CONTROL ACTIVITIES AND FINANCIAL REPORTING QUALITY OF INSURANCE FIRMS LISTED AT THE NAIROBI SECURITIES EXCHANGE, KENYA

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ABSTRACT

Insurance firms have faced a continuous challenge of financial reporting quality and their internal control system they utilize has portrayed dissimilar outcome amongst many past studies. The main objective of this study was to establish the influence of internal control system of control activities on financial reporting quality of insurance firms listed at the Nairobi securities exchange, Kenya. Specifically, the study aimed at establishing the influence of control activities on financial reporting quality of insurance firms listed at the Nairobi securities exchange, Kenya. The study was supported by the following four theories, namely systems theory, agency theory and stakeholder theory. The 6 insurance firms listed at the Nairobi securities exchange, Kenya represent the study population where by survey was used to collect data for the population was small. To collect data, a drop and pick approach was relied upon whereby all the structured questionnaires were distributed to research participants who were the top officials of the insurance firms. The research findings portrayed that control activities had statistically significant influence on financial reporting quality for insurance firms listed at the NSE, Kenya which was direct. The results gotten from this study is of paramount importance to the top management for they will rely on the empirical model established which depicted that CA had significant causal influence on the financial reporting quality of insurance firms listed at the Nairobi securities exchange, Kenya to build confidence on the users of the insurance services by investing much on CA which in return will increase profitability of those organizations. Again, AKI as the surveillance body for insurance firms will take advantage of the results gotten for they will be able to develop Key Performance Indicators (KPI) which can be used as a benchmark to assess the financial stability of the members and by extension, develop respective attainable policies to mitigate the rate of insurance closures caused by reduced market share. If this is achieved, their membership increment is guaranteed and academicians will rely on the established empirical model to develop a theoretical foundation which explain the aspect of financial reporting quality of insurance firms listed at the Nairobi securities exchange, Kenya. Then by extension, the outcome will be used to identify other variables that may contribute to improvement of financial reporting quality of insurance firms which are not listed at the Nairobi securities exchange, Kenya.

Key words: Control Activities, Financial Reporting Quality.

INTRODUCTION

Insurance firms play a crucial role in achieving sustainable growth of an economy by facilitating financial security, capital formation, and funding development initiatives, as well as promoting trade and commerce (Authority, 2017 and Authority, 2020). Insurance is one of the key activities in a globalized financial and economic environment. Through its benefits, it offers income, life and property protection to the insured and their keens, as well as income accumulation that can be used at retirement to help preserve the desired lifestyle or living standards as it was observed in the Organization for Economic Corporation Development (OECD) countries, namely; Australia, Belgium, Canada, Czech Republic, Finland, France, Germany, Greece, Hungary, Iceland, Ireland, Italy, Korea, Luxembourg, Mexico, Netherlands, New Zealand, Norway, Poland, Portugal, Slovak Republic, Spain, Sweden, Switzerland, Turkey, the UK and the USA (Apergis and Poufinas, 2020).

In United States of America, a growing body of evidence demonstrates that access to temporary leave-taking social insurance programs, which allow individuals to take partially paid leave for their own medical issues or to care for new children or ill family members, has beneficial labor market and health effects on workers and their families (Rossin and Slater, 2019). For instance, U.S.A insurers and providers spent $812 billion on administration, amounting to $2497 per capita (34.2% of national health expenditures) versus $551 per capita (17.0%) in Canada: $844 versus $146 on insurers' overhead; $933 versus $196 for hospital administration; $255 versus $123 for nursing home, home care, and hospice administration; and $465 versus $87 for physicians' insurance-related costs (Himmelstein, Campbell and Woolhandler, 2020). According to the Canadian Life and Health Insurance Association (CLHIA), as of 2018, there were a total of 93 life insurance and annuity providers that provide over 22 million Canadians with over 4.7 trillion dollars of life insurance (Adams *et al.* 2018). The life insurance industry is also a vital part of the Canadian economy, employing over 150,000 Canadians and providing over 7 billion dollars of tax revenue per year to the Canadian Government (Killins, 2020).

