collected from 43 commercial banks in Kenya using a questionnaire. Frequency tables were used to exhibit descriptive statistics from the data analysis, whereas correlation and regression coefficient tables were utilized to display inferential statistics. Commercial banks in Kenya achieved excellent financial performance as a consequence of efficient internal controls and close

supervision by the CBK. Asiligwa et al. (2017) used performance as their dependent variable to investigate a knowledge gap. This study intends to solve this information gap by concentrating on financial reporting quality.

2.4.3 Accounting Personnel Competence and Quality of Financial Reporting

Rapina (2020) used a sample of 53 workers to investigate how much effect human resource competency has on financial reporting. Although the respondents in this survey exhibited a variety of traits, each grouping had a prominent characteristic. The majority of respondents in this study were female, and the majority were between the ages of 21 and 30. The majority of respondents had a bachelor's degree or equivalent, with accounting as the most important educational background. Second, the majority of responders work in the accounting department and have been with the same company for up to 5 years. This study's data gathering approach and instruments were a physical questionnaire survey, hence the data acquired was primary. The SPSS program was used to gather and test the data.

The findings of this study demonstrated that talent competency affects financial reporting. According to Rapina's (2020) research, the staff's proficiency affects the financial reports' level of quality. However, since the study did not specify whether the factors were associated either positively or negatively, there was an empirical gap. This gap was filled by determining the size, importance, and direction of the link between the skill of the accounting staff and the caliber of financial reporting.

In their 2015 study, Iskandar and Setiyawati looked at the connection between the internal accountants' skill, the accuracy of the financial reporting, and their

contribution to financial responsibility. The survey approach was used to conduct the research in the municipalities of this regency as well as the cities of Bekasi and Bogor. The structural equation least squares model was employed as the estimate model. Purposive sampling is the approach utilized, and it was done throughout 47 local government units. Prior to being utilized to test the hypothesis, data that had been gathered via questionnaires had first undergone validity and reliability testing. The results demonstrate that financial reporting quality is highly impacted by financial responsibility and that internal accountant competency has a considerable impact on financial reporting quality. A methodological gap resulted from the use of the least squares structural equation model by Iskandar et al. (2015), which was closed by utilizing a multiple linear regression equation.

The characteristics of effective computerized accounting systems for precise financial reporting among the banks listed on the Ghana Stock Exchange were researched by Sekyere, Amoateng, and Frimpong (2017). A cross-sectional descriptive survey design was employed in this investigation. Eighty respondents were chosen as part of the sample size to complete the data collecting questionnaire, with the target group being Ghanaian banks that were registered. The authors discovered that skilled workers who are more adept at using computers and computer software create financial statements of greater caliber and accuracy. Second, the authors discovered that computerized accounting systems can lessen the occurrence of mistakes and duplication. A methodological gap was created by Sekyere et al. (2017)'s adoption of a cross-sectional descriptive survey approach. To close the gap, this study will employ a descriptive research design.

In their 2015 study, Tarus, Muturi, and Kwasira looked at what makes financial statement reporting in Kenyan listed banks accurate. The study was carried out in Nakuru town's commercial bank. Commercial banks in Nakuru County participated in the study, employing more than 800 individuals across 25 commercial banks. 164 respondents who completed the questionnaire comprised the sample size utilized by the researcher. A descriptive research design was adopted by the author. The author of this study discovered that the effectiveness and precision of financial statements produced are impacted by computerized software. The accuracy of financial accounts is also impacted by staff software training, according to the authors. Tarus et al. (2015) created an empirical gap by failing to state the magnitude and direction of the link between accounting people competency and financial reporting quality. The current study aims to bridge the gap by establishing the importance and direction of the link.

Using the caliber of financial reporting as a mediating variable, Fauziati (2016) looked at whether the performance of Indonesian regional governments is impacted by the skill of the accounting staff. Using SPSS version 20, a regression analysis was performed. According to the study's results, there is a strong correlation between the success of the regional government and the accounting staff's skills. As a mediating variable, Fauziati (2016) left a conceptual gap by using the accuracy of financial reporting. The quality of financial reporting is a dependent variable used in this study to try to close the gap.

2.5 Conceptual Framework

A conceptual framework is a diagrammatic description of the relationship between dependent and independent variables (Macve, 2016). A conceptual framework, according to a definition provided by Windt (2015), serves as a roadmap for the researcher to understand the purpose of the study and the connections between its objectives. In this research, the independent variables include accounting software, internal controls, accounting standards, and accounting personnel competence. On the other hand, the dependent variable for this research will be quality financial reporting, as illustrated in figure 2.1 below.

Independent variable

Dependent

Variable

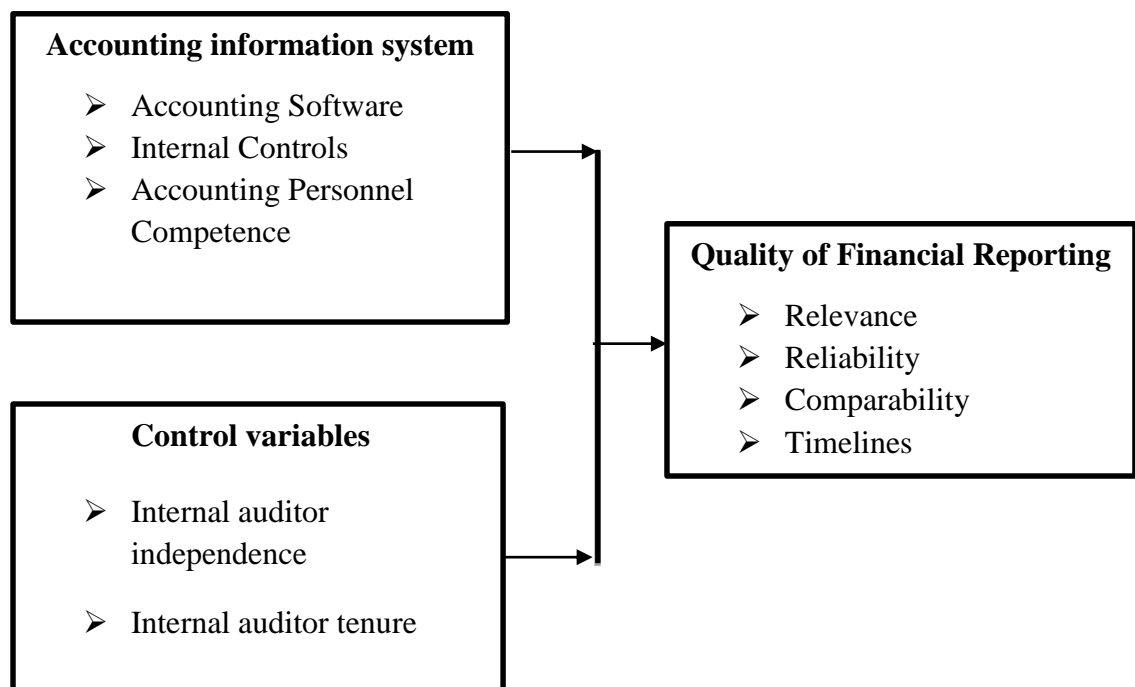


Figure 2. 1: Conceptual Framework

Source: (Author, 2023)

2.6 Summary of Literature Review and Research Gaps

Ashia (2021) concentrated on the influence of accounting software on the accuracy of the financial statements of the Ghanaian Kumasi Electricity Company, while Fadzilah (2017) looked at the influence of accounting software on the productivity of Malaysian businesses. Saputra and Hutahaean (2016) focused on Nigeria and the connection between accounting standards and the information in and how it was presented in the financial statements of Nigerian banks. The effect of internal control systems on the caliber of financial reporting in Jordanian banks was also the subject of a Jordanian research by Rafat (2019). The findings offer insight into the possible influence of accounting systems on the accuracy of financial reporting, but they were obtained from studies conducted in other nations with accounting standards that may be very different from those in Kenya, leaving considerable contextual gaps. Research is taken out of context. This study aims to fill this gap by providing local insights.

