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Abstract

Purpose: The goal of this study is to examine the influence of financial audit mechanisms related to student fees on students' participation in university education at the University of Nairobi, Kenya. The study sought to investigate the extent to which internal audit mechanisms, external audit oversight, audit committee effectiveness, and financial reporting transparency shape students' continuity of enrollment and engagement in university programs.

Methodology: The study adopted a mixed-methods research design anchored on Agency Theory by Jensen and Meckling (1976) and Stakeholder Theory by Freeman (1984). The target population comprised 30,015 individuals, including students, departmental heads, and Ministry of Education officers. A sample of 393 respondents was selected using Krejcie and Morgan's formula, with stratified random sampling applied to students and purposive sampling applied to departmental heads and Ministry of Education officers. Data were collected through questionnaires, interviews, and document analysis. Validity was ensured through expert review and pilot testing, while reliability was confirmed using Cronbach's Alpha ($\alpha \geq 0.7$). Quantitative data were analyzed using descriptive statistics, correlation, and regression analysis in SPSS, while qualitative data were analyzed thematically.

Findings: The study revealed that a majority of respondents perceived internal audit mechanisms as effective in ensuring transparency in the management of higher education funding, with 73.3% acknowledging their role in identifying and preventing financial irregularities. However, 54.8% of respondents felt that audit findings and recommendations were not promptly addressed by university management, and 55.6% perceived audit processes as lacking transparency and accessibility to stakeholders. The correlation analysis established a strong, statistically significant, and positive relationship between financial audit of fees paid and the management of higher education funding and students' participation ($r = .652$; $p = .000$), leading to rejection of the null hypothesis.

Unique Contribution to Theory, Practice and Policy: Anchored on Agency Theory and Stakeholder Theory, the study validated the applicability of these frameworks in explaining how financial audit mechanisms reduce information asymmetry and protect student stakeholder interests within university financial governance. For practice, the study recommends that university management strengthen timelines for implementing audit recommendations and improve the accessibility of audit information to students. For policy, the study recommends that the Ministry of Education and university governing councils establish clear regulatory guidelines mandating timely disclosure of audit findings related to student fees, with defined response periods for management action, to safeguard student participation across public universities in Kenya.

Keywords: *Financial Accountability, Financial Audit, Student Fees, Students' Participation, University Education*

INTRODUCTION

Higher education financing has undergone significant transformation globally, with institutions increasingly relying on diversified revenue streams, including student fees, to sustain operations amid declining government subvention (Marginson, 2022). In many developed economies, the shift toward cost-sharing has been accompanied by heightened demands for financial accountability, prompting universities to strengthen internal and external audit mechanisms that safeguard the integrity of fee collection, allocation, and expenditure (Estermann & Pruvot, 2021). Financial audits, understood as systematic examinations of an institution's financial records, transactions, and internal controls, serve as critical instruments for ensuring transparency and building stakeholder confidence in how student-generated revenue is managed (Chalmers et al., 2020). However, the pathway from audit practice to student outcomes is not self-evident: audits verify compliance and control adequacy, whereas student participation enrollment, continuity, and completion is shaped more directly by academic preparedness, socioeconomic capacity, and institutional administrative processes. The relevance of audit mechanisms to participation therefore lies not in a direct effect, but in a mediating chain: weaknesses in audit coverage or timeliness can permit misallocation, delayed reconciliation, or inconsistent fee-account records; these financial irregularities in turn produce downstream administrative consequences delayed fee clearance, arbitrary balance adjustments, or blocked registration that translate into student suspension, deferment, or withdrawal, and thus reduced participation (Chalmers et al., 2020; Wanyama & Ochieng, 2023). This study is framed around that mediated pathway rather than assuming a direct causal link between audit activity and student participation outcomes.

In Africa, higher education systems have faced mounting pressure to expand access while managing constrained public budgets, leading many governments to shift a greater share of the cost burden onto students and their families (Wangenge-Ouma & Langa, 2021). This cost-sharing model has heightened the significance of robust financial audit frameworks, since inefficiencies or malpractice in fee administration can translate directly into tuition instability, delayed disbursement of subsidized funding, or arbitrary fee adjustments that jeopardize student participation (Oketch, 2020). The mechanism is again indirect: audit lapses create the conditions under which fee-related administrative barriers arise, and it is those barriers rather than the audit failure itself that act on the student. Several African universities have reported governance challenges linked to weak internal controls, underscoring the need for audit mechanisms that are both rigorous and responsive to student welfare concerns, particularly given how quickly a fee-account discrepancy can escalate into an access barrier for a student with no financial buffer (Materu, 2022).

