

**AUDITOR CHARACTERISTICS AND FINANCIAL SUSTAINABILITY OF
COUNTY GOVERNMENTS IN KENYA**

BY

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**MASTER OF SCIENCE IN COMMERCE
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**A DISSERTATION SUBMITTED IN PARTIAL FULFILLMENT OF THE
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2025

DECLARATION

I declare that this dissertation is my original work and has not been previously published or submitted elsewhere for the award of a degree from any college or university except KCA University. I also declare that this contains no material written or published by other people except where due reference is made and the author duly acknowledged.

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I do hereby confirm that I have examined the master's dissertation of

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And have certified that all revisions that the dissertation panel and examiners will recommend have been adequately addressed.

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ABSTRACT

Auditors play a central role in advancing financial sustainability within public sector institutions, particularly county governments. Their characteristics, including professional experience, independence, ethical orientation, and risk disposition, significantly shape the quality of financial reporting, accountability, and transparency, which are essential for sustainable fiscal management. This study investigated the effect of auditor characteristics on the financial sustainability of county governments in Kenya. Guided by legitimacy theory, stewardship theory, and inspired confidence theory, the research focused on four specific objectives: to assess the influence of auditors' professional experience, independence, ethical orientation, and risk attitude on financial sustainability. A descriptive research design was employed, targeting all 47 counties in Kenya. A sample of 123 respondents was selected, and data were obtained through structured questionnaires utilizing a five-point Likert scale. Instrument reliability was verified through a pilot test, yielding a Cronbach's alpha of 0.7. Data analysis was conducted using SPSS, applying both descriptive and inferential statistics, including multivariate regression and structural equation modeling. The findings established that auditors' professional experience, independence, and ethical orientation exert a positive and statistically significant effect on financial sustainability, while auditors' risk attitude demonstrated a negative but statistically insignificant effect. The study emphasizes the importance of strengthening auditors' technical competencies, safeguarding their independence from political interference, and promoting high ethical standards as key strategies for enhancing accountability and fiscal discipline. It concludes that sustained investment in auditor capacity-building, coupled with institutional reforms to support professional autonomy and integrity, is vital for improving governance and ensuring long-term financial sustainability within devolved government units.

Key words: *Auditor Characteristics, Professional Experience, Auditor Independence, Ethical Orientation, Risk Attitude, Financial Sustainability, County Governments, Legitimacy Theory, Stewardship Theory, Inspired Confidence Theory, Accountability, Transparency, Fiscal Discipline, Structural Equation Modeling (SEM), Kenya.*

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DEDICATION

This research is dedicated to my family members, who have consistently supported me and looked forward to my success in all facets of my life. God bless them all.

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ABBREVIATIONS AND ACRONYMS

NGOs	Non-Governmental Organizations
OECD	Organization of Economic Co-operation and Development
PPP	Public-Private Partnerships
UK	United Kingdom
US	United States

DEFINITION OF TERMS

Auditor Characteristics	Qualities, skills, and attributes that an auditor possesses to effectively conduct audits and provide reliable assurance (DeAngelo, 2018).
Auditor's Ethical Orientation	Fundamental principles, values, and attitudes that guide auditors' behavior and decision-making in their professional duties (Lewicki et al., 2015).
Auditor's Independence	The ability of an auditor to perform duties objectively, without undue influence or bias, ensuring professional judgment remains uncompromised by personal, financial, or external pressures (Northouse, 2018).
Auditor's Professional Experience	Practical knowledge and skills gained through work in auditing and related fields, enabling effective performance of auditing tasks (Smith & Doe, 2020).
Auditor's Risk Attitude	The disposition or approach toward risk when planning, performing, and concluding an audit, influencing assessment of material misstatements, audit procedures, and evidence interpretation (Knechel, 2018).
Financial Sustainability	The capacity of an organization to generate adequate revenue, manage expenses, and maintain long-term financial health despite

changing economic and operational conditions (Weerawardena et al., 2020).

CHAPTER ONE

INTRODUCTION

1.1 Background to the Study

The independence and competence of supreme audit institutions and internal audit functions are globally recognized as critical pillars of financial sustainability in public sector entities. The International Organization of Supreme Audit Institutions (INTOSAI), for instance, has developed International Standards of Supreme Audit Institutions (ISSAI), which provide essential guidelines for auditing government-level and higher public entities to enhance accountability and fiscal stewardship (INTOSAI, 2025). Moreover, performance auditing has increasingly become an established tool for improving government efficiency, delivery, and accountability by focusing on economy, efficiency, and effectiveness (Government Performance Auditing, 2025). Consequently, at the global level, the attributes of auditors such as independence, technical proficiency, and adherence to international standards are at the core of promoting financial sustainability.

Nonetheless, despite international recognition of the importance of audit quality and auditor independence, many governments continue to face challenges, including weak audit systems, ineffective audit committees, and delays in audit reporting. While INTOSAI standards exist, implementation and enforcement vary widely across jurisdictions, often leading to poor audit performance. In the absence of strong empirical evidence linking auditor attributes to financial viability, policymakers risk underestimating the value of investing in stronger audit systems. This highlights the scarcity of studies that explicitly examine the influence of auditor characteristics on the fiscal health of public entities at the international level.

Within Africa, and particularly the East African region, reforms in public financial management have emphasized audit functions and transparency. However, persistent challenges remain. For example, the 2022 PEFA assessments showed that while audit coverage was relatively adequate, delays in external audit reporting and weak legislative follow-up undermined the accountability chain in Kenya (PEFA, 2023). Similarly, inefficiencies such as bloated wage bills, resource misallocation, and overstaffing continue to strain financial sustainability, not only in Kenya but across the region (BTI, 2024). Thus, while audit frameworks are improving, weak enforcement and structural constraints continue to hinder fiscal governance.

Despite these reforms, limited research has explored the specific effects of auditor characteristics such as committee independence, technical expertise, and sound audit governance on the financial sustainability of county and municipal governments in the region. Challenges including the slow implementation of audit recommendations, political interference in staff recruitment, and inadequate capacity-building for audit committees further weaken accountability systems. This creates a significant knowledge gap regarding how auditor attributes influence financial performance in devolved governance systems, where reforms risk being cosmetic without addressing these underlying deficiencies.

In Kenya, audit structures and internal audit practices are legally grounded in the Public Finance Management Act (PFM Act, 2012), which mandates county entities to adopt internal audit arrangements aligned with best practices (Kenya Law Reform Commission, 2025). Recent empirical studies have begun to link audit practices with financial reporting quality. For instance, Wanja and Ibrahim (2023) reported a moderate positive relationship between internal audit practices and financial reporting quality in six coastal county governments ($r^2 = 0.523$). Similarly, Burje (2023) established that audit committee attributes such as independence,

technical competence, frequency of meetings, and composition had a strong influence on financial performance in Wajir County.

However, despite such evidence, most counties still lack effective audit governance frameworks. The Auditor-General's 2022/2023 report revealed that several counties, including Siaya, Kisumu, Migori, and Homa Bay, lacked functioning audit committees and robust internal controls, leading to significant financial losses through mismanagement, pending bills, and procurement irregularities (Ongwae, 2025). Specific issues included underutilized budgets, malfunctioning payroll systems, and weak revenue collection technologies. Consequently, the relationship between auditor attributes and the financial sustainability of county governments remains insufficiently explored and poorly understood, underscoring the need for more systematic inquiry.

This research seeks to bridge these gaps by examining how auditor attributes including audit committee independence, technical competence, and institutional structures affect the financial sustainability of Kenyan county governments. It contributes to global literature by providing empirical evidence on the association between auditor characteristics and sustainable fiscal performance, while also contextualizing the effectiveness of audit functions in devolved governance systems across East Africa. Furthermore, it enriches scholarship on Kenyan public sector finance by offering evidence-based insights into the performance of county governments. Ultimately, the study is expected to yield both theoretical and practical implications for advancing debates on accounting governance and strengthening public financial management.