The effects of AIS use on business performance were examined by Chong and Nizam (2018), and the effects of electronic accounting on financial institutions' service delivery were examined by Mokeira (2015). Additionally, Nzibonera and Ninsiima (2020) contend that working capital management in Uganda is unaffected by internal financial control at public universities. Last but not least, Fauziati (2016) looked into how regional governments performed in Indonesia. Regarding how accounting systems would affect financial reporting, this study offers some reliable predictions. Although they employed various dependent variables, a conceptual gap was filled by employing the dependent variable of financial reporting quality.

Nderitu and Koori (2018) looked at how Kenyan central and local governments' financial reporting was impacted by the availability of financial information about the public sector. Opanyi (2016) investigated the form of financial reporting in Kenya. Additionally, Tarus, Muturi, and Kwasira (2015) attempted to identify the variables influencing the accuracy of financial statement reporting in Kenyan registered banks, and Asiligwa and Rennox (2017) attempted to determine the impact of internal control on the financial performance of Kenyan commercial banks. Although these studies are local, they are carried out in domains unrelated to housing cooperatives, creating a contextual gap that was filled by concentrating on housing cooperatives in Kenya.

CHAPTER THREE

RESEARCH METHODOLOGY

3.1 Introduction

The research methodology consists of methods for conducting research that logically give a foundation for all study (Daniel & Sam, 2015). This chapter covers the research design selected for the study, the study's target population, the sample design chosen, the data collecting methods and instruments utilized, the data validity and reliability, and finally how data analysis and presentation for the study were carried out.

3.2 Research Design

Research design is described as a high-level strategy of what will be done to address the research question by Saunders, Lewis, and Thornhill (2012). With this framework, particular data collecting and analysis techniques may be chosen. For a particular study, the research design must yield the intended findings (Kalu & Bwalya, 2017). The goal of research design is to provide the tools necessary for an effective, logical, and unambiguous approach to the research issue.

The study's methodology was a descriptive research approach. By gathering data, descriptive design clarifies the issue and enables the researcher to describe the situation in greater depth than they could have done without it. A quantitative descriptive research design was used for this investigation. Hopkins (2008) proposed that the link between the dependent population and the independent variable is established via a quantitative descriptive research approach. Because it efficiently gives information to build hypotheses and

comprehend the link between particular variables, a descriptive study approach was appropriate (Monsen et al., 2008).

3.3 Target Population

Target populations are described by Cooper and Schindler (2011) as the quantity of data points from which the researcher hopes to draw conclusions. In order for results to be generalized, the target population must have certain features that can be observed (Mugenda & Mugenda, 2003). As a result, the term "target population" may be used to describe a collection of people, objects, or elements that share certain well-defined traits and from which inferences can be made. In Nairobi County, Kenya, housing cooperatives were the focus of this study paper. Nairobi City County is home to 132 housing cooperatives, according to the National Cooperative Housing Union (2022). The 132 housing cooperatives that made up the study's target population.

3.4 Sample Design

Sampling techniques are used to choose a representative sample from a larger population in order to make conclusions about that group using statistical inference. The sample represents an accurate representation of the population as a whole. According to Padgett (2016), the qualities of a good sample include that it is cost-effective, has a limited margin of error, and is statistically trustworthy in reflecting the society at large.

3.4.1 Sampling Frame

To establish a sampling frame, make a thorough inventory of all items that comprise the sample and may be used as research symbols (Mugenda & Mugenda, 2013). This is a comprehensive list of the people, organizations,

items, and dwellings that comprise the population from which the sample was collected. To get the most out of a probabilistic sampling strategy, adopt a frame that ensures that all cases originate from the same pool of individuals.

3.4.2 Sample Size

Empirical studies rely heavily on sample sizes to infer results about the whole population from those of a specific study's population of interest. The precision needed and the expense of data gathering usually dictate the sample size utilized in a study. The following formula was adapted from Kothari and used in the present investigation (2004).

$$n = \frac{N}{1 + NE^2}$$

Where by:

n = number of samples

N = target population

E = margin of error (0.05)

$$n = \frac{132}{1 + 132 * 0.05^2}$$

$$n = 124$$

3.4.3 Sampling technique

Purposive sampling was utilized in this study to choose 124 housing cooperatives. With this sampling strategy, researchers depend on their own judgment when selecting people of the public to participate in the study,

believing that excellent judgment will save time and money by getting a representative sample (Black, 2010).

3.5 Research Instrument

A standardized, self-administered questionnaire was utilized to collect data for this investigation. In order to create a questionnaire, it is necessary to first define the issue and the objectives of the study, according to Mugenda & Mugenda (2003). The survey included predetermined responses for each question. Only a few possible responses may be given to the questions. In a research by Kothari, there were significant time, effort, and financial savings by employing questionnaires (2004). Moreover, it provides easily gathered and analyzed quantifiable data.

3.5.1 Validity of instruments

The validity of a study is determined by how effectively the findings represent the subject under investigation. Cooper and Schindler (2003) state that include objective questions in questionnaires and pre-testing instruments, as well as recognizing and correcting unclear, difficult, or offensive questions and procedures, can help to assure validity. Experts are requested to assess the survey instrument and provide feedback on its presentation as well as the relevance and representativeness of the questions. It improves the overall use of the information gathered.

3.5.2 Reliability of instruments

The purpose of the pilot study is to assess the robustness of the survey instrument, including its architecture and question sequence. The overall reliability of the research instruments was determined using split-half

reliability analysis. To do this, data from a specific sample size was collected, divided in half (typically into odd and even groups), and Pearson's correlation was used to discover any significant differences between them. If the correlation coefficient is more than 0.7, the data is credible (Trochim, 2005). This initiative intends to improve survey tools so that key survey respondents can successfully answer questions and compare findings.

3.6 Data Collection Procedures

Daniel and Harland (2017) introduced the phrase "data collecting methods" to refer to the process by which researchers gather all the data they want from a particular source. allowing us to assess the results. A week is given for people to complete a questionnaire that has been handed to them. A week later, the questionnaires were gathered for study.

3.7 Data Analysis

Data analysis, according to Miles (2013), seeks to make inferences from numerical data. Data collection, cleaning, processing, modeling, key finding, and report writing are all steps in the data analysis process. According to Punch, data analytics is the foundation for data mining and AI (2013). Before any data from a questionnaire is taken, its consistency, reliability, completeness, and accuracy must be examined. The Statistical Package for the Social Sciences is used to generate new variables, convert old variables, and collect the data needed for analysis. In their hunt for solutions to research questions, researchers also employ descriptive and inferential statistics. To give a thorough view of the data, the mean, coefficient of variation, standard deviation, skewness, and kurtosis must be calculated and analyzed for

each research variable. The inferential statistic will be interpreted using an alpha of 0.05 and a 95% confidence range.

Also, a correlation analysis will be done to show how closely each independent factor and the dependent variable are related. A multicollinearity diagnostic test will be conducted to evaluate the suitability of the study's independent variables. Multiple regression analysis was used to refine the study's final hypothesis regarding its variables.

