EFFECT OF AUDIT QUALITY ATTRIBUTES ON FINANCIAL PERFORMANCE OF MANUFACTURING FIRMS LISTED ON NAIROBI SECURITIES EXCHANGE.

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A Thesis Submitted Submitted in Fulfilment of the Requirements for the Award of Master Of Business Administration (Accounting Option) in The School Of Business and Economics of Masinde Muliro University Of Science And Technology

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CERTIFICATION

The undersigned certify that they have read and hereby recommend for acceptance of Masinde Muliro University of Science and Technology of a thesis entitled 'Audit quality Attributes and Financial Performance on Manufacturing Firms Listed on Nairobi Securities Exchange'

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DEDICATION

This research thesis is dedicated to my family with special regard to the Moyiah’s who supported me and enabled me realize my academic dream.

ABSTRACT

Audit quality is fundamental in preserving market integrity and investor trust, particularly in manufacturing firms where financial transparency directly impacts decision-making and performance. This study investigates the effects of specific audit quality attributes—Audit Firm Size, Auditor's Remuneration, Audit Committee Report Quality, and Auditor Report Quality—on the financial performance, measured by Return on Equity (ROE), of manufacturing firms listed on the Nairobi Securities Exchange (NSE) from 2017 to 2021.Recent cases of financial misreporting have raised concerns about audit reliability among Kenyan firms, revealing a performance gap in audit quality that may compromise transparency and governance. Despite regulatory efforts, questions remain regarding the influence of audit attributes on financial outcomes in Kenya's emerging market context. This study aims to analyze how audit quality attributes impact financial performance within NSE-listed manufacturing firms, focusing on audit firm size, auditor remuneration, audit committee reporting, and auditor report quality. A correlational research design was employed, using both primary data from surveys and secondary data from firms' financial reports. Descriptive and inferential analyses, including multiple regression, were conducted to examine the relationships between audit quality attributes and ROE. Key findings were analyzed using SPSS, with statistical tests confirming data normality and reliability. Results revealed a moderate positive correlation between Audit Firm Size and ROE ($r = 0.452$, $p = 0.008$), suggesting that larger firms, with their resources and credibility, tend to support higher audit quality and financial outcomes. Auditor Remuneration demonstrated a significant impact on ROE (coefficient = 0.2155, $p = 0.038$), indicating that fair compensation enhances audit diligence and independence. Audit Committee Report Quality (coefficient = 0.3253, $p = 0.004$) was also positively linked to ROE, reflecting the role of comprehensive governance oversight. Auditor Report Quality had the strongest positive effect (coefficient = 0.3794, $p = 0.001$), underscoring the importance of transparency and accuracy in promoting investor trust. The study concludes that audit quality attributes play a significant role in enhancing financial performance. Larger audit firms, fair auditor remuneration, thorough audit committee reports, and high-quality auditor reports collectively contribute to better financial outcomes by reinforcing governance and transparency. It is recommended that firms engage reputable audit firms, ensure competitive remuneration, enhance audit committee oversight, and prioritize transparency in auditor reports. Policymakers are encouraged to support sector-specific audit guidelines to further strengthen audit standards within Kenya's manufacturing sector. This study contributes valuable insights into the impact of audit quality on financial performance, offering practical recommendations for regulators, corporate leaders, and researchers in emerging markets like Kenya.

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LIST OF ACRONYMS' AND ABBREVIATIONS

ACR	Audit committee reports
AFS	Audit Firm Size
ARM	Auditors Renumerations
ARP	Auditors Report
ANOVA	Analysis of Variance
FP	Financial Performance
ICPAK	Institute of Certified Public Accountants of Kenya
IIA	Institute of Internal Auditors
MS	Manufacturing Sector
NSE	Nairobi Securities Exchange
OECD	Organization for Economic Cooperation and Development
PFM	Public Financial Management
SEC	Securities Exchange Commission
SOEs	State Owned Enterprises
SPSS	Statistical Package for Social Science

OPERATIONAL DEFINITION OF TERMS

Audit Quality

Defined as the likelihood that auditors will identify and disclose any significant issues in financial statements. Audit quality is crucial for maintaining the integrity of financial reports and is measured by factors like auditor independence and competence (Hua, Hla, & Isa, 2016). High audit quality reflects an auditor's success in providing stakeholders with reliable information about a company's financial health.

Audit Firm Size

Refers to the size of the audit firm in terms of resources, reach, and reputation. Larger audit firms, often known as the "Big Four," are associated with higher-quality audits due to their extensive resources and expertise, which allows them to resist management pressures and uphold independence (DeAngelo, 1981).

Auditor's Remuneration

Defined as the fees paid to auditors for their services, factoring in the time, risk, and complexity involved in the audit. Adequate remuneration is linked to better audit quality, as it incentivizes auditors to perform thorough audits without the influence of client pressure (Amba & Al-Hajeri, 2013)

Audit Committee Report

This refers to the detailed review and findings provided by the audit committee to support corporate governance. A high-quality audit committee report reflects thorough financial oversight, helping ensure accurate and reliable financial reporting (Audit Committee Institute, 2017).

Auditor Report Quality

Represents the accuracy, transparency, and completeness of the auditor's opinion on a company's financial statements. High-quality reports enhance investor confidence by providing an objective assessment of the company's financial condition (Ittonen, 2012; Karjalainen, 2011).

Financial Performance

Defined as the measure of a company's profitability and value creation for shareholders, typically represented by Return on Assets (ROA) or Return on Equity (ROE). Financial performance is an indicator of a firm's success in achieving its financial goals and is crucial for investor evaluation (Iliemena & Ijeoma, 2019).

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CHAPTER ONE

INTRODUCTION

1.1 Background of the Study

The world financial crisis has underscored the significance of financial reporting that is both dependable and of high quality. The external audit plays a key role in guaranteeing the accuracy and completeness of financial reports for publicly traded companies. The public has a vested stake in this endeavour because it supports the regulatory and supervisory framework. One of the most pressing concerns in modern auditing is the quality of audits. The reliability of audited financial statements is important to a number of stakeholders, both inside and outside the company (Abubakar, 2017). Reducing information asymmetries and maintaining an efficient market environment are two of the most important goals of a financial statement audit. On the other hand, trustworthy and dependable audited financial data is essential for the audit process to boost company performance. The importance of auditing has grown in recent years as a result of information asymmetry and the role that financial data plays in investing choices. Encouraging trust in the reliability and accuracy of financial accounts is crucial for improving a company's financial performance, and audit quality plays a key part in this (Vengesai & Kwenda, 2018). In addition, when users trust the audit report to make informed investment decisions, audit quality is maintained.

Audit quality has become a central focus in contemporary financial research, governance, and practice, especially as firms face increasing pressure to maintain transparency and accountability in their financial reporting. As businesses expand and become more complex, stakeholders demand higher standards of financial transparency, prompting firms to invest in high-quality audits to enhance credibility and trust (Knechel, 2016). This study explores the intricate relationship between audit quality and financial performance, particularly in listed manufacturing firms on the Nairobi Securities Exchange (NSE) in Kenya. By examining various audit quality attributes and their impact on financial outcomes, this research aims to fill an important gap in understanding how audit practices can support financial success in emerging markets.

At the core of audit quality theory is the premise that high-quality audits serve as essential checks and balances within the financial ecosystem. DeAngelo's (1981) foundational theory on auditor independence suggests that an auditor's ability to remain unbiased and identify material misstatements is directly influenced by both their competence and the compensation they receive. High-quality audits, therefore, depend on factors such as auditor independence, fair remuneration, and organizational support structures, which are critical in deterring financial misstatements and upholding the integrity of financial reports.

Similarly, agency theory plays a crucial role in framing the importance of audit quality. This theory posits that managers (agents) may not always act in the best interests of shareholders (principals), leading to potential conflicts and information asymmetry. The presence of high-quality audits helps to bridge this gap by providing shareholders with independent verification of the firm's financial health (Jensen & Meckling, 1976). Consequently, agency theory underscores the relevance of audit quality as an essential element in aligning the interests of management and stakeholders, ensuring that financial information is both accurate and reliable.

More recently, resource dependence theory has provided an additional lens through which to view audit quality. Larger audit firms, known for extensive resources and expertise, tend to deliver higher-quality audits, enabling them to offer valuable guidance and independence in managing financial reports. This theory complements the belief that firms benefit from the credibility and reassurance offered by reputable auditors, reinforcing investor confidence and fostering long-term value creation (Pfeffer & Salancik, 2003).

Conceptually, audit quality comprises various attributes—such as audit firm size, auditor’s remuneration, audit committee report quality, and the quality of the auditor report itself—that collectively determine the audit's effectiveness in safeguarding financial integrity. Studies have shown that these attributes individually contribute to audit quality but also interact to reinforce audit outcomes. For instance, large audit firms are often better equipped to conduct thorough and independent audits, and high-quality auditor reports help to signal financial health to investors and the market (Knechel et al., 2013).

However, defining and measuring audit quality is challenging, as it encompasses both tangible metrics (such as audit firm size and remuneration) and subjective elements (like perceived auditor independence). By focusing on these specific attributes, this study addresses the multifaceted nature of audit quality, providing a structured framework to assess how each attribute contributes to overall financial performance.

Recent studies have demonstrated that audit quality goes beyond mere compliance—it directly impacts the financial outcomes of firms, particularly in terms of profitability and market valuation (Francis, 2011). By framing audit quality as a strategic factor that supports financial performance, this study offers a nuanced perspective on how quality audits contribute to a firm’s financial success.

In the Kenyan context, the emphasis on audit quality has intensified as the Nairobi Securities Exchange (NSE) seeks to strengthen its reputation and attract more investors. The role of audit quality in Kenya's manufacturing sector is particularly crucial due to the sector's significant contribution to the economy and its potential for growth. Despite being the largest economy in East Africa, Kenya faces unique challenges in enforcing audit standards, often due to limited regulatory resources and varying compliance levels among firms (Waweru & Prot, 2018). The Capital Markets Authority (CMA) and the Institute of Certified Public Accountants of Kenya (ICPAK) have both introduced measures to improve audit quality, but gaps remain, especially in firms where governance practices may not fully align with global standards.

Listed manufacturing firms on the NSE face growing scrutiny regarding their financial practices. Stakeholders—including investors, regulators, and the general public—demand higher levels of accountability, and audit quality has become a key factor in demonstrating this accountability. Auditors, therefore, play a pivotal role in providing accurate and trustworthy financial information that stakeholders can rely on when making investment decisions. However, factors such as auditor remuneration, firm reputation, and the quality of audit committee oversight vary widely across firms, impacting the consistency and reliability of audits.

As Kenyan firms navigate a complex regulatory environment and increasing competition, understanding the dynamics of audit quality and financial performance is crucial. This study's focus on listed manufacturing firms is especially relevant, as these firms are often at the forefront of economic development in Kenya. The findings will not only enhance our understanding of audit quality's impact within an emerging market but also offer practical insights for policymakers and corporate leaders in Kenya who aim to strengthen governance standards and promote sustainable financial growth.

The motivation for this study stems from the observed gaps in existing research on audit quality, especially within emerging markets like Kenya, where unique regulatory and economic conditions create distinct challenges for maintaining high audit standards. Prior studies have extensively examined audit quality in developed markets, where regulatory frameworks and audit standards are well-established (Francis, 2011; Knechel, 2016). However, there remains a limited understanding of how audit quality attributes impact financial performance in emerging economies, where firms often operate under different constraints and may encounter additional challenges related to governance and compliance.

By investigating the Kenyan manufacturing sector, this study seeks to bridge the knowledge gap in audit quality research within an African context, providing localized insights that may differ from trends observed in Western economies. Moreover, understanding how attributes like audit firm size and remuneration influence audit quality and financial outcomes is essential for fostering investor trust and enhancing Kenya’s financial market reputation. Given that audit quality serves as a vital tool for mitigating financial misstatements and promoting transparency, this study aims to highlight its strategic importance as a driver of financial performance in Kenya’s burgeoning economy.

Additionally, the study’s findings will be valuable for various stakeholders. For policymakers, insights on the impact of audit quality attributes will inform regulatory decisions and help develop guidelines that promote higher audit standards across the industry. For corporate leaders, particularly in manufacturing firms, understanding the relationship between audit quality and financial performance will offer practical strategies for improving governance and meeting stakeholder expectations. Finally, for academia, this study contributes to a growing body of literature that underscores the importance of audit quality in emerging markets, providing a foundation for future research on governance and financial performance.

Concerns regarding the integrity of financial reporting and the misuse of accounting credits have been heightened by the recent collapses of large firms like Enron and WorldCom in the USA, as well as by the increase in financial reporting fraud. Citation: Efuntade and Akinola (2020).Also, the accounting and auditing industries have been considering ways to fix issues and win back the public's trust, such as shifting from rule-based to principle-based accounting standards, which would place more emphasis on auditor independence and the responsibility of company management to boost stockholder profits, and establishing securities regulations specific to the accounting and auditing industries (Bens et al. 2019). Companies' financial reports do not appear to be of the same quality, even though they are subject to the same oversight systems. This suggests that there are likely additional factors at play, among many others, that contribute to these discrepancies (Nikoomaram and Baradaran, 2009).

Many different aspects and determinants influence audit quality conceptually. There are a number of factors that can influence the quality of an audit. Some of these factors can be directly influenced, such as financial reporting in accordance with IAS or auditor quality reviews. Others can be indirectly influenced, such as audit firm size and characteristics, audit mandate, audit fees, auditor independence, auditor competencies, etc. Researchers have utilized a variety of audit quality metrics due to the ambiguity surrounding several of these features. There have been studies that have looked at auditor independence, firm size, auditor experience, audit fees, and auditor rotation as ways to measure audit quality (Matoke & Omwenga, 2016; Yi-Fang, Yang, & Lee, 2015). Amin, Lukviarman, Suhardjanto, and Setiany (2018), Bilal, Chen, and Komal (2018), and Surbakti, Shaari, and Bamahros (2017) found that audit quality affects financial performance. Other studies have examined how audit quality affects corporate governance (Elmarzouky et al. (2023). Some other studies have studied the internal auditor's role, personality, and financial structure of different organizations, including Cohen & Sayag (2010), Hutchinson & Zain (2009), Lin, Pizzini, Vargus, & Bardhan (2011), and Prawitt, Smith, & Wood (2009). Higher audit quality influences financial performance, according to other researchers that have isolated distinct measures as indicative of audit quality (Bouaziz & Triki, 2012; Farouk & Hassan, 2014; Heil, 2012; Zureigat, 2011).

Afza and Nazir (2014) examined how audit quality affects financial performance using secondary data from financial statements. The size of the audit committee, audit independence, audit activity, quality of the external audit, age of the company, number of shares owned by different shareholders, independent board members, and institutional investors, audit fees and rotation of audit firms, audit size, audit fee, and growth rate are used to evaluate financial performance (Sayar, 2018). Conversely, Adams and Zhou (2018) ascribe this similar set of factors to independent variables.

Auditing checks management's financial accounts for substantial errors or misrepresentations, reducing information imbalance and protecting stakeholders. Auditors' primary responsibility is to enhance financial performance by reducing the likelihood of significant errors and guaranteeing that financial statements are prepared in compliance with current laws and regulations. By decreasing the probability of errors in financial accounts, the cost of financing for companies is reduced, thereby enhancing trust in financial markets. Hello, (Heil, 2012; Watts and Zimmerman, 1986). External stakeholders, including creditors, investors, and other parties, necessitate reliable financial data to make informed decisions about the allocation of their resources. Enhanced financial performance is the result of financiers' confidence and faith in an organization's audited financial report, which increases their likelihood of investing additional funds in the organization (Pozzoli & Paolone, 2017). By issuing rules and regulations that facilitate the development of financial information quality through audits, regulators and standard setters can increase the efficacy of publicly traded companies. The conduct of high-quality audits is a concern for internal stakeholders, such as the board of directors, audit committees, and management. One of the motivations for this is to effectively reduce the cost of capital. Miettinen (2017).

Maintaining a productive market environment depends on the reliability of audits. For markets to function smoothly and for financial results to improve, confidence in the accuracy and honesty of financial accounts must be established. This can only be achieved through a trustworthy and impartial audit. For reporting organizations to implement accounting standards and make sure their financial statements are reliable, transparent, and useful, an external audit that follows strict auditing standards must be performed. According to the Internal Audits Board (2017), companies can improve their financial performance with the help of strong audits that strengthen their internal controls, risk management, and corporate governance.