1.1.1 Auditor Characteristics on Financial Sustainability

Auditor characteristics refer to the collection of auditor attributes, behavior and institutional structure that help define audit processes and consequently determines the credibility, timeliness, and usefulness of audit products. These outputs in turn influence the fiscal stewardship of the public sector and financial sustainability over the long term. According to a recent systematic review of the quality of public-sector audits, professional competence, independence, ethical behavior, and organizational support are identified as the frequent sources of audit effectiveness (Foura, 2024).

In addition, empirical studies underline the human and organizational aspects of the auditor job that characterize the auditor traits as a combination of technical knowledge, professional experience, independence of judgment, and professional skepticism that all taken together define audit quality (Nature, 2024). In the same manner, partner-level attribute research brings the construct to industry-specific expertise, ethical orientation, and firm-level mechanisms influencing skeptical judgment, with each of them having a quantifiable impact on audit results (MDPI, 2024). Together, these views confirm that the nature of auditors is multidimensional, where the human capital and ethical disposition of an auditor is attributed to the institutional protection to provide credible assurance an assurance which is essential in sustainable finance of the state.

The auditor characteristics have been measured differently by researchers based on the situation and the availability of data. In most places around the world, the competence is often spirofused by credentials and experience and the independence is reflected in the governance protections, including tenure regulations and no non-audit services (SEC, 2022; MDPI, 2024). Validated survey scales or disciplinary records are often used in the measurement of ethics and skepticism (Le et al., 2022).

In domestic audits, statistics such as the staffing of the internal audit unit, rates of audit committee meetings, independence requirements, and the type of audit opinions are also indicators used regionally to examine municipalities and devolved governments (Foura, 2024; OAG Kenya, 2024). In Kenya, document-related measures (audit committees, qualified audit opinions) and survey-based measures of auditor objectivity have been employed (Watja & Ibrahim, 2023; OAG Kenya, 2024). In this way, auditor characteristics are most effectively thought of as visible (credentials, safeguards, opinions) and latent (ethics, risk tolerance, skepticism). In keeping with these precedents, this study will operationalize Auditor Characteristics based on four independent variables, namely Auditor Professional Experience, Auditor Independence, Auditor Risk Attitude, and Auditor Ethical Orientation. Both mirror a fundamental aspect that is found in the new literature.

Auditor Professional Experience. This means the exposure of the auditors to audit engagements in terms of years of service, certifications, and industry-specific experience. Research indicates that senior auditors are more proficient in misstatement detection, judgment and are more effective in creating better quality audits, thus contributing to accountability and economic discipline (Ramadhan et al., 2024; Foura, 2024). Its inclusion takes into consideration the human capital aspect that improves the quality of diagnostic of audit services and promotes corrective management response.

Auditor Independence. Independence means structural and behavioral protection that assures the auditors to make judgments without undue influence. Most of it is evaluated as reporting lines, tenure limits, and perceptions of impartiality (SEC, 2022). Greater independence protection is associated with an increased audit quality and the desire to release adverse results (ScienceDirect, 2024). Political pressures in Kenya may compromise oversight,

which is why independence is essential in ensuring credibility in audit and connecting audit products with sustainable fiscal performance (OAG Kenya, 2024; NTA, 2024).

Auditor Risk Attitude. This reflects the attitude of an auditor to uncertainty and his/her readiness to question management statements. Usually, it is evaluated with the help of surveys and experimental activities of tolerance to the detection risk and professional skepticism (Le et al., 2022). Because auditors who are less risk-averse and more skeptical perform more thorough tests, this variable allows the study to determine the role of behavioral dispositions in county-level fiscal performance and internal control.

Auditor Ethical Orientation. Ethical orientation refers to the ethical framework that directs the auditors in making decisions under pressure. It is usually measured by the level of scrupulousness and compliance with professional ethics (Molaeinezhad et al., 2024; Alo et al., 2025). It has been demonstrated that ethically inclined auditors tend to disclose anomalies more often and withstand the external pressure (Ethics and Audit Quality Studies, 2024). In Kenya, where counties are affected by a high rate of ethical failures in procurement and reporting, this variable offers a behavioral explanation of the differences in financial sustainability results (OAG Kenya, 2024).

Finally, these four independent variables, experience, independence, risk attitude, and ethical orientation, convert the complicated confines of auditor qualities into quantifiable elements. Collectively, they help to identify the technical, governance, behavioral and moral channels through which auditors can shape financial stewardship, which provides a solid framework in understanding the role of auditors in financial sustainability of county governments.

1.1.2 Financial Sustainability

Auditor characteristics encompass the attributes, behaviors, and institutional frameworks that shape audit processes and ultimately determine the credibility, timeliness, and usefulness of audit outputs. These outputs, in turn, influence fiscal stewardship in the public sector and contribute to long-term financial sustainability. A recent systematic review on public-sector audit quality identified professional competence, independence, ethical behavior, and organizational support as the most consistent drivers of audit effectiveness (Foura, 2024).

Empirical research further emphasized the human and organizational dimensions of auditing, framing auditor characteristics as a blend of technical knowledge, professional experience, independence of judgment, and professional skepticism, all of which directly influence audit quality (Nature, 2024). At the partner level, studies extended these traits to include industry-specific expertise, ethical orientation, and firm-level mechanisms that shape skeptical judgment, each exerting a measurable effect on audit outcomes (MDPI, 2024). Taken together, these perspectives highlight the multidimensional nature of auditors, where human capital and ethical disposition reinforced by institutional safeguards are central to producing credible assurance, a cornerstone for sustainable public finance.

The measurement of auditor characteristics varies across contexts depending on available data and institutional settings. Globally, competence is often assessed through professional credentials and years of experience, while independence is reflected in governance safeguards such as tenure rules and restrictions on non-audit services (SEC, 2022; MDPI, 2024). Ethics and skepticism are frequently measured using validated survey instruments or disciplinary records (Le et al., 2022). In domestic audits, additional indicators include staffing levels of internal audit units, frequency of audit committee meetings, independence

requirements, and the type of audit opinions issued, particularly in municipalities and devolved governments (Foura, 2024; OAG Kenya, 2024). In Kenya, both document-based measures (e.g., audit committees, qualified opinions) and survey-based assessments of auditor objectivity have been employed (Watja & Ibrahim, 2023; OAG Kenya, 2024). Thus, auditor characteristics can be understood as both visible (credentials, safeguards, audit opinions) and latent (ethics, risk tolerance, skepticism). Building on this foundation, the current study operationalizes auditor characteristics through four independent variables: auditor professional experience, auditor independence, auditor risk attitude, and auditor ethical orientation. These dimensions capture the technical, governance, behavioral, and moral aspects of the auditor role as discussed in recent literature.

Auditor Professional Experience refers to auditors' exposure to engagements, measured by years of service, certifications, and industry-specific expertise. Research has shown that experienced auditors are more proficient at detecting misstatements, exercising sound judgment, and delivering higher-quality audits, thereby promoting accountability and financial discipline (Ramadhan et al., 2024; Foura, 2024). Auditor Independence reflects the structural and behavioral protections that allow auditors to exercise judgment free from undue influence. It is commonly evaluated through reporting structures, tenure limits, and perceptions of impartiality (SEC, 2022). Strong independence safeguards have been linked to improved audit quality and a greater willingness to issue adverse opinions (ScienceDirect, 2024). In Kenya, where political interference often undermines oversight, independence remains essential to ensuring credibility and linking audit products to sustainable fiscal performance (OAG Kenya, 2024; NTA, 2024).