In Tanzania, insurance firms now days are the one that play significant role in the service-based economy in pooling risks and its services are now being integrated into wider financial industry. Both private and public insurance companies, which involves the organizations that provide fire, accident, life, causality and many other forms of insurance (Horera and Maganya, 2020).). in Ethipia, the concept of insurance particularly the “social insurance program” dealing with socio-economic problems has been there for a long time. Members of a community pooled together resources to create aIdir“social insurance fund (Tegegn, Sera and Merra, 2020). In Kenya financial stability of insurance companies is crucial to sustenance of other businesses. Insurers are key players in the development of economies as they enable other businesses to undertake operations without worrying about risks (Kimani, 2023).

Regardless of the aforementioned social economic benefits derived from the insurance industry, the matter of financial reporting quality has portrayed unsatisfactory outcome. The survival of every organization is hinged on effective internal audits required to prevent unethical practices where vital information is deliberately omitted to allow for the occurrence of fraudulent activities (Ashibogwu, 2023). In most cases, financial statements are doctored, resulting in scandals capable of damaging investors' confidence and potentially weakening the capital market (Ajao and Oluwadamilola, 2020). A number of accounting scandals have occurred around the world in the cases of Enron 2001, Cadbury Nigeria 2006, WorldCom 2002, AIG 2005, as well as the Waste Management of 1998 readily come to mind. It has been argued that the occurrence of such scandals was as a result of an inefficient internal control system in the organization, thereby necessitating stringent regulations with a view to enhancing adequate standards.

Accordingly, the accounting and reporting policies are examined by the committee to ensure it is in tandem with the company's ethical procedures and legal requirements where the occurrence of every audit stalemate with management is resolved (Araoye, 2019). In addition, the mandatory adoption of International Financial Reporting Standards (IFRS) in the European Union in 2005 as the preferred accounting regime triggered rapid world-wide adoption of IFRS. In its 2019 report on the global status of IFRS adoption worldwide, the International Federation of Accountants (IFAC) observed that over 120 countries have adopted IFRS as the basis for quality financial reporting in their jurisdictions (IFAC, 2019).

Financial report quality is viewed differently by diverse authors. For instance, Bimo, Siregar, Hermawan, and Wardhani, (2019) posited that this subject matter constitutes four dimensions, which are predictive and feedback values, timeliness, neutrality and faithful representation. For the aspect of predictive and feedback values, Dechow (1994) stated that the reported earnings at the end of the financial period should predict cash flow in the proceeding time horizon. Based on this argument, Ebirien et al. (2019) suggested that the predictive and feedback value to be measured by linking earnings to future cash flows. As per Abernathy et al., (2015), the sooner a company reports their financial outcome to the relevant authorities, the more valuable it is. Hence the construct of timeliness in reporting financial results improves. Timeliness is an important qualitative characteristic of financial reporting that enhances the relevance of financial information.

The International Accounting Standard Board (IASB) defines timeliness as having information available in such timely manner that it can influence decisions (IASB, 2020). The IASB argues that generally, information becomes less useful with the passage of time except the information is used in determining trends or for confirmatory purposes. Accordingly, the IASB encourages preparers and users of financial statements to maximize the use of this characteristic which enhances the usefulness of financial information (IASB, 2018)). To ensure timeliness in financial reporting, regulators usually set time lines for submission of quarterly and annual reports. Firms

that fail to submit their quarterly and annual reports at stipulated times are penalized by the regulators (Chukwu, Ezirim and Nkechinyere, 2020).

In respect to the idea of neutrality, when management conducts earnings management, the reported earning is biased because it brings advantage only to a particular party. Earnings management is measured with absolute accruals as modified Jones (Ji, Lu and Qu, 2017). Lastly, representational faithfulness is measured by linking profits to stock returns utilizing the earnings coefficient response (Hosseini et al., 2016). The current study will incorporate the aspect of timeliness in financial reporting as a measure of quality.