In Kenya, the higher education financing landscape shifted markedly with the phase-out of the Differentiated Unit Cost (DUC) model, which had financed universities through block capitation, in favour of the Student-Centred Funding Model also referred to as the New/Variable Higher Education Financing (HEF) Model launched by the Government in mid-2023 (Universities Fund, 2024). Under this model, funding is disbursed directly to individual student accounts as a combination of means-tested scholarships (administered by the Universities Fund), loans (administered by HELB), and household contributions, with eligibility determined through a household income band assessed via the HEF portal rather than through institutional block allocation (Universities Fund, 2024; The Star, 2023). This restructuring has direct implications for university fee audit trails: because funding now flows student-by-student against individually assessed bands rather than as a lump-sum institutional subvention, universities must reconcile a far larger number of discrete scholarship-loan-household transactions per student, increasing both the audit workload and the points at which reconciliation errors or delays can occur (Universities Fund, 2024). The model has also faced implementation disputes including a 2023 High Court petition challenging its rollout for insufficient public participation, later stayed on appeal which have at times disrupted the predictability of disbursement timelines to institutions (AllAfrica, 2025). These disbursement uncertainties compound the audit burden on universities, which must maintain accurate, defensible fee records even as the upstream funding pipeline itself has been in flux. Continuing students admitted before the 2023/24 cohort remain on the legacy funding arrangement, meaning Kenyan public universities, including the University of Nairobi, currently operate parallel fee-accounting regimes a further complication for internal audit consistency (Universities Fund, 2024). Public universities, in particular, have experienced fluctuating enrollment and completion patterns partly attributed to these financial governance and disbursement weaknesses, whether under the legacy DUC-era arrangements or the newer band-based model (Wanyama & Ochieng, 2023)..

Statement of the Problem

Sound financial audit mechanisms are essential to safeguarding student fee revenue and ensuring that universities operate with the transparency and stability needed to support uninterrupted student participation in higher education. Where audit systems are weak, poorly enforced, or bypassed, mismanagement of fee revenue can translate into delayed service delivery, arbitrary fee reviews, or disruptions that directly threaten students' ability to remain enrolled and complete their studies (Kimani & Njoroge, 2023). It is important, however, to distinguish clearly between two separate problems that are often conflated in the literature: the audit problem whether internal controls, reconciliation processes, and compliance verification are sound enough to prevent misreporting, leakage, or unexplained variances in fee accounts and the financing problem whether students and their households have the financial capacity to pay fees at all. A well-functioning audit mechanism does not, and cannot, resolve a student's inability to pay; its function is confined to ensuring that whatever fee revenue is collected is accurately recorded, properly allocated, and free of administrative leakage or misreporting that would otherwise compound a student's financial burden. This study is concerned specifically with the audit function and its administrative consequences, not with fee affordability as a socioeconomic condition, and this boundary is maintained throughout.

The scale of the problem at the University of Nairobi is not merely anecdotal. In an enrolment clean-up exercise, the institution deregistered over 30,000 inactive students 37.5% of its total enrolment with the vice-chancellor and deputy vice-chancellor for academic affairs attributing the largest share of these cases to self-sponsored students unable to sustain fee payments, and to a records system in which examination marks for students with fee arrears were withheld from the academic record entirely (Kigotho, 2022). More recently, the Auditor-General's report for the 2023/2024 financial year placed the University of Nairobi's negative working capital at approximately Sh8 billion, the second-highest deficit among Kenya's public universities, reflecting liabilities that have consistently outpaced assets (Gathungu, 2025, as cited in Auditor-General reports on public universities). Disbursement-side disruptions have compounded this: following a December 2024 High Court ruling that declared the new university funding model unconstitutional, University of Nairobi students were among those who led protests at HELB's headquarters over stalled loan disbursements, with students reporting exam lockouts and forced deferment tied directly to unresolved fee balances during the disruption (AllAfrica, 2025). These figures illustrate that the consequences of financial governance weaknesses at UoN are not speculative but are already visible in deregistration numbers, examination access, and balance-sheet distress yet none of the existing reporting isolates how much of this is attributable specifically to audit-mechanism weaknesses (reconciliation failures, delayed variance detection, control gaps) as opposed to upstream funding shortfalls beyond the university's control. That distinction is precisely the empirical gap this study addresses.

The University of Nairobi, as one of Kenya's oldest and largest public universities, has not been insulated from these dynamics. The institution has faced documented financial governance challenges, including audit queries related to revenue management, which have raised questions about the extent to which existing financial audit mechanisms adequately protect student interests (Office of the Auditor-General, 2022). Despite these concerns, most existing studies on university financial governance in Kenya have concentrated on institutional efficiency, resource allocation, or general financial performance, with limited empirical attention paid specifically to how financial audit mechanisms related to student fees influence students' participation in university education (Mutua & Kiprotich, 2021; Otieno, 2024). This gap leaves policymakers and university administrators without adequate evidence on whether current audit practices as distinct from funding adequacy are sufficient to protect students from administrative disruptions to their participation. It is against this backdrop that the present study sought to examine the influence of financial audit mechanisms related to student fees on students' participation in university education at the University of Nairobi, Kenya.

LITERATURE REVIEW

Theoretical Framework

This study was anchored on three theories, namely: Agency Theory by Jensen and Meckling (1976), Stakeholder Theory advanced by Freeman (1984), and Tinto's Theory of Student Departure (Tinto, 1975, 1993). The first two theories ground the institutional and governance side of the study explaining why audit mechanisms matter and whose interests they are meant to protect while Tinto's theory supplies the educational grounding for the dependent variable, explaining the mechanism through which financial disruption translates into an actual participation outcome for the student.

Agency Theory

Agency Theory, propounded by Jensen and Meckling (1976), examines the relationship between principals and agents in situations where the agent is expected to act in the best interest of the principal but may possess divergent interests, unequal access to information, or incentives to behave opportunistically. Within a university setting, the relationship between the institution's management, which controls and disburses student fee revenue, and the students, who are the primary contributors of that revenue, mirrors the principal-agent dynamic. Students, as principals, delegate the responsibility of managing their fee contributions to university administrators, who act as agents entrusted with ensuring that funds are applied toward the delivery of quality education and support services.