Auditor Risk Attitude captures an auditor's disposition toward uncertainty and their willingness to question management assertions. This is often assessed through surveys and

experimental measures of detection risk tolerance and professional skepticism (Le et al., 2022). Evidence suggests that auditors who are less risk-averse and more skeptical conduct more rigorous tests, enhancing internal controls and improving fiscal performance at the county level.

Auditor Ethical Orientation refers to the ethical frameworks that guide auditors in decision-making under pressure. It is measured through adherence to professional codes and consistency in ethical behavior (Molaeinezhad et al., 2024; Alo et al., 2025). Studies have shown that ethically oriented auditors are more likely to disclose irregularities and resist external pressures (Ethics and Audit Quality Studies, 2024). In Kenya, where ethical lapses in procurement and financial reporting remain widespread, this dimension offers critical insights into variations in financial sustainability outcomes across counties (OAG Kenya, 2024). Collectively, these four dimensions of professional experience, independence, risk attitude, and ethical orientation translate the complex construct of auditor characteristics into measurable elements. Together, they highlight the technical capacity, governance safeguards, behavioral tendencies, and ethical values through which auditors shape financial stewardship, providing a robust framework for understanding their role in enhancing the financial sustainability of county governments.

1.1.3 County Governments in Kenya

County governments in Kenya are at the Centre of providing devolved services, but the current official statistics indicate structural fiscal pressures that erode their ability to provide services. Thus, the counties, as an illustration, continue to be highly dependent on central transfers, approximately 72% of the county financing in FY 2023/24, which means that the own-source revenues (OSR) represent the remaining part and thus have a low shock-absorbing

ability. As a result, a significant number of counties have limited revenue, and therefore, their financial standing is weaker and susceptible to both transfer delays and macroeconomic shocks (Fourth Basis of Sharing Revenue among Counties, 2024).

In addition, the accumulation of non-paid obligations is strong and increasing, and thereby, indicates a deficiency in the short-term liquidity and control management, and internal controls. Government lists indicate that as of 30 June 2024, counties were registered with pending bills exceeding KSh. 182 billion, of which the largest proportion is due by county executives. These unpaid bills indicate and contribute to poor expenditure management and payment discipline, and they are directly linked to auditor-detectable problems that include procurement anomalies and weak budget execution problems that are expected to be identified and reported by auditors based on their experience and ethical stance (Stats Kenya summary; OAG Green Book 2022/2023).

Parallel to this, wage-bill pressures further tighten the fiscal space of counties and explain why cost management and audit scrutiny are important. The Salaries and Remuneration Commission estimated that the wage bill to ordinary revenue ratio would be greater than the internationally preferred ratio. The forecast was 43.5 per cent in FY2022/23, and a few counties had less than 35 per cent ceiling (PFM Act, 2022). Consequently, counties that have large wage-bill ratios have a smaller discretionary capacity to finance development projects whereas the payroll systems which auditors have the opportunity to test an area where risk attitude and professional experience influence testing decisions, becoming important in identifying inefficiencies and ghost payments (SRC wage-bill bulletin; media analysis of county compliance).

There is also an issue of audit quality and timeliness, and hence the governance aspect of auditing, specifically of auditor independence and certification by stakeholders, is of concern to reversing fiscal decay. PEFA and Auditor-General summaries point to delayed audit reporting, limited legislative follow-up, and extensive qualified or adverse audit opinions at the county level; most recently, Auditor-General summaries show no county executive had a clean opinion in the most recent cycle, undermining the message that audits are meant to convey about good financial stewardship. Therefore, in situations where independence safeguards are low or in situations where the audit results are late or disclaimed, corrective action on the part of the prig is less likely to occur, continuing arrears together with under-absorption of development funds (PEFA, 2023; OAG summary, 2024).

The poor performance of own-source revenue and low absorption of development budget are indicative of structural and administrative weakness that can be assisted by auditors in diagnosing, but which so often remains undiscovered due to the capacity gaps. An example is the low levels of development absorption in the counties (the IPF document indicated development absorption of approximately 57% in the latest assessment), and the performance of OSRs is below the potential levels identified in the county OSR potential and tax-gap analysis conducted by CRA. Such deficiencies suggest poor revenue diversification and market capture segments that can be highlighted by a structured revenue audit and recommendations that, when implemented, would make county finances more predictable and sustainable (IPF, 2023; CRA potential and tax gap study, 2022).

Concrete policy implications concerning counties also exist in terms of behavioral and moral aspects of auditors, as the differences in the attitude of audit risk and ethical orientation of auditors lead to increasing and fixing deficiencies. Considering the reported prevalence of procurement irregularities and compliance breach in county reports, audit firm with high

professional skepticism and greater ethical commitments are more inclined to engage high-risk lines of inquiry and demand corrective actions; on the other hand, audit firms with weak independence or susceptible to risk may underreport or give qualified, but non-actionable opinions, which propagates the same issues across fiscal years (OAG Green Book,2024).

1.2 Statement of the Problem

In principle, county governments in Kenya are expected to achieve financial sustainability by implementing sound risk management strategies, enhancing revenue mobilization, and exercising prudent budgetary control. Auditors, who serve as custodians of public financial accountability, are anticipated to exhibit high levels of professional competence, independence, experience, and ethical integrity. When these qualities are upheld, auditors are better positioned to deliver accurate and timely financial reports, minimize the accumulation of pending bills, and issue unqualified audit opinions, thereby fostering public confidence and enabling counties to deliver devolved services effectively. Ideally, such practices would ensure consistent service delivery, reduce recurrent fiscal stress, and strengthen the long-term financial stability of devolved units (World Bank, 2022).

Nevertheless, recent evidence presents a less encouraging reality in county financial management. The Controller of Budget (2023) reported that over 60% of counties recorded budget deficits and underperformed in local revenue collection during the 2022/2023 financial year. Similarly, the Auditor-General's 2023 report indicated that 35 counties received either qualified or adverse audit opinions, underscoring persistent weaknesses in financial reporting and internal controls. These findings suggest systemic challenges not only in financial management systems but also in the attributes and capacity of auditors mandated to safeguard public resources. Furthermore, despite the establishment of internal audit units, numerous

counties continue to face compliance challenges with the Public Finance Management (PFM) Act, 2012, raising concerns regarding the effectiveness of auditors in ensuring fiscal sustainability (Muthoni & Ngunu, 2023).

Although existing research has explored audit quality and accountability within the public sector (Kimani & Muturi, 2021; Barasa & Musyoka, 2022), limited scholarly attention has been directed toward understanding how specific auditor characteristics shape financial sustainability in county governments. Much of the literature focuses on broad indicators of audit effectiveness rather than isolating traits such as tenure, professional certification, independence, and ethical orientation. This gap is particularly important in light of growing fiscal decentralization and the heightened demand for transparency in devolved governance (Mwangi & Omolo, 2023). To address this gap, the present study investigates the influence of auditor characteristics on the financial sustainability of county governments in Kenya.

1.3 Objectives of the Study

1.3.1 General Objective

The general objective of the study is to investigate the influence of auditor characteristics on the financial Sustainability of County Governments in Kenya.

1.3.2 Specific Objectives

1. To determine the effect of the auditors' professional experience on the financial sustainability of county governments in Kenya.
2. To evaluate the effect of the auditors' independence on the financial sustainability of county governments in Kenya.

3. To assess the effect of the auditors' risk attitude on the financial sustainability of county governments in Kenya.
4. To analyze the effect of the auditors' ethical orientation on the financial sustainability of county governments in Kenya.

1.4 Research Hypothesis

1. **H₀₁**: Auditor's professional experience has no significant influence on the financial sustainability of county governments in Kenya.
2. **H₀₂**: Auditor's independence has no significant influence on the financial sustainability of county governments in Kenya.
3. **H₀₃**: Auditor's risk attitude has no significant influence on the financial sustainability of county governments in Kenya.
4. **H₀₄**: Auditor's ethical orientation has no significant influence on the financial sustainability of county governments in Kenya.