Control activities is one of the components of ICS. Uwadiae (2013) defined control activities as the actions established through policies and procedures that help ensure that management's directives to mitigate risks towards the achievement of set objectives are carried out. According to Akinleye and Kolawole (2020), control activities are performed at all levels of the entity, at various stages within business processes and over the technology environment. Such activities may be preventive or detective in nature and may encompass a range of manual and automated activities such as authorizations and approvals, verifications, reconciliations, and business performance reviews. This was supported by Mire (2016). Segregation of duties is typically built into the selection and development of control activities. Management should establish control activities to effectively and efficiently accomplish the organization's objectives and mission. This study will measure control activities using existence of internal audit unit, Internal audit unit independence, Internal audit report and review of internal audit reports (Akinleye and Kolawole, 2020).

In Kenya, the insurance sector is regulated, supervised, and governed by the Insurance Regulatory Authority (IRA). Over time, this sector has grown to become very attractive owing to the many international recognitions it has received which has increased its ability to attract lucrative investments with about 56 Insurance firms, 5 Reinsurance firms, and 204 insurance brokers (IRA, 2020). As of the end of 2021, the industry recorded a gross premium income of Ksh. 270.5 billion, a 16% increase from 2020. The asset base grew to Ksh. 845.8 billion in 2021 which is a 10.4% increase compared to 2020. About 89.3% of these assets have been held as income-generating investments (IRA, 2022). According to the IRA (2021), the Insurance sector in Kenya has continued to receive multiple local and international partners who have shown their interest and their willingness to acquire stakes from the Insurance companies operating in Kenya and regionally. For instance, in the year 2020, Allianz insurers and asset managers which is one of the leading insurance companies in the world acquired a 66% shareholding in Jubilee General Insurance making it the majority shareholder in the insurer. Geminia, Takaful and Saham Insurance companies demerged their businesses (Were, Warui and Kariuki, 2023).

The Capital Markets Authority of Kenya (CMA) through the NSE emerges as one of the critical players harboring the responsibility of mobilizing, facilitating, and allocating the capital resources

that help in the financing of long-term investments in the sector. It was tasked with overseeing the development of the capital markets in Kenya. The Nairobi Stock Exchange on the other hand has a responsibility of ensuring efficient trading through development and regulation (Muturi and Omondi, 2013). Out of the 56 Insurance firms licensed to offer Insurance services in Kenya, only 6 have been licensed to operate at the Nairobi-based securities exchange and they include; Jubilee Holdings Limited, CIC Insurance, Sanlam Insurance, Liberty Insurance, Kenya-reinsurance & Britam Insurance. CBK (2021).

Statement of the Problem

The quality of financial reporting has been an issue of interest among regulatory bodies, shareholders, researchers and the accounting profession itself as stated in the seminal work of Jerry and Saidu (2018). This is due to the fact that financial reporting has always been a principal means of communicating financial information to outside users who serve as the basis for assessing the economic performance and financial health of a firm in the quest to monitor (Hassan and Bello, 2018).

In Kenya, this matter aforementioned is not exceptional. From 2019 to 2023, seven (7) insurance firms have faced fines from the regulator after missing the deadlines for submitting records of their business performance, including premiums received and claims paid out as provided in law (IRA Report, 2021). All seven insurers have been punished in the previous three years (2019-2020), shining a spotlight on their continued breach of insurance regulations amid rising customer complaints over claims payment.

The latest Insurance Regulatory Authority (IRA) disclosures show that Corporate Insurance, Monarch Insurance General, Xplico Insurance, Invesco Assurance and Trident Insurance —all of which had been fined in 2021— continued with the breaches. The five were in addition to African Merchant Assurance Company (Amaco) and Kuscco Mutual Assurance that also failed to submit their quarterly unaudited financial statements as required by law. The breaches were committed in different quarters of the year, with others such as Monarch Insurance Company Limited General failing to submit to the IRA the books of account within the required time for any of the quarters (IRA Report, 2023).