There are issues over the quality of audits in the current context, as evidenced by notable failures such as the Enron crisis in 2001, Parmalat in 2003, Cadbury Nigeria Plc in 2006, Afribank Nigeria Plc in 2009 (Ajani, 2012), and Miettinen (2011).

Klai and Omiri (2020) conducted a study on Tunisian enterprises that praised corporate governance institutions, particularly in relation to audits. This provided evidence of the financial expansion of companies.

A study conducted on the Ugandan public sector emphasizes the importance of employing qualified individuals in the field of auditing to enhance revenue generation (Buuenya, 2018). Local research on auditing have yielded conflicting results. Ojeha, Mukoro, and Kanya (2015) conducted a study on financial auditing quality in the manufacturing sector (MS) and discovered that financial reporting quality did not have an impact on performance.

Mumias Sugar Company was audited by Delloite & Touche. There were rave reviews of the business in 2006. The company went bankrupt two years after it had positive financial reports, showing that it was in good financial health. According to an internal audit carried out by the sugar miller, Mumias Sugar allegedly borrowed Sh2.6 billion from Mumias Out Growers Company's finances in 2007 and fraudulently included the funds in its income (Kenya Association Manufacturers, 2021) (Kanyugi, 2016). Cane farmers have gone to the EACC with a claim that senior Mumias officials conspired with Deloitte to cover up the company's accounting woes (Kenya Association Manufacturers, 2021).

The perceived reliability of audited financial statements has been declining, according to recent studies. On the flip side, audited financial information is now more important than ever before. The effect of audit quality on financial performance has lately attracted the attention of researchers in the West. According to studies, a company's bottom line is strongly correlated with the reliability of its audits.

According to Saftiana et al. (2017), quality audits also reduce the likelihood of errors in financial statements, boost trust in financial markets, and ultimately reduce the cost of

capital for businesses. A company's financial performance improves as a result of increased investment and cash flow attracted by trustworthy financial statements. Audit quality, which establishes the reliability of financial statements, is indirectly associated with financial performance. Shareholders and potential investors use the information in annual financial reports to decide whether to invest or not. If audited financial reporting is inaccurate, shareholders and potential investors will get the false impression of the company. Hassan and Farouk (2014). Several studies have examined the impact of audit quality on financial performance and the relationship between the two.
Nevertheless, the majority of the existing evidence appears to originate from capital markets that are well-developed, while there is a scarcity of evidence from markets that are underdeveloped. Through an examination of Kenyan manufacturing enterprises listed on capital markets, this study aimed to ascertain the effect of audit quality criteria on their financial performance. Shatnawi et al. (2021)

Wekessa (2019) studied the impact of liquidity, corporate governance, and competition on the profitability of sugar businesses in Kenya. In addition, five sugar enterprises were selected using census sampling as the study's target population. Over the course of twelve years, from 2005 to 2016, secondary data was gathered. This investigation made use of a cross-sectional retrospective research strategy. The findings indicate that there is a negative correlation between management efficiency, business age, competitiveness, and corporate governance. The impact of firm size on performance was favorable, while the impact of monetary policy was negative. Financial performance was negatively and statistically insignificantly correlated with the current liabilities coverage ratio. Distinct from financial performance, however, was the study's dependent variable—the competitiveness of sugar firms. Determining the operational and financial characteristics, as well as the efficiency and performance of economic unity management, as shown in financial records and reports, is the primary goal of financial performance measurement. Koori and Eysimkele (2015) No performance review is infallible, as pointed out by Akinsulire (2018).There must be agreed-upon definitions of stock of wealth if income is to be calculated as the growth or decline of an enterprise's wealth. Financial capital is the monetary value of an enterprise's equity stake; real financial capital is the value of an enterprise's equity stake in real terms; and operating capacity capital is the value of an enterprise's ability to continue providing goods and services. These three concepts are used by Akinsulire (2008) and Pandy (2003) to measure wealth.

1.2 Statement of the Problem

The quality of financial audits is essential in safeguarding organizational integrity, promoting investor confidence, and supporting sound corporate governance. Despite this, recent financial scandals and cases of misreporting in Kenyan companies, including those listed on the Nairobi Securities Exchange (NSE), have cast doubt on the reliability of audit practices and their effectiveness in ensuring accurate financial reporting. In the Kenyan manufacturing sector, which plays a critical role in economic development, these concerns are particularly pressing as firms face increasing pressure to attract investment and maintain profitability. However, there appears to be a significant performance gap in audit quality that calls into question whether existing audit practices sufficiently support firms' financial performance and transparency.

The performance gap in audit quality among Kenyan manufacturing firms can be attributed to several factors. First, while larger audit firms are generally perceived to deliver higher-quality audits due to greater resources and expertise, smaller audit firms —often selected for cost-saving reasons—may lack the same level of rigor. This difference in audit firm size has raised questions about the consistency of audit standards across the sector. Second, audit committee oversight and auditor remuneration practices vary widely among firms, impacting both the independence and thoroughness of audits. For instance, low remuneration has been linked to auditor turnover and reduced audit quality, as auditors may be less inclined to rigorously assess high-risk areas without adequate compensation. Additionally, weak audit committee oversight has led to incomplete reporting, leaving investors and other stakeholders with insufficient information to make informed decisions.

Despite regulatory efforts by bodies such as the Capital Markets Authority (CMA) and the Institute of Certified Public Accountants of Kenya (ICPAK) to enhance audit quality, there is limited evidence on how these audit quality attributes—such as audit firm size, auditor remuneration, audit committee report quality, and auditor report quality—affect financial performance in Kenya's manufacturing sector. Current studies on audit quality largely focus on developed markets, and there is a critical gap in localized research addressing the unique regulatory and operational challenges faced by emerging economies like Kenya. As a result, Kenyan firms may be adopting audit quality frameworks that do not fully align with local needs, potentially hampering their financial performance and failing to meet stakeholder expectations for transparency and accountability.

Given these gaps, this study is necessary to examine how specific audit quality attributes impact the financial performance of listed manufacturing firms on the NSE. By investigating these relationships, the study aims to provide targeted insights that can guide policymakers, corporate leaders, and audit professionals in strengthening audit practices. Ultimately, this research will help build a more reliable and transparent financial reporting system that supports sustainable growth in Kenya's manufacturing sector, addressing both investor confidence and corporate governance needs.

1.3 Chapter Summary

The introduction chapter provides a foundational overview of the study, exploring the intricate relationship between audit quality attributes—including audit firm size, auditor remuneration, audit committee report quality, and auditor report quality—and financial performance (measured by Return on Equity) among listed manufacturing firms on the Nairobi Securities Exchange (NSE) in Kenya. Recognizing audit quality as a cornerstone of corporate governance and financial transparency, the chapter emphasizes its critical role in enhancing organizational accountability and fostering investor confidence. By grounding this investigation within the broader context of Kenya’s emerging economy, the study highlights the unique regulatory and operational challenges Kenyan firms face in maintaining high audit standards.

The chapter first introduces the theoretical frameworks underpinning the study, such as agency theory, which frames the role of audit quality in aligning the interests of management and shareholders, and resource dependence theory, which emphasizes the importance of resources, such as those held by larger audit firms, in ensuring audit rigor and credibility. The chapter also reviews the conceptual foundations of audit quality, examining the specific attributes that contribute to effective audits, and how these attributes interact to strengthen financial performance. This theoretical and conceptual grounding establishes a structured basis for assessing the value of audit quality in emerging markets.

In addition, the contextual background addresses Kenya’s regulatory landscape, highlighting the efforts of bodies like the Capital Markets Authority (CMA) and the

Institute of Certified Public Accountants of Kenya (ICPAK) to enforce higher audit standards. The chapter discusses the mounting expectations from stakeholders for transparent, high-quality audits, especially in the manufacturing sector, which is key to Kenya’s economic growth.

The motivation for the study is also outlined, driven by a notable gap in research on audit quality within emerging markets like Kenya. While substantial research on audit quality has been conducted in developed economies, the unique factors influencing audit quality in Kenya remain underexplored. This study thus aims to fill this gap by offering localized insights that can support policymakers, corporate leaders, and academics in improving audit standards and financial performance in Kenya’s growing economy.

1.4 Objectives of the study

1.4.1 General objective

To examine effect of audit quality attributes on financial performance of listed manufacturing firms at Nairobi Securities Exchange

1.3.2 Specific objective.

i. To examine the effect of Audit Firm Size on the Financial Performance of listed manufacturing firms on the Nairobi Securities Exchange (NSE).

ii. To assess the impact of Auditor’s Remuneration on Financial Performance among NSE-listed manufacturing firms.

iii. To evaluate the influence of Audit Committee Report Quality on the Financial Performance of listed manufacturing firms in Kenya.

iv. To analyze the effect of Auditor Report Quality on the Financial Performance of NSE-listed manufacturing firms.

1.4 Hypothesis of the Study

The following hypotheses have been developed with a view to achieving the research objectives:

Ho_1: The size of an audit firm has no significant influence on the firm's financial performance.

Ho_2: The auditor's remuneration has no significant effect on the financial performance of the firm.

Ho_3: The audit committee's report has no significant influence on the financial performance of firm.

Ho_4: The auditors' report has no significant impact on the financial performance of firms.

1.5 Significance of the Study.

The findings of the study may be significant to the following groups of people:

1.5.1 Creditors, Suppliers and Lending Institutions.

All parties involved in the financial transactions of listed manufacturing companies will find this study to be an invaluable resource. It implies that these parties shouldn't base their decisions entirely on audited financial statements' qualified going concern findings. On the contrary, they ought to think about forecasts of monetary hardship as well. Using the proposed financial distress prediction model, suppliers can bargain with publicly listed manufacturing businesses for better terms. Some organizations' financial crisis continuums are the only ones that can decide on payment arrangements. Lenders can decide if they should provide new or additional funding to a business.

1.5.2 Consumers of Manufactured goods

This research provides a benefit to consumers of manufactured goods by empowering them to make well-informed decisions when entering into contracts for high-quality products. As a result, it instills confidence that companies regularly fulfill their commitments.

1.5.3 Employees and Managers

The results of this study are highly advantageous for employees and managers of publicly traded manufacturing companies. They may use the financial prediction outcomes to assess if their contributions to the organization are valuable and if their positions are secure.

1.5.4 Shareholders

The findings of this research should be considered by shareholders in publicly traded manufacturing companies, since their rights and interests can be protected so long as the company is solvent. Investors might use the permanence or transitoriness of financial crisis as a guiding factor in their investment or divestment decisions.

1.5.5 Regulators and other policy makers

The study's findings will be useful for policymakers and regulators at the NSE, such as the Capital Market Authority (CMA), as they work to put in place systems to keep tabs on listed businesses' finances. To make this a reality, we need to establish debt ceilings depending on industries so that companies aren't putting their investors at unnecessary risk of financial ruin. The results of this study can be utilized by those in charge of formulating fiscal and monetary policies.

1.5.6 The Government of Kenya

The study's recommendations could lead to changes to important statutes and papers that regulate the registration and listing of companies in the NSE, which have been a source of difficulty for the relevant government institutions. The government will suffer as a regulator if businesses have financial problems.

1.6 Scope of Study

Manufacturing companies registered on the NSE are the subjects of this study, which aims to determine the impact of audit quality attributes on financial performance. This research looks at the financial performance and audit quality characteristics of manufacturing companies listed on the NSE from 2017 all the way through 2021. The selected time frame allows for a thorough examination of the impact of audit quality criteria on the financial performance of these companies across the years. The sample population consisted of eight different Kenyan manufacturing businesses.

Manufacturing enterprises registered on the NSE in Kenya are the focus of this study's geographical coverage. The NSE is the principal securities exchange of Kenya and an important venue for the trading of stocks and other assets in the East African area. The sample population consisted of eight different Kenyan manufacturing businesses.
Employment, gross domestic product (GDP), and economic growth are all positively impacted by Kenya's manufacturing industry. By focusing on this industry alone, the research hopes to shed light on the particular operational, financial, and regulatory climate in which Kenyan manufacturing enterprises operate. Along with Therefore, this study set out to determine how audit quality attributes impacted the bottom lines of publicly traded manufacturing companies.

1.7 Limitation of the Study.

The scope of the research was restricted to manufacturing enterprises that were publicly listed on the NSE. As a result, it was not possible to extend the findings to the entire nation. The research population only consisted of reports that were based on audited financial statements. This was done to ensure the data collection process is streamlined. Furthermore, this was beneficial in ascertaining the reliability grade of the research equipment.

The researcher a difficulty in the process of validation. The study's reliability may be compromised due to the insufficient or inconsistent financial and audit data obtained from manufacturing firms listed on the NSE. This study utilized a variety of sources. Gather data from many trustworthy sources, including annual reports, financial statements, and regulatory filings, to validate information through cross-verification. In addition, the sudy enforce rigorous data validation methods to guarantee coherence and precision prior to analysis.

The researcher encountered a difficulty in obtaining access to proprietary information, as certain essential audit and financial performance data may be confidential and not accessible to the public. In order to obtain access to specific data, the researcher was required to send official requests to organizations, highlighting the academic character and confidentiality of our study. The researcher sought help from regulatory agencies such as the Capital Markets Authority (CMA) and the Institute of Certified Public Accountants of Kenya (ICPAK) in order to get non-public information.

CHAPTER TWO

LITERATURE REVIEW

2.1 Introduction.

This subsequent chapter provides a comprehensive analysis of audit quality and its impact on financial performance. The study draws upon existing theories and previous research to construct its literature base. It also includes a tabular description of the gaps in research that have been identified, as well as a conceptual framework that explains the study's premise. At the conclusion, it became apparent that there was a gap that needed to be addressed by this study, thus necessitating further research.

2.2 Theoretical Perspectives.

Durham, Sykes, Piper & Stokes (2015) define theories as conceptual frameworks that offer systematic explanations for observed occurrences, and researchers must effectively apply them to their specific research domain. The study was based on three theories and one model that illustrated the connection between elements of audit quality and the financial performance of organizations. This work was based on three theoretical premises. The three theories are: Economic Theory of Firm, Agency theory, and the Stewardship (Monitoring) Theory.

2.2.1 Economic Theory of Firm:

Accordingly, the economic theory of the company provides the standard basis for economic analyses of auditor independence. Griffin, Antle, Teece, and Williamson (1997). The argument states that businesses exist to increase the wealth of their owners, and that an auditor's independence is directly related to their own interests and should never be compromised for their own benefit. Fees, familiarity, and the size of the auditing company are examples of personal and institutional variables that impact auditor independence and audit quality generally. The independence of auditors, the decisions based on their judgment, and the overall quality of the audit are all impacted by these, as stated by Johnstone, Sutton, and Warfield (2001). Nevertheless, the level of performance for this monitoring function can differ; audit quality, which is related to the qualities of the auditing firm, explains how effectively an audit finds and discloses substantial misstatements of financial statements, lessens the information gap between management and stockholders, and consequently aids in protecting stockholder interests. Dang (2004). As a result, it stands to reason that financial statements audited by top-notch auditors should be free of substantial misstatements, suggesting a correlation between high audit quality and the information quality of financial statements.

2.2.2 Agency Theory.

According to Thrikawala (2016) and Alhossini et al. (2021), agency theory is the foundation of studies on corporate governance. The agency theory states that organizations are contracts between principals, who possess economic resources, and agents, who are accountable for controlling those resources. This idea was proposed by Jensen and Meckling in 1976. The theory of agency proposed by Jensen and Meckling (1976) provides an explanation for the chief agent liaison. Management at manufacturing enterprises acts as an agent in disseminating information to the owners, who are also shareholders. The informational gap between shareholders (the principles) and managers (the agent) has been the subject of substantial research using agency theory. This is due to the fact that agents possess a wealth of knowledge that principals do not. The necessity of auditors can be better understood through the lens of the principal-agent relationship as outlined in agency theory. The shareholders, who are the principles, choose the managers, who are the agents, and give them the power to make decisions. The principals are putting their faith in the agents to look out for their best interests when they do this.

Management audit teams with the necessary skills and experience to carry out their responsibilities produce high-quality audit reports. Confidence in audit reports is an auditor's unique responsibility. As long as they don't do anything to create an uneven trend, they must disclose their profits in the same way as everyone else. By manipulating reports for their own benefit, management makes sure they don't have any conflicts of interest. Reporting earnings in their true, unaltered form is essential. Toukabri, Ben, and Julani (2014) state that agents and principals should be seen as being conservative and reliable.