1.5 Significance of the Study

1.5.1 County Governments

The study will provide valuable insights into how auditor attributes influence financial sustainability, enabling county governments to strengthen their internal audit structures and governance systems. With better audit frameworks, counties will improve budget utilization, enhance revenue collection, and minimize financial leakages, ultimately fostering service delivery and citizen trust.

1.5.2 Policymakers and Regulators

The findings will inform the development and enforcement of stronger regulatory frameworks for county audit practices. By identifying gaps in auditor independence, technical competence, and committee structures, the study will guide reforms in public financial management, ensuring that devolved resources are safeguarded and effectively utilized.

1.5.3 Auditors and Audit Committees

The research will serve as a professional reference for auditors and audit committees, highlighting the critical role of independence, competence, and institutional support in sustaining public finances. It will also encourage capacity-building initiatives that empower audit professionals to conduct more effective reviews and follow-ups.

1.5.4 Academic and Research Institutions

Scholars and researchers, the study will enrich existing literature on public financial management and corporate governance in devolved systems. It will provide empirical evidence from Kenya's county governments that can be used as a basis for comparative studies, theory building, and future research across different contexts.

1.5.5 Citizens and Civil Society

The ultimate beneficiaries of the study are the citizens and civil society organizations, who rely on county governments for effective service delivery. By strengthening audit governance and promoting accountability, the study will contribute to the prudent use of public resources, reduce mismanagement, and increase public confidence in devolved governance structures.

1.6 Scope of the Study

This study focused on investigating the influence of Auditor Characteristics on the financial Sustainability of County Governments in Kenya. Regarding County Government in Kenya, the research was designed to look at the influence of Auditor Characteristics on the financial Sustainability of County Governments. The study took place between the months of April 2025 and June 2025.

CHAPTER TWO

LITERATURE REVIEW

2.1 Introduction

This chapter presented a review of the literature to investigate the influence of Auditor Characteristics on the financial Sustainability of County Governments in Kenya. The initial section examines theories that establish the theoretical foundation of this study, while the subsequent part gets into an empirical review of the literature. The final segment of the literature review addresses other relevant studies conducted in this field.

In assessing the relationship between auditor characteristics and the financial sustainability of county governments in Kenya, it is critical to examine relevant theoretical frameworks that underpin the understanding of public sector auditing. Theories that emphasize the interplay between organizational transparency, stakeholder confidence, and responsible governance are particularly relevant. This section discusses three foundational theories: Legitimacy Theory, Stewardship Theory, and Limperg's Inspired Confidence Theory, evaluating their theoretical development, applicability to public sector auditing, and their respective strengths and limitations in the context of county financial sustainability.

2.2 Theoretical Review

The connection between auditor traits and the financial sustainability of county governments can be best discussed in terms of governance-oriented theories that describe how knowledge, independence, risk attitudes, and ethics can affect accountability and performance of the institutions of the public sector. Given the fact that county governments exist within an environment where there is a sense of limited resources, political influence, and increased calls

to enhance transparency, it is necessary to base this study on theories that link the unique characteristics of a given auditor to larger governance results. In this regard, this research sets its independent variables as the auditor professional experience, auditor independence, risk attitude of auditors, and ethical orientation of auditors based on four complementary, albeit independent theoretical backgrounds, including the Resource-Based View (RBV), Agency Theory, Stewardship Theory, and Institutional Theory. The theories offer a logical framework of understanding the role of the auditor attributes in financial sustainability in devolved forms of governance.

2.2.1 Resource-Based View (RBV) Theory

Resource-Based View (RBV) theory was initially promoted by Barney (1991) who stated that the sustainable competitive advantage of an organization occurs due to resource that are valuable, non-substitutable, rare, and inimitable (VRIN). Such resources comprise tangible and intangible resources, including human expertise, organizational routines, and capabilities, which when appropriately utilized, allow institutions to be more successful than their peers. In this respect, RBV focuses the attention inward, to the quality of internal resources as opposed to the exclusive use of external market or institutional positioning, and therefore provides an explanation as to why certain organizations repeatedly perform better than others (Barney, 1991).

In the framework of this research, the independent variable of the Auditor Professional Experience is supported by RBV, thus being conceptualized as a special human capital resource that is essential in the financial sustainability of county governments. Auditor experience or tenure, exposure to various audit settings, and high-level professional training is another type of intangible capital that cannot be easily cross-institutionalized. Recent findings underline that

tacit knowledge and judgment developed through years of practice have important roles to play in audit quality, which is consistent with the logic of RBV that rare and valuable resources are associated with better outcomes in the organization (Nguyen and Phan, 2022; Ramadhan et al., 2024). Therefore, professional experience of the auditors aligns with the RBV model as the resource that counties can use to enhance accountability and financial sustainability.

Additionally, empirical studies have revealed that expert auditors increase the importance of financial oversight exercises by using existing knowledge to identify anomalies, assess the exposure to risk and prescribe remedies. Nguyen and Phan (2022) also showed that teams that had greater cumulative experience found more material misstatements and provided stronger recommendations thus enhancing financial transparency. On the same note, Ramadhan et al. (2024) established that the local government audit units that had more experienced auditors were more effective in reducing budget leakages and outstanding bills. These results confirm the claim in RBV that the strategic internal resources, like experience, when used properly, could be transformed into long-term sustainability of the public institutions.

Also, RBV provides explanatory power in terms of how the experience of auditors can lead to long-term results. Contextual judgment, pattern recognition and adaptive problem-solving are contextual tacit competencies, which experienced auditors develop over years of exposure and which their less experienced counterparts find hard to replicate. The latest research indicates that these competencies enhance the auditors with the power to identify the cases of procurement fraud, payroll-related anomalies, and control weaknesses that are especially relevant in the county governments (Nguyen and Phan, 2022; PMC, 2023). Thus, auditor experience cannot be considered only as a descriptive attribute but as a strategic skill that is in tandem with RBV requirements of sustainable organizational advantage.

However, RBV has been criticized on a number of bases. The most prominent criticism is that RBV is not dynamic and is predisposed to assessing resources after the fact, and therefore, they were indeed useful, even though organizational success has been observed, which is a tautological issue (Liu and Xing, 2023). Also, researchers claim that RBV does not give enough importance to external forces, including the regulatory environment and political influence, which play a critical role in determining whether the internal resources of a given environment, such as auditor skills, can be positively used in the administrative setting (Zhang and Li, 2022; Majeed and Ahmad, 2023). The constraint indicates that we should be careful in our belief that the experience of the auditor will automatically convert into sustainable financial performance without taking into account institutional constraints.

One critique that has a line to critique the theory is that is worried about measurement challenges. The years of experience, or certification are many features of human capital that one can observe and easily reproduce, thus undermining the idea of RBV to focus on rare and inimitable resources. As an example, such organizations in the public sector can hire similarly qualified auditors, which can cast a doubt on the specialization of these resources (Wang et al., 2022; Chen and Huang, 2024). Moreover, RBV does not pay much attention to professional standardization and isomorphic demands, which force the practices of audit to homogeneity among the institutions, thereby invalidating theocratization of resource heterogeneity (Liu and Xing, 2023). These criticisms underscore the necessity to perfect the use of RBV in the literature in the field of study in public financial management.

Scholars have in turn responded by combining RBV with other models including the Dynamic Capabilities Theory and the Knowledge-Based View (KBV). The theory of dynamic capabilities focuses more on the ability of organizations to reorganize and replenish resources according to the changes in the environment and, thus, overcomes the limitations of RBV that

is the issue of permanence (Teece, 2023; Ahmed and Ali, 2024). In the same line, KBV builds upon the ideas of RBV by giving significance to the knowledge creation and transfer process, rendering human capital assets such as professional experience more valuable and challenging to replicate (Khan et al., 2022; Ramadhan et al., 2024). These advances make RBV more pertinent in terms of research about the public sector as they emphasize that counties not only have auditor experience but also structure, secure, and advance this asset so that they can be financially viable.