Agency Theory holds that information asymmetry between the agent and the principal creates opportunities for the agent to pursue self-serving objectives at the expense of the principal, unless monitoring and control mechanisms are put in place (Panda & Leepsa, 2017). Financial audit mechanisms serve precisely this monitoring function, reducing information asymmetry by independently verifying that fee revenue has been collected, recorded, and expended in a manner consistent with institutional obligations to students. Where audit mechanisms are weak, agency costs rise, and the risk of fee mismanagement, delayed service delivery, or diversion of funds increases, with direct consequences for students' ability to participate fully and continuously in university education. This theory therefore underpins the assumption that the rigor and independence of financial audit mechanisms directly shape the extent to which student interests, particularly continued participation, are protected.

Stakeholder Theory

Stakeholder Theory, advanced by Freeman (1984), posits that organizations are accountable not only to shareholders or owners but to a broader range of stakeholders whose interests are affected by organizational decisions and outcomes. In the context of public universities, stakeholders include students, parents, government, faculty, and the wider community, each of whom has a legitimate interest in how institutional resources, including student fees, are managed. Stakeholder Theory emphasizes that effective governance requires mechanisms that give voice and protection to stakeholder interests, particularly those of the most resource-constrained and directly affected groups, such as students (Freeman et al., 2020).

Applied to this study, Stakeholder Theory suggests that financial audit mechanisms function as an accountability bridge between university management and student stakeholders, ensuring that fee revenue is not managed solely in the interest of administrative convenience but in a manner that safeguards continuity of learning. When audit mechanisms are robust, transparent, and responsive, students as key stakeholders are more likely to experience stable, predictable financial environments that support sustained participation. Conversely, weak or opaque audit processes may erode stakeholder trust and expose students to financial shocks, such as unplanned fee increases or service disruptions that threaten their continued enrollment.

Tinto's Theory of Student Departure

While Agency Theory and Stakeholder Theory explain why audit mechanisms matter from an institutional-governance perspective, neither theorizes the student-side process through which a financial disruption becomes an actual interruption to participation that is, how a fee-account irregularity or delayed reconciliation translates into a deregistration, deferment, or withdrawal decision. This study therefore draws additionally on Tinto's Theory of Student Departure (Tinto, 1975, 1993), which remains one of the most widely applied frameworks for explaining why students leave higher education before completion.

Tinto's model conceptualizes persistence as a function of the degree to which a student becomes academically and socially integrated into the institution, and argues that departure occurs when integration is disrupted by external or institutional forces that outweigh the student's commitment to staying enrolled. Although Tinto's original formulation emphasized academic and social integration, subsequent applications and extensions of the model have consistently identified financial difficulty and institutional administrative barriers including delayed fee clearance, blocked registration, and withheld examination results over unresolved balances as significant precipitating factors in involuntary departure, distinct from voluntary withdrawal driven by poor integration (Tinto, 1993). This distinction matters for the present study: a student affected by an audit-attributable fee-account error is not necessarily disengaged academically or socially, but may nonetheless be forced out of participation by an administrative barrier entirely outside their control.