Earnings are a direct outcome of workers' hard work and dedication, thus managers have an obligation to pay them and all managers when the time comes. Similarly, agency theory was utilized by Leuz, Nanda, and Bens et al. (2019).to elucidate the management's concerns regarding shareholders. On behalf of shareholders, managers carry out their tasks, and managers have exclusive motivation to achieve their growth objectives. Concerns about management's reliability in relation to the firm's performance and the shareholders' individual efforts were discussed by Davidson, Goodwin, and Kent (2005). According to Hassan and Bello (2013), the relevance of agency theory to the accuracy of financial accounts is confirmed. According to the research, shareholders acted as principals and auditors as agents. The auditors were supposed to provide accurate, dependable, and transparent data on the institution's revenue trends (Abdulla, 2011).

According to Fakhfah and Jarboui (2021) Directors are the ultimate decision-makers in this situation, and members of the audit committee are not directors but agents. The type of principal efficiency is thus affected by the size of the board of directors. The independence of the audit committee, the number of meetings it has, and the members' backgrounds all play a role in how reliable the financial reports are. Auditors' professional and personal interests can put their committees at odds with the board. An auditor is brought in to give stakeholders in a company independent assurance in response to this agency dilemma that arises between managers and stockholders. As a result, auditing is crucial in preventing and punishing wrongdoing by management by revealing instances of misrepresentation and theft.

2.2.3 Stewardship (Monitoring) Theory

Assuming that managers are good stewards and do not steal from the company, stewardship theory lays out an optimistic and cooperative picture of relationships inside the corporation. Managers' actions are also driven by non-financial reasons, like the desire to be acknowledged for their work (Vanden & Levrau 2004).

The audit quality is also affected by the audit firm's size. More resources, more sophisticated auditing technologies, and more extensive training programs are hallmarks of larger audit firms. In the eyes of the public, these companies are more trustworthy and capable of producing excellent audits. In order to fulfill their stewardship duties, managers often choose to work with larger audit firms because of the advantages they offer in terms of resources and knowledge. Improving the firm's credibility through high-quality audits conducted by respected firms can have a favorable impact on investor perceptions and financial stability Elmarzouky et al. (2023) This framework relies heavily on auditor reports.The reports prepared by independent auditors are unbiased asessment of financial statement business that do not take into consideration any potential conflicts of interest. Independent audits help management improve the trustworthiness of their financial reports, which is important from a stewardship standpoint. The absence of biases and major misstatements in financial accounts is a key component of high auditor independence reports, according to Al-Jaifi et al.(2017) which in turn inspire trust among investors. Because investors are more inclined to put their money into companies that have trustworthy and open financial reporting, this confidence can boost financial performance and reduce the cost. High audit quality positively affects financial performance, according to empirical research.

Alzeban’s (2023) Research shows that companies who hire independent and competent auditors provide more trustworthy financial statements, which boosts investor trust and ultimately improves the company's bottom line. For example, Karla Johnstone's research shows that organizations' financial performance is positively impacted by audit quality. organizations with high-quality audits report fewer misstatements and have a decreased chance of financial restatements. In addition, Kenya's regulatory climate encourages and facilitates high audit quality requirements. Groups like the ICPAK and the Capital Markets Authority (CMA) establish stringent criteria and requirements for auditing procedures that are in keeping with stewardship theory's tenets. Firms listed on the NSE benefit from improved audit quality and financial transparency thanks to these rules that make sure auditors are independent, Knowledgeable, and ethical.

Finally, the significance of trust, openness, and dedication to the long term is brought to light when stewardship theory is applied to the investigation of audit quality characteristics and financial results. Manufacturing firms listed on the NSE can improve the quality of their financial reports by selecting auditors that are independent, knowledgeable, have the right size of firm, and have a balanced tenure. The company and its stakeholders get the rewards of better financial performance. In their role as stewards, managers understand the importance of thorough audits in reaching these objectives and creating a reliable company climate. (Rifat et al. 2022).

The foundation of stewardship theory is agency theory, which states that owners are motivated to incur costs in order to oversee the behaviour of managers due to the separation of ownership and control (Jensen & Meckling 1976). A third-party auditor verifies the management' reported financial data as accurate as part of these controls. According to Chow (1982), external auditing is seen by the stewardship (monitoring) idea as a way to control conflicts of interest among firm management, owners, and other outside claim holders by making publicly reported financial information more credible. According to stewardship theory, external auditors should not be seen as a controlling mechanism but as a tool to aid steward chief executive officers (Hay & Davis 2004). The fact that earnings management is unlikely to be practiced by management is also taken into account. Nevertheless, the issue stems from the level of ambition held by the management in achieving satisfactory corporate performance.

The main theoretical foundation anchoring this study is Agency Theory. This theory, proposed by Jensen and Meckling (1976), provides a fundamental framework for understanding the role of audit quality in bridging the informational gap between shareholders (principals) and management (agents). The theory suggests that conflicts of interest may arise due to the asymmetry of information where agents (managers) have more knowledge about the firm's operations than the principals (shareholders). Audits are thus essential as they provide an independent verification of financial information, thereby addressing the informational gap and ensuring that management acts in the shareholders' best interests

Agency theory further highlights the significance of audit quality attributes such as auditor independence, competence, and remuneration in maintaining the credibility and reliability of financial statements. By focusing on the Kenyan manufacturing sector, this study explores how audit quality, as conceptualized through agency theory, can protect shareholder interests, promote transparency, and ultimately enhance financial performance

2.3 Conceptual Review.

The conceptual framework of the study was made up of two variables: the independent and the dependent ones. The size of the audit firm, auditors' compensation, reports from the audit committee, and individual auditor reports will serve as independent variables, with financial performance serving as the dependent variable.

2.3.1 Audit Quality Attributes

Naturally, the quality of an audit is affected by the auditor's competence and independence, since the former increases the likelihood that an error will be discovered and the latter increases the certainty with which an auditor will disclose a mistake. Quality of audits is defined as the market-estimated combined likelihood that an auditor will find and disclose accounting system problems for a given customer (Hua, Hla, & Isa, 2016). One way to measure the quality of an audit is to look at how well auditors can verify that the information given to investors by management is accurate. Another way to quantify it is by looking at how well auditors identify and remove earnings manipulations and window dressing indicators from company financial statements.

Notably, according to Jeroh, Ekwueme, and Okoro (2015) and Tanko and Polycarp (2019), one possible way to quantify audit quality is by looking at how well auditors can spot and correct errors in company financial statements. Previous research has shown that managers can manipulate financial records to make it look like demand or income is increasing through a practice known as discretionary accruals (Tahinakis & Samarinas, 2016; Ideh, Jeroh & Ebiaghan, 2021). Since reporting standards are based on principles, company managements use their positions of power to influence corporate reporting in a way that benefits their own interests, taking advantage of any gaps or weaknesses that they may detect. Audit quality was examined in this study from multiple angles, including auditor independence, audit tenure, auditor firm size, and statutory audit service. We made an effort to look at how these factors impact ROA-measured performance.

Since the audit report is a reflection of the auditor's competence and independence from the firm's management, its quality is directly related to the audit (Hope & Langli, 2010). Thus, it follows that an auditor's quality is directly proportional to the amount of weight they give to the firm's accounting and stewardship. Thus, a "unclean" amended report indicates that the auditor was able to report on the deficiencies discovered in the firm despite management's pressure (Ado, A.B 2020). Since it conveys the auditor's independent competent view, the report would be useful to the company and anybody else who uses it. Conversely, audit quality is low if auditors rarely produce updated, "unclean" audit reports Donattella, p (2019). If we carry that line of thinking further, it becomes obvious that the audit report is useless if the auditor never issues a revised report, indicating that the auditor is neither competent nor independent. It follows that the audit report is crucial; yet, if the third parties' evaluation of the auditor and the auditor's view is compromised, the firm's investment will be in vain, as the report will not convey any useful information to the third party SShatnawi et al. (2021)

2.3.2 Financial Performance

A company's financial performance is a measure of how well it is meeting its financial goals and the expectations of its shareholders. One way to look at a company's financial performance is as its current level of performance. Profit and loss statements or asset utilization rates might be useful metrics for this (Iliemena & Ijeoma, 2019). A company's financial performance can be measured in a variety of ways, each with its own unique purpose. Measuring financial performance allows one to quantitatively compare a company's results to established benchmarks. A few examples of indices of measure include return on equity (ROE) and return on assets (ROA). Poddi and Vergalli (2009) state that ROA is one of the variables that provide a credible measure of financial success; thus, our current study uses ROA to quantify financial performance. A measure of a company's profitability that is proportional to its total assets is known as ROA. To get it, divide the entire earnings by the total assets of the company Du,x lai,S (2018).

An organization's financial performance is centered on the monetary gains it achieves via wise investment. The audit committee's record, accounting conservatism's record, and the earnings report all contribute to a high-quality financial report that tells the story of financial performance. The size of the board of directors is an important factor in making financial decisions, which are heavily dependent on the directors' credentials and experience. Karithi and Kihara (2017) found that shareholder capacity influences financial performance. ROA was defined as the percentage of total assets utilized to calculate a company's profit.

The use of assets or total profits and losses are two possible metrics to use for this. The works of Iliemena and Ijjeoma (2019). A company's financial performance can be measured in a variety of ways, each with its own unique purpose. Measuring financial performance allows one to quantitatively compare a company's results to established benchmarks. Some examples of indices of measure are return on equity (ROE) and ROA. According to Poddi and Vergalli (2009), ROA is a reliable indicator of financial success. Therefore, our study utilizes ROA as a measure of financial performance. ROA is a metric that quantifies a company's profitability in relation to its total assets. To obtain it, calculate the ratio of the company's total earnings to its total assets.

2.3.3 Audit firm size.

Since an auditor's size and reputation might be indicative of their competency and independence to a certain extent, this form of description relies on auditor qualities to explain audit quality. Firm size and specialization are often seen to have a favorable correlation with audit quality. Larger auditors are more likely to offer audits of a higher quality, according to DeAngelo (1981). Firm size is strongly correlated with audit quality, according to subsequent theoretical and empirical studies. Contrarily, the incentives to convey audit quality firms will be provided by greater reputation expenses (DeAngelo 1981, Klein & Leffler 1981). Skinner and Srinivasan (2012) reference research by Hennes et al. (2011) that suggests companies who are known for credible financial reporting may switch auditors if their quality is called into question. This strategy helps them avoid the negative effects on the capital market that could result from potentially inaccurate financial reports. If a company values its reputation, it will likely do what it takes to keep it, which includes hiring competent auditors. An improvement in the reliability of audited financial statements is the end outcome of auditors building a reputation for themselves as providers of superior quality assurance.

2.3.4 Audit Committee

Auditors have the important responsibility of examining an organization's financial records to ensure their accuracy and trustworthiness. They function in dual roles as both internal auditors and external auditors. The audit committee serves as the most effective means of oversight and should be carefully chosen based on their skills and experience (Hamdan, 2020). The assessment of audit committee reports was conducted by multiple persons serving on audit committees. Moreover, adopting a fair and moral approach to whistleblowing, considering potential dangers and demonstrating intellectual curiosity together with professional skepticism can ensure the accuracy of audit committee reports.

"An audit committee is essentially an oversight committee, for it is management who are responsible for the internal controls and the financial statements. The committee, however, has to satisfy itself, on behalf of the board and ultimately the shareholders that key controls are operating, that ethical practices are being reinforced, that key accounting estimates and judgments are being properly made and those internal and external audits are effective." (Audit Committee Institute, 2017). Due to the failure of major firms in the US and Europe since 1986, audit committees have been established. Misleading financial statistics, deceitful management, audit failures (both internal and external), unethical leadership, inept superiors, etc., were the main reasons for the failure.

Several committees and commissions were established as a result of this, including the Treadway Commission (1987), the Blue Ribbon Committee (1992) in the United States, the Cardbury Committee (1992) in the United Kingdom, the Macdonald Committee (1982) in the United Kingdom, and the Bosch Committee (1991) in Australia (Verschoor 2015). According to Oniwinde (2018), the recent instances of fraudulent and inadequate financial reporting and governance in Nigeria highlight the responsibility of the audit committee, which is responsible for monitoring financial reporting. The necessity of audit committees was a prominent suggestion from these groups, with the stated goal of enhancing the credibility of audits and financial reporting while simultaneously raising the bar for corporate responsibility and oversight. Since then, more and more institutions, both public and private, around the world have established audit committees Saftiana et al. (2017)

2.4. Empirical Review of Literature

2.4.1 Audit firm size and financial performance.

According to Shatnawi et al. (2021 Public institutions are expected to maintain high-quality reporting through the establishment of audit firms, which are organizations driven by service and competence. Due to the larger audit companies' reputation for maintaining and assuring impartial and high-quality audit services, existing research reveals that audit firm size has been utilized as a proxy for audit quality.

Large audit firms have more financial resources, better research facilities and technology, and a more capable staff. This allows them to serve a wider range of clients and more effectively resist management pressure. As a result, they are less reliant on any one client or group of clients than smaller firms. Smaller audit firms, also known as non-big 4, aim to provide more personalized services because of their smaller client bases. However, they may feel pressured to give in to management demands in situations where there are many (Sawan & Alsaqqa, 2018; Chen, Cheng & Liu, 2021). Prior research has investigated the influence of audit firm size on audit quality and/or performance (Salehi 2010, Mansoury & Pirayesh, 2009; Sawan & Alsaqqa, 2013; Ayora & Ogeto, 2022). However, there has been limited focus on whether audit firm size affects the financial performance indicators reported by audit clients (Mustafa & Mohammed, 2018; Ayora & Ogeto, 2022). Considering this, we collected data on the dimensions of audit companies utilizing criteria utilized in prior studies to ascertain whether there is a connection between the size of audit firms and ROA, the metric we employ to indicate the financial performance of audit clients.

The size of an audit company is typically used as an indicator for the audit's quality. More specifically, larger audit firms are more inclined to allocate resources in order to enhance their reputation, hence increasing the value of their audit services. Hence, the specific management transgressions and inaccuracies in the company's financial report can be identified (Gunn & Michas, 2018). According to El Ghoul et al. (2016), the reputation of audit firms is crucial. This motivated the major four auditing companies to produce precise financial reports. It has been demonstrated that these audit firms achieve a greater level of audit quality compared to non-big four businesses.

Nadia (2015) elaborated on the scope of audit quality, which encompasses the scale of the audit firm, independence, and competence. The leading four auditing companies possess professional expertise and maintain independence, which enables them to create high-quality auditing reports (Rizqia & Lastiati, 2021). Nadia (2015) stated that major auditing companies typically aim to hire auditors with exceptional competencies to uncover instances of earnings manipulation by managers for taxes purposes. This study aims to investigate the wider ramifications of audit quality on the accuracy and dependability of financial reporting. Additionally, it will highlight the necessity for precise audit methods or techniques that are very efficient in detecting manipulation.

Ettredge et al. (2008) conducted a study to examine the selection of industry auditors by clients in a worldwide context, specifically focusing on the Big 4 or 5 firms. The researchers examined industry-specific and country-specific aspects that were relevant to the clients. The study revealed a significant correlation between selecting international home-based auditors from the Big 4 or 5 firms and audit quality, capital intensity, and being part of a regulated business. Bouaziz (2012) conducted a study on a sample of 26 Tunisian enterprises listed on the Tunis Stock Exchange to investigate the correlation between auditor size and financial success. The findings indicate that the size of auditors significantly influences the financial performance of organizations, namely in terms of ROA and return on equity. This study is significant for investigating the precise competences that are essential for auditors in identifying profits manipulation for tax purposes. Furthermore, it is crucial to investigate the methods by which auditors acquire these skills, particularly within the framework of prominent auditing corporations. Additionally, it is of great significance to explore whether there are disparities in the development of competencies between larger and smaller organizations.

Miettinen (2011) examined the relationship between audit quality and financial performance. The assessment of audit quality was determined by considering the auditor's magnitude and the regularity of audit committee gatherings. The results suggest that the quality of audits directly affects financial performance, and it also indirectly affects financial performance through its influence on the size of audits. The results indicate that measures of audit quality have a concrete influence on financial performance, rather than being solely symbolic.

Pham, N. K., Duong, H. N., Pham, T., & Ho, N. (2017) examined the relationship between auditor size, auditor tenure, and audit firm rotation. They employed a probit model of their own design. Analysis of data collected from 2,148 Asian companies listed on the stock market reveals that big audit firms provide audits of higher quality as a result of their higher level of conservatism in comparison to non-major audit firms. Moreover, it was discovered that factors at the national level had a substantial influence on the quality of audits. The duration of auditors' tenure is associated with compromised audit quality, while the rotation of audit firms can help improve audit quality.