3.7.1 Regression Model

Regression models, which Hosmer and Stanley (2000) say describe the connection between dependent and independent variables, have become standard in data analysis. In order to make an accurate prediction, we will employ the following estimate model:

$$Y = \beta_0 + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + \beta_4 X_4 + \beta_5 X_5 + \varepsilon$$

Where:

Y = Quality of Financial Reports

X₁ = Accounting Software

X₂ = Internal Controls

X₃ = Account Staff Competence

X₄ = Internal auditor independence

X₅ = Internal auditor tenure

β₀ = Constant term

β₁ to β₅ are regression coefficients for X₁ to X₅

ε = the error term

3.9 Diagnostic Test

Diagnostic tests, according to McInnes (2018), are questionnaires used to pinpoint strengths and weaknesses. The purpose of diagnostic investigations is to establish a test's ability to positively or negatively detect specific characteristics of a sample (Glasser, 2014). It will be determined whether or not a number of assumptions are accurate. The following three types of exams were considered in this study: The normality test, the multicollinearity test, and the model specification test are the three tests that are carried out.

3.9.1 Normality Test

Normality testing, according to McInnes (2018), confirms that the sample's data has a normal distribution across the wider population. The normality test determines if a particular data set is sufficiently represented by a normal distribution (Doornik & Hansen, 2008). In this inquiry, the Shapiro-Wilk test of normalcy will be applied. According to Priyatno (2017), the null hypothesis that the data come from a population with a regularly distributed population cannot be rejected if the significance level is greater than 0.05.

3.9.2 Multicollinearity Test

Multicollinearity is a phrase used to describe a scenario in which there is a high amount of correlation between different variables (Kothari, 2012). Multicollinearity tests can be used by researchers to determine whether two independent variables are naturally related. A correlation matrix and a variance inflation factor will be used in this study (V.I.F.). A correlation of more than 0.70 between two independent variables is considered multicollinear. There is

a substantial connection between two independent variables when the V.I.F. is 5 or above.

3.9.3 Model Specification Test

Due to the overwhelming number of options, researchers frequently struggle to choose a model. Shirangi and Louis (2016) define model specification as the challenge of selecting an appropriate model from a large number of computational models in order to make decisions or perform optimizations when faced with uncertainty. The Hausman specification test is used to determine whether a random effects or fixed effects model is being used in this case. The null hypothesis states that the entities have no impact or variance on the panel. The alternative hypothesis is accepted if the p-value is less than 0.05. If not, the null hypothesis is accepted. (2007; Chmelarova).

3.10 Ethical Considerations

According to Kerridge, Lowe, and McPhee (2005), determining what is right and wrong is central to the field of ethics. According to Devettere (2000), ethical decision-making entails drawing lines between right and wrong. This study requires confidentiality because the data and methods used are strategic in nature. Respondents' names will not be made public. Furthermore, if their identities can be determined, all responses will be treated as confidential.

CHAPTER FOUR

DATA ANALYSIS, PRESENTATION AND DISCUSSION

4.1 Introduction

The section gives the results for pilot test study. After the pilot study's findings and the response rate were reported, some descriptive statistics were offered. As a first step, we used correlation analysis, then moved on to regression before concluding the topic with the discussion of the research findings.

4.2 Pilot Test Results

Table 4. 1 below gives the results for the Reliability of research instrument based on pilot test done Muranga County using five respondents.

Table 4. 1 Reliability Test results

Variable	Cronbach's Alpha	Number of Items
Quality of financial reporting	.726	6
Accounting Software	.728	6
Internal Controls	.805	6
Accounting Personnel Competence	.779	6
Internal auditor independence	.706	6
Internal auditor tenure	.848	6

The results on reliability test shows that quality of financial reporting, accounting software, internal controls, accounting personnel competence, internal auditor independence and internal auditor tenure each yielded Cronbach's alpha coefficients of 0.726, 0.728, 0.805, 0.779, 0.706 and 0.848

respectively is as shown in the table 4.1 above. Bryman (2008) proposed 0.7 as the minimum acceptable coefficient, thus the questionnaire was reliable.

4.3 Response Rate

The researcher distributed a total 124 questionnaires in housing cooperative societies in Nairobi County. The results are as shown in figure 4.2 below.

Table 4. 2 Response rate

	Frequency	Percentage
Retuned	105	85.00
Non retuned	19	15.00
Total	124	100.00

From table 4.2 above, the questionnaire return rate was found to be 85%. This response rate is reasonable, as Mugenda and Mugenda (2003) state that a 70% response rate is reasonable in the social sciences.

4.4 Descriptive Statistics

The purpose of descriptive statistics is to provide a structured summary of data by elucidating the nature of the relationship between the various factors that make up a given study (Kaur P, 2018). A common theme in the analysis is that of describing how one variable affects another.

4.4.1 Quality of Financial Reporting

The outcome variable of this study was quality of financial reporting. The descriptive statistics for the responses from 105 responses drawn from different housing cooperatives. Table 4.3 shows who completed and returned the data collection tool.

Table 4. 3 Quality of Financial Reporting

Quality of Financial Reporting	Min	Max	Mean	Std. Dev	Kurt	Std. E
Reporting	Sta.	Sta.	Sta.	Sta.	Sta.	Std. E
The reports are supplied at the appropriate time when needed	1.00	5.00	2.2476	.93830	.778	.467
The reports generated present a true and fair position of the society	2.00	5.00	4.0190	.89851	-.412	.467
The reports generated are simple to understand	1.00	5.00	3.5048	.86740	.245	.467
The reports are well organized enhancing the comparison across the departments	2.00	5.00	3.6190	.72564	-.341	.467
The housing cooperative has financial reports that are useful in making financial decision	1.00	5.00	3.5048	.97195	-.681	.467
The housing cooperative use accounting principles similar to those used by other Housing for easy comparison of reports.	1.00	5.00	2.5143	1.04802	-.390	.467
Valid N (listwise)	3.2349 0.90830					

The results show that the financial reports are not supplied at the appropriate time when needed (N=105, M=2.2476, S.D=0.93830). Also, it was shown that the reports generated present a true and fair position of the society (N=105, M=4.0190, S.D=0.89851). In addition, the descriptive findings indicates that the financial reports generated are simple to understand (N=105, M=3.5048, S.D=0.86740). It was also confirmed that the financial reports are well organized enhancing the comparison across the departments (N=105,

M=3.6190, S.D=0.72564). The respondents further agreed with the statement that the housing cooperative has financial reports that are useful in making financial decision (N=105, M=3.5048, S.D=0.97195). Lastly, it was shown that most housing cooperative use accounting principles similar to those used by other housing for easy comparison of reports (N=105, M=2.5143, S.D=1.04802). The mean has a high standard deviation an indication that some housing cooperatives have accounting system that enable comparison.

4.4.2 Accounting Software

The first independent variable was accounting software. The descriptive statistics for the responses from 105 responses drawn from different housing cooperatives. Table 4.4 shows who completed and returned the survey.