Conceptual Framework

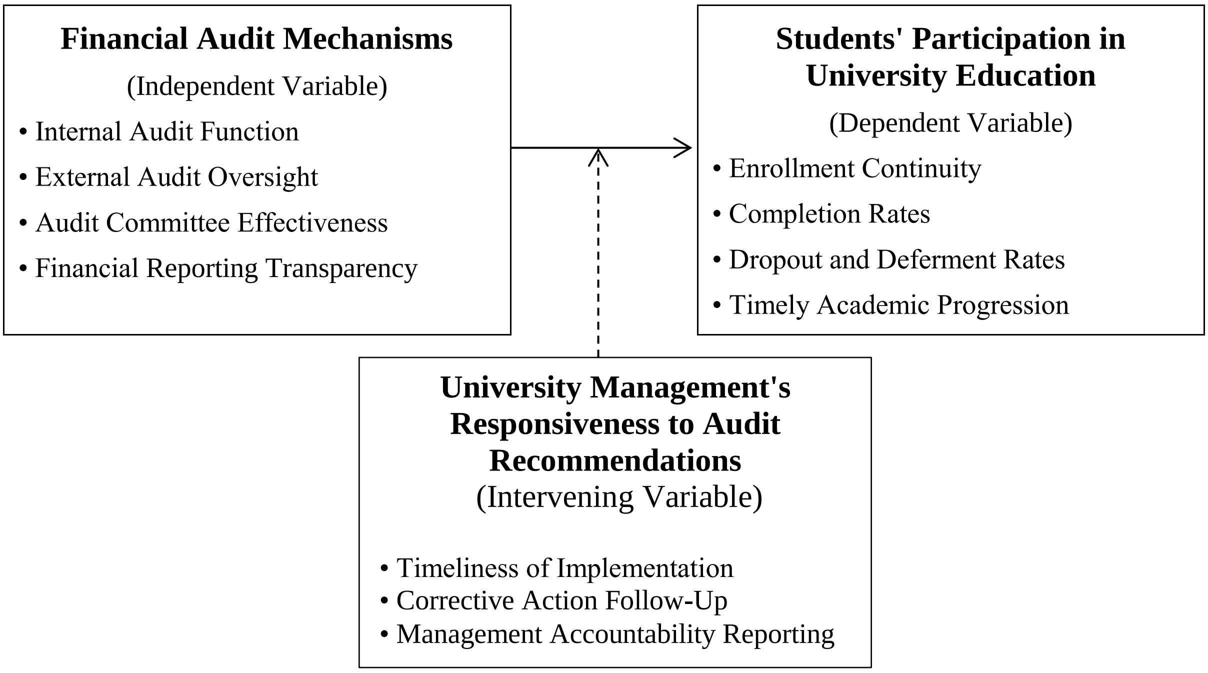

Figure 1: Conceptual Framework

The conceptual framework presented above illustrates the hypothesized relationship between financial audit mechanisms related to student fees and students' participation in university education. Financial audit mechanisms, conceptualized through the internal audit function, external audit oversight, audit committee effectiveness, and financial reporting transparency, are expected to influence the extent to which students remain enrolled, progress on schedule, and complete their studies without disruption. Robust internal audit functions are expected to identify irregularities in fee collection and expenditure before they escalate into institutional crises, while independent external audits provide an added layer of assurance to students and other stakeholders regarding the integrity of financial management. Audit committee effectiveness, reflecting the extent to which oversight structures actively review and act on audit findings, is expected to translate audit outputs into corrective institutional action. Financial reporting transparency, in turn, is expected to build student and parental confidence in fee structures, reducing uncertainty that might otherwise contribute to deferment or dropout. Collectively, these dimensions are conceptualized as shaping students' participation, measured through enrollment continuity, completion rates, dropout and deferment patterns, and timely academic progression.

Empirical Review

Globally, studies have examined the relationship between financial governance mechanisms and institutional stability in higher education, though the empirical literature reveals a consistent pattern: audit-related variables are typically regressed against institutional financial outcomes, while student-level outcomes such as dropout, deferment, or withdrawal are more often linked to adjacent constructs tuition volatility, loan disbursement delays, or fee-protest activity rather than to audit mechanisms directly. This section reviews the literature in order of how directly each study's outcome variable approximates student participation, to make that gap explicit.

Studies linking financial governance failures to student-level outcomes. A smaller subset of studies does reach a genuine student-level dependent variable. Hillman and Orians (2022), examining U.S. public universities, found that institutions reporting material internal-control weaknesses in externally audited financial statements were significantly more likely to implement abrupt tuition adjustments, which in turn correlated with elevated student withdrawal rates. This is among the more direct precedents available, since it traces a path from audit finding to tuition shock to withdrawal though the two-step pathway (audit weakness → tuition volatility → withdrawal) means the audit variable is still only indirectly regressed against the dropout outcome, and the well-resourced U.S. context limits generalizability to a resource-constrained public university like UoN. Nkosi and Mabaso (2021), studying South African public universities following widespread fee protests, found that inadequate transparency in fee revenue reporting was a significant contributor to student unrest and disrupted academic calendars closer still to a participation-relevant outcome (disrupted calendars affecting continuity of instruction), but the study was qualitative, relying on accounts of student grievances rather than a quantitative audit-mechanism measure regressed against a retention or deferment rate. Cherono and Rotich (2022), within Kenya specifically, found that administrative and accountability failures in fee-related processes including delayed reconciliation of loan and fee accounts were significant predictors of student withdrawal; this is the closest domestic precedent to the present study's outcome variable, but its independent variable is loan-disbursement administration rather than the university's own internal/external audit mechanism, meaning it evidences the plausibility of the broader causal pathway (administrative-financial failure → withdrawal) without directly testing the audit-mechanism-to-participation link this study is concerned with.

Studies linking audit mechanisms to institutional, not student, outcomes. The majority of directly audit-focused studies stop at an institutional dependent variable. Estermann and Claeys-Kulik (2021) found that European universities with stronger internal audit and financial control systems demonstrated greater resilience during funding volatility, with lower incidences of service disruption but the study's unit of analysis was institutional financial sustainability, and "service disruption" was not disaggregated into student-level participation metrics such as dropout or deferment rates. Materu and Mhamba (2022), across a sample of East African public universities, reported that institutions with functional audit committees were more likely to detect and correct fee mismanagement before it affected service delivery, with a positive association between audit committee activity and stable enrollment patterns; this is a useful institutional-level proxy for participation stability, though enrollment stability at the institutional level is a coarser measure than individual student-level continuity, and the authors themselves noted that many audit committees met infrequently and lacked enforcement authority raising the further question of whether audit mechanisms that exist on paper actually function well enough to produce the protective effect being measured. In Kenya, Njuguna and Wafula (2023) established that internal audit independence was positively associated with reduced fee revenue misappropriation, and Kariuki (2021) found a significant positive relationship between internal control strength and revenue management efficiency both genuine evidence that audit mechanisms affect financial integrity, but neither study measured a student participation outcome at all; their dependent variables were misappropriation incidence and revenue management efficiency, respectively, which are financial-accountability constructs, not retention or continuity constructs. At the University of Nairobi specifically, Mwaura (2023) documented concerns among students and parents regarding fee revenue management following publicized audit queries, but the study was descriptive and did not employ a structured framework linking specific audit mechanism dimensions to measurable student participation indicators.