To sum up, RBV offers a strong theoretical framework of interpreting Auditor Professional Experience as a strategic asset that can have an impact on financial sustainability in county governments. Although critics warn of naive uses, the extensions of the theory by using dynamic capabilities and KBV permit a more qualitative understanding of how the experience of auditors is built, used and institutionalized in the systems of governance. Therefore, RBV will still be a focal point of the current research because it will justify the role of auditor professional experience as an essential independent variable, as well as help concentrate on organizational and institutional variables that serve to mediate its effects on county-level financial results.

2.2.2 Agency Theory

The theory of Agency was originally developed by Jensen and Meckling (1976) who defined it as a theory of the relationship between agents (managers or government officials) and principals (owners or citizens). According to the theory, the agents have the liberty to pursue personal interest instead of serving the interest of the principals and this leads to the agency problems like moral hazard and information asymmetry. Due to this misalignment, there is need to have monitoring mechanisms like audits to bring about alignment of the

behavior of the agents to that of the principals. Auditors are a critical means of addressing the agency conflict in the context of the county governments in Kenya, which has the public officials in charge of the devolved resources.

The direct operative of the monitoring role of Agency Theory is auditor independence. External auditors are supposed to give objective reviews of financial statements and consumption of resources, decreasing information asymmetry among the county leaders and citizens. Recent studies also confirm that independence increases the audit report credibility and boosts the accountability systems in the public sector (Othman et al., 2022; Owusu et al., 2023). In the absence of independence, political players or even personal interests may affect auditors, thereby reducing their efficiency in curbing the agency conflicts and eventually financial sustainability in devolved governments.

In addition, Agency Theory highlights that independence is crucial in discouraging opportunistic behavior among agents. The level of collusion, misrepresentation, or hiding of financial anomalies is reduced when auditors do not have a personal connection with the management (Adebayo and Kehinde, 2022; Kariuki and Waweru, 2024). In county governments where procurement frauds and budget excesses have become a common occurrence, independent auditors act as out-of-office watchdogs who bring sanity to resource spending. This oversight is in line with the fundamental assumption of Agency Theory that good management disapproves self-interest and makes sure that the resources are managed according to the interest of the population.

Agency Theory also assists in the explanation concerning the systemic interdependence between the independence of the auditors and the trust on the institutions of governance. Auditors promote the perceived legitimacy of fiscal oversight institutions, which is essential to

maintaining the confidence of people (Hussein & Ismail, 2023; Musyoka and Nyang'au, 2024). Trust, on its part, facilitates adherence to tax and regulatory requirements, which helps to enhance county income and financial ability. Independence in this sense is more than a feature of auditing and also a safeguard of governance against financial unsustainability.

In addition, independence reduces the level of political capture of auditing roles a perennial issue in Kenyan counties. As recent research indicated, external auditors should have a high degree of independence as they tend to make a more adverse opinion in a politically sensitive case, thus forcing corrective fiscal reform (Otieno & Munene, 2022; OAG Kenya, 2024). The key to this can be found in the Agency Theory, which allows the auditors to operate without facing excessive pressure because of which the transparency of financial management was ensured, and the danger of uncontrolled venality of county executives was minimized.

However, there have been criticisms of the Agency Theory especially in the aspect of assuming that all the agents are opportunistic. Opponents believe that the theory does not reflect well enough on the occasions when managers or civilians can act out of stewardship instead of selfishness (Le et al., 2022; Anwar and Saeed, 2023). Such an oversimplification of the complex relationship in county governments can be done by this blanket assumption, where members of the government may indeed be acting in the best interests of the community, and not in personal self-interest. Therefore, the use of the Agency Theory alone can overemphasize the opportunism concept in the explanation of fiscal mismanagement.

The Agency Theory is too localized to consider the ethics, social norms, and institutional pressures as determinants of agent behavior because it only highlights the relevance of contractual and monitoring methods (Chen and Zhou, 2023; Kiptoo and Omwenga, 2024). Overreliance on Agency Theory will be dangerous in devolved systems like

in Kenya where political patronage and cultural norms have a very strong influence on fiscal decisions. Also, researchers have observed that overreliance on independence can cause tension in the relationships between auditors and management, decreasing cooperation and hindering audit effectiveness (Ali and Hassan, 2023).

To deal with such criticisms, some improvements have been made to Agency Theory especially in the incorporation of behavioral, institutional, and ethical aspects. The recent literature also features the theme of behavioral agency models, which is based on the moderating role of risk preferences and ethical orientation of agent behavior (Nguyen and Phan, 2022; Rahman and Ibrahim, 2023). In addition, it has been suggested that the Agency Theory can be modified by incorporating adjacent governance norms and trust-based relationships by combining the Agency Theory both with the Institutional Theory and Stewardship Theory (Molaeinezhad et al., 2024; Alo et al., 2025). These extensions allow considering auditor independence in a more comprehensive way, not as a safeguard toward bilateral and contractual relations, but as an element of a multi-dimensional governance.

Summative, the Agency Theory is still central in determining why auditor independence is so essential in mitigating the principal-agent conflict in county governments. Though it has been criticized by noting that it is limited in explaining stewardship behavior and institutional norms, the refinements to the theory have made it more explanatory. Agency Theory is especially important in this work since it offers a solid conceptual framework of how to relate auditor independence to financial sustainability. It assists in clarifying the reason as to why unbiased and professionally aloof auditors are critical towards reducing opportunism, increasing accountability, and the management of devolved financial resources in Kenya in a manner that is transparent and sustainable.

2.2.3 Stewardship Theory

Initial conceptualization of Stewardship Theory was defined by Davis, Schoorman, and Donaldson (1997) who explained it as a perspective that does not consider managers and professionals as opportunistic agents who are motivated by self-interest, but it considers them as stewards where their behaviors are inherently sensitive to the goals of their principals. In contrast to the Agency Theory that presupposes the monitoring and control mechanisms to ensure reduced self-serving actions, Stewardship Theory presupposes the position of stewards as having pro-organization motives, long-term outcomes, accountability, and trust. The theory emphasizes intrinsic motivation, shared responsibility, and moral responsibilities in explaining why those charged with the responsibility of governance seek the optimal interests of the stakeholders. In the auditing environment, this theoretical perspective is especially pertinent since the auditors are the agents of the public trust and accountability, whose risk attitudes play a critical role in their custodial role in terms of financial sustainability.

When relating the Stewardship Theory to the risk attitude of auditors, it is argued that the stewardship theory would make auditors to be cautious and skeptical in their evaluation of financial information, which safeguard the interests of other stakeholders, including taxpayers and beneficiaries of the services. Recent investigations indicate that more risk-averse auditors also express a stronger professional skepticism, which is more effectively applied to audit-testing and less tolerant of irregularities (Le et al., 2022; Al-Fayoumi and Abuzayed, 2023). This practice is indicative of stewardship cause as the auditors are aware that putting a strong emphasis on risk assessment is a sure way of being financially accountable and securing the sustainability of institutions in the long run. Auditors who are guided by the principles of stewardship in their risk attitudes manage to exercise a decisive role in protecting financial

integrity in county governments where the public resources are especially susceptible to mismanagement.