Table 4. 4 Accounting Software

	Min	Max	Mean	Std. Dev	Kurt	
Accounting Software	Sta.	Sta.	Sta.	Sta.	Sta.	Std. E
The housing accounting software is able to track all the transaction	1.00	5.00	2.5333	1.01020	-.202	.467
The housing accounting software is able to automatically update the transactions in real-time	1.00	5.00	3.0857	1.28687	-1.055	.467
The housing accounting software has enough security features to keep the financial data secure	1.00	5.00	3.4571	.92016	.132	.467
The housing accounting software has procedures that make it easy to understand and use	1.00	5.00	2.9619	1.14290	-.895	.467
The housing accounting software enables data sharing among	1.00	5.00	3.8667	.82119	.838	.467

members of different departments						
It is easy to customize the housing data and reports according to the client's ease and requirements.	1.00	5.00	2.5333	1.08368	-.925	.467
Average			3.0730	1.04417		

The descriptive statistics showed that most housing cooperatives use an accounting software that is not able to track all the transaction (N=105, M=2.5333, S.D=1.01020). They gave varying answers concerning the statement as shown by the huge standard deviation. Also, the respondents were in a state of indifference on whether the housing cooperative accounting software is able to automatically update the transactions in real-time (N=105, M=3.0857, S.D=1.28687). However, the high standard deviation shows that some respondents could have indicated that their software is able to update the transaction automatically with some indicating that theirs can't do so. Furthermore, the respondents were neutral with the statement that the housing cooperative accounting software has enough security features to keep the financial data secure (N=105, M=3.4571, S.D=0.92016). In addition, the respondent indicated that most housing cooperatives have accounting software that has procedures that make it difficult to understand and use (N=105, M=2.9619, S.D=1.14290). Furthermore, the respondents said that majority of the housing cooperative accounting software enables data sharing among members of different departments (N=105, M=3.8667, S.D=0.82119). A small standard deviation indicates that respondents agreed with each other. They gave similar answers. Last, the descriptive statistics shows that it is not easy to

customize the housing data and reports according to the client's ease and requirements (N=105, M=2.5333, S.D=1.08368). A high standard deviation indicates that respondents gave different answers to the statement.

4.4.2 Internal Controls

The second independent variable was internal controls. The descriptive statistics for the responses from 105 responses drawn from different housing cooperatives. Table 4.5 shows who completed and returned the data collection tool.

Table 4. 5 Internal Controls

	Min	Max	Mean	Std. Dev	Kurt		
Internal Controls	Sta.	Sta.	Sta.	Sta.	Sta.	Std. E	
The housing accounting information system enable the implementation of internal controls in the accounting information system	1.00	5.00	2.6286	1.22676	-.846	.467	
The housing accounting software makes it impossible for one staff to have access to all valuable information without consent from the senior staff.	1.00	5.00	3.5714	1.15073	-.317	.467	
The housing cooperative has financial reports that are useful in making financial decision	1.00	5.00	3.5429	.92016	-.419	.467	
There are independent processes, checks and evaluation of control	2.00	5.00	3.6476	.83183	-.543	.467	

activities on an ongoing basis in the
Housing accounting information
system

The management closely monitors 1.00 5.00 3.1810 1.10750 -.660 .467
the implementation of the internal
control system in our Housing
accounting information system

Monitoring has helped in assessing 1.00 5.00 3.9053 1.13082 -.429 .467
the quality of the housing
accounting information system.

Valid N (listwise)

3.4128 1.0613

From table 4.5 above, it was shown that most housing cooperatives do not have an accounting information software that enable the implementation of internal controls in the accounting information system (N=105, M=2.6286, S.D=1.22676). A high standard deviation indicates that respondents had conflicting opinions. However, the majority disagreed with the statement. It was also shown that most housing cooperatives have accounting software that can makes it possible for staff to have access to all valuable information without consent from the senior staff (N=105, M=3.5714, S.D=1.15073). The research findings further indicated that most housing cooperatives have accounting information that enables internal review of implementation of the internal control system in departments (N=105, M=3.5429, S.D=0.92016). The respondents further said that most housing cooperatives have independent processes, checks and evaluation of control activities on an ongoing basis in the Housing accounting information system (N=105, M=3.6476, S.D=0.83183). In addition, the results shows that the respondents were neutral on whether the management closely monitors the implementation of the internal control system in our housing accounting information system (N=105,

M=3.1810, S.D=1.10750). The accompanying high standard deviation indicates that respondents had conflicting opinions concerning the statement. Lastly, the descriptive results further showed that monitoring has helped in assessing the quality of the housing cooperative accounting information system (N=105, M=3.9053, S.D=1.13082).

4.4.3 Accounting personnel competence

The third independent variable was accounting personnel competence. The descriptive statistics for the responses from 105 responses drawn from different housing cooperatives. Table 4.6 shows who completed and returned the data collection tool.

Table 4. 6 Accounting personnel competence

Accounting personnel competence	Min	Max	Mean	Std. Dev	Kurt	Std. E
	Sta.	Sta.	Sta.	Sta.	Sta.	Sta.
The accounting personnel are sourced from the most qualified accountants who have undergone vigorous trainings in accounting and finance	1.00	5.00	3.0476	1.30370	-1.143	.467
Housing cooperatives have the policy of retaining and promoting the employee with the highest work experience	2.00	5.00	3.7143	.78095	-.443	.467
Rewards are used as a key motivation method to outstanding accountants	1.00	5.00	2.9048	1.07885	-.706	.467

Our housing cooperative uses management performance as a method of improving the productivity of the employees 2.00 5.00 3.6571 .76997 -.223 .467

The housing cooperative do staff orientation before accounting personnel start working to provides the staff with necessary practical skills 1.00 5.00 3.3429 1.03616 -.758 .467

Our housing cooperative staff set goals at the beginning of every appraisal period 1.00 5.00 3.3238 1.26715 -.920 .467

Valid N (listwise)

3.3318 1.03946

Majority of the housing cooperatives have accounting personnel who are not sourced from the most qualified accountants who have undergone vigorous trainings in accounting and finance (N=105, M=3.0476, S.D=1.30370). However, the accompanying high standard deviation shows that the respondents differed on their responses with some few agreeing with the statement. These results further shows that most housing cooperatives have the policy of retaining and promoting the employee with the highest work experience (N=105, M=3.7143, S.D=0.78095). The respondents further affirmed that most housing cooperatives do not use rewards as a key motivation method to outstanding accountants (N=105, M=2.9048, S.D=1.07885). It was also shown that most housing cooperatives uses management performance as a method of improving the productivity of the employees (N=105, M=3.6571, S.D=0.76997). The descriptive findings also showed that staff undergoes orientation before accounting personnel start working to provides the staff with necessary practical skills(N=105,

M=3.3429, S.D=1.03616). Lastly, it was established that most housing cooperative staff set goals at the beginning of every appraisal period (N=105, M=3.3238, S.D=1.26715). A high standard deviation indicates that respondents had conflicting opinion.

4.4.4 Internal auditor independence

The fourth independent variable was internal auditor independence. The descriptive statistics for the responses from 105 responses drawn from different housing cooperatives. Table 4.7 shows who completed and returned the data collection tool.

Table 4. 7 Internal auditor independence

Internal auditor independence	Min	Max	Mean	Std. Dev	Kurt	
	Sta.	Sta.	Sta.	Sta.	Sta.	Std. E
The team of internal auditors undergo through thorough management performance processes to help them achieve the targets.	1.00	5.00	2.9238	1.04417	-.634	.467
The team of internal auditors are always motivated by providing rewards and remunerations based on output.	1.00	5.00	3.1810	1.32128	-1.225	.467
The internal auditors tend to be more skeptical during their last engagements.	1.00	5.00	3.5524	.89851	.097	.467

The internal auditors who have long engagements tend to be lenient on their work

The in internal auditors have basic training on operations of housing cooperatives

The internal auditors are rotated after every three years

Valid N (listwise)

3.3613 1.09833

The analysed descriptive findings, shows that that the team of internal auditors do not undergo through thorough management performance processes to help them achieve the targets (N=105, M=2.9238, S.D=1.04417). However, the results shows that the housing cooperatives do not provide reward to the internal auditors to motivate (N=105, M=3.1810, S.D=1.32128). In addition, it was shown that the auditors tend to be more skeptical during their last engagements (N=105, M=3.5524, S.D=0.89851). The results also indicated that internal auditors who have long engagements tend to be lenient on their work (N=105, M=3.6762, S.D=1.025). Also, the majority indicated that internal auditors in the housing cooperatives are certified by the relevant bodies (N=105, M=3.8057, S.D=1.25663). Lastly, it was shown that only few internal auditors have basic training on operations of housing cooperatives (N=105, M=3.0286, S.D=0.80258). Some agreed while other disagreed as others remained neutral as indicated by huge standard deviation.