The empirical gap this study addresses. Read together, this body of literature establishes two things with reasonable confidence but leaves a third unaddressed. First, financial audit mechanisms are empirically linked to institutional financial integrity and stability (Estermann & Claeys-Kulik, 2021; Njuguna & Wafula, 2023; Kariuki, 2021; Materu & Mhamba, 2022). Second, financial and administrative failures in fee-adjacent processes are empirically linked to student withdrawal and disrupted participation (Hillman & Orians, 2022; Nkosi & Mabaso, 2021; Cherono & Rotich, 2022). What remains largely untested and what no reviewed study directly regresses is the middle link connecting the two: whether the strength of a university's *audit mechanism specifically* (as opposed to internal controls generally, loan administration, or fee-transparency practices considered in isolation) is itself a significant predictor of student participation outcomes such as deferment, deregistration, or discontinuation. The closest available precedents (Hillman & Orians, 2022; Cherono & Rotich, 2022) each substitute an adjacent variable tuition volatility or loan disbursement for the audit mechanism itself, meaning the audit-to-participation pathway has so far been inferred rather than directly measured. This is the specific empirical gap the present study addresses: rather than relying on institutional financial proxies or fee-adjacent administrative variables, it measures financial audit mechanisms related to student fees directly and tests their influence on student participation outcomes at the University of Nairobi.

Research Gaps

The reviewed empirical literature reveals several notable gaps. First, while global and regional studies such as Estermann and Claeys-Kulik (2021) and Hillman and Orians (2022) establish a link between financial governance mechanisms and institutional or tuition stability, these studies are situated in developed higher education systems with markedly different funding structures, institutional capacities, and regulatory environments, limiting the direct applicability of their findings to the Kenyan public university context. Further, studies conducted within the African and Kenyan context, including Nkosi and Mabaso (2021), Materu and Mhamba (2022), and Njuguna and Wafula (2023), have tended to examine financial governance, internal controls, or audit committee functionality in relation to broad institutional accountability or financial performance outcomes, rather than isolating the specific influence of financial audit mechanisms related to student fees on measurable dimensions of student participation such as enrollment continuity, dropout, deferment, and completion.

Furthermore, where studies have addressed student-level outcomes, such as Cherono and Rotich (2022), the focus has centered on loan disbursement processes rather than institutional audit mechanisms, representing an adjacent but conceptually distinct area that does not directly capture the role of internal audit functions, external audit oversight, audit committee effectiveness, or financial reporting transparency. Equally, existing studies, such as Mwaura (2023), remains largely descriptive and case-based, lacking a structured empirical framework that quantitatively links financial audit mechanism dimensions to student participation outcomes. This leaves a clear contextual and methodological gap, given the University of Nairobi's documented financial governance challenges and its scale as one of Kenya's largest public universities.

METHODOLOGY

Research Design

The study adopted a mixed-methods research design, combining quantitative and qualitative approaches to provide a comprehensive understanding of the influence of financial audit mechanisms related to student fees on students' participation in university education. The quantitative component allowed for statistical testing of relationships between audit mechanism variables and student participation indicators, while the qualitative component provided contextual depth through the perspectives of departmental heads and Ministry of Education officers. This design was considered appropriate given the study's dual objective of establishing measurable relationships and capturing institutional insights that numbers alone could not adequately explain. The study was anchored on Agency Theory, as advanced by Jensen and Meckling (1976), and Stakeholder Theory, as advanced by Freeman (1984), both of which informed the conceptualization of financial audit mechanisms as accountability instruments protecting student interests.

Target Population

The target population for this study comprised 30,015 individuals, including students, departmental heads, and Ministry of Education officers associated with the University of Nairobi. This population was considered appropriate as it captured the perspectives of the primary beneficiaries of financial audit accountability, namely students, alongside institutional actors responsible for implementing and overseeing audit-related processes.

Sampling Technique

The study employed stratified random sampling to select student respondents, ensuring proportionate representation across faculties and levels of study, while purposive sampling was used to select departmental heads and Ministry of Education officers on account of their specialized knowledge of financial audit processes and institutional governance. Purposive sampling was considered appropriate for these categories of respondents since the study required individuals with direct oversight or technical understanding of audit mechanisms rather than a randomly distributed cross-section of the population.

Sample Size

From the target population of 30,015, a sample size of 393 respondents was determined using Krejcie and Morgan's (1970) formula for sample size determination, a widely applied method for establishing statistically representative samples from large populations at a 95 percent confidence level. The sample was drawn proportionately across the identified respondent categories to ensure adequate representation of students, departmental heads, and Ministry of Education officers.

Data Collection Procedure

Data was collected using questionnaires, interviews, and document analysis. Questionnaires, comprising both closed and open-ended items, were administered to student respondents to gather quantitative data on their perceptions and experiences of financial audit mechanisms and their participation in university education. Interviews were conducted with departmental heads and Ministry of Education officers to obtain qualitative insights into institutional audit practices and governance challenges. Document analysis was employed to review relevant institutional records, including audit reports and financial statements, to corroborate and contextualize the primary data collected. Validity of the research instruments was ensured through expert review by the researcher's supervisors and a pilot study conducted prior to actual data collection, allowing for refinement of ambiguous or poorly constructed items. Reliability of the quantitative instrument was confirmed using Cronbach's Alpha, with a threshold of $\alpha \geq 0.7$ considered acceptable for internal consistency.

Statistical Analysis

Quantitative data collected was coded and analyzed using the Statistical Package for Social Sciences (SPSS). Descriptive statistics, including frequencies, means, and standard deviations, were used to summarize the characteristics of the study variables. Correlation analysis was conducted to establish the strength and direction of relationships between financial audit mechanism dimensions and students' participation in university education, while regression analysis was used to determine the predictive influence of the independent variables on the dependent variable. Qualitative data obtained from interviews was analyzed thematically, involving transcription, coding, and categorization of responses into recurring themes aligned with the study objectives. Findings were presented using tables, figures, and narrative discussion. Ethical approval for the study was obtained from the National Commission for Science, Technology and Innovation (NACOSTI) and the University of Nairobi, and informed consent was sought from all respondents prior to data collection.