Moreover, Stewardship Theory focuses on trust and commitment towards a common outcome, and these qualities become the foundation of the readiness of auditors to take a strict risk evaluation in the face of institutional or political pressure. According to Mahmoud and Fawzy (2023), steward auditors are less vulnerable to undue influence since the inner sense of accountability makes them set bigger verification standards. This is consistent with the research conducted by Omran et al. (2024), who posit that auditors who have a high degree of stewardship orientation can combine professional skepticism and the long-term fiscal responsibility, which makes it less likely to detect the existence of misstatements. In this way, the principles of stewardship support the significance of risk attitudes of auditors in improving the reasonableness and utility of audit results to support the sustainability of the finances of the county government.

Furthermore, the auditors with a stewardship approach interprets risk attitudes, not merely as part of audit methodology, but as a moral obligation to stakeholders. This corresponds with the finding of Hashim and Nordin (2022) who discovered that willingness of auditors to be engaging in a risk-averse and skeptical approach is a sign of an intrinsic motivation to act in the public interest, not due to the urge to reduce costs or political expediency. Therefore, the stewardship lens shows that risk attitudes of auditors are not merely individual dispositions, but rather tactical governance instruments promoting transparency, accountability and sustainability in the public finance. This is especially significant in the county setting of Kenya where budget deficit and lumpy spending remain common, and auditor stewardship plays an important role in alleviating financial distress.

Furthermore, Stewardship Theory conceptualizes the risk attitudes of auditors as proactive processes that would be in line with the long-term value creation. According to the definition presented by Alawneh and Obeid (2024), auditors who adopt stewardship functions focus more on preventive auditing than reactive options to ensure that financial risks are countered before they get out of control. With this proactive stewardship, county governments will be resilient to fiscal shocks, will not engage in unsustainable borrowing, and will become more trusted by the population. This study places auditors in the context of being not only external observers, but key players in the governance and fiscal sustainability through the links between stewardship and the risk attitudes of auditors.

Nonetheless, in spite of merits, the Stewardship Theory has been criticized especially on how it assumes that the stewards will behave in the best interest of principals at all times. Critics say that in the real world, auditors such as managers can also be affected by personal motives, political forces or organizational cultures that undermine objectivity. Indicatively, Nguyen and Nguyen (2022) argue that stewardship can inflate altruistic actions when it undermines the power of personal and situational motivations. Likewise, Okafor and Adeleke (2023) emphasize that in the context of the public sector, the auditors at times fail to perform because of the conflict of loyalties or lack of incentives, which is contrary to the romantic concepts of stewardship. These criticisms have the effect of highlighting the weaknesses of the theory to explain the complexities of the behavior of auditors in practice.

The other criticism is that Stewardship Theory has a tendency of downplaying the role of external accountability measures, which even in the cases when stewards are intrinsically motivated could be needed. As an example, Rahman and Ismail (2023) believe that only the application of stewardship can overlook the institutional and systemic characteristics, which promote corruption or audit failure in developing nations. On the same note however, Abebe

and Tadesse (2024) observes that the application of stewardship assumptions might not be entirely applicable in situations where there is a lack of professional training, or where ethical frameworks are poorly applied, and thus it is impractical to assume that auditors can behave as stewards at all times. These are the criticisms that indicate that though the theory provides useful information on the risk attitude of auditors it probably needs to be supplemented with other governance theories in order to explain the complexity of the auditor behavior.

So as to counter these criticisms, scholars have proposed improvements of the Stewardship Theory by considering contextual and institutional influences in the development of stewardship practices. Bui and Le (2022), for example, consider stewardship more contingently, which takes into account differences in cultural and organizational contexts, and Fadol and Yousif (2024) also focus on hybrid approaches that integrate assumptions about stewardship with agency tools (incentives and monitoring). This kind of improvements means that the theory has considered the intrinsic motivation of stewardship and extrinsic governance mechanisms that influence the conduct of auditors. The extended explanatory range facilitated by the modernized stewardship framework will give a more realistic perspective of risk attitudes of auditors in various governance systems, including Kenyan counties.

To conclude, the Stewardship Theory is very useful in offering a theoretical ground on the risk attitudes of auditors and how this affects the financial sustainability of the county governments. Although critics note that it has weaknesses in its assumption of universal pro-organizational behavior, more recent refinements have increased the strength of its applicability by adding contextual, institutional and incentive-based considerations. This work is useful in Stewardship Theory because it establishes auditors as stewards, with risk attitudes that are at the heart of fiscal responsibility, and consequently relates professional skepticism and sustainable financial performance. Finally, the theory highlights the subtle aspects to

support why risk attitude of auditors is significant in the management of publicly available resources, which makes it a critical foundation to this study.

2.2.4 Institutional Theory

Institutional Theory, as first theorized by DiMaggio and Powell (1983) is based on the fact that efficiency-driven choices alone do not determine organizational behavior but rather the institutional context that is constituted by rules, norms and cultural expectations. The theory highlights 3 institutional isomorphism mechanisms that include coercive, mimetic, and normative pressures that combined lead to convergence of almost similar practices by organizations in order to remain legitimate. This implies that the conduct and ethical decisions made by auditors in the auditing field are determined not only by the professional codes and regulations, but also by socially expected norms, regulatory provisions and professional culture. Therefore, the theory offers an effective prism through which the process of ethical orientation being integrated into auditor behavior can be viewed.

Based on this theory, the Institutional Theory forms the basis of the ethical orientation of auditors, that is, it explains how professional norms affect the judgment and independence of auditors under high public accountability circumstances. Ethical orientation describes the internalized norms, professional codes and expectations of the society that the auditor looks into to make decisions in cases of ethical dilemmas. Recent research also shows that auditors in financial settings with robust institutional contexts tend to follow ethical norms, thus, delivering high-quality audit results that reinforce fiscal transparency (Alo et al., 2025; Molaeinezhad et al., 2024). In the case of the county governments of Kenya, where political pressures tend to entice auditors to undermine their integrity, Institutional Theory underscores

the significance of professional ethical codes in terms of providing exterior normative restraints that ensure that the behavior of auditors is consistent with that of the common good.

Moreover, the theoretical concept addresses the effect of ethical orientation of auditors on their desire to oppose manipulation and impose accountability. Nguyen and Le (2023) believe that the more established an auditor is in an institutional setting, the more he or she is likely to withstand pressure and politics by clients. This strength is based on the normative expectations as set out by professional organizations and regulatory authorities that support the moral obligation as a component of an auditor. Also, Musah and Adjei (2022) observed that good ethical oriented auditors play crucial roles in protecting the finances of the population since they are not vulnerable to the pressure of persuasion that could otherwise undermine accountability. In such a way, the Institutional Theory and the role of auditors in the preservation of financial sustainability are connected with the focus on the centrality of external norms, which define internal ethical judgment.

Furthermore, one can regard the ethics of auditors as institutional capital that reinforces the governance in county governments. Ethical auditors are viewed as valid actors of accountability, which increase the level of trust in the audit process and in financial reports in the public sector (Abdul-Baki et al., 2023; Othman et al., 2022). In Kenya, where the levels of corruption in counties have destroyed the trust of the people, auditors who are ethically oriented contribute significantly to regaining legitimacy. The Institutional Theory thus contextualizes the ethical decision making of the auditors not only as part of individual qualities but as a reaction to the expectations of the institutions that give rise to some wider governance consequences such as financial sustainability.

Furthermore, the Institutional Theory highlights the role of ethical orientation of auditors in converging the audit practices in various counties. Since county governments experience the same public expectations and both are regulated by the same Auditor-General, the resulting actions of the auditors will follow ethical norms and hence the uniformity in practice enhancing the reliability of the audit. The latest empirical findings indicate that the harmonization of ethical standards can greatly decrease financial misreporting risks and improve fiscal responsibility (Koomson and Duku, 2024; Al-Qatamin and Hamed, 2023). The theory offers an explanatory mechanism or mechanism of explanation by focusing on institutional pressures that determine the ethical orientation or orientation of audit ethics among auditors, hence the reason why counties with greater institutionalized audit ethics are found to report more sustainable fiscal outcomes.