The conceptual link between low quality financial reporting disclosure amongst insurance forms and control activities is still less addressed by most of the past studies (Ajao and Oluwadamilola, 2020; Hu, Weng and Wang, 2021; Madu and Hassan, 2021; Bhuiyan, Salma, Roudaki and Tavite, 2020 and Renschler, 2020) for the results portray dissimilar outcome. The methodology used to analyze data also varied from one author to another (Sumito, Setiyawati and Mappanyukki, 2021; Sitorus, Setiyawati and Mappanyuki, 2020 Agbenyo, Jiang, and Cobblah, 2018) with some relying on multiple, logistic regression and others panel data regression models even when the thematic issues being addressed were similar in objective. Contextually, many studies (Sina *et al*., 2021;

Olafusi, 2020; Eton, Fabian, and Benard, 2022 and Olafusi, 2020) did cut across dissimilar firms located in developed and developing markets around the globe. This backdrop motivated the current study to focus on the influence of control activities on financial reporting quality of insurance firms listed at the Nairobi securities exchange, Kenya.

Research Hypotheses

There is no significant influence of control activities on financial reporting quality of insurance firms listed at the Nairobi securities exchange, Kenya.

THEORETICAL FRAMEWORK

The review on theoretical foundation are meant to be relevant to control activities an element of elements of ICS selected and the financial reporting quality.

The systems Theory

The hypothetical argument of systems is that it is an integral perspective of components working in harmony to achieve a common aim. Hence a system is assumed to be a whole object (Bertalanffy, 1968; Weinberg, 1975).

A system is a combination of interlinked and mutually dependent parts that work together for a common purpose. Those parts are also referred to as sub-systems and their intertwining makes them work together in harmony, otherwise disruption on one of them lead to total shutdown of the system in totality. In the same vein, a firm is placed in the class of a system which is complex and it is unpacked into smaller units known as sub-systems which represent the organizational structure, the organizational units, divisions, departments or sessions which require another system of controls to guide its functions. The broad classifications of a system are open and closed systems. The closed system does not accept matter from the outside environment and also it does not equally donate its matter to the surrounding. For the open system it allows inputs from outside environment and also releases matters to the environment around it (Bertalanffy, 1968).

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The four components of internal control system are established by the management to play a functional role of detecting and preventing anomaly activities. This objective is achievable through adoption of control practices, separation of duties and ensuring continuous flow of information (Grieves, 2000). The selected ICS, that is control activities is a representation of the sub system of the whole system which is the insurance firm and aids in achieving the overall goal of the organization which is on financial reporting quality of insurance firms listed at the Nairobi securities exchange, Kenya. The focus of this study was to evaluate how the control activities work towards improved on financial reporting quality of insurance firms listed at the Nairobi securities exchange, Kenya. The hypothetical argument that CA significantly influence on financial reporting quality of insurance firms listed at the Nairobi securities exchange, Kenya is a thematic concern

of this study. Therefore the study questioned the validity of interrelationship of control activities on financial reporting quality of insurance firms.

Agency Theory

The agency theory is the foundation or guideline of the manner in which two parties, namely the principal and the agent should relate with each other especially on matters of resource utilization (Jensen and Meckling, 1976). The agency theory advocates that the agent shall make use of the resources that belong to the principal to benefit the latter. This is not the case most of the times because the agent always has more information (information asymmetry) concerning the prosperity of the firm as compared to the owner(s) of the organization (principals). Due to this fact, the agent end up misappropriating the principal's resources under his control for the principal is not in a position to monitor the activities of the agent who are the managers of the firm.