RESULTS

Influence of Internal Audit Mechanisms on Efficient Funding Management

The purpose of this study was to investigate the influence of financial audit of fees paid on students' participation in university education at the University of Nairobi. In order to achieve this objective, the respondents were requested to rate on a five-point Likert scale items in the questionnaire on the influence of financial audit of fees paid on students' participation in university education. Out of 393 questionnaires issued, 367 were dully filled and returned (93.3% return rate). The items in the questionnaire were rated as 1=strongly disagree (SD), 2=disagree (D), 3= Undecided (U), 4=Agree (A) and 5=Strongly Agree (SA). The responses from the participants were tabulated and the results are presented in Table 1.

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Table 1: Influence of Internal Audit Mechanisms on Efficient Funding Management

	SD		D		U		A		SA	
Statement	**freq**	**%**	**freq**	**%**	**freq**	**%**	**Freq**	**%**	**freq**	**%**
Internal audit mechanisms effectively ensure transparency in the management of higher education funding.	42	11.4	97	26.4	5	1.4	150	40.9	73	19.9
The frequency of internal audits conducted by the university adequately monitors financial processes and practices.	58	15.8	111	30.2	6	1.6	125	34.1	67	18.3
Internal audit findings and recommendations are promptly addressed and implemented by university management.	69	18.8	132	36.0	4	1.1	110	30.0	52	14.2
I am confident in the integrity and accuracy of financial records and reports produced by the university.	47	12.8	118	32.2	5	1.4	126	34.3	71	19.3
Internal audit mechanisms contribute to identifying and preventing financial irregularities or mismanagement.	27	7.4	68	18.5	3	0.8	157	42.8	112	30.5
The university's internal audit team provides valuable insights and recommendations for improving funding management practices.	36	9.8	89	24.3	4	1.1	155	42.2	83	22.6
Internal audit mechanisms play a significant role in enhancing accountability and trust in the management of university funds.	21	5.7	49	13.4	6	1.6	159	43.3	132	36.0
The university's internal audit processes are transparent and accessible to stakeholders, including students.	61	16.6	143	39.0	5	1.4	108	29.4	50	13.6

N=367

The findings presented in Table 1 revealed that a majority of the respondents, 150 (40.9%), agreed that internal audit mechanisms effectively ensure transparency in the management of higher education funding, followed by 73 (19.9%) who strongly agreed. Conversely, 97 (26.4%) disagreed, 42 (11.4%) strongly disagreed, while 5 (1.4%) were undecided. This implies that a considerable majority (60.8%) of respondents perceive internal audits as essential tools for promoting financial transparency within the university. This finding indicates that audit mechanisms contribute positively to financial accountability and aligns with the findings of Howard and Miller (2021), who emphasized that robust audit practices enhance transparency and minimize the risk of fund misappropriation in higher education institutions.

Similarly, a majority of the respondents, 125 (34.1%), agreed that the frequency of internal audits conducted by the university adequately monitors financial processes and practices, followed by 111 (30.2%) who disagreed. Additionally, 67 (18.3%) strongly agreed, 58 (15.8%) strongly disagreed, and 6 (1.6%) were undecided. This implies that slightly more than half (52.4%) of the respondents believe the audit frequency is sufficient, though a notable proportion (46%) hold contrary views. This suggests that while internal audits are viewed as useful, their regularity may need enhancement to ensure continuous oversight. This finding is consistent with the study by Anderson and Wright (2020), who found that the effectiveness of financial oversight depends on consistent and timely internal audit reviews.

Furthermore, a majority of the respondents, 132 (36.0%), disagreed that internal audit findings and recommendations are promptly addressed and implemented by university management, followed by 69 (18.8%) who strongly disagreed. However, 110 (30.0%) agreed, 52 (14.2%) strongly agreed, and 4 (1.1%) were undecided. This implies that a majority (54.8%) of respondents feel that audit recommendations are not promptly acted upon. This highlights a possible gap between audit reporting and managerial action. The finding supports the observation by Johnson and Baker (2021) that delays in implementing audit recommendations undermine the role of internal audit systems in improving institutional financial performance.

Additionally, a majority of the respondents, 126 (34.3%), agreed that they are confident in the integrity and accuracy of financial records and reports produced by the university, followed by 118 (32.2%) who disagreed. Meanwhile, 71 (19.3%) strongly agreed, 47 (12.8%) strongly disagreed, and 5 (1.4%) were undecided. This implies that a slight majority (53.6%) of respondents trust the financial reporting processes, although a significant minority remains skeptical. This finding suggests that continued strengthening of financial integrity mechanisms could improve confidence in the university's accountability framework. It aligns with the study by Lewis and Carter (2020), which highlighted that confidence in financial reports is directly influenced by the perceived reliability and independence of internal audit systems.

Moreover, a majority of the respondents, 157 (42.8%), agreed that internal audit mechanisms contribute to identifying and preventing financial irregularities or mismanagement, followed by 112 (30.5%) who strongly agreed. Only 68 (18.5%) disagreed, 27 (7.4%) strongly disagreed, and 3 (0.8%) were undecided. This implies that an overwhelming majority (73.3%) of respondents acknowledge the preventive role of internal audits in ensuring prudent fund utilization. This finding is in line with research by Collins and Roberts (2022), who noted that effective audit controls serve as an early warning system for detecting irregularities and fostering compliance with institutional financial regulations.