4.4.5 Internal Auditor Tenure

The fifth independent variable was internal auditor tenure. The descriptive statistics for the responses from 105 responses drawn from different housing cooperatives. Table 4.8 shows who completed and returned the data collection tool.

Table 4. 8 Internal Auditor Tenure

	Min	Max	Mean	Std. Dev	Kurt	Std.
Accounting Software	Sta.	Sta.	Sta.	Sta.	Sta.	E
The internal auditors are rotated after every three years	1.00	5.00	3.0286	1.26686	-1.158	.467
The auditors who have prior interaction with the officers in office been audited are not deployed in these offices	1.00	5.00	3.8571	1.02309	.029	.467
The reports generated present a true and fair position of the society	2.00	5.00	3.8286	.89289	-.406	.467
The internal auditors who are doing the last engagement in a given department tend to be more skeptical.	2.00	5.00	3.6476	.78423	-.433	.467
Whenever an internal auditor develops relationship with the officer, the he is immediately replaced with a new auditor.	2.00	5.00	3.4476	.87685	-.686	.467

The internal auditors have a 1.00 5.00 2.7238 1.11368 -.558 .467
 permanent office in the housing
 cooperatives

Valid N (listwise) 3.4222 0.99293

The analysed descriptive findings, established that the respondents were in state of indifference on whether the internal auditors are rotated after every three years (N=105, M=3.0286, S.D=1.109). The huge standard deviation means that some of the housing cooperatives rotate their auditors while other do not. Also, it was shown that the auditors who have prior interaction with the officers in office been audited are not deployed in these offices (N=105, M=3.8571, S.D=1.02309). The research findings also showed that internal auditors are frequently recycled (N=105, M=3.8286, S.D=0.89289). A small standard deviation indicates that respondents gave similar answers. In addition, it was established that the internal auditors who are doing the last engagement in a given department tend to be more skeptical (N=105, M=3.6476, S.D=0.78423). The respondents also said that whenever an internal auditor develops relationship with the officer, the he is immediately replaced with a new auditor (N=105, M=3.4476, S.D=0.87685). Furthermore, the findings shows that the internal auditors do not have a permanent office in the housing cooperatives (N=105, M=2.7238, S.D=1.11368). However, the mean has a high standard deviation an indication that some housing cooperatives have permanent offices for the auditors. That mean that the audits are not rotated.

4.5 Diagnostic Tests

Various regression assumptions were tested to obtain unbiased estimates of study parameters. These include normality tests and multicollinearity tests.

4.5.1 Normality Test

The results on normality tests are shown in table 4.9 below.

Table 4. 9 Normality Tests

	Shapiro-Wilk		
	Statistic	Df	Sig.
Quality of Financial Reporting	.634	105	.058
Accounting Software	.298	105	.093
Internal Controls	.484	105	.102
Accounting Personnel Competence	.227	105	.071
Internal auditor independence	.425	105	.118
Internal auditor tenure	.332	105	.085

The results of the normality test showed that quality of financial reporting, accounting software, internal controls, accounting personnel competence, internal auditor independence, internal auditor tenure and quality of financial reporting each had a p-values of 0.058, 0.093, 0.102, 0.071, 0.118 and 0.085 respectively. Since the p-values of the five predictor variables and the outcome variable were found to be greater than the selected alpha level, Razali and Wah (2011) suggests that the data have been obtained from a normally distributed population.

4.5.2 Multicollinearity Test

In order to check for multicollinearity, Variance Inflation Factor (VIF) was used in this study. Multicollinearity is present if the VIF value is larger than 10, as stated by O'Brien (2007) using VIF.

Table 4. 10 Multicollinearity Test

Model	Collinearity Statistics	
	Tolerance	VIF
1 Accounting Software	.737	1.357
Internal Controls	.309	3.236
Accounting Personnel Competence	.554	1.805
Internal auditor independence	.648	1.543
Internal auditor tenure	.258	3.876

a. Dependent Variable: Quality of financial reports

The Variance Inflation Factor for accounting software, internal controls, accounting personnel competence, internal auditor independence and internal auditor tenure were found to be 1.357, 3.236, 1.805, 1.543 and 3.876, respectively. All 5 independent variables had a VIF less than 10. O'Brien (2007) suggested that VIF of 10 and bellows shows absence of multicollinearity between the predictor variables.

4.6 Correlation matrix table

Table 4.11 shows the results of a correlation analysis between each pair of variables (independent and dependent) that was performed.

Table 4. 11 Correlation matrix table

	QFR	AS	IC	APC	IAI	IAT
QFR Pearson Correlation	1					

		Sig. (2-tailed)						
	N	105						
AS	Pearson Correlation	.323**	1					
	Sig. (2-tailed)	.001						
	N	105	105					
IC	Pearson Correlation	.578**	.177	1				
	Sig. (2-tailed)	.000	.071					
	N	105	105	105				
APC	Pearson Correlation	.537**	.090	.348**	1			
	Sig. (2-tailed)	.000	.361	.000				
	N	105	105	105	105			
IAI	Pearson Correlation	.531**	.272**	.265**	.258**	1		
	Sig. (2-tailed)	.000	.005	.006	.008			
	N	105	105	105	105	105		
IAT	Pearson Correlation	.472**	.251**	.320**	.148	.202*	1	
	Sig. (2-tailed)	.000	.010	.001	.131	.038		
	N	105	105	105	105	105	105	

Accounting software and high-quality financial reporting were found to have a statistically significant positive association ($r=0.323$, $p=0.001<5\%$) when analyzed using the Pearson method of correlation. This demonstrates that better financial reports can be generated with better accounting software. The association was however moderate. There was also a positive and statistically significant relationship found between the quality of financial reporting and the presence of internal controls ($r=0.578$, $p=0.000<5\%$). This suggests that better internal control processes will eventually result in higher-quality financial reports. Strongly positive ($r=0.537$ and $p=0.000<5\%$) association was found between accounting staff competence and financial reporting quality. As a result, it follows that a company with highly qualified accountants will provide more reliable financial reports.

There was a strong and significant positive Pearson correlation between internal auditor independence and quality of financial reporting ($r=0.531$, $p=0.000<5\%$), and there was also a moderate and significant positive Pearson correlation between internal auditor tenure and quality of financial reporting

($r=0.472$, $p=0.000<5\%$). These findings suggest that increased confidence in financial reporting may arise from internal auditor independence and long-term internal auditor tenure.

4.7 The Model Summary

Values for the model's R-squared, adjusted R-squared, and standard error of the estimate are summarized as well. Tabulated below are the results obtained, as indicated in table 4.12.

Table 4. 12 Model Summary

Mode	R	Adjusted R	Std. Error of the Estimate
1	R	Square	Square
1	.802 ^a	.643	.625
			.22171

a. **Dependent variable:** Quality of Financial Reporting

b. **Predictors:** Accounting Software, Internal Controls, Accounting Personnel Competence, Internal auditor independence, Internal auditor tenure

Accounting software, internal controls, accounting personnel competence, internal auditor independence and internal auditor tenure contributes to 64.3% variations in in the outcome variable. The remaining 35.7% can be explained by other variables not in this study. Also, Accounting software, internal controls, accounting personnel competence, internal auditor independence and internal auditor tenure have strong combined impact on the outcome variable as indicated by the strong coefficient of determination ($R=0.802$).