However, few studies have looked at how emerging economies like Nigeria's have correlated with audit quality metrics and financial performance. To address a lack of information, this study looks at how audit quality relates to the success of Kenyan manufacturing companies listed on the stock market.

2.4.2 Audit remuneration and financial performance.

The conceptual definition of an audit fee is the amount of money (wages) that the auditor charges for the audit service, taking into account the quantity of work done, the time invested, and the number of people that are involved in the audit processes. According to Kuntari, Y., Chariri, A., & Nurdhiana, N. (2017), audit fees are determined by a number of factors, including the assignment's risk, the complexity of the services rendered, the level of expertise needed to perform the services proficiently, the firm's cost structure, and other professional considerations. The audit fee is crucial for the sustainability of auditors and audit companies, and it has been extensively examined by researchers worldwide (Vakilifard, Ebrahimi, Sadri, Davoodi & Allahyari, 2014). Audit fees, as described by Amba & Al-Hajeri (2013), are payments made by companies to independent auditors for the purpose of conducting audits. Suwarno, A. E., Anggraini, Y. B., & Puspawati, D. (2020) have defined audit fees as the remuneration given to auditors for their services in conducting an audit for a specific company. The amount of audit fees is determined by the contractual agreement between the auditors and the audit client, taking into account factors such as time, conditions, and the number of auditors required for the audit. Ask and Holm (2013) highlighted audit fees as a significant component of monitoring expenses from the standpoint of agency theory. The monitoring cost is a component of the agency fee and arises from the agency connection between the shareholders (principals) and the managers (agents). An audit's quality is directly proportional to the audit firm's reputation and popularity, according to earlier research (Suseno & Nofianti, 2018; Xu, 2020).

One explanation is that well-known audit firms tend to have a larger pool of auditors, who generally possess greater experience and expertise compared to auditors from other firms (Chan et al., 1993; Zhang & Myrteza, 2016). Consequently, in order to uphold their reputations, audit companies must allocate a substantial amount of resources towards maintaining audit quality procedures and covering potential liabilities through insurance (Gonthier Besacier & Schatt, 2017).

Simultaneously, customers are willing to pay elevated costs for the services of well-established audit firms, as seen by them. Following the audit, these clients anticipate that their financial reports will enhance their capacity and foster greater confidence among various stakeholders. Additionally, it aids in decreasing additional financial expenses in order to establish trust in institutions and other parties involved (Naser & Nuseibeh, 2007; Xu, 2011).

Zamzami, F., Tantri, S. N., & Timur, R. P. (2018) state that... The root cause of these audit failures can be attributed to a series of business connections that are plagued by distorted motivations and conflicting interests. Typically, a company's auditors are selected by its shareholders and are responsible for reporting to them. In reality, they are selected by the company's executives, to whom they frequently become indebted. Accounting firms often offer advisory services to their audit clients. External auditors may be employed in senior management roles or as internal auditors. Exploiting an individual audit partner's fear of losing a profitable audit assignment is a common occurrence. Given such circumstances, it is not surprising that the quality of the audit frequently declines.

According to Sheikh, A. Q., & Siddiqui, D. A. J. A. S. (2020), a very transformative measure would involve completely removing the responsibility of audits from private accounting companies and fully transferring it to the government. It is possible that such a shift may eventually be required. However, there are potential hazards associated with the competence of auditors, and it is not necessarily certain that a government agency would be able to avoid the conflicts and errors that private enterprises have frequently encountered.

2.4.3 Audit committee reports and financial performance.

Rateb, M. A. (2018) examined the impact of audit quality and audit committee effectiveness on the financial reporting quality of companies listed on the Thai Stock Exchange. The objective of this study was to investigate the influence of a proficient audit committee and superior audits on the dependability of financial statements. The Stock Exchange of Thailand collected panel data from three categories of listed companies' Form 56-1 and financial statements between 2008 and 2012. the study used Panel Fixed Effects Models to examine the data. An effective audit committee was positively correlated with high-quality financial reporting, and a larger audit committee was associated with better financial reporting. Companies listed on the Tehran Stock Exchange were analyzed in terms of audit quality and profitability by Shamsuddin, A. B., & Alshahri, G. M. (2022). Two criteria were used by the researcher to assess the auditor's performance: the duration of their tenure and their specific skills. Of the firms included in the study, 52 were listed on the Tehran Securities Exchange Market. There is a small but favorable correlation between auditor size and tenure and profit margins, according to the study. To gain a better grasp of these connections, we need to look at how Audit Committees' unique qualities—like members' independence, financial knowledge, and meeting frequency—influence their efficiency and, by extension, the reliability of financial reports.

Al-Mamun et al. (2014) looked at the connection between the Economic Value Added of Malaysian Publicly Traded Companies, External Auditors, and Audit Committee Characteristics. In order to quantify performance, the study used EVA. A sample of 75 enterprises was selected through observation from 2008 to 2010. According to the results, audit committee independence and firm performance go hand in hand, whereas audit quality and firm performance go hand in hand. The overall success of a company is positively affected by the competence of the audit committee. Determining relationships between variables might be the focus of this study. Increased audit committee independence, for example, is strongly associated with better company performance.

Sayyar (n.d.) (2018) looked at the years 2003–2012 for listed businesses in Malaysia and how audit quality affected firm success. As a stand-in for audit quality, the study utilized audit firm rotation and audit fees. A company's success can be evaluated using metrics like ROA and Tobin's Q. The results demonstrate that the correlation between audit fees, audit firm rotation, and Return on Asset is not statistically significant. There is a strong positive correlation between Tobin's Q and the audit fee. On the other hand, Tobin's Q has a weak correlation with audit firm rotation.

Fakhfah and Jarboui (2021) examined the impact of audit quality on the financial performance of Cement Firms that are publicly traded in Nigeria. The primary source of data for this study was predominantly obtained from the published annual reports and accounts, along with the accompanying comments to the financial statements of the four chosen firms. The results suggest that the magnitude and autonomy of auditors significantly impact the financial performance of cement businesses listed in Nigeria. However, the influence of auditor independence on financial performance is greater than that of auditor size. The report proposes that cement manufacturers listed on the Nigerian stock exchange should improve the remuneration of auditors to strengthen their autonomy and consequently improve the financial performance of the companies. The report recommends that management should use the services of audit companies known for their impeccable reputation and integrity.

2.4.4 Audit reports and financial performance.

Auditors are responsible for consolidating and presenting their assessment of the audit findings in the form of an opinion in audit reporting. Despite its apparent simplicity, audit reports can be intricately complex. Certain data necessary for audit reporting may not be easily accessible, while other data may be based on subjective judgment(Ivungu J.A 2019). In addition, auditors have the ability to give several sorts of audit reports and views. The significance of audit reports for users of financial statements has been examined in experimental research, specifically in studies that utilized historical data. The experimental research examines the significance of audit opinions in the decision-making process of consumers of financial statements. On the other hand, historical data-based studies concentrate on analyzing the market's response when the audit report is communicated (Ittonen, 2012).

The literature has highlighted the primary factors that could impact the stock price in relation to the content of an audit report. The audit report may include crucial information that could impact the projections and potential risks associated with future cash flows, which is of significant importance to the shareholders (Ittonen, 2012). Furthermore, the audit report may provide valuable insights into the company's ability to sustain its operations. Investors perceive this condition as reassuring due to the auditors' ability to access internal information of organizations, which is reflected in the audit report. According to certain writers (Karjalainen 2011). Ahmadi and Grayhi (2017) , the belief about the consistency of the activity in the audit report is influenced by public information and can thus be predicted using interim financial statements. The current body of literature on the informational value of audit opinions, specifically in relation to their impact on stock prices, can be categorized into two main groups: studies that demonstrate the significance of the audit report, and studies that highlight the absence of influence on stock prices due to prior knowledge of the disclosed information (Gómez-Guillmón, 2008).

The examination of financial statements conducted by a company belonging to the Big 4 can also serve as a determining element in the stock price. Investors value the auditing service based on its image, reputation, and the size of the auditing organization Shatnawi et al. (2021). In order to enhance the value of its stocks, a publicly traded company might opt for the services of a reputable auditing firm that is well-regarded among investors (Martinez et al., 2014). A prominent firm in the Big 4, known for its size, provides many opportunities for its employees, specifically auditors, to dedicate significant time to training and familiarizing themselves with the latest technology utilized in their industry. This enables them to enhance their professional skills and expertise.

A company belonging to the Big 4 is not reliant on a single customer, which allows it to withstand the influence of clients and maintain freedom of opinion (Boone et al., 2010). Financial statements audited by reputable auditing firms provide a more accurate representation of reality in terms of comprehensive, unbiased information and a lower likelihood of errors, compared to financial statements certified by other auditing firms. The auditing firms within large corporations are recognized for delivering high-quality auditing services that ensure the accuracy of financial accounts, hence reducing the risk of manipulation, fraud, or error (Lee and Lee, 2013).

2.5. Critique of Existing Literature Relevant to the Study

Extensive study has been carried out on the subject of audit and financial performance, with most studies concentrating on how internal and external audits affect performance. Examining how audits affect corporate governance is an area that other researchers have concentrated on. Research by Maiteka (2010) examined the effect of risk-based audits on corporate governance in Kenya's public sector, with a focus on a few ministries. Listed manufacturing corporations in Kenya have not been the subject of any studies that have looked at the relationship between audit quality traits and accurate financial reporting. To fill this knowledge gap, this study analyses the correlation between audit quality metrics and the bottom lines of NSE-listed manufacturing companies. Resolving the existing shortfall is the driving force behind this endeavour. Results from earlier studies on the topic have been inconclusive.The study expect, however, that the Agency Theory, the Theory of Inspired Confidence, and the Economies of Scale to all agree with our findings.

2.6. Summary of Research Gaps

The conducted studies have primarily focused on establishing the presence of an audit expectation gap in different nations. Additional research has also examined specific aspects on the source and remedies for the issue of audit quality. Several further researches have examined the factors that contribute to the level of audit quality and have even constructed a quality model to illustrate its various components. The literature study indicates that research has primarily been conducted in countries such as the USA, Malaysia, Egypt, Iran, India, Nigeria, and Singapore. There has been limited research conducted on the aspects of audit quality and financial success from the perspective of Kenya. This study aims to address this deficiency.

Table 1 Summary of Empirical Literature Review and Research Gap

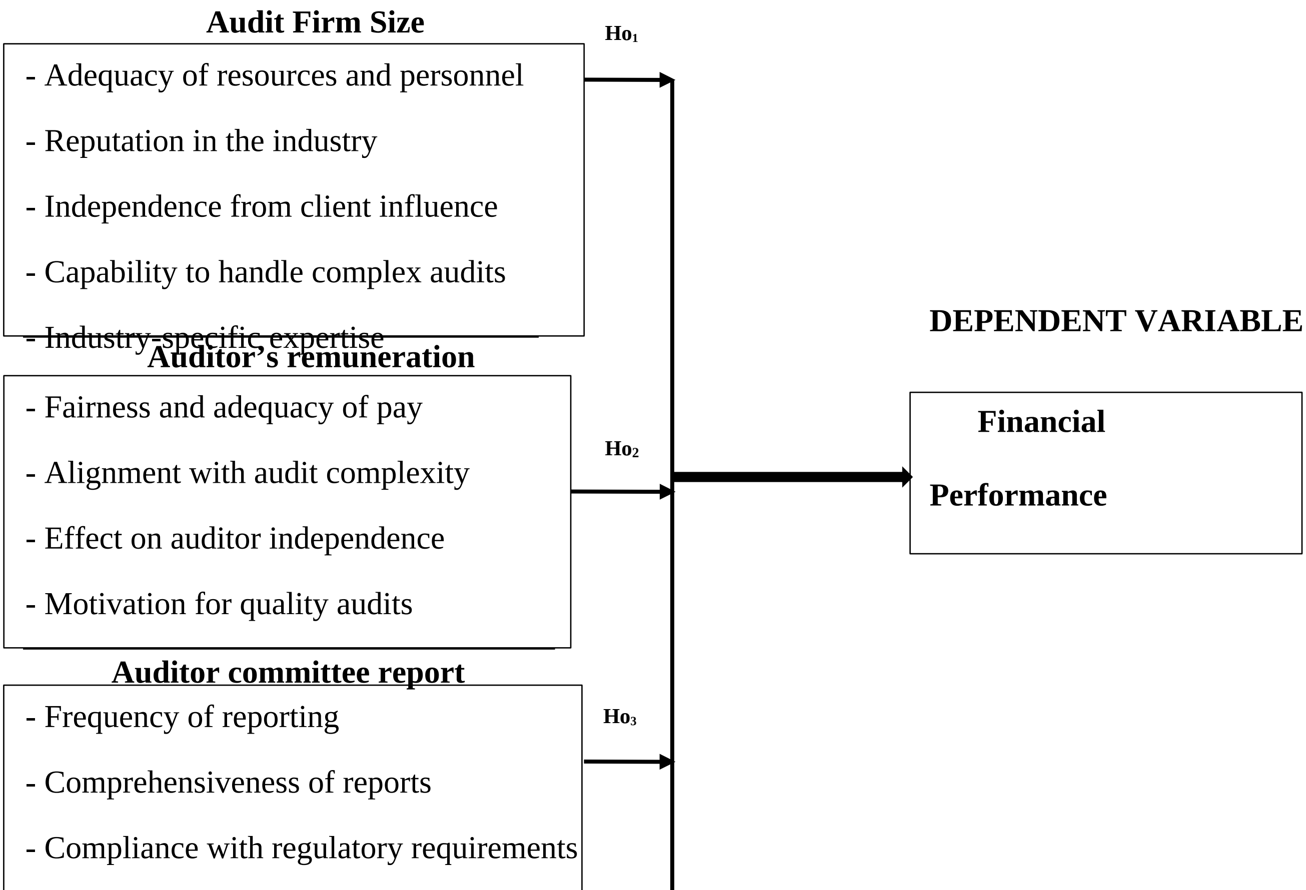
Study	Focus of the Study	Methodology	Findings of the study and Knowledge gaps	
Martinez and Jesus Moraes (2014)	Examined the relationship between fees pay to auditors and firm performance of Brazilian listed companies from 2009 to 2010	They use Tobin's q as a measure of firm performance and did not examine other measures of firm performance.	Their result showed that there is a positive relationship between audit fees and firm value.	This study interrogated the determinants of audit quality on financial performance in Kenyan Manufacturing Firm's listed on NSE
Gholamreza and Samira (2015)	Evaluated the relationship between audit quality and profitability of 52 companies on Tehran's securities exchange market	Used both empirical and theoretical relationship	Findings show there is positive and weak relationship between the auditor size (auditor's good fame) and the auditor's tenure period and the profitability ratios.	This study interrogated the determinants of audit quality on financial performance using a multiple regression model approach
Ayorinde, Babajide and Ademola (2015)	Investigated the link between audit tenure, rotation and accounting conservatism using empirical data from Nigeria.	Descriptive statistics, correlation, and multiple regression analysis were used for data analyses	Findings show audit tenure and audit firm rotation both have significant positive influence on accounting conservatism.	This study will focus on the attributes of audit quality on financial performance using a model approach in Kenyans

				Manufacturing sector
Ogbodo and Akabuogu (2018)	Effect of audit quality on corporate performance of selected banks in Nigeria The population and sample of their study was 16 money deposit banks quoted on Nigerian Stock Exchange	Data analysed using regression analyses	The Study found out firm size has significant effect on ROE, and committee independence has significant effect on ROE, also audit committee size was found to have significant effect on profit margin.	This study will focus on the attributes of audit quality on financial performance using a multiple regression model approach in Kenyans Manufacturing sector

Figure 1 Conceptual Framework

Independent Variable

Audit quality Attributes



Auditor report

Ho_4

Source: Adapted from Ogbodo and Akabuogu (2018)

Variable	Measures	Measurement Scale	Hypothesized Sign (+/-)
Audit Firm Size	- Adequacy of resources and personnel	Likert Scale (1–5)	+
	- Reputation in the industry	Likert Scale (1–5)	+
	- Independence from client influence	Likert Scale (1–5)	+
	- Capability to handle complex audits	Likert Scale (1–5)	+
	- Industry-specific expertise	Likert Scale (1–5)	+
	- Stakeholder confidence in larger firms	Likert Scale (1–5)	+
Auditor's Remuneration	- Fairness and adequacy of pay	Likert Scale (1–5)	+
	- Alignment with audit complexity	Likert Scale (1–5)	+

Variable	Measures	Measurement Scale	Hypothesized Sign (+/-)
	- Effect on auditor independence	Likert Scale (1–5)	+
	- Motivation for quality audits	Likert Scale (1–5)	+
	- Remuneration’s role in reducing turnover	Likert Scale (1–5)	+
	- Compliance with industry standards	Likert Scale (1–5)	+
Audit Committee Report Quality	- Frequency of reporting	Likert Scale (1–5)	+
	- Comprehensiveness of reports	Likert Scale (1–5)	+
	- Compliance with regulatory requirements	Likert Scale (1–5)	+
	- Usefulness for executive decision-making	Likert Scale (1–5)	+
	- Timeliness relative to audit schedules	Likert Scale (1–5)	+
	- Transparency of information in reports	Likert Scale (1–5)	+
Auditor Report Quality	- Accuracy and reliability of information	Likert Scale (1–5)	+
	- Clarity and understandability	Likert Scale (1–5)	+
	- Inclusion of essential details	Likert Scale (1–5)	+
	- Relevance of findings to financial objectives	Likert Scale (1–5)	+
	- Freedom from bias	Likert Scale (1–5)	+
	- Practicality and applicability of recommendations	Likert Scale (1–5)	+

CHAPTER THREE

RESEARCH METHODOLOGY

3.1 Introduction

This chapter provides an overview of the research methods employed in conducting the study. This text provides an overview of the study design and the methodologies employed in this research. The text provides a comprehensive explanation of the various sampling techniques used to determine the appropriate sample size, population, data collection method, research protocols, and data analysis methods.