Nonetheless, Institutional Theory has been criticized by being excessively focused on conformity and legitimacy and not delving into the aspect of individual agency. Critics point out that auditors can comply with ethical standards, but do so only to a superficial extent to make sure that they are legitimate, without necessarily internalizing them (Bitektine and Haack, 2022). Some other people observe that the institutional pressures can promote symbolic compliance, in which auditors externally comply with codes of ethics, but they do not apply them substantively to their judgment (Greenwood et al., 2022). Such criticism applies in the county governments of Kenya, where some auditors may profess to practice ethical codes, but in reality, they are constrained by the challenges of politics and resources, which reduce the explanatory value of Institutional Theory when it comes to explaining auditor actions.

The other criticism is that the theory prefers to assume the homogeneity of institutions and does not take into consideration the contextual differences that influence auditor ethics in a different way. Institutional pressures vary, as stressed by Meyer and Hollerer (2023), based

on the nature of the local governance structure, political culture, and expectations of the society, and hence ethical orientation can take different forms across counties with diverse institutional capacity. In the same theme, the researchers Liu and Xiang (2022) write that weak regulatory institutions in emerging economies reduce the applicability of the Institutional Theory, as auditors are more driven by survival tactics rather than ethical behavior. Therefore, the theory, as helpful as it may be, can tend to simplify the various realities of ethical decision-making amongst auditors.

Scholars have responded to these criticisms by then elaborating Institutional Theory through the incorporation of ideas of institutional complexity and agency. The last trends emphasize the ways in which auditors navigate across the competing institutional logics professional, political, and organizational to decide on ethical issues (Boxenbaum and Jonsson, 2023; Haack and Slager, 2022). Also in the way of improvements are the emphasis on institutional entrepreneurship where the auditors can be proactive in forming norms and demanding changes instead of acting passively (Smets and Jarzabkowski, 2022). These developments increase the explanatory strength of the theory in the context of auditing of the public sector by recognizing both structural pressures and the ability of the auditors to make ethical judgments in complicated institutional settings.

To sum it up, the Institutional Theory also offers a strong theoretical foundation to the ethical orientation of auditors in determining financial sustainability of county governments in Kenya. Although critics have voiced its constraints in explaining agency and the contextual variation, its advancement has increased its applicability to reflect the subtle interaction between institutional norms and individual morality. This theory helps to understand why auditors are custodians of responsibility and the ways in which their ethical decisions contribute to enhancing legitimacy and financial discipline in the devolved governance by associating

ethical orientation to the institutional pressures. Therefore, the focus of this study is the Institutional Theory since it explains the institutional basis upon which ethical conduct of auditors is founded and against which they influence sustainable management of public finances.

2.3 Empirical Literature Review

This review has been selected for inclusion in this research proposal because it highlights previous studies that have been conducted, showcasing the methodologies used and their findings that are pertinent to this research study. This section involves reviewing empirical literature from various scholars to investigate the influence of Auditor Characteristics on the financial Sustainability of County Governments in Kenya.

2.3.1 Auditors' Professional Experience on Financial Sustainability

Liu et al. (2024) investigated whether auditors demonstrated sustainability focus influenced the sustainability reporting practices of their clients in the United States. The study targeted large audit firms and their public clients over a multi-year period and operationalized auditor sustainability focus through content analysis of sustainability-related disclosures in auditors' public communications and client sustainability reporting in 10-K filings. Using longitudinal regression models, the study established that auditors who signaled stronger sustainability focus were associated with broader and higher-quality client sustainability disclosures, alongside improved sustainability activities in subsequent years. The authors concluded that auditors could act as transmission mechanisms for sustainability practices. However, the study did not clarify whether this effect occurred through auditor engagement behavior or client selection, a gap that the present research seeks to address by directly

measuring on-engagement auditor practices and applying firm-level panel techniques to separate selection from treatment effects.

Similarly, Herghilgiu, et al. (2023) examined the role of audit report quality in shaping sustainable corporate performance in Romania. The study used listed firms on the Bucharest Stock Exchange as its target population and applied multivariate regression analysis to relate audit quality proxies and gender equality indicators to sustainable performance metrics. Findings showed that financial transparency, approximated through audit report quality and discretionary accruals, was positively associated with subsequent sustainability reporting and corporate performance, while gender equality in leadership strengthened these outcomes. Although the study underscored the importance of audit-related competence, it did not directly examine auditors' years of professional experience or partner tenure. The current research will therefore fill this gap by operationalizing auditor experience through measurable indicators such as years licensed and partner tenure.

In Egypt, an applied study titled *The Impact of Audit Committee's Financial Experience on Sustainability Performance Disclosure (2023)* focused on joint-stock companies listed on the Egyptian Exchange. The study sought to establish whether audit-committee financial experience influenced the extent and quality of sustainability disclosures. Using panel regression techniques, the authors found a positive and significant relationship, where firms with more financially experienced audit committees reported broader sustainability disclosures. The study demonstrated that financial expertise on oversight bodies strengthened sustainability credibility but did not assess the role of external auditors' professional experience. The present research will therefore extend the inquiry by jointly considering audit committee expertise and external auditors' professional experience.

In Nigeria, Usman and Adekanye (2023) examined Audit Fee, Auditor's Experience, and Earnings Management among listed manufacturing companies. The study sampled panel data from manufacturing firms over five years, employing an ex-post facto design with regression analysis. Results revealed that audit fees were negatively associated with earnings management, suggesting stronger diligence, while auditor experience had no statistically significant impact on earnings management. The authors attributed this to institutional weaknesses and limited audit capacity. This finding left unresolved whether other measures of auditor experience—such as partner tenure, staff continuity, or industry specialization might influence long-term financial sustainability, which the current study intends to explore.

In Southern Africa, a sectoral study on Sustainability Assurance in the Banking Sub-Sector (2024) investigated the impact of internal audit competence and assurance practices on financial sustainability in banks. The study used survey data collected from internal auditors and managers and analyzed the results through regression and correlation methods. Findings indicated that technical competence, management commitment, and availability of specialized skills significantly influenced sustainability assurance and financial resilience. However, the study primarily focused on internal auditors and overlooked external auditors' professional experience. The current study aims to bridge this gap by linking external auditors' professional experience with sustainability outcomes in financial institutions.

With respect to behavioral biases, Javareshk et al. (2024) conducted an experimental study on Mental Accounting in Tax Liabilities. Using student and staff participants exposed to varying tax rates, audit probabilities, and fines, the study established that taxpayers applied mental accounting differently across income sources. Results showed that tax evasion was significantly higher for earned income compared to capital income under high tax rates, illustrating that mental accounting could worsen compliance. The authors recommended that

tax policies should account for source framing. The current study applies this insight to consider how auditors' communication might mitigate mental accounting–driven noncompliance in SMEs.

Dhami et al. (2023) also explored the intersection of Mental Accounting, Loss Aversion, and Tax Evasion through experimental modeling and structural estimation. Using survey and experimental data from diverse populations, the study demonstrated that mental accounting, combined with reference dependence, increased tax evasion for income sources perceived as more entitled, particularly under high tax rates. The study highlighted the importance of framing in influencing compliance but did not contextualize the findings within SMEs. The current study will therefore investigate whether similar patterns exist among SME taxpayers and whether auditors' professional interventions can moderate such behaviors.

Further evidence from survey-based studies conducted between 2020 and 2023 indicated that mental budgeting among self-employed taxpayers sometimes reduced compliance, particularly when taxpayers compartmentalized VAT receipts or earmarked funds under cash flow constraints (Antonides & De Groot, 2023). These studies found that mental accounting could worsen compliance outcomes in complex tax environments. While such findings underline the negative role of mental accounting, they have not been directly tested in the Kenyan SME context. This research will extend the inquiry by incorporating SMEs and auditor practices as moderating factors.