4.8 Analysis of Variance

Table 4. 13 Analysis of Variance

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	8.783	5	1.757	35.739	.000 ^b
	Residual	4.866	99	.049		
	Total	13.650	104			

a. Dependent Variable: Quality of Financial Reporting

b. Predictors: (Constant), Accounting Software, Internal Controls, Accounting Personnel Competence, Internal auditor independence, Internal auditor tenure

The results on analysis of variance disclosed that the model was significant in explaining the relationship between the predictor and the outcome variables as shown by the F value of 35.739 which was significant at $p=0.000<5\%$. Accounting software, internal controls, accounting personnel competence, internal auditor independence and internal auditor tenure were therefore significant in explaining variations in quality of financial reporting among the housing cooperatives in Nairobi County.

4.9 Regression Coefficients

Table 4. 14 Regression Coefficients

Model	Unstandardized Coefficients		Standardized Coefficients		t	Sig.
	B	Std. Error	Beta			
(Constant)	-.499	.284			-1.755	.082
AS	.085	.054	.101		1.580	.117
IC	.301	.069	.294		4.334	.000
AP	.272	.057	.313		4.812	.000
IAI	.281	.062	.295		4.512	.000
IAT	.196	.052	.246		3.788	.000

a. **Dependent Variable:** Quality of Financial Reporting

From the analysis in table 4.12, the following model was established:

$Y = -0.499 + 0.085X_1 + 0.301X_2 + 0.272X_3 + 0.281X_4 + 0.196X_5$ where X_1 stands for accounting software, X_2 for internal controls, X_3 for accounting personnel competence, X_4 for internal auditor independence and X_5 for Internal auditor tenure. From the results, the constant was -0.499, ($\beta_0 = -0.499$, $p = 0.082 < 0.05$, $t = 1.755$) representing the level quality of financial reports in absence in all

other variables (accounting software, internal controls and accounting personnel competence). The indication of these outcomes is that a unit increase in use of accounting software when other factors when all the other variables are kept constant would result into an 8.5% enhanced of quality of financial reports among the housing cooperatives in Nairobi City County ($\beta_1 = 0.085$, $p = 0.117 < 0.05$, $t = 1.580$). Similarly, improved internal controls, when all the other variables are kept constant would result into 30.1% increase in quality of financial reports among the housing cooperatives in Nairobi City County ($\beta_2 = 0.301$, $p = 0.000 < 0.05$, $t = 4.334$).

In addition, the regression results showed that Accounting Personnel Competence had a significant and positive beta coefficient ($\beta_3 = 0.272$, $p = 0.000 < 0.05$, $t = 4.812$). These results show that a unit increase in this variable, when other factors when all the other variables are kept constant would result into 27.2% increase in quality of financial reports among the housing cooperatives in Nairobi City County. The regression analysis further showed that internal auditor independence had a significant positive beta coefficient ($\beta_4 = 0.281$, $p = 0.000 < 0.05$, $t = 4.512$) meaning that improving the level of internal auditor independence would result into a 28.1% increase in quality of financial reports among the housing cooperatives in Nairobi City County. Lastly, it was shown that internal auditor tenure had positive and significant beta coefficient ($\beta_5 = 0.196$, $p = 0.000 < 0.05$, $t = 3.788$). Lengthening the internal auditor tenure would result into a 19.6% increase in quality of financial reports among the housing cooperatives in Nairobi City County.

4.10 Discussion of the Results

The descriptive statistics showed that most housing cooperatives use an accounting software that is not able to track all the transaction. Also, the respondents were in a state of indifference on whether the housing cooperative accounting software is able to automatically update the transactions in real-time. This could be explained by the findings Ashia (2021) that during the early stages of AS adoption in organizations the limited skills of accounting staff, unplanned and uncoordinated innovation, and the lack of a large organization prevented the technology from producing the desired results. This is because different housing cooperatives are at different stages of adoption of accounting soft wares, with some having their accounting software in the implementation stage. However, Ashia (2021) states that these problems can be overcome at a later stage to produce more positive results.

In this study, both the correlation and regression showed that the relationship between accounting software and quality of financial reports from the housing cooperatives in Nairobi City County are insignificant as indicated by an insignificant Pearson correlation and beta coefficients. These findings agree with earlier finding by Chong and Nizam (2018) who showed that the characteristics of AIS (the efficiency of AIS, reliability of AIS, ease of use of AIS, data quality, and accuracy of data from AIS significantly impact the company's overall performance. This quality data from AIS, as opined by Fadzilah (2017) could help firms ensure business viability and sustainability in an increasingly competitive environment while improving capabilities and efficiency in business operations.

The descriptive results further showed that monitoring has helped in assessing the quality of the housing cooperative accounting information system and therefore internal control was found to significantly affect the quality of financial reports as shown by both the correlation and regression results where internal control was found to be having significant Pearson correlation coefficient and beta coefficient. These findings strongly support earlier finding by AL-Kharusi and Matriano's (2022) who stated that strong internal control system and its favourable link with the accuracy of financial statements cannot be overstated. These internal controls do not only affect the quality of financial reports, but Asiligwa and Rennox (2017) states that through internal controls, commercial banks in Kenya have achieved great financial performance. Just like Rapina (2020) showed that talent competence has an impact on financial reporting, this study found a strong and significant positive Pearson correlation coefficient and significant positive beta coefficient between accounting personnel competence and quality of financial reports. Similarly, Iskandar and Setiyawati (2015) showed that competence of internal accountants has a significant effect on the quality of financial reporting and that the quality of financial reporting significantly impacts financial accountability. The finding of this study thus are in support of earlier finding by other researchers in this field it is therefore health for a firm to get the most qualified personnel professional employees who better understand and use computerized software produce higher quality and more accurate financial statements (Sekyere, Amoateng & Frimpong 2017). This do not only affect the quality of financial reports, but also performance of the employees as suggested by Fauziati (2016)

CHAPTER FIVE

SUMMARY OF FINDINGS CONCLUSION AND RECOMMENDATIONS

5.1 Introduction

This section provides a conclusion, analysis, and suggestions for moving forward, all in light of the goals. In each variable, suggestions were made to policymakers, practitioners, and academics. This summary illustrates the relationship between the predictors and the outcome variables.

5.2 Summary of Findings

This subsection provides a synopsis of the results with respect to the set goals. The summary exhibits the impact of each the predictors and the outcome variables. The accounting software, internal controls, accounting staff competency, independence and tenure of the internal auditor were the predictor variables, while the quality of financial reporting was the outcome variable.

The first independent variable was accounting software. The descriptive statistics showed that most housing cooperatives use an accounting software that is not able to track all the transaction. Also, the respondents were in a state of indifference on whether the housing cooperative accounting software is able to automatically update the transactions in real-time. Furthermore, it was shown that housing cooperative accounting software has enough security features to keep the financial data secure. In addition, the respondent indicated that most housing cooperatives have accounting software that has procedures

that make it difficult to understand and use. Furthermore, the respondents said that majority of the housing cooperative accounting software enables data sharing among members of different departments. Lastly, the descriptive statistics shows that it is not easy to customize the housing data and reports according to the client's ease and requirements.

Both the correlation and regression showed insignificant correlation between accounting software and quality of financial reports from the housing cooperatives in Nairobi City County. The descriptive statistics on internal controls shown that most housing cooperatives do not have an accounting information software that enable the implementation of internal controls in the accounting information system. Internal control was also found to significantly affect the quality of financial reports as shown by both the correlation and regression results where internal control was found to be having significant Pearson correlation coefficient and beta coefficient.