3. 2 Study Area

Dane (2017) provides a definition of the study area as the specific subject of interest and location where the research will take place. The study specifically examines the manufacturing companies in Kenya. This survey was conducted in December 2021 among 8 manufacturing enterprises that are actively listed on the NSE. The government has currently recognized the manufacturing sector as one of the four major priorities that can stimulate economic growth in the country. Therefore, the research findings aimed to offer guidelines on effective measures that can be implemented to enhance the performance of the eight manufacturing companies, particularly those listed on the NSE. The following text lists the top 200 firms that are listed on the National Stock Exchange (NSE) as of 2021.

Kenya, being the main country of focus for this research, offers a dynamic setting to examine the relationship between audit quality and financial performance. The study benefits from the distinctive financial and regulatory landscape in Kenya. The NSE, situated in Nairobi, functions as the principal marketplace for the trading of securities, namely for the listing of manufacturing companies. The exchange is an essential element of the study since it serves as the platform for these enterprises to disclose their financial performance and comply with different audit standards. The NSE's function of creating a controlled setting for public firms makes it a suitable subject for studying the impact of audit quality criteria on financial results.

3.3 Research Design

Research is a deliberate and systematic approach aimed at addressing research issues with minimal variations. Kumar (2019) defines research design as the systematic approach employed in a study to gather, quantify, examine, and evaluate data. This study obtained primary and secondary data from auditors and published financial statements of all manufacturing companies listed on the NSE.

For this study, the researcher utilized a mixed research design. This architecture facilitated a methodical examination of both primary and secondary data. This methodology enables the objective quantification and examination of the connections between variables, offering significant insights into the impact of audit quality on financial results. The study intended to generate dependable and generalisable findings that can inform practice and policy within the industry by utilizing statistical tools and a methodical approach (Umobong, O,S 2017)

Secondary data was culled from these companies' annual reports covering fiscal years 2017–2022, according to the researcher. In order to analyze the data, descriptive and inferential statistics were used. The standard deviation and mean are used to compute descriptive statistics.

Both the Statistical Package for the Social Sciences (SPSS) version 26 and the Microsoft Excel package (2018) version 16.2 were used to efficiently analyze the data. The study used linear regression as our primary statistical tool for doing empirical analysis. In this study, Audit Quality is the independent variable and Financial Performance is the dependent variable. To investigate how audit quality affects business success, a linear regression model was used.

3.4 Location

The study focuses on Kenya, with a specific emphasis on Nairobi, where the NSE headquarters are located. Nairobi serves as Kenya's financial hub and provides a unique setting to observe the interactions between regulatory frameworks, corporate governance practices, and audit quality standards. The NSE, as the main securities exchange, enforces various disclosure and audit standards, creating a structured environment suitable for studying audit quality’s effect on firm performance.

3.5 Population

The target population for this study is comprised of the eight manufacturing companies listed on the Nairobi Securities Exchange (NSE) as of December 2021. These firms were selected due to their substantial economic role and regulatory visibility, making them ideal for examining the relationship between audit quality attributes and financial performance. The specific companies include British American Tobacco Kenya Ltd., Carbacid Investments Ltd., East African Breweries Ltd., Unga Group Ltd., Eveready East Africa Ltd., Kenya Orchards Ltd., and Flame Tree Group Holdings Ltd. Each of these firms presents unique audit and financial characteristics that contribute valuable insights into audit practices and performance indicators within Kenya's manufacturing sector

3.6 Sample Design

This study employed a census design, selecting all eight manufacturing firms listed on the NSE to create a comprehensive sample. This approach was chosen to ensure an inclusive representation of the manufacturing sector while allowing for detailed scrutiny of each firm's audit reports and financial disclosures from 2017 to 2021. The focus on these listed firms ensures the reliability of data sources, as they are required by law to comply with International Financial Reporting Standards (IFRS) and are thus subject to rigorous audit practices

3.7 Data Collection Using a Mixed Approach

The study utilized a mixed-methods approach, combining both primary and secondary data collection to enrich the analysis Primary Data: Primary data was gathered through surveys administered to auditors, financial officers, and audit committee members within the selected firms. A sample of 80 auditors was drawn from across the firms, with each firm contributing 11 participants comprising of 1 finance director, 1 finance officer 2 accountants, 6 audit committee members, aiming to capture perceptions of audit quality attributes—such as audit firm size, auditor remuneration, and report quality. This approach provided firsthand insights into audit practices, enabling the study to assess audit quality through the perspectives of those directly involved in the audit process.

Secondary data was sourced from publicly available financial statements and audit reports covering a five-year period (2017–2021) for each of the firms. These documents, which include annual reports and disclosures mandated by the NSE, offer reliable data on financial performance metrics such as Return on Equity (ROE), as well as audit quality indicators. The combination of primary and secondary data strengthens the validity of the findings, as it allows for a cross-validation of self-reported perceptions with documented audit and financial records

This mixed-method approach provides a holistic view of how audit quality impacts financial performance, enhancing the depth and reliability of the findings. By integrating perspectives from both quantitative financial data and qualitative auditor insights, the study aims to offer actionable recommendations for policy and practice in the Kenyan manufacturing sector.

Table 2 .1 List of Manufacturing Companies Listed on NSE

Population cluster	Listed firms in the sector	Total Population	Sample
1	B.O.C Kenya	10	
2	BAT Kenya	10	
3	East African Breweries	10	
4	Flame Tree Group Holdings	10	
5	Kenya Orchards	10	
6	Eveready East Africa Limited	10	
7	Unga Group Limited	10	
8	Carbacid Investments	10	

Source: NSE, 2021

3.8 Data Collection Methods

The primary data was collected from 80 auditors from all the listed manufacturing firms at the NSE. Secondary data on other hand spans a duration of five years, specifically from 2017 to 2021. The data was acquired from publicly available financial records, industry survey surveys, publications from the Institute of Certified Public Accountants of Kenya (ICPAK), and market analysis data. Daniel and Harland (2017) define data collecting methods as a systematic process of gathering information from various sources by utilizing techniques such as written responses, interviews, observations, or content analysis. The collected data is then analysed to address the study topic and draw conclusions.

3.9 Research Procedures

Data gathering processes should be straightforward and accurate, says Kothari (2014). An official letter of recommendation from Masinde Muliro University's graduate school was required in order to apply for a research permission at NACOSTI, which was ually approved.

The next step was to choose the documents that will be analysed. The audit reports, financial statements, and annual reports of the manufacturing enterprises listed on the NSE are the main sources for these records. The NSE database, company websites, and other financial information repositories are common places to find these documents. Relevance, credibility, and the time span covered are the three main factors used to pick these texts.

Data extraction followed the collection of documents. An exhaustive search for data pertaining to audit quality characteristics and financial performance metrics was conducted in this process. A thorough study was subsequently performed on the data that had been retrieved. The data is summarized using descriptive statistics, which give an overview of the audit quality attributes and the financial performance of the firms. The links between audit quality criteria and financial performance indicators were also examined using inferential statistics, such as regression analysis and correlation. Finding trends, patterns, and possible causal linkages required these statistical tools. Throughout the analysis, it is critical to ensure that the data is reliable and valid. The data was double-checked from several sources and the coding procedure was kept consistent to accomplish this.

3.10 Data Analysis Methods

Analysing data entails systematically sorting information into different categories using mathematical formulas. This information comes from Neumann (2000). To reduce the possibility of multicollinearity, the data were transformed into natural logarithms. After collecting the data quantitatively, The reseacher used descriptive statistics like percentages, averages, and standard deviations to show the results. When it comes to evaluating large and complex datasets, it really shines. The data was presented using tables. The study applied the Jarquie Bera test to see if the data were normal.

For this study, the resecaher applied the statistical program e-views. The researchers in this study used panel data analysis to take into consideration the fact that the types of substantial unobserved effects can vary. Time series and cross-sectional techniques are both included in panel data. Summary statistics were used to examine the data and determine the relationships between the variables. These statistics include percentages, means, and standard deviation. To find out what the link was between the two variables, reseacher used a linear regression analysis.

An advantage is that it can improve the efficiency and accuracy of econometric computations by drawing conclusions that would not be possible by analysing time-series data or cross-sectional data separately. With others, Artikis and Asimakopoulos (2009). Furthermore, neither time series nor cross-sectional approaches can capture its ability to account for individual heterogeneity, in addition to characteristics that are state- and time-invariant. (Baltagi, 2008)

The data was analysed using multiple linear regression analysis. The independent variables included the size of the audit company, auditors' salaries, audit committee reports, and Return on Equity (ROE), a measure of the firm's financial performance.

$$Y= \beta 0+ \beta_1X_1+ \beta_2X_2+ \beta_3X_3+ \beta_4X_4+e$$

Where;

β_0 - Constant

Y - Dependent variable (financial performance)

X_1 =Independent variable (audit firm size)

X_2 r= Independent variable (auditor's remuneration)

X_3 = Independent variable (audit committee report)

X_4 = Independent variable (auditor's reports)

$\beta_{1,}$ β_2 ….. β_4 Regression coefficient for each independent variable.

e - Error term

3. 11 Diagnostic Tests

The diagnostic tests lead to the best models. This study utilized the following statistical tests: Hausman, Multicollinearity, Normality, and Linearity.

The diagnostic procedures included checking for heteroscedasticity, autocorrelation, multicollinearity, and normality. In order to make sure that classical linear regression did not break any rules, these tests were run.

a) Tests for normality

Jarque Bera's test for normalcy was used in this study since it is more conclusive than the graphical method. When testing for normality of residuals, a p-value of less than 0.05 is considered to be evidence against the null hypothesis. Table 4.2 displays the Jarque Bera test findings.

Table 4.2 Jarque-Bera Test for Normality

Variable	Jarque Bera value	Prob (Chi-statistic)
Financial Performance (ROE)	9.3182	0.1154
Audit firm size	4.4571	0.1076
Audit’s remuneration	5.7260	0.2902
Audit committee’s report	3.2448	0.3821
Auditor’s report	2.3042	0.6702

Source: author, 2023

The data presented in Table 4.2 indicate that the p-value is 0.000, which exceeds the crucial limit of 0.05. Therefore, the investigation did not find sufficient evidence to reject the null hypothesis, indicating that the residuals follow a normal distribution.

The Jarque Bera test statistic for audit company size is 4.4571, with a corresponding p-value of 0.1076. Once again, the p-value above 0.05, indicating that the data for Audit company size follows a roughly normal distribution. The Jarque Bera test yielded a statistic of 5.7260, along with a p-value of 0.2902. A higher p-value suggests that the distribution of Audit's remuneration is more likely to follow a normal distribution compared to distributions with lower p-values. The Jarque Bera test yielded a test statistic of 3.2448 and a p-value of 0.3821. Once again, the p-value is above 0.05, indicating that the Audit committee's report follows an almost normal distribution. The Auditor's report states that the Jarque Bera test statistic is 2.3042 and the p-value is 0.6702. The high p-value suggests strong evidence that the data for the Auditor's report follows a normal distribution.

None of the variables given exhibit significant evidence contradicting the assumption of normality at a standard significance level of 0.05. All variables exhibit p-values exceeding 0.05, indicating that they conform to an approximately normal distribution.

b) Tests for multicollinearity

The variance inflation factor test was employed in the investigation to assess the presence of detrimental multicollinearity. The existence of multicollinearity would be inferred from values that transcend 10. Table 4.3 illustrates the results.

Table 4.3 Multicollinearity Test results

Construct	VIF	1/VIF
Financial Performance (ROE)	2.302	0.434
Audit firm size	1.829	0.547
Audit’s remuneration	2.118	0.472
Audit committee’s report	2.037	0.491
Auditor’s report	1.782	0.561
Mean VIF	2.014	

Source: author, 2023

The findings shown in Table 4.3 demonstrate that all the variables exhibited Variance Inflation Factor (VIF) values below 10. The results indicated the lack of detrimental multicollinearity. From the obtained results, it can be inferred that the presence of multicollinearity does not pose a significant issue in the regression model. The VIF values fall within acceptable thresholds, indicating that the coefficients are likely trustworthy and the model's interpretations are not considerably influenced by multicollinearity effects.

c) Linearity

The linearity assumption posits that there is a straight-line relationship between the independent variables (financial lending innovations) and the dependent variable (financial sustainability). This relationship must be accurately represented by a linear model for valid inferences.

Scatter Plots

Scatter plots of the dependent variable against each independent variablel visually assess the linearity of relationships.A clear linear pattern in scatter plots supports the assumption. Non-random patterns or curves suggest non-linearity results fronm this test did not show serious violation of the assumption of linearity between each independent variable and the dependent variable..

d). Homoscedasticity

Homoscedasticity means that the residuals exhibit constant variance across all levels of the independent variables. It ensures that the regression model's estimates are unbiased and efficient.

Breusch-Pagan Test: A statistical test used to detect heteroscedasticity, where the null hypothesis states that variance is constant.A p-value > 0.05 indicates homoscedasticity (i.e., no significant difference in variances).

Residual Plots: Visual plots of residuals against predicted values help identify patterns that indicate non-constant variance.A random scatter of residuals without clear patterns supports homoscedasticity. Patterns such as funnels or clear clustering suggest heteroscedasticity. This test revealed non violatio of homoscedasticity based on the pattern of residuals plotted against the predicted values as the pattern was uniform throughout the observed values.

3.12 Ethical consideration.

Acquaintance with and adherence to the institution's ethical code is crucial for researchers. It is imperative to adhere to these guidelines while developing research proposals, projects, dissertations, and theses (Saunders, 2012). Prior to conducting the research, the first step was to obtain certification from the National Commission for Science Technology and Innovation (NACOSTI) and the university directorate.

Ensuring informed permission and maintaining confidentiality are of utmost importance. While document analysis typically focuses on public or internal papers rather than direct interactions with participants, it is crucial to ensure that the utilization of documents complies with ethical requirements. Obtaining the requisite permits or consents is crucial when dealing with papers that contain sensitive or proprietary information. Preserving confidentiality entails carefully managing sensitive information and safeguarding any proprietary data contained in financial reports or audit conclusions. Data privacy and protection were also crucial factors. The study ensured the security of critical information, such as financial statements and audit reports, by implementing robust document storage measures and strictly controlling access to authorized personnel only. Ultimately, the research's legitimacy hinged on the crucial aspects of accuracy and integrity in the analysis. The researcher meticulously authenticated the information contained in the documents, cross-referenced the data, and ensured that there was no misrepresentation or distortion of facts. Ensuring accurate attribution of sources and recognition of the provenance of data were essential for upholding the research's credibility. Researchers can execute their investigation of audit quality qualities and financial performance with professionalism and integrity by following these ethical guidelines. Adhering to ethical norms improves the credibility of the research and promotes the reliability and validity of the study's findings.