According to agency theory, the spirit behind the contract entered into between the principal (owner of the firm) and the agent (manager) is to safeguard the firm resources so as to enhance the performance of the firm which would lead to increased owners wealth. To achieve this objective, establishment of internal control system by the management plays a key role hence assists in addressing the agency conflicts and therefore a positive overall performance of the organization is registered (Abdel-Khalik, 1993). For instance, CA components provide efficient and effective flow of information (information system) which in turn will eliminate information asymmetry problems and also the risk assessment component will eradicate risks inherent to the business and as a result, the assets of the organization are protected.

Agency theory applies in cases where the firm is large and the control of the organization by management is separated. The agency theory underpins this study for it interrogates the role played by ICS which involves streamlining of internal activities of the firm to ensure maximum utilization of resources which in turn improve financial reporting quality of insurance firms listed at the Nairobi securities exchange, Kenya.

Stakeholder Theory

To boost the agency theory, stakeholder theory was factored in the operations of the business for the interested parties in any organization are manifold. Stake holder theory was founded by Freeman (1984) and advocates for management to work with the interests of stakeholders at heart which was contrary to the conventional agency theory by Jensen and Meckling (1976) which safeguarded the interests of the shareholders only. Also, the agency theory advocated on measuring success of a business through the traditional financial performance measures.

The stakeholder theory domiciled all the interested parties. The aim was to ensure all stakeholders of the business are protected such as customers, suppliers, employees and local community in addition to shareholders (Anderson, 1989; Elkington, 1997). The stakeholder theory is also pegged

on the argument that shareholders are part of a bigger group of concerned parties and those persons have legitimate expectations and claim on the organizational purpose hence the stakeholders are affected and also affect the firms operations (Mallin and Michelon, 2011).

The theory as a result of the wide networking of various stakeholders has influenced not only the way of managing the organization but also the approach to measure performance. As far as the stakeholders are concerned, the organization view performance as the extent to which stakeholders are satisfied by the activities of the management such as improved financial reporting quality. Therefore, with the emergence of stakeholder theory which factor all stakeholders in an organization, the relevance to the current study is that the management utilized ICS components to see if the outcome of financial reporting quality can impress all the stakeholders.

Contingency Theory

Contingency theory emerged in the 1960s as a reaction to the classical management school (Taylor, 1911& Fayol, 1949) and the human relations school (Mayo), both of which sought universal principles of organization.. The theory was further developed by Henry Mintzberg (1979) who argued that contingency factors (age, size, environment, technical system, power) determine the most appropriate organizational structure (simple structure, machine bureaucracy, professional bureaucracy, divisional zed form, adhocracy). In addition, David Otley (1980) applied contingency thinking to Management Accounting Systems (MAS), arguing that MAS design depends on technology, environment, structure, and strategy. Later Donaldson (2001) advanced the theory to what it is of today.

Contingency theory is a branch of management theory that suggests that the best approach to managing an organization depends on the specific situation or context in which it operates. The theory argues that there is no one-size-fits-all approach to management, and that different management strategies are appropriate in different situations.

One of the key strengths of contingency theory is its ability to explain the relationship between organizational internal control system and accounting management practices. The theory provides a framework for understanding how different organizational characteristics, such as size, technology, and environment, can impact the effectiveness of different management practices such as financial reporting quality. However, there are also limitations of contingency theory. One limitation is that the theory can be overly complex, making it difficult to identify the most appropriate management practices for a given situation. Additionally, the theory does not provide a clear framework for determining the best management practices for a given situation. Another limitation is that the theory is heavily context-dependent, which can make it difficult to generalize the findings to other situations. The relevancy of this theory to the current study is that for organizations with high fit between their control systems and contingencies will achieve superior performance such as higher financial reporting quality, fewer material weaknesses, and lower

fraud risk. On the other side, a misfit leads to control failures, inefficiencies, and unreliable reporting.