Concerning the accounting personnel competence, it was deduced that majority of the housing cooperatives have accounting personnel who are not sourced from the most qualified accountants who have undergone vigorous trainings in accounting and finance. These results further shows that most housing cooperatives have the policy of retaining and promoting the employee with the highest work experience. The respondents further affirmed that most housing cooperatives do not use rewards as a key motivation method to outstanding accountants. It was also shown that most housing cooperatives uses management performance as a method of improving the productivity of the employees. The descriptive findings also showed that staff undergoes orientation before accounting personnel start working to provides the staff with

necessary practical skills. Lastly, it was established that most housing cooperative staff set goals at the beginning of every appraisal period. The relationship between the accounting personnel competence was found to be significant as shown by strong and significant positive Pearson correlation coefficient and significant positive beta coefficient.

Based on the research findings on internal auditor independence, it was shown that the team of internal auditors do not undergo through thorough management performance processes to help them achieve the targets. Also the results show that the housing cooperatives do not provide reward to the internal auditors to motivate. In addition, it was shown that the auditors tend to be more skeptical during their last engagements. The results also indicated that internal auditors who have long engagements tend to be lenient on their work. The regression analysis established positive and significant relationship between internal auditor independence and quality of financial reports as indicated by strong and significant Pearson correlation coefficient and a significant beta coefficient.

The descriptive statistics on internal auditor tenure, established that the respondents were in state of indifference on whether the internal auditors are rotated after every three years. Also, it was shown that the auditors who have prior interaction with the officers in office been audited are not deployed in these offices. The research findings also showed that internal auditors are frequently recycled. In addition, it was established that the internal auditors who are doing the last engagement in a given department tend to be more skeptical. The respondents also said that whenever an internal auditor develops relationship with the officer, the he is immediately replaced with a new auditor.

Lastly, it was shown that most housing cooperative use accounting principles similar to those used by other housing for easy comparison of reports. Generally, the dependent variable was significantly explained by the accounting information system of the housing cooperatives as indicated by the model summary where a strong Pearson correlation coefficient was established. Also, the model summary showed that the accounting information system explain 64.3% variations in quality of financial reports of the housing cooperatives in Nairobi.

5.3 Conclusions

The study draws a conclusion that accounting software, internal controls, accounting personnel competence, internal auditor independence and internal auditor tenure are very instrumental in ensuring quality of financial reports. In the absence of any of these variables, quality of financial reports would adversely be affected. The research findings showed that accounting software and quality of financial reporting had significant positive relationship with quality of financial reports. This study concludes that improving quality of accounting software would lead to improved quality of financial reports. In addition, a strong positive and significant positive relationship was established between internal controls and quality of financial reporting which was confirmed by the regression analysis where internal controls showed a positive and significant beta coefficient. This study shows that internal controls are likely to lead to high quality financial reports.

In addition, both the regression analysis and correlation analysis showed that accounting personnel competence had a positive and significant relationship with the quality financial reports. Based on these findings, this study concludes

that improving the competence accounting personnel could lead to improved quality financial reports. Also, internal auditor independence and quality of financial reporting showed a significant positive relationship thus it was concluded that ensuring internal auditor independence would likely lead to high quality financial reports. Lastly, the inferential statistics established that internal auditor tenure had a strong positive and significant Pearson correlation coefficient with quality of financial reporting while the regression analysis showed internal auditor tenure had a positive and significant beta coefficient. Based on these results, it was concluded that lengthening the internal auditor tenure could lead to high quality financial reports.

5.4 Recommendations

The study provided the following recommendations to the policy makers, practitioners and scholars based on the findings of the current study. The descriptive statistics showed that most housing cooperatives use an accounting software that is not able to automatically update the transactions in real-time. Also, the respondent indicated that most housing cooperatives have accounting software that has procedures that make it difficult to understand and use. This study recommends that the management of these housing cooperatives upgrade the accounting software to make it more effective and user friendly. It was shown that most housing cooperatives do not have accounting software that can make it possible for staff to have access to all valuable information without consent from the senior staff.

The results showed that most housing cooperatives do not have the policy of retaining and promoting the employee with the highest work experience. The

respondents further affirmed that most housing cooperatives do not use rewards as a key motivation method to outstanding accountants. This study recommends that the human resource department of the housing cooperatives put in place a policy of motivating those employees who have outstanding performance. Also, they should put in place a policy of retaining the most qualified and experienced employees to make them competitive in the market.

5.5 Limitations of the Study

This study was limited in several ways which include the geographical coverage in that it was only carried out in among the housing cooperatives in Kenya. The findings from these firms may not be meaningful when generalised to other firm as the accounting system used in these firms may significantly differ from the accounting system used in firms in other sectors. The second limitation is that the target population of this study were officers from the different departments within the housing cooperatives. The customers who are the users of the financial reports were not interviewed and therefore they did not get an opportunity to give their views concerning the quality of the financial reports generated by the housing cooperatives.

Third, the study relied on primary data which is subjective as it depends on the opinion of the individual. Results may therefore not be true as the respondents may give wrong information resulting to wrong inferences. Fourth, the period allocated for the study was limited. The researcher did not get an opportunity to interview all the respondents as some had busy schedules while others were out of office, reducing the response rate. This could have significant impact on the research findings as all the respondents never got an opportunity to respond

to the questionnaires. Also, those who respondent worked under tight schedule and they were not given enough time to critically analyse the statement in the questionnaires. This could lead to biasness pf the research findings.

5.6 Suggestions for Future Research

Accounting information system explain 64.3% variations on outcome variable. Thirty five point 7 percent is explained by other factors outside the study. The findings of this study call for other studies like it to be conducted with different variables to determine what additional elements affect the reliability of financial statements. It is recommended by this research that comparable studies be carried out in other businesses, particularly in the industrial sector. In addition, a comparable survey can be conducted at the same businesses with a new set of respondents to see if the same results are reached.

Based on the aforementioned limitations, this study suggests that similar study be done incorporating all the users of the financial statements as respondents so as to include their views concerning the quality of the financial statement. Also, similar study could be undertaken giving the respondents enough time to respondent to the questionnaires. Future researchers could also include secondary to reinforce the primary data to help improve on the research findings.

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QUESTIONNAIRE

Please tick in the appropriate box and also fill in the blank spaces provided for those questions. Use the space at the back of this questionnaire if you need more space for your responses

SECTION A: ACCOUNTING SOFTWARE

1. Evaluate the following statements and tick where appropriate under the choices below in relation to accounting software.

Where: 1 – Strongly Disagree, 2 – Disagree, 3 – Neutral, 4 - Agree or 5 - Strongly Agree

Statements	1	2	3	4	5
The Housing accounting software is able to Track all the transaction					
The Housing accounting software is able to automatically update the transactions in real-time					
The Housing accounting software has enough security features to keep the financial data secure					
The Housing accounting software has procedures that make it easy to understand and use					
The Housing accounting software enables data sharing among members of different departments					
It is easy to customize the Housing data and reports according to the client's ease and requirements.					

SECTION B: INTERNAL CONTROLS

5. Evaluate the following statements and tick where appropriate under the choices below

Where: 1 – Strongly Disagree, 2 – Disagree, 3 – Neutral, 4 - Agree or 5 - Strongly Agree

Statements	1	2	3	4	5
The Housing accounting information system enable the implementation of internal controls in the accounting information system					
The Housing accounting software makes it impossible for one staff to have access to all valuable information without consent from the senior staff.					
The Housing accounting information enables internal review of implementation of the internal control system in departments.					
There are independent processes, checks and evaluation of control activities on an ongoing basis in the Housing accounting information system					
The management closely monitors the implementation of the internal control system in our bank. The Housing accounting information system					
Monitoring has helped in assessing the quality of the Housing Accounting Information System.					