CHAPTER FOUR

RESULTS AND DISCUSSION

4.1 Introduction

This chapter shows the outcomes of a study done to determine the impact of audit quality attributes on the financial performance of manufacturing firms listed on the NSE. Additionally, it provides an examination, explanation, and discourse on the discoveries of the research. The study aimed to assess the impact of audit firm size, auditors' remuneration, audit committee's report, and auditors' report on the financial performance of manufacturing firms listed on the NSE.

4.2 Descriptive Statistics for Secondary Data

This section presents descriptive statistics pertaining to the mean, standard deviation, minimum, and maximum. Statistics aid in characterizing data by elucidating its overall characteristics and distribution. The Descriptive statistics test results are displayed in Table 4.1.

Table 3.1 Descriptive statistics for secondary data

	Audit firm size	Auditor's remuneration	Audit Committee's Report	Auditor's report	ROE
Mean	0.283119	61.35714	22.33664	3.085941	1.5649
Median	0.272700	49.50000	22.39269	1.798885	1.2042
Maximum	0.681800	93.00000	24.71530	16.80418	4.9172
Minimum	0.000000	35.00000	19.64414	0.005306	0.1628
Std. Dev.	0.210815	20.40392	1.279826	3.651865	2.1729
Skewness	0.280867	0.262499	0.057535	2.255290	1.2710
Kurtosis	1.920811	1.262321	1.769155	7.270706	1.9156
Observations	8	8	8	8	8

Source: Authors' Computations (2023)

The descriptive statistics of the variables utilized in this investigation are presented in Table 4.1. The data reveals that the average value of Audit company size is 0.28, while the middle value (median) is 0.27. The standard deviation, which measures the spread of the data, is 0.21. Therefore, this suggests that the data points are quite close to one another.

The auditors' remuneration has an average value of 61.36, a middle value of 49.5 (also known as the median), and a measure of variability known as the standard deviation of 20.40. This indicates that the data points are widely dispersed. The mean value of the audit committees' reports is 22.3, with a median value of 22.4. The standard deviation is 1.28. This indicates that the data points are in close proximity to one another. The auditors' reports had a mean of 3.1 and a median of 1.8, with a standard of 3.7. The independent variables, namely audit firm size, auditors' remuneration, audit committee reports, and auditors' reports, exhibit a negative skewness. Conversely, the dependent variable, ROE (Return on Equity), has a positive skewness.

Table 4.2 Descriptive Statistics for Primary Data

Question	Distribution
Gender	Male: 60 (75%), Female: 20 (25%)
Age Group	20-30: 10 (12.5%), 31-40: 30 (37.5%), 41-50: 25 (31.25%), 51+: 15 (18.75%)
Job Title	Finance Officer: 15 (18.75%), Board Member: 25 (31.25%), Other: 40 (50%)
Years of Experience	1-5: 20 (25%), 6-10: 25 (31.25%), 11-15: 20 (25%), 16+: 15 (18.75%)
Department	Finance: 30 (37.5%), Audit: 35 (43.75%), Management: 15 (18.75%)
Level of Education	Bachelor's: 30 (37.5%), Master's: 40 (50%), Doctorate: 10 (12.5%)
Role in Audit Process	Auditor: 35 (43.75%), Audit Committee: 30 (37.5%), Stakeholder: 15 (18.75%)

Source: Field Data, 2024)

The biographical data above reveals a diverse respondent profile across multiple demographic aspects:

Gender: The sample consisted of 75% male and 25% female auditors, suggesting a gender disparity typical in finance-related fields in Kenya, which may influence perspectives on remuneration fairness and audit quality.

Age Group: The majority of auditors (37.5%) were aged 31-40, followed by 31.25% aged 41-50. This age distribution indicates a predominantly experienced sample, likely familiar with audit standards and regulatory expectations in Kenya.

Job Title and Department: Most respondents were finance officers (31.25%) or held audit-related roles (43.75%). This strong representation from financial and audit departments ensures that insights are grounded in practical audit experience.

Experience and Education: With 50% of respondents holding a Master's degree and 31.25% having 6-10 years of experience, the data shows a well-qualified and moderately experienced sample, which strengthens the reliability of the audit insights shared.

The above biographical details underscore the expertise and relevance of the respondents, providing a credible basis for analyzing perceptions of audit quality and its attributes.

Figure 4. 3Descriptive Statistics: Financial Performance

Item No.	Statement	1 = Strongly Disagree	2 = Disagree	3 = Neutral	4 = Agree	5 = Strongly Agree
2.1	ROE reflects true financial performance.	5 (6.25%)	10 (12.5%)	20 (25%)	30 (37.5%)	15 (18.75%)
2.2	ROE provides an accurate measure of financial success.	8 (10%)	12 (15%)	15 (18.75%)	25 (31.25%)	20 (25%)
2.3	ROE is a reliable metric for assessing profitability.	4 (5%)	10 (12.5%)	21 (26.25%)	30 (37.5%)	15 (18.75%)
2.4	Stakeholders consider ROE for evaluating financial health.	6 (7.5%)	9 (11.25%)	15 (18.75%)	29 (36.25%)	21 (26.25%)
2.5	ROE shows consistent growth, reflecting sound management.	7 (8.75%)	13 (16.25%)	20 (25%)	26 (32.5%)	14 (17.5%)
2.6	ROE is a priority performance indicator in finance department.	5 (6.25%)	12 (15%)	18 (22.5%)	28 (35%)	17 (21.25%)
2.7	ROE significantly influences decision-making.	4 (5%)	10 (12.5%)	16 (20%)	27 (33.75%)	23 (28.75%)

Source (Field Data, 2024)

4.3.1 Financial Performance

ROE Reflects Financial Performance: A majority (56.25%) agreed or strongly agreed that ROE reflects the organization’s financial performance, with only 18.75% strongly agreeing. This suggests that while ROE is viewed as a critical indicator, there are potential reservations about its sole use as a comprehensive financial metric.

ROE as a Measure of Financial Success: About 56.25% of respondents saw ROE as a reasonable measure of financial success, with 25% strongly agreeing. This aligns with literature emphasizing ROE as a profitability measure (Peterson & Fabozzi, 2012), though 18.75% remained neutral, indicating some auditors may prefer broader performance indicators.

ROE as a Profitability Metric: With 56.25% agreement on ROE’s reliability for profitability assessment, auditors show moderate confidence in this metric. Neutral responses (26.25%) imply potential awareness of other factors influencing profitability, such as market conditions or operational efficiency.

Stakeholders’ Consideration of ROE: With 62.5% affirming stakeholder reliance on ROE, the data indicates its importance in external evaluations. This view is critical in maintaining investor confidence, highlighting ROE’s role in signaling profitability.

ROE Growth and Management Soundness: A lower agreement (50%) that ROE growth reflects sound management could suggest skepticism about ROE as a sole performance indicator. Some auditors (16.25%) disagreed, possibly due to external economic factors affecting growth metrics.

ROE as a Priority Indicator: A modest 56.25% considered ROE a priority metric in the finance department, suggesting its usefulness within operational contexts. This may reflect Kenyan companies' emphasis on profit retention and shareholder value.

ROE's Influence on Decision-Making: Over 62.5% agreed on ROE's decision-making impact, indicating its utility in strategic planning. With 28.75% strongly agreeing, this item reinforces ROE as a key, though not sole, financial determinant.

The findings show moderate support for ROE as a performance indicator but highlight a preference among auditors for additional metrics, reinforcing the view that a multifaceted approach to performance evaluation is valuable in complex business environments.

Figure 4. 4 Descriptive Statistics: Auditors remuneration

Item No.	Statement	1 = Strongly Disagree	2 = Disagree	3 = Neutral	4 = Agree	5 = Strongly Agree
3.1	Auditor remuneration is fair and competitive.	3 (3.75%)	9 (11.25%)	18 (22.5%)	30 (37.5%)	20 (25%)
3.2	Remuneration aligns with level of work required.	4 (5%)	11 (13.75%)	15 (18.75%)	33 (41.25%)	17 (21.25%)
3.3	Adequate compensation enhances audit quality.	6 (7.5%)	10 (12.5%)	20 (25%)	25 (31.25%)	19 (23.75%)
3.4	Auditor pay aligns with industry standards.	5 (6.25%)	14 (17.5%)	17 (21.25%)	26 (32.5%)	18 (22.5%)
3.5	Auditors are compensated for work complexity.	7 (8.75%)	10 (12.5%)	19 (23.75%)	25 (31.25%)	19 (23.75%)
3.6	Sufficient remuneration reduces auditor turnover.	6 (7.5%)	13 (16.25%)	14 (17.5%)	28 (35%)	19 (23.75%)
3.7	Quality of audit reports improves with higher remuneration.	4 (5%)	12 (15%)	18 (22.5%)	29 (36.25%)	17 (21.25%)

Source (Field Data , 2024)

4.3.2 Auditor's Remuneration

Fairness and Competitiveness: The perception of fair and competitive remuneration was agreed upon by 62.5% of respondents, with only 3.75% strongly disagreeing. This reflects broad satisfaction, though a 22.5% neutrality rate suggests differing views on pay adequacy relative to workload.

Remuneration Alignment with Workload: With 62.5% agreement on alignment between pay and workload, this response reflects general satisfaction. Yet, the presence of 18.75% neutrality hints at varied perceptions, possibly due to workload variability across firms.

Compensation Impact on Audit Quality: Sixty percent agreed that adequate compensation improves audit quality, supporting theories of compensation as an incentive for diligence (DeAngelo, 1981). High agreement underscores the importance of fair remuneration in maintaining audit standards.

Alignment with Industry Standards: Agreement (55%) that remuneration aligns with industry standards reflects satisfaction, though 17.5% disagreed, potentially due to perceived pay gaps within Kenya’s audit industry.

Compensation for Complexity: While 55% felt auditors are compensated for work complexity, neutrality (23.75%) suggests some may feel compensation does not fully reflect the demands of audit tasks, especially in complex engagements.

Impact on Auditor Turnover: Agreement that sufficient pay reduces turnover (58.75%) highlights the role of remuneration in retention. Given that 16.25% disagreed, remuneration disparities may exist, possibly affecting talent stability within Kenya's audit sector.

Improvement of Audit Quality with Higher Remuneration: Nearly 60% felt audit quality improves with higher pay, underscoring the link between compensation and quality. This result supports claims that well-compensated auditors are more thorough, reducing error and enhancing report reliability.

Figure 4. 5 Descriptive statistics Audit Committe Report

Item No.	Statement	1 = Strongly Disagree	2 = Disagree	3 = Neutral	4 = Agree	5 = Strongly Agree
4.1	Audit committee provides regular reports.	3 (3.75%)	8 (10%)	16 (20%)	34 (42.5%)	19 (23.75%)
4.2	Reports are detailed and informative.	4 (5%)	10 (12.5%)	17 (21.25%)	30 (37.5%)	19 (23.75%)
4.3	Reports comply with regulatory requirements.	5 (6.25%)	9 (11.25%)	18 (22.5%)	32 (40%)	16 (20%)
4.4	Reports address all key audit issues.	6 (7.5%)	11 (13.75%)	14 (17.5%)	30 (37.5%)	19 (23.75%)
4.5	Reports are useful for decision-making at the executive level.	4 (5%)	10 (12.5%)	18 (22.5%)	29 (36.25%)	19 (23.75%)
4.6	Reports are timely and aligned with audit schedules.	3 (3.75%)	10 (12.5%)	19 (23.75%)	28 (35%)	20 (25%)
4.7	Audit committee maintains transparency in reports.	5 (6.25%)	9 (11.25%)	15 (18.75%)	29 (36.25%)	22 (27.5%)

Source (Field Data, 2024)

4.3.3 Audit Committee Report

Frequency and Regularity of Reports: With 66.25% agreeing on report regularity, data shows strong procedural adherence. This is positive for maintaining transparency, though 13.75% expressed reservations, possibly due to irregular reporting instances.

Detail and Informativeness: Agreement (61.25%) on report detail indicates robust information provision, essential for decision-making. However, neutrality (21.25%) suggests mixed views on report completeness.

Compliance with Regulations: High compliance confidence (62.5%) underscores regulatory adherence. As only 17.5% disagreed, the data implies that Kenya's audit committees largely align with CMA requirements, supporting corporate governance.

Addressing Key Audit Issues: Agreement on addressing key issues (61.25%) reflects comprehensive coverage, critical for addressing potential risks. However, some neutrality implies that minor issues may occasionally be omitted from reports.

Decision-Making Usefulness: Positive views on report usefulness (60%) underscore its value for executives. However, dissent suggests some feel reports could be more actionable, especially for strategic insights.

Timeliness and Alignment with Schedules: Agreement (60%) on timeliness reflects operational efficiency, though some neutrality indicates occasional schedule misalignment, likely influenced by audit resource constraints.

Transparency: Strong agreement on transparency (63.75%) shows that audit committees are open in their reporting, fostering accountability. This aligns with expectations for ethical audit practices in Kenya.Overall, the data reflects satisfaction with audit committee reporting, reinforcing its role in governance and regulatory compliance.

Figure 4. 6 Descriptive statistics Auditor report

Item No.	Statement	1 = Strongly Disagree	2 = Disagree	3 = Neutral	4 = Agree	5 = Strongly Agree
5.1	Auditor’s report is accurate and reliable.	3 (.75%)	10 (12.5%)	18 (22.5%)	32 (40%)	17 (21.25%)
5.2	Auditor’s report is clear and easy to understand.	5 (6.25%)	12 (15%)	20 (25%)	28 (35%)	15 (18.75%)
5.3	Auditor’s report includes all necessary details for informed decisions.	4 (5%)	9 (11.25%)	16 (20%)	34 (42.5%)	17 (21.25%)
5.4	Findings in the report are relevant to organizational goals.	5 (6.25%)	10 (12.5%)	18 (22.5%)	28 (35%)	19 (23.75%)
5.5	Report is free from bias or conflict of interest.	6 (7.5%)	12 (15%)	14 (17.5%)	30 (37.5%)	18 (22.5%)
5.6	Recommendations are practical and applicable.	5 (6.25%)	11 (13.75%)	15 (18.75%)	29 (36.25%)	20 (25%)
5.7	Report is comprehensive and meets industry standards.	4 (5%)	10 (12.5%)	18 (22.5%)	31 (38.75%)	17 (21.25%)

Source (Field Data, 2024)

4.3.4 Auditor Report

Accuracy and Reliability: With 61.25% agreement, data shows that auditor reports are generally trusted, though 22.5% neutrality suggests slight concerns about accuracy, potentially due to complex or subjective audit findings.

Clarity and Comprehensiveness: A 60% satisfaction rate indicates readability and completeness. Yet, neutrality (25%) implies areas for enhancement, especially in providing context for complex financial information.

Inclusion of Necessary Details: Agreement (63.75%) on report completeness underscores thorough documentation, with strong support for the report’s role in informing management.

Relevance to Organizational Goals: Sixty percent agreement on relevance highlights report alignment with corporate priorities, though neutrality (22.5%) hints at a potential disconnect between audit findings and broader goals.

Freedom from Bias: High agreement (60%) on report objectivity suggests credibility, though 15% dissent suggests that some auditors perceive potential conflicts of interest, especially in challenging audits

Practical and Applicable Recommendations: Agreement on the practicality of recommendations (61.25%) shows the report’s value for actionable insights, though dissent (20%) suggests room for more context-specific advice.

Industry Standards Compliance: Satisfaction (60%) with industry alignment suggests report credibility, reinforcing confidence among shareholders. Neutral responses indicate that a minority may feel reports could further improve in scope or detail.

In summary, the auditor report is generally seen as reliable and relevant, though improvements in clarity and specificity could enhance its value for Kenyan manufacturing firms.

Table 4. 7 Correlation Matrix

Variables	ROE	Audit Firm Size	Auditor's Remuneration	Audit Committee Report	Auditor Report
Return on Equity (ROE)	1.000				
Audit Firm Size	0.452	1.000			
Auditor's Remuneration	0.304	0.308	1.000		
Audit Committee Report	0.226	0.295	0.279	1.000	
Auditor Report	0.057	0.261	0.240	0.231	1.000

Source (Field Data 2024)

4.4 Analysis of Correlation Results

4.4.1 Audit Firm Size and Financial Performance (ROE)

Correlation: r=0.452

Interpretation: The correlation between audit firm size and ROE is moderate and positive, suggesting that firms audited by larger audit firms exhibit higher financial performance. Larger firms often have greater resources and specialization, allowing them to produce more reliable audit reports, which aligns with prior research findings (Bouaziz & Triki, 2012; Farouk & Hassan, 2014).