RESEARCH METHODOLOGY

The chapter focused on the matter of step-by-step procedure followed by the researcher to achieve the set objectives. The section incorporated the research design adopted, population, data collection procedure and analysis of the same data and how the results were presented.

Target Population

The population chosen in this study was the whole universe of the study subject and this definition is in tandem with that of Mugenda & Mugenda (2009) who opined that a one hundred percent group of the subject matter being studied represents the study population and should have similar observable characteristics. The target population was the six insurance firms listed at the Nairobi securities exchange and are members of IRA (NSE Report, 2023).

Empirical Model

The empirical model that will be used to test the theoretical relationship between study variables which is presented as follows;

$$\mathbf{Y= \beta 0+ \beta_1 X_1 + \varepsilon}$$

Where;

Y = Financial Reporting Quality

X_1 = Control Activities

β_1 =coefficients of independent variables.

ε = Error term

Data Analysis

Correlation Analysis

The study sought to establish the correlation of variable pairs so as to justify the relationship and the direction of the association thereof. To achieve this goal, the study considered Pearson Product-Moment correlation coefficient. The variables involved in this correlation were loan performance, control activities, control environment, information communication technology and monitoring. The results were implicated in Table 4.11

Table 1: Correlation Analysis Results

		FRQ	CA
FRQ	Pearson Correlation	1.000	.326**
	Sig. (2-tailed)	.000	.002
CA	Pearson Correlation		1.000

**. Correlation is significant at the 0.01 level (2-tailed).
*. Correlation is significant at the 0.05 level (2-tailed).

According to Table 1, control activities related with financial reporting quality which was strong where by a unit change in control activities resulted to 0.326 units change in financial reporting quality in the same direction with (p=0.000) at 0.01 significance level.

Regression Analysis Results

Hypotheses testing to either proof or disapprove the researcher's claim on the three suggested concepts in this study was performed. This was undertaken by considering multivariate model for the four concepts thereof. The results were as indicated below

After simple regression was performed, the results were posted in Table 2

Table 2: Results of Control Activities and Financial Reporting Quality for Insurance Firms Listed at the NSE, Kenya

Model Summary b

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.860a	.578	.522	.70881

a. Predictors: (Constant), CA
b. Dependent Variable: FRQ

ANOVA

Model		Sum of Squares	Df	Mean Square	F	Sig.
1	Regression	104.814	4	26.549	166.707	.000b
	Residual	31.567	2	.321		
	Total	132.411	6			

a. Dependent Variable: FRQ

Coefficients

Model		Unstandardized Coefficients		Standardized Coefficients	T	Sig.
		B	Std. Error	Beta		
1	(Constant)	.142	.228	.742	.523	
	CA	.583	.086	.447	4.777	.000

Table 2 depicted that the F statistic of model 1 on the degree to which CA influenced on the Insurance Firms Listed at the NSE, Kenya financial reporting quality. From the results gotten, F assumed 166.707 (p=0.000) value implying that CA and financial reporting quality model was conceptual at 95% confidence level for it was statistically significant.

At 95% confidence level the overall model was proved to be suitable estimator of the variances observed on the financial reporting quality for insurance firms listed at the NSE, Kenya. Further interrogation on the aspects of goodness of coefficient of determination and test of the slope (β). The results are as indicated as follows;

The coefficient of determination for model 1 from Table 2 mentioned above was (Adjusted R2 =0.522), which portrays that CA variable describing internal control system explained 52.2% of changes in financial reporting quality for insurance firms listed at the NSE, Kenya. Whereas, 47.8% of changes on financial reporting quality for insurance firms listed at the NSE, Kenya was predicted by other variables which were not incorporated in this model.