SECTION C: ACCOUNTING PERSONNEL COMPETENCE

6. Evaluate the following statements and tick where appropriate under the choices below in relation to accounting personnel competence.

Where: 1 – Strongly Disagree, 2 – Disagree, 3 – Neutral, 4 - Agree or 5 - Strongly Agree

Statements	1	2	3	4	5
The accounting personnel are sourced from the most qualified accountants who have undergone vigorous trainings in accounting and finance					
Our housing has the policy of retaining and promoting the employee with the highest work experience					
Rewards are used as a key motivation method to outstanding accountants.					
Our Housing uses management performance as a method of improving the productivity of the employees					
The Housing do staff orientation before accounting personnel start working to provides the staff with necessary practical skills					
Our Housing staff set goals at the beginning of every appraisal period					

SECTION D: INTERNAL AUDITOR INDEPENDENCE

7. Evaluate the following statements and tick where appropriate under the choices below in relation to internal auditor independence.

Where: 1 – Strongly Disagree, 2 – Disagree, 3 – Neutral, 4 - Agree or 5 - Strongly Agree

Statements	1	2	3	4	5

The team of internal auditors undergo through thorough management performance processes to help them achieve the targets.					
The team of internal auditors are always motivated by providing rewards and remunerations based on output.					
The internal auditors tend to be more skeptical during their last engagements.					
The internal auditors tend who have long engagements tend to be lenient on their work					
The internal Auditors are certified by the relevant bodies					
The in internal auditors have basic training on operations of housing cooperatives					

SECTION E: INTERNAL AUDITOR TENURE

8. Evaluate the following statements and tick where appropriate under the choices below in relation to internal auditor tenure.

Where: 1 – Strongly Disagree, 2 – Disagree, 3 – Neutral, 4 - Agree or 5 - Strongly Agree

Statements	1	2	3	4	5
The internal auditors are rotated after every three years					
The auditors who have prior interaction with the officers in office been audited are not deployed in these offices					
The internal Auditors are frequently cycled					

The internal auditors who are doing the last engagement a given department tend to be more skeptical during their last engagements.					
Whenever an internal auditor develops relationship with the officer, the he is immediately replaced with a new auditor.					
The internal auditors do not have a permanent office in the housing cooperatives					

SECTION F: QUALITY OF FINANCIAL REPORTING

9. Evaluate the following statements and tick where appropriate under the choices below in relation to the quality of financial reporting.

Where: 1 – Strongly Disagree, 2 – Disagree, 3 – Neutral, 4 - Agree or 5 - Strongly Agree

Statements	1	2	3	4	5
The reports are supplied at the appropriate time when needed					
The reports generated present a true and fair position of the society					
The reports generated are simple to understand					
The reports are well organized enhancing the comparison across the departments					

The Housing has financial reports that are useful in making financial decision					
Our Housing use accounting principles similar to those used by other Housing for easy comparison of reports.					

Thank you for your cooperation

LIST OF HOUSING COOPERATIVES

3GR Housing Co-Operative Society Ltd
Airtel Money Afyanet Housing Co - Operative Society
Alphasol Housing Co - Operative Society Ltd
Amref Nyumbani Housing Cooperative
Ardhi Housing Co-Operative Society Ltd
Balozi Housing Society Ltd
Banki Kuu Housing Co-Operative Society
Basscco Housing Co-Op Society
Bat Housing Cooperative Society
Broad Borders Housing Cooperative
Canaan Multipurpose Cooperative Society Limited
Chai Housing Co-Operative Society Ltd
Chuna Housing Co-Operative Society Ltd
Ckay Housing Co-Operative Society Limited
Comoco Housing Society Ltd
County Housing Cooperative Society Ltd
Devco Housing Co-Operative Society Limited
Dhamini Housing Sacco Society
Drumvale Housing Cooperative Society Limited
Embakasi Housing Co-Op Society
Faidisha Pamoja Housing Co-Operative Society
Focus Realtors Housing Cooperative Society Ltd
Fundilima Housing Co-Operative Society Ltd
Ginnland Housing Development
Global Investors Housing Cooperative Society
Habitat Housing Cooperative Society
Happy Valley Housing Co - Operative Society
Hazina Housing Co-Op Society Ltd
Icipe Staff Housing Cooperative Society
Ismailia Highridge Housing Co-Operative Society Limited
Jamii Housing Co-Operative Society
Jirani Land Housing Co-Operative Society Kenya
Jogoo Housing Co-Operative Society Ltd.
Joinas Housing Co-Operative Society Limited
Kamulu Housing Society Cooperative
Kamuthi Housing Cooperative Society
Kanisa Housing Co-Operative Society
Kawi Housing Cooperative Society
Kenversity Housing
Kenya Medical Association Housing Cooperative Society
Kewisco Housing Cooperative Limited.
Kibute Housing Coperative Society Ltd
Kikwaka Housing Co - Operative Society Ltd
Kimmi Housing Cooperative Society Limited
Kirere Housing Cooperative

Kmat Housing Co-Operative Society Limited
Komarock Ranching And Housing Ltd
Kumbukumbu Housing Cooperative Society Limited
Kuscco Housing Co-Operative
Kyanjau Housing Co-Operative Society Ltd
Lancet Housing Co-Operative Society Ltd
Likizo Homes Housing Cooperative Society
Lsk Housing Co-Op Society Ltd
Lukenya Housing Co-Operative Society
Matetani Housing Co-Operative Society
Mhandisi Housing Cooperative Society
Mhasibu Housing Company Ltd
Mkono Poa Housing Cooperative Limited
Mloathi Housing Cooperative
Monnacy Housing Co - Operative Society
Mshamba Housing Co-Operative Society
Murianga Housing Co - Operative Society
Mwihoko Housing Cooperative Ltd
Mwito Housing Cooperative Society Limited
Nahoco Housing Co-Operative Society
Nairobi Teachers Housing Co-Operative Society Ltd
National Co-Operative Housing Union Ltd
Ndega Housing Co-Operative Society Ltd
Ndege Chai Housing Cooperative Society
New Heri Homes Housing Cooperative Society Limited
Ngosheny Housing Cooperative Society Ltd
Nyati Sacco Housing Cooperative Society Ltd
Otema Housing Co-Operative Society Ltd
Pambazuka Housing Co-Operative Society Ltd
Pcea Housing Cooperative Society Ltd
Platinum Housing Society.
Postbank Housing Co-Operative Society
Queensway Housing Cooperative Society
Railway Housing Co-Operative Society Ltd
Ramokia Housing Co - Operative Society Ltd
Relisa Housing Co - Operative Society Ltd.
Royal Housing Co-Operative House
Shelloyees Housing Sacco Ltd
Sheria Housing Cooperative Society Limited
Shirika Housing Co-Operative Society Limited
Simaki Housing Cooperative Society
Stima Investment Co-Operative Society
Tai Housing Sacco Society Limited
Tassia Housing Co- Operative Society Ltd
Tembo Ventures Housing Co-Operative Society
Tetu Housing Society Limited

The Co-Operative Bank Housing Co-Operative Society Limited
Thika Teachers Housing Cooperative
Thika Workers Housing Co-Operative Society Ltd
Traders Housing Co-Operative Society Ltd
Tulaga Housing Co-Operative Society
Uaminifu Housing Cooperative Society Ltd
Ufalme Housing Co-Operative Society Limited
Ukulima Housing Co-Operative Society Ltd
Urithi Housing Co-Operative Society Ltd-Cbd
Vision Housing Co - Operative Society
Walokana Housing Co-Operative Society Ltd
Wanandege Housing Co-Op Society
Waumini Housing Co-Operative Society Ltd
World Restoration Jaw Bone Housing Cooperative Society