Comparative Findings: The findings are consistent with Shatnawi et al. (2021), who found a similar relationship between audit firm size and firm performance, arguing that larger firms with strong reputations tend to foster better financial performance through quality audits. Conversely, Ogbodo and Akabuogu (2018) found a more nuanced correlation with ROE in banking, emphasizing industry differences where banks might prioritize internal controls over external audit quality.

4.5.2 Auditor's Remuneration and Financial Performance (ROE)

Correlation: r=0.304

Interpretation: The positive, moderate correlation suggests that higher auditor remuneration is associated with increased financial performance, possibly reflecting the impact of fair compensation on audit quality and thoroughness.

Implications: Fair remuneration reduces turnover and enhances audit quality, which can lead to more accurate and reliable financial reporting. This relationship has been supported by Efuntade and Akinola (2020), who found that adequate auditor compensation contributes positively to financial reporting quality.

Conflicting Findings: Studies like Pham et al. (2017) showed no significant relationship between auditor fees and performance in specific sectors, suggesting that while remuneration impacts audit quality, the direct link to performance might vary depending on other variables like industry regulations and internal audit processes.

4.4.2. Audit Committee Report and Financial Performance (ROE)

Correlation: r=0.226

Interpretation: This weak, positive correlation suggests a mild association between the robustness of audit committee reporting and financial performance, indicating that while audit committee oversight contributes to performance, its impact may be less direct than other factors like auditor size.

Implications: Audit committee reports are fundamental in strengthening governance, providing oversight, and ensuring compliance. Previous studies, such as those by Sayyar (2018), found that committee size and meeting frequency enhance report comprehensiveness, which can positively influence financial health indirectly.

Conflicting Results: Conversely, Mumias Sugar Company’s internal audit failures, as noted in studies, showed that inadequate committee involvement contributed to misleading financial performance, indicating that the effectiveness of audit committees may be more complex and potentially influenced by organizational culture and enforcement levels.

4.4.3. Auditor Report and Financial Performance (ROE)

Correlation: $r=0.057$

Interpretation: The near-zero correlation indicates that auditor reports have minimal direct association with financial performance, suggesting that the report's direct influence on ROE may be limited.

Implications: While auditor reports provide critical insights, their influence on ROE may depend more on the perceived credibility and independence rather than direct financial outcomes. Ivungu (2019) supports this view, noting that while auditor reports are valued, their content is not always directly linked to ROE. Instead, they act as part of a broader governance framework.

Conflicting Studies: Boone et al. (2010) found that for larger firms, investor trust in auditor reports is higher, which positively impacts financial metrics. This discrepancy may be attributed to differences in firm size and industry sector, where auditor reports play a more pronounced role in market perception than in actual financial performance.

4.4.4 Correlation Summary

The correlation analysis suggests that audit firm size and auditor’s remuneration exhibit the strongest relationships with financial performance, supporting the argument that resources and fair compensation enhance audit quality, which in turn can contribute to better financial outcomes. Audit committee reports also support governance and compliance, though their impact on ROE is weaker, possibly indicating their indirect influence on performance. Finally, auditor reports, while important for regulatory compliance, show little direct effect on ROE, suggesting they serve more as tools for transparency than for immediate financial impact.

These findings align with Shatnawi et al. (2021) and Efuntade and Akinola (2020), who observed that larger audit firms and adequate remuneration significantly impact audit quality and subsequently firm performance. However, the limited correlation between auditor reports and performance challenges the findings of Boone et al. (2010), suggesting the importance of industry and firm-specific contexts when interpreting auditor report influences.

4.5 OLS Multiple Regression Analysis

4.5.1 Model Summary

R2R^2R2 = 0.357: This indicates that the model explains approximately 35.7% of the variance in Financial Performance (ROE).

Adjusted R2R^2R2 = 0.323: Adjusted R2R^2R2 accounts for the number of predictors, suggesting that 32.3% of the variance in ROE is explained by the model after adjusting for the sample size and number of variables.

F-Statistic = 10.42, p-value < 0.001: The model is statistically significant ($p < 0.05$), indicating that the predictors collectively explain a significant portion of the variance in ROE.

Table 4.8 ANOVA Table

Source	SS	DF	MS	F
Regression	0.351503	4	0.087876	10.42
Residual	0.632794	75	0.008437	
Total	0.984298	79		

Regression Sum of Squares (SSR) = 0.351503: This represents the variance in ROE explained by the model.

Residual Sum of Squares (SSE) = 0.632794: This is the unexplained variance.

F-statistic = 10.42, indicating that the independent variables significantly contribute to explaining ROE at a p-value < 0.001.

Table 4. 9 Regression Table

Variable	Coefficient	Standard Error	t-Value	P-Value
Constant	0.4013	0.1090	3.682	0.0004
Audit Firm Size	0.2140	0.1124	1.903	0.061
Auditor Remuneration	0.2155	0.1020	2.112	0.038
Audit Committee Report	0.3253	0.1091	2.982	0.004
Auditor Report	0.3794	0.1081	3.509	0.001

Constant (0.4013): Represents the baseline ROE when all predictors are zero, showing a statistically significant intercept (p < 0.001).

Audit Firm Size (0.2140, p = 0.061): Positively influences ROE but is only marginally significant (p ~ 0.06). Larger audit firms likely bring added credibility and resources, enhancing the perception of audit quality and indirectly supporting financial performance. This finding is consistent with Bouaziz & Triki (2012), who argue that larger audit firms positively impact performance.

Auditor’s Remuneration (0.2155, $p = 0.038$): Positively and significantly impacts ROE ($p < 0.05$), indicating that fair remuneration enhances audit quality and, consequently, financial performance. This is aligned with Efuntade and Akinola (2020), who found that adequate auditor compensation fosters thorough and unbiased auditing.

Audit Committee Report (0.3253, $p = 0.004$): Shows a positive and significant effect on ROE ($p < 0.01$), indicating that detailed and compliant reporting by audit committees enhances financial performance. This finding is consistent with Sayyar (2018), supporting the role of audit committees in providing oversight and guiding financial transparency.

Auditor Report (0.3794, $p = 0.001$): Has the strongest positive impact on ROE ($p < 0.01$), reflecting that comprehensive auditor reports are highly valued for financial decision-making. This finding aligns with Boone et al. (2010), who highlighted the influence of auditor reports on investor trust, which indirectly enhances financial outcomes.

4.5.2 Implications and Comparative Findings

The analysis indicates that Auditor Remuneration, Audit Committee Report, and Auditor Report significantly and positively impact ROE, supporting their roles in enhancing financial performance. The marginal significance of Audit Firm Size suggests that while larger firms add value, other factors like report transparency and fair compensation have more immediate effects on financial outcomes.

CHAPTER FIVE

SUMMARY OF FINDINGS, CONCLUSSION AND RECOMMENDATION

5.1 Introduction

This study sought to examine effect of audit quality attributes on financial performance of listed manufacturing firms at Nairobi securities Exchange. The findings can be summarised as follows according to the objectives;

5.2: Summary of Findings

Objective 1: To Examine the Influence of Audit Firm Size on Financial Performance (ROE)

Correlation Findings: A moderate positive correlation ($r = 0.452$) was found between Audit Firm Size and ROE, suggesting that larger audit firms positively influence financial performance. This could be attributed to the increased expertise, resources, and credibility associated with larger audit firms.

Regression Results: The regression coefficient for Audit Firm Size was 0.214 ($p = 0.061$), indicating a positive but marginally significant impact on ROE. This result suggests that while larger audit firms are associated with improved audit quality, their effect on financial performance is less pronounced than other variables.

Audit Firm Size plays a role in financial performance by enhancing audit quality, though its direct influence on ROE is less significant. This aligns with existing literature suggesting that larger audit firms enhance stakeholder confidence and audit credibility, thereby supporting financial outcomes indirectly.

Objective 2: To Assess the Impact of Auditor’s Remuneration on Financial Performance (ROE)

Correlation Findings: The correlation between Auditor’s Remuneration and ROE was moderate ($r = 0.304$), indicating that higher compensation levels positively affect financial performance by potentially enhancing audit thoroughness and independence.

Regression Results: The regression analysis showed that Auditor’s Remuneration had a coefficient of 0.2155 ($p = 0.038$), indicating a statistically significant positive impact on ROE. This finding supports the view that fair and adequate remuneration strengthens audit quality, which, in turn, contributes to improved financial performance.

Auditor’s Remuneration is a significant predictor of ROE, with findings underscoring its importance in ensuring thorough and unbiased audits. Adequate remuneration aligns with studies indicating that fair pay reduces turnover and enhances audit diligence, which ultimately supports financial health.

Objective 3: To Evaluate the Role of Audit Committee Report Quality in Financial Performance (ROE)

Correlation Findings: A weak positive correlation ($r = 0.226$) was observed between Audit Committee Report and ROE, suggesting a relatively mild association between comprehensive audit committee reporting and financial performance.

Regression Results: The regression coefficient for Audit Committee Report was 0.3253 ($p = 0.004$), indicating a statistically significant positive effect on ROE. This result implies that robust and compliant audit committee reporting contributes to better financial performance by reinforcing corporate governance and regulatory compliance.

Audit Committee Report quality is a significant factor influencing ROE, supporting the role of audit committees in upholding transparency and governance. The findings align with studies showing that effective audit committees enhance financial oversight, thereby improving organizational performance and stakeholder trust.

Objective 4: To Investigate the Effect of Auditor Report Quality on Financial Performance (ROE)

Correlation Findings: The correlation between Auditor Report and ROE was near zero ($r = 0.057$), suggesting a minimal direct association with financial performance, possibly because auditor reports serve more as regulatory compliance tools than direct financial performance drivers.

Regression Results: Despite the weak correlation, the regression analysis revealed that Auditor Report had the highest coefficient (0.3794, $p = 0.001$) among the independent variables, with a statistically significant impact on ROE. This indicates that high-quality auditor reports—characterized by accuracy, clarity, and relevance—positively influence financial outcomes, possibly through indirect mechanisms like enhancing investor confidence.

Auditor Report quality significantly affects ROE, with comprehensive and unbiased reports reinforcing investor trust and organizational transparency. This finding supports literature suggesting that clear and thorough auditor reports contribute positively to organizational reputation and performance by bolstering stakeholders' confidence.

5.2 Conclusion

The findings of this study provide insightful contributions to understanding the impact of audit quality attributes—Audit Firm Size, Auditor’s Remuneration, Audit Committee Report Quality, and Auditor Report Quality—on the financial performance (measured by ROE) of manufacturing firms listed on the Nairobi Securities Exchange (NSE). This study reaffirms the essential role that audit quality plays in enhancing corporate governance and financial outcomes and positions these findings in alignment with, as well as contrast to, relevant literature.

5.2.1 Audit Firm Size and Financial Performance

This study found a positive but marginally significant influence of Audit Firm Size on ROE, suggesting that larger audit firms may contribute indirectly to better financial performance through enhanced credibility and expertise. This finding aligns with studies by Bouaziz and Triki (2012) and Farouk and Hassan (2014), who observed similar trends where larger audit firms contribute to improved performance due to their greater resources, reputation, and ability to maintain high-quality audit standards. However, the results suggest that while Audit Firm Size adds value, its impact on direct financial performance may be less significant than that of more operationally relevant factors like auditor remuneration and reporting quality.

5.2.2 Auditor's Remuneration and Financial Performance

The analysis demonstrated a statistically significant positive effect of Auditor's Remuneration on ROE, indicating that fair compensation enhances audit quality, potentially by promoting auditor independence and reducing turnover. This finding is consistent with the conclusions of Efuntade and Akinola (2020), who found that auditor remuneration is crucial for high-quality audits and, by extension, financial performance. Adequate remuneration aligns auditors' efforts with organizational goals, improving audit rigor and ultimately contributing to organizational health. This study's findings also address DeAngelo's (1981) theory on auditor independence, supporting the notion that higher compensation can reduce bias and improve diligence, thus benefiting financial outcomes.

5.2.3 Audit Committee Report Quality and Financial Performance

Audit Committee Report Quality also showed a positive and statistically significant impact on ROE. The findings support the idea that strong audit committee oversight and thorough reporting contribute to financial performance by reinforcing governance, accountability, and regulatory compliance. Sayyar (2018) similarly found that comprehensive audit committee reports play a significant role in enhancing transparency and mitigating financial misstatements, leading to more stable financial outcomes. This study's findings align with governance theories that emphasize audit committees' roles in providing checks and balances within an organization, reinforcing stakeholder trust and thereby positively impacting performance.

5.2.4 Auditor Report Quality and Financial Performance

Interestingly, Auditor Report Quality emerged as the most influential variable on ROE, with a strong positive impact despite a weak correlation. This suggests that auditor reports, while primarily regulatory documents, serve as critical components of investor trust and transparency. High-quality auditor reports, characterized by accuracy and clarity, likely bolster investor confidence and organizational reputation, indirectly enhancing financial outcomes. Boone et al. (2010) support this, observing that transparent auditor reports significantly influence market perceptions and investor trust, ultimately benefiting financial performance. This finding aligns with recent literature emphasizing the value of reliable auditor reports in providing stakeholders with clear insights into financial health, which is especially relevant in the context of emerging markets like Kenya.

5.3 Contextual Insights and Contribution to Literature

This study contributes to existing literature by confirming the influence of various audit quality attributes on financial performance in the Kenyan context. In line with international research, the study underscores the importance of audit firm reputation, fair remuneration, robust audit committee governance, and clear auditor reporting in bolstering financial performance through improved audit quality. However, it also highlights the nuanced impact of these factors in emerging markets, where regulatory frameworks and governance practices are evolving.

These findings align closely with studies like Shatnawi et al. (2021), who emphasize audit quality’s role in enhancing financial outcomes, while contrasting slightly with Ogbodo and Akabuogu (2018), who noted that, in the banking sector, internal controls may carry more direct influence than external audit attributes. This divergence suggests that sector-specific factors may mediate the relationship between audit quality and financial performance, highlighting the need for industry-specific audit quality frameworks.

5.4 Recommendations

Based on the conclusions derived from this study on the relationship between audit quality attributes and financial performance of manufacturing firms listed on the Nairobi Securities Exchange (NSE), the following recommendations are proposed. These recommendations aim to improve audit quality and, by extension, enhance financial performance.

5.4.1 Strengthen Relationships with Reputable, Large Audit Firms

Listed firms, particularly those with complex operations, should prioritize engaging large, reputable audit firms. These firms bring specialized expertise, more extensive resources, and higher credibility, all of which contribute to audit quality and enhance financial performance indirectly.

The study found that larger audit firms positively influence ROE by providing reliable audits. Partnering with reputable firms enhances external perception and investor confidence, which is essential for attracting and retaining investment.

5.4.2 Enhance Auditor Remuneration Structures

Organizations should adopt competitive and fair compensation practices for auditors to promote independence, diligence, and commitment to high-quality audit work. This may include regular reviews of compensation structures to ensure they align with industry standards and audit complexity.

Adequate auditor remuneration was found to have a statistically significant positive impact on financial performance. Ensuring fair compensation mitigates the risk of bias and turnover, thereby promoting high-quality, unbiased audits. As supported by the findings, fair remuneration reduces financial and reputational risks associated with auditor turnover.

5.4. 3 Ensure Audit Committee Reporting Completeness and Compliance

Audit committees should adhere strictly to regulatory standards and ensure that their reports are thorough, timely, and cover all key audit aspects. Regular training and development for audit committee members can further enhance the quality and regulatory compliance of audit committee reporting.

The study highlighted the positive impact of comprehensive audit committee reports on financial performance, aligning with the role of audit committees in enforcing corporate governance. By maintaining high reporting standards, audit committees can provide more effective oversight and accountability, reducing risks and fostering financial stability.

5.4.4 Improve Auditor Report Transparency and Clarity

Auditors should prioritize transparency and clarity in their reporting to ensure that the information is accessible and comprehensible to all stakeholders. Firms can encourage this by providing clear reporting guidelines and fostering an organizational culture that values detailed and honest reporting.

The strong positive impact of auditor report quality on ROE, despite a weak correlation, suggests that auditor reports are critical for investor trust and transparency. High-quality, transparent auditor reports strengthen stakeholder confidence, supporting firm reputation and enhancing financial performance indirectly.