In the same vein, a majority of respondents, 155 (42.2%), agreed that the university's internal audit team provides valuable insights and recommendations for improving funding management practices, while 83 (22.6%) strongly agreed. On the contrary, 89 (24.3%) disagreed, 36 (9.8%) strongly disagreed, and 4 (1.1%) were undecided. This implies that a substantial majority (64.8%) believe that the internal audit team plays a significant advisory role in improving financial management. This finding is supported by the work of Hughes and Richardson (2021), who emphasized that audit teams not only detect anomalies but also offer strategic recommendations that enhance institutional governance and financial performance.

Furthermore, a majority of the respondents, 159 (43.3%), agreed that internal audit mechanisms play a significant role in enhancing accountability and trust in the management of university funds, followed by 132 (36.0%) who strongly agreed. Only 49 (13.4%) disagreed, 21 (5.7%)

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strongly disagreed, and 6 (1.6%) were undecided. This implies that an overwhelming majority (79.3%) of respondents recognize internal audits as a crucial factor in promoting financial accountability and institutional trust. This finding supports the assertion by Thompson and Hayes (2020) that internal audits build confidence among stakeholders by promoting transparency and ethical financial management in universities.

Further, a majority of the respondents, 143 (39.0%), disagreed that the university's internal audit processes are transparent and accessible to stakeholders, including students, followed by 61 (16.6%) who strongly disagreed. On the other hand, 108 (29.4%) agreed, 50 (13.6%) strongly agreed, and 5 (1.4%) were undecided. This implies that a majority (55.6%) of respondents perceive the audit process as lacking adequate transparency and inclusivity. This finding suggests a need for improved disclosure and stakeholder engagement in audit processes. It aligns with the findings of Morgan and Phillips (2021), who found that openness in audit reporting fosters institutional accountability and enhances stakeholder confidence in financial governance.

Therefore, the findings suggest that internal audit mechanisms at the University of Nairobi are perceived as essential in promoting transparency, accountability, and prevention of financial irregularities. However, concerns remain regarding the prompt implementation of audit recommendations and the transparency of audit processes. Strengthening stakeholder access to audit information and ensuring timely management response to audit findings would further enhance the effectiveness of internal audit mechanisms in efficient funding management.

Correlation Coefficient between Financial Audit of Fees Paid and the Management of Higher Education Funding and Students' Participation at the University of Nairobi

The hypothesis of the study was stated as:

H_{01}: There is no significant relationship between financial audit of fees paid and the management of higher education funding and students' participation at the University of Nairobi.

To determine the nature and strength of the relationship between financial audit mechanisms and the management of higher education funding and student participation, the Pearson Correlation Coefficient (r) was used. The results are presented in Table 2.

Table 2: Correlation Coefficient between Financial Audit of Fees Paid and the Management of Higher Education Funding and Students' Participation at the University of Nairobi

		Management of Higher Education Funding and Students' Participation
Financial Audit of Fees Paid	Pearson Correlation	.652
	Sig. (2-tailed)	.000
	N	**367**

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

Table 2 reveals a significant positive correlation between the financial audit of fees paid and the management of higher education funding and students' participation (*r = .652; p = .000*). At a 95% confidence level, the correlation coefficient of *.652* indicates a strong positive relationship. This means that effective financial audit practices are associated with improved accountability, transparency, and prudent utilization of university funds, which in turn promote better funding management and enhance student participation in education. This finding implies that regular and transparent audits of student fees not only prevent mismanagement of resources but also build confidence among students that their financial contributions are being properly utilized. Such confidence often leads to increased student satisfaction, trust in institutional systems, and willingness to engage more actively in university programs.

Since the *p-value (0.000)* is less than the significance threshold of *0.05*, the null hypothesis (H_{04}) which stated that there is no significant relationship between the financial audit of fees paid and the management of higher education funding and students' participation is rejected. Therefore, the study concludes that there is a statistically significant and positive relationship between financial audit of fees and the effectiveness of funding management and student engagement. These findings are consistent with those of Howard and Miller (2021), who observed that strong internal and financial audit systems promote accountability and reduce fund misuse in universities, thereby fostering institutional trust and participation. Similarly, Collins and Roberts (2022) found that transparent financial auditing enhances institutional credibility, encouraging more active student involvement and compliance in financial matters. Thompson and Hayes (2020) also emphasized that financial audits strengthen governance frameworks, leading to efficient resource management and improved student outcomes.

During an interview, one of the participants H07 said;

> *"Internal audit mechanisms play a critical role in promoting transparency and accountability by regularly reviewing how funds are allocated and utilized within the university. They help identify inefficiencies, prevent mismanagement, and ensure that financial resources are directed toward programs that enhance student access and participation. However, challenges such as limited staffing, outdated systems, and delayed implementation of audit recommendations can hinder effectiveness. Strengthening audit capacity, embracing digital audit tools, and fostering a culture of financial integrity present key opportunities for improving funding management and supporting equitable participation in higher education*"

The response emphasizes that internal audit mechanisms are essential tools for ensuring responsible financial management within universities. By maintaining oversight of how funds are utilized, these mechanisms enhance trust and transparency in the administration of higher education resources. This oversight helps ensure that financial decisions are not only compliant with regulations but also aligned with institutional priorities that promote student access and participation. Transparent financial management strengthens institutional credibility and contributes to equitable educational opportunities for all learners.