After carrying out the test of the slope for CA, the outcome was that a unit change in control activities resulted to 0.447 unit change in financial reporting quality for insurance firms listed at the NSE, Kenya which was statistically significant and of direct nature with (p=0.000).
After the above empirical interpretation, the resultant equation came in to being as indicated below;

FRQ= 0.142 + 0.447CA

Where;
FRQ is Financial Reporting Quality
CA is Control Activities

Past studies where undertaken which portrayed similar research outcome. Some of those studies were such as that of Ajao and Oluwadamilola, (2020) who investigated on the impact of internal control systems and the quality of financial reporting in insurance industry in Nigeria. The results of the findings revealed that control environment, risk assessment, control activities, information and communication and monitoring had a statistically significant positive effect on quality of financial reporting of insurance industry in Nigeria.

Muhunyo and Jagongo, (2018) carried out a study to establish the effect of internal control systems on financial performance in public institutions of higher learning in Nairobi City County. The study realized that the control environment, risk assessment, control activities and information and communication as indicators of internal control systems have a significant influence on the financial performance of the institutions of higher learning in Nairobi City County, Kenya. Eissa (2022) to determine the impact of risk assessment on the financial performance of the firm and to establish the degree of influence of risk assessment on improving the firms' performance, in particular financial performance, during covid 19 in Egypt. The findings of the study reveal that there is a significant relationship between risk assessment and financial performance, besides, risk assessment is a vital tool to resist emergencies in the future.

Sitorus, Setiyawati and Mappanyuki (2020) looked at the effectiveness of the internal control system on the quality of financial statements with the implementation of internal audit as a moderating variable. The results of the study indicate that the implementation of internal audits and the quality of financial reports at KKP has been very good. Eton, Fabian, and Benard (2022) sought to establish whether there was any significant relationship between control environment, control activities and monitoring and financial accountability in Lira District, Uganda. Internal control systems account for 55.4% of the variations in financial accountability. Specifically, control environment and monitoring controls bear significant effects on financial accountability while control activities do not.

Olafusi (2020) review the theoretical and empirical literature on the effect of accounting information system on reporting quality and to ascertain research gaps from past studies. The study concluded that past studies on the effect of accounting information and communication system on reporting quality are limited but have yielded positive results. Ngala, and Musau (2022) investigating the effects of IFMIS to the quality of financial reporting in Nairobi City County Government, Kenya (NCCG). The study concluded that IFMIS budgeting and IFMIS procurement enhanced the quality of financial reporting in NCCG. The study further concluded that IFMIS ICT and IFMIS recording had positive significant effect to the quality of financial reporting in NCCG.

Conclusions

Failure to accept the null hypothesis (H01) resulted to acceptance of the alternative hypothesis which states that; “There is significant influence of control activities on financial reporting quality of insurance firms listed at the Nairobi securities exchange, Kenya.” This portrays that when control activities were put in place such as written policies and procedures, control procedures and controls over information systems this promotes financial reporting quality of insurance firms listed at the Nairobi securities exchange, Kenya.

RECOMMENDATIONS

Given the conclusions aforementioned above, it is crystal clear that there are manifold rewards for interested parties of insurance companies starting with the management team, Association of Kenya Insurers (AKI) and academicians. This concerns are as explained herein.

The results gotten from this study is of paramount importance to the top management for they will rely on the empirical model established which depicted that CA had significant causal influence on the financial reporting quality of insurance firms listed at the Nairobi securities exchange, Kenya to build confidence on the users of the insurance services by investing much on ICS which in return will increase profitability of those organizations

AKI as the surveillance body for insurance firms will take advantage of the results gotten for they will be able to develop Key Performance Indicators (KPI) which can be used as a benchmark to assess the financial stability of the members and by extension, develop respective attainable policies to mitigate the rate of insurance closures caused by reduced market share. If this is achieved, their membership increment is guaranteed.

The academicians will rely on the established empirical model to develop a theoretical foundation which explain the aspect of financial reporting quality of insurance firms listed at the Nairobi securities exchange, Kenya. Then by extension, the outcome will be used to identify other variables that may contribute to improvement of financial reporting quality of insurance firms which are not listed at the Nairobi securities exchange, Kenya

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