5.4.5 Develop Sector-Specific Audit Quality Standards

Industry regulators and professional bodies, such as the Institute of Certified Public Accountants of Kenya (ICPAK), should consider developing sector-specific audit quality guidelines for manufacturing firms, taking into account the unique challenges and needs of the industry.

The study's results reflect differences in how audit quality attributes impact financial performance across sectors. Sector-specific standards would address industry nuances, thus improving audit quality and financial outcomes while ensuring more tailored compliance and governance practices.

5.4.6 Encourage Ongoing Auditor Training on Emerging Market Dynamics

Firms should invest in ongoing training and professional development for auditors to ensure they are well-versed in emerging market dynamics, new regulatory frameworks, and evolving financial reporting standards.

Since Kenya's regulatory framework is evolving, continuous training can equip auditors to handle regulatory changes effectively, maintain high-quality audit practices, and adapt to shifts in the financial landscape, thereby promoting overall financial health and resilience.

5.5 Further Research Areas

Based on the findings of this study, several areas for future research emerge. These areas address gaps in understanding the nuanced relationships between audit quality attributes and financial performance, especially within emerging markets like Kenya, and can deepen insights into how audit quality influences financial outcomes across different contexts.

5.5.1 Sectoral Variations in the Impact of Audit Quality on Financial Performance

While this study focused on the manufacturing sector, future research could explore how audit quality attributes affect financial performance across different industries, such as banking, technology, and agriculture. Each industry has unique regulatory, operational, and financial reporting requirements, which may influence the strength and nature of the relationship between audit quality and financial outcomes.

The manufacturing sector's characteristics may limit the generalizability of findings. Research into other sectors would provide comparative insights, offering a comprehensive view of how audit quality influences performance differently across industries.

5.5.2 Longitudinal Analysis of Audit Quality and Financial Performance

A longitudinal study could examine how the relationship between audit quality attributes and financial performance evolves over time. This would involve analyzing changes in audit firm size, remuneration structures, and reporting practices and their impacts on financial performance across several years.

A time-series approach would capture any lag effects and provide insights into whether improvements in audit quality lead to sustained financial performance gains. This could reveal the long-term benefits of audit quality investments for organizations and contribute to policy-making for corporate governance.

5.5.3 Influence of Regulatory Changes on Audit Quality and Firm Performance

Further research could examine the role of evolving regulatory frameworks, such as those set by the Capital Markets Authority (CMA) and ICPAK in Kenya, on audit quality and its impact on firm performance. This could involve assessing how specific regulations, such as auditor rotation or transparency requirements, influence audit quality attributes and subsequent financial outcomes.

5.6 Implications of the Findings

The findings of this study provide valuable insights with implications across three key domains: policy, management, and academia. Each stakeholder group can draw meaningful conclusions that support enhanced audit quality, better corporate governance, and improved financial performance, particularly within the Kenyan context. Here's a humanized look at what these findings mean for each area:

5.6.1 Implications for Policy

For policymakers and regulators, such as the Capital Markets Authority (CMA) and the Institute of Certified Public Accountants of Kenya (ICPAK), these findings underscore the importance of fostering an audit environment where quality, independence, and transparency are paramount. The positive impact of auditor remuneration and audit firm reputation on financial performance suggests that regulatory bodies could focus on policies that incentivize competitive remuneration for auditors, particularly those managing complex and high-stakes audits.

Additionally, the findings highlight the value of high-quality, transparent audit and audit committee reports. Regulators could encourage policies that emphasize report clarity, timeliness, and accessibility. These standards could include more robust reporting requirements, improved oversight on remuneration practices, and standardized guidelines for audit committees that align with best practices globally.

Such policies will not only reinforce trust in Kenyan firms' financial statements but also attract more foreign and domestic investment by promoting a stable, well-regulated business environment.

5.6.2 Implications for Management

For corporate leaders, particularly those in listed manufacturing firms, the study's findings offer practical insights into how audit quality attributes directly relate to financial performance. Investing in larger, reputable audit firms may seem costly, but as the findings suggest, it enhances audit quality and boosts investor confidence, indirectly contributing to the organization's financial success. Management should recognize that this investment in audit quality can yield both reputational and financial benefits, building trust with stakeholders and regulators alike.

The findings on auditor remuneration are also significant for corporate executives and finance officers, as they highlight the importance of fair compensation in maintaining a committed and independent audit team. By ensuring that auditors are fairly compensated, management can reduce risks associated with turnover and bias, supporting more reliable and thorough audits. Additionally, audit committees should consider enhancing the depth and transparency of their reporting practices to support executive decision-making and governance, creating a clearer bridge between audit insights and actionable management outcomes.

5.6.3 Implications for Academia

For academia, these findings open new avenues for research and contribute to the broader discourse on audit quality and financial performance in emerging markets. They offer a foundation for future studies that can explore sector-specific dynamics, the influence of evolving regulatory environments, and the role of technological advancements in audit practices. For instance, scholars can build on these findings to investigate how industry differences impact audit quality’s effect on performance, or how corporate governance structures may moderate these relationships.

Moreover, this study highlights the need for academia to emphasize emerging market contexts when examining audit quality and performance dynamics. Historically, much of the research on audit quality originates from developed economies. By focusing on markets like Kenya, academia can produce insights that are not only academically valuable but also practically relevant to the unique challenges and opportunities in developing regions.

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APPENDIX I: QUESTIONNAIRE

Section 1: Biographical Data

Question	**Options**
1. Gender	☐ Male ☐ Female ☐ Other
2. Age Group	☐ 20-30 ☐ 31-40 ☐ 41-50 ☐ 51+
3. Job Title	☐ Finance Officer ☐ Board Member ☐ Other
4. Years of Experience	☐ 1-5 ☐ 6-10 ☐ 11-15 ☐ 16+
5. Department	☐ Finance ☐ Audit ☐ Management ☐ Other
6. Level of Education	☐ Bachelor's ☐ Master's ☐ Doctorate ☐ Other
7. Role in Audit Process	☐ Auditor ☐ Audit Committee ☐ Stakeholder

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Section 2: Financial Performance (Dependent Variable)

Item No.	Statement	1 = Strongly Disagree	2 = Disagree	3 = Neutral	4 = Agree	5 = Strongly Agree
2.1	The organization's Return on Equity (ROE) reflects its true financial performance.	☐	☐	☐	☐	☐
2.2	ROE provides an accurate measure of financial success in our organization.	☐	☐	☐	☐	☐
2.3	ROE is a reliable metric for assessing profitability.	☐	☐	☐	☐	☐
2.4	Stakeholders consider ROE when evaluating the organization's financial health.	☐	☐	☐	☐	☐
2.5	ROE has shown consistent growth, reflecting sound financial management.	☐	☐	☐	☐	☐
2.6	ROE is a priority performance indicator within our financial department.	☐	☐	☐	☐	☐

Item No.	Statement	1 = Strongly Disagree	2 = Disagree	3 = Neutral	4 = Agree	5 = Strongly Agree
2.7	ROE is a factor that significantly influences decision-making within the organization.	☐	☐	☐	☐	☐
Open-Ended	**What other factors influence your perception of financial performance besides ROE?**					

Section 3: Auditor's Remuneration

Item No.	Statement	1 = Strongly Disagree	2 = Disagree	3 = Neutral	4 = Agree	5 = Strongly Agree
3.1	The remuneration provided to auditors is fair and competitive.	☐	☐	☐	☐	☐
3.2	Auditor remuneration aligns well with the level of work required.	☐	☐	☐	☐	☐
3.3	Adequate compensation enhances the quality of audit work.	☐	☐	☐	☐	☐
3.4	Auditor pay in this organization is in line with industry standards.	☐	☐	☐	☐	☐
3.5	Our auditors are fairly compensated for the complexity of their work.	☐	☐	☐	☐	☐
3.6	Sufficient remuneration reduces auditor turnover in our organization.	☐	☐	☐	☐	☐
3.7	The quality of audit reports improves with higher remuneration levels.	☐	☐	☐	☐	☐

Item No.	Statement	1 = Strongly Disagree	2 = Disagree	3 = Neutral	4 = Agree	5 = Strongly Agree
Open-Ended	**How does remuneration impact the quality of audits conducted in your organization?**					

Section 4: Audit Committee Report

Item No.	Statement	1 = Strongly Disagree	2 = Disagree	3 = Neutral	4 = Agree	5 = Strongly Agree
4.1	The audit committee provides reports regularly.	☐	☐	☐	☐	☐
4.2	Reports from the audit committee are detailed and informative.	☐	☐	☐	☐	☐
4.3	Audit committee reports comply with all regulatory requirements.	☐	☐	☐	☐	☐
4.4	Reports address all key audit issues and concerns.	☐	☐	☐	☐	☐
4.5	Reports are useful for decision-making at the executive level.	☐	☐	☐	☐	☐
4.6	Audit committee reports are timely and aligned with audit schedules.	☐	☐	☐	☐	☐
4.7	The audit committee maintains transparency in their reports.	☐	☐	☐	☐	☐
Open-Ended	**What improvements would you suggest for the audit committee reporting process?**	[				

Section 5: Auditor Report

Item No.	Statement	1 = Strongly Disagree	2 = Disagree	3 = Neutral	4 = Agree	5 = Strongly Agree
5.1	The auditor's report is accurate and reliable.	☐	☐	☐	☐	☐
5.2	The auditor's report is clear and easy to understand.	☐	☐	☐	☐	☐
5.3	The auditor's report includes all necessary details for informed decisions.	☐	☐	☐	☐	☐
5.4	The findings in the auditor's report are relevant to our organizational goals.	☐	☐	☐	☐	☐
5.5	The auditor's report is free from any bias or conflict of interest.	☐	☐	☐	☐	☐
5.6	Recommendations in the auditor's report are practical and applicable.	☐	☐	☐	☐	☐
5.7	The auditor's report is comprehensive and meets industry standards.	☐	☐	☐	☐	☐
Open-Ended	**What additional information or improvements would you like to see in the auditor's report?**	……………….				

APPENDIX II: LIST OF MANUFACTURING FIRMS LISTED NSE

1. B.O.C Kenya Limited
2. British American Tobacco Kenya Limited
3. Carbacid Investments Limited
4. East African Breweries Limited
5. Unga Group Limited
6. Eveready East Africa Limited
7. Kenya Orchards Limited
8. Flame Tree Group Holdings Limited.

Source: Nairobi security exchange, 2021

APPENDIX III: Secondary Data Template

FIRM	Year Under Study	Auditors' remuneration	Return Equity	Audit firm size	Audit committ's report	auditors' report
BOC Kenya Ltd.	2017/2018					
	2018/2019					
	2019/2020					
	2020/2021					
	2021/2022					
Carbacids Inv Ltd	2017/2018					
	2018/2019					
	2019/2020					
	2020/2021					
	2021/2022					
Flame Tree Grp ltd Co	2017/2018					
	2018/2019					
	2019/2020					
	2020/2021					
	2021/2022					
British American Tobacco Kenya Ltd	2017/2018					
	2018/2019					
	2019/2020					
	2020/2021					
	2021/2022					
EABL	2017/2018					
	2018/2019					
	2019/202					

	0					
	2020/2021					
	2021/2022					
Eveready E.A Ltd	2017/2018					
	2018/2019					
	2019/2020					
	2020/2021					
	2021/2022					
Kenya Orchards	2017/2018					
	2018/2019					
	2019/2020					
	2020/2021					
	2021/2022					
Unga Group Ltd	2017/2018					
	2018/2019					
	2019/2020					
	2020/2021					
	2021/2022					

	Auditors' report	ROE	Audit firm size	Audit's Remuneration	Audit type	Liquidity
BOC Kenya Ltd	0.4091	0.286428966	22.77431318	0.460588621	1	1.264187688
BOC Kenya Ltd	0.4091	0.295242529	22.95003692	0.493710063	1	1.126622609
BOC Kenya Ltd	0.4545	0.347470035	23.05614732	0.525239338	1	1.05063888
BOCT Kenya Ltd	0.5909	0.316439844	23.07882263	0.556716911	1	0.91609266
Carbacids Ltd	0.2273	0.167805846	20.81210696	0.153559269	1	12.98542947
Carbacids Ltd	0.2273	0.147272218	20.74941787	0.161750107	1	14.68074173
Carbacids Ltd	0.2273	0.167805846	20.81210696	0.153559269	1	12.98542947
Carbacids Ltd	0.0455	0.162774626	20.91350844	0.152999108	1	14.23072907
Flame Tree	0.5909	0.508660913	23.77814187	0.474460396	1	1.088695092

Group Holdings						
Flame Tree Group Holdings	0.5	0.5963701	23.45559406	0.654188692	1	0.513601178
Flame Tree Group Holdings	0.4545	0.678506097	24.54452521	0.756860288	1	0.961846683
Flame Tree Group Holdings	0.3182	0.475583738	24.48444318	0.779240462	1	0.830410047
British A. Tobacco	0	0.200532778	20.86366149	0.696289048	0	1.259109411
British A. Tobacco	0	0.118021155	20.66208381	0.58032301	0	1.540409307
British A. Tobacco	0	-0.812271989	20.65075643	0.765105795	0	1.333861619
British A. Tobacco	0.0909	0.729048429	21.13647753	0.466622565	0	0.983592966
EABL	0.4091	0.139795767	21.44523174	0.235316807	1	2.020446166
EABL	0.2727	0.098509914	21.46900642	0.26003723	1	2.023817907
EABL	0.3182	0.419691414	23.43393009	0.044362616	1	9.320857043
EABL	0.6818	0.528417284	23.50023725	0.109025625	1	4.102996377
EABL	0.5909	0.590638046	23.31259061	0.110806174	1	2.783702036
Kenya Orchards	0.2273	0.577299664	24.69724635	0.771013013	1	0.904238523
Kenya Orchards	0.2727	0.504140718	24.71530444	0.708399441	1	0.807714713
Kenya Orchards	0.5909	0.374010848	20.63882497	0.518297632	1	1.889942023
Kenya Orchards	0.5455	0.285335771	20.89664503	0.627445837	0	1.559841732
UGL	0.2273	0.087753233	22.57953711	0.380000934	1	2.36026521
UGL	0.3182	0.078809666	22.81616381	0.470757225	1	1.842747905
UGL	0.0909	0.101230937	22.80602412	0.416034704	1	2.332178265
UGL	0.2727	0.116122055	22.88334083	0.382448118	1	2.368517895

APPENDIX IV: APPROVAL LETTER

MASINDE MULIRO UNIVERSITY OF SCIENCE AND TECHNOLOGY (MMUST)

Tel: 056-30870
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E-mail: directordps@mmust.ac.ke
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P.O Box 190
Kakamega – 50100
Kenya

Directorate of Postgraduate Studies

Ref: MMU/COR: 509099

25th March 2024

Moyiah, Ernest Esing'ole
MBA/G/01-55392/2020,
P.O. Box 190-50100,
KAKAMEGA.

Dear, Mr. Esing'ole,

RE: APPROVAL OF PROPOSAL

I am pleased to inform you that the Directorate of Postgraduate Studies has considered and approved your Masters proposal entitled '***Audit quality Attributes and Financial Performance of Manufacturing Firms Listed on Nairobi Security Exchange'*** and appointed the following as supervisors:

1. Prof. Benedict Alala - SOBE, MMUST
2. Dr. Edwin Simiyu - SOBE, MMUST

You are required to submit through your supervisor(s) progress reports every three months to the Director Postgraduate Studies. Such reports should be copied to the following: Chairman, School of Business and Economics Graduate Studies Committee and Chairman, Accounting and Finance Department. Kindly adhere to research ethics consideration in conducting research.

It is the policy and regulations of the University that you observe a deadline of two years from the date of registration to complete your Master's thesis. Do not hesitate to consult this office in case of any problem encountered in the course of your work.

We wish you the best in your research and hope the study will make original contribution to knowledge.

Yours Sincerely,

MASINDE MULIRO UNIVERSITY OF SCIENCE AND TECHNOLOGY
DIRECTORATE OF POSTGRADUATE STUDIES
P.O. Box 190 ... KAKAMEGA (K)
Date:............ Sign:....................

Prof. Stephen O. Odebero, PhD, FIEEP
DIRECTOR, DIRECTORATE OF POSTGRADUATE STUDIES

APPENDIX V: RESEARCH PERMIT

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NATIONAL COMMISSION FOR SCIENCE,TECHNOLOGY & INNOVATION

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Date of Issue: 29/March/2024

RESEARCH LICENSE

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