Additionally, the effectiveness of internal audit systems lies in their ability to identify areas of financial inefficiency and potential misuse of funds. Through continuous monitoring and evaluation, audits provide early detection of irregularities that may otherwise disrupt funding for academic and student support programs. This process reinforces fiscal discipline and ensures that limited university funds are utilized optimally to sustain learning environments that accommodate a diverse student population.

Despite their importance, internal audit practices face notable constraints that affect their impact. Limited financial and human resources, coupled with outdated auditing infrastructure, often hinder timely and comprehensive audits. Furthermore, a lack of institutional responsiveness to audit findings can reduce the overall effectiveness of internal oversight.

These challenges suggest that even with sound audit frameworks, implementation gaps may prevent universities from fully realizing the intended benefits of accountability systems.

Looking forward, the response points to opportunities for enhancing audit effectiveness through modernization and institutional commitment. Integrating digital audit technologies, automating financial reporting, and building staff capacity could strengthen real-time monitoring and data accuracy. Equally important is fostering a culture of financial transparency where audit outcomes inform policy and budgetary decisions. Such improvements would not only enhance fiscal responsibility but also ensure that funding policies remain equitable and supportive of increased student participation in higher education.

A study by Gbadrive (2025) examined the role of internal control systems in enhancing financial transparency and accountability within public education sectors in developing countries. The research highlighted that robust internal control systems are essential for preventing financial irregularities, ensuring compliance with regulatory requirements, and maintaining public trust in educational governance. The study emphasized the significance of these mechanisms in directly impacting the quality of education and fostering student participation by ensuring that financial resources are effectively utilized.

Further a study by Kamila and Munajat (2025) analyzed the role of internal audit in implementing Good University Governance (GUG) at Universitas Pendidikan Indonesia, a Legal Entity State University (PTN-BH). The research highlighted that effective internal audits are crucial for ensuring transparency and accountability in financial management, thereby supporting the principles of GUG such as responsibility, independence, and fairness. The study also identified challenges, including limited internal auditor resources, and recommended strategies to enhance the capacity and professionalism of internal auditors to improve university governance.

SUMMARY, CONCLUSION AND RECOMMENDATIONS

Summary

The study established that financial audit mechanisms influence students' participation in university education at the University of Nairobi. The study findings indicated that a majority of respondents perceived internal audit mechanisms as effective in ensuring transparency in the management of higher education funding, with a considerable proportion acknowledging their role in identifying and preventing financial irregularities. The management provides internal audit teams with the mandate to offer insights and recommendations for improving funding management practices, and internal audit mechanisms were perceived as playing a significant role in enhancing accountability and trust in the management of university funds. However, the findings also revealed that a majority of respondents felt that audit findings and recommendations are not promptly addressed and implemented by university management, and that the university's internal audit processes are not sufficiently transparent and accessible to stakeholders, including students. The correlation analysis established a strong, statistically significant, and positive relationship between financial audit of fees paid and the management of higher education funding and students' participation ($r = .652$, $p = .000$), leading to rejection of the null hypothesis.

Conclusion

The study concludes that financial audit mechanisms related to student fees are a significant factor influencing students' participation in university education at the University of Nairobi.

The correlation results demonstrate that effective financial audit practices are strongly associated with improved accountability, transparency, and prudent utilization of university funds, which collectively support students' continued engagement and participation in university programs. The study further concludes that while internal audit mechanisms are broadly perceived as valuable in identifying financial irregularities and enhancing institutional trust, their effectiveness is constrained by delays in the implementation of audit recommendations and limited transparency of audit processes to students and other stakeholders. This suggests that the presence of audit mechanisms alone is not sufficient to guarantee optimal outcomes for student participation; the responsiveness of university management to audit findings and the accessibility of audit information to stakeholders are equally consequential.

Recommendations

Theoretical Recommendations

The study recommends that future research further test and extend the applicability of Agency Theory and Stakeholder Theory within the context of university financial governance in developing countries, particularly by examining how the resolution of agency costs through audit mechanisms translates into measurable stakeholder outcomes such as student retention and participation. Scholars are encouraged to develop context-specific theoretical models that account for the unique principal-agent dynamics present in publicly funded higher education institutions in Kenya and similar settings.

Practical Recommendations

The study recommends that university management strengthen mechanisms for the prompt implementation of internal audit findings and recommendations, including establishing clear timelines and accountability structures for management response to audit reports. The university should also enhance the transparency and accessibility of audit processes to students and other stakeholders, such as through simplified public disclosure of audit outcomes and channels through which students can seek clarification on financial matters affecting their fees. Investment in modernized, digital audit tools and continuous capacity building for internal audit personnel is also recommended to improve the timeliness and reliability of audit processes.

Policy Recommendations

The study recommends that policymakers, including the Ministry of Education and university governing councils, develop and enforce clear regulatory guidelines requiring public universities to disclose audit findings related to student fee management in a timely and accessible manner. Policy frameworks should also mandate defined response periods within which university management must act on audit recommendations, with oversight bodies such as NACOSTI and the Office of the Auditor-General empowered to monitor compliance. Such policies would strengthen institutional accountability and safeguard student interests in the management of fee revenue across public universities in Kenya.

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