At the county level, a Kenyan study published in the *Strategic Journal of Business & Change Management* (2024) investigated the Financial Auditing and Financial Sustainability of Kisii County Government. Using survey questionnaires and regression analysis, the study established that effective auditing practices enhanced financial sustainability indicators such as

revenue performance and debt servicing. However, the study did not isolate the role of auditor professional experience. The present research will address this gap by explicitly testing how auditors' experience contributes to financial sustainability in Kisumu County.

Ogela (2023), in a master's thesis at Kabarak University, analyzed the Influence of Risk-Based Internal Audit on Financial Sustainability of NGOs in Nakuru County. Data from internal auditors, finance managers, and executives were collected through questionnaires and analyzed using regression methods. The study revealed that auditor competency significantly enhanced NGO financial sustainability. While insightful, the study limited its scope to internal auditors, leaving unexplored the role of external auditors' experience. The current research will therefore expand on this by evaluating both internal and external auditors' contributions.

Lastly, a recent article in the Strategic Journal of Business & Change Management (2024–2025) examined the relationship between Financial Reporting Quality and Financial Sustainability of Non-Profit Organizations in Nairobi County. The authors employed a mixed-method approach combining secondary financial data and survey responses, and found that high reporting quality significantly boosted donor retention and financial stability. Although audit professionalism was identified as a key determinant, the study did not operationalize auditors' professional experience. The present research seeks to directly measure this variable and test its causal effect on financial sustainability in SMEs.

2.3.2 Auditors' Independence on Financial Sustainability

Herghilgiu et al., (2023) researched “Sustainable Corporate Performance Based on Audit Report Influence”, investigated whether audit-report quality and financial transparency were determinants of sustainable corporate performance and how audit-related gender equality affected that relationship. The authors targeted listed firms for which audit reports and

sustainability indicators were publicly available (a multi-country sample constructed from firm disclosures), and they employed secondary panel data together with multivariate regression models to test whether audit-report quality predicted subsequent sustainability performance measures. They found that higher audit-report quality and stronger financial transparency were associated with better sustainable corporate performance and that gender equality in audit/accounting professions strengthened the positive audit–sustainability link. The authors concluded that auditor-related mechanisms contributed to firms’ ability to sustain economic, social and environmental performance but they also noted that most extant research had focused on audit committees rather than on the external auditor’s independence per se; the empirical gap they identified and which subsequent work needed to address was direct evidence on external auditor independence (rotation, non-audit fees, tenure) and its causal effect on underlying financial sustainability rather than disclosure alone (Herghiligi et al., 2023). (Herghiligi, et al. 2023).

In “Audit Committees and the Quality of Standalone Sustainability Reports” (2025), the authors examined whether audit-committee independence and related committee attributes affected the credibility and assurance of standalone sustainability reports across a large European sample. The target population comprised firms publishing standalone sustainability reports, and the methodology combined hand-collected disclosure measures with archival assurance outcomes and regression analyses controlling for firm fixed effects and governance covariates. The study found that stronger audit-committee independence and financial expertise were associated with higher likelihood of independent assurance and with improvements in the perceived quality of sustainability reporting; the paper argued that audit-committee independence operated partly by increasing internal controls and by encouraging external assurance, thereby supporting firms’ longer-term sustainability commitments. The empirical

gap they signaled for future work was more granular evidence on the behavior of external audit firms. (Audit Committees and the Quality of Standalone Sustainability Reports, 2025).

At the regional level, Eghosa & Ike (2024) in “Impact of Auditor’s Independence on Financial Reporting Quality in Nigeria” surveyed audit practitioners and combined survey responses with secondary financial-statement data from listed Nigerian manufacturing firms to test whether audit-tenure, non-audit fees and auditor rotation predicted financial-reporting quality. The study population included listed non-financial firms on the Nigerian Exchange and audit professionals who serviced them; the methodology married cross-sectional regressions with practitioner survey evidence. The authors found that longer audit tenure and high levels of non-audit work were associated with poorer reporting timeliness and other quality indicators, while enforced rotation and regulatory safeguards had improved outcomes only modestly. The paper concluded that auditor independence remained fragile in the Nigerian context and recommended regulation and stronger inspection regimes; the gap it identified was the lack of panel causal evidence linking auditor-independence regimes to longer-term measures of firm financial sustainability such as survival, investment and solvency. (Eghosa & Ike, 2024).

Angmor & Diaboh (2022) in “Exploring the Effect of Internal Auditors’ Function on Financial Performance of Universal Banks in Ghana” targeted the banking sector and used a mixed-methods approach: the study combined interviews with internal audit managers and panel regressions of bank performance indicators (ROA, ROE) on internal-audit independence, competence and management support across Ghanaian universal banks. They reported that greater internal-audit independence and competency predicted better financial performance and stronger internal controls, and the qualitative evidence underscored that independence of the internal audit function reduced leakages and improved sustainability of earnings. The authors noted that external-auditor independence had been less studied in the Ghanaian banking

literature and that future research should integrate external-audit indicators with bank stability measures a gap their work recommended closing. (Angmor & Diaboh, 2022).

A desk-study that examined auditor independence and financial-statement quality in Rwanda (AJACC, 2023) targeted Rwandan listed and large non-listed firms and used a secondary-data design to synthesize existing evidence and test associations between proxies for auditor independence (non-audit fees, audit firm size, tenure) and standard measures of reporting quality. The authors found that higher reliance on large audit firms and lower levels of non-audit fees were positively associated with financial statement quality, while long tenures without rotation correlated with lower comparability in reporting; they recommended stronger local regulation of non-audit services and more frequent firm-level audit inspections. Their stated gap for future research was explicit, causal panel evidence linking those auditor-independence proxies to firm-level measures of financial sustainability (cash flow stability, debt service capacity), rather than only reporting quality metrics. (Rwanda AJACC study, 2023).

Turning to the behavioral literature on mental accounting and tax compliance (three empirical studies that reported negative effects on particular compliance measures), Antonides & De Groot (2024) in “Relationships of mental budgeting of the self-employed without personnel with tax compliance, pension and disability arrangements” used a large survey of self-employed individuals and mediation analysis to show that while mental budgeting often supported better financial management and higher voluntary compliance, it also produced negative indirect effects on some enforcement-related compliance measures: in particular, mental budgeting had a relatively small but statistically significant negative effect on measures of enforced compliance used by the national tax. The study population was Dutch self-employed persons without personnel, and the methodology combined survey measurement of

mental budgeting with multiple compliance outcomes and mediation by financial-management indicators. The authors highlighted that mental accounting was not uniformly pro-compliance and that its effects depended on the compliance measure considered; the gap they recommended addressing was experimental and cross-country work distinguishing voluntary versus enforced compliance in relation to mental accounts. (Antonides & De Groot, 2024).

A working-paper and experimental contribution, “Mental Accounting, Loss Aversion and Tax Evasion Theory and Evidence” (IFO/CESifo working paper, 2020), built a formal model in which taxpayers’ mental segregation of incomes and loss-aversion interacted to change the reference point for tax payments and thus the moral cost of evasion; the authors then ran MTurk experiments and laboratory tasks that supported the model’s predictions. The empirical findings showed that under certain framing and source-dependent mental accounting, taxpayers were more likely to evade the model predicted and experiments confirmed that mental accounting could increase evasion when gross-income framing made tax payments feel like immediate losses relative to the mental reference. The study population was experimental subjects, and the methodology combined formal modelling with controlled lab experiments; the authors argued that mental accounting could either increase or decrease compliance depending on how taxes were mentally coded, and they recommended policy experiments that altered framing of tax liabilities. The gap they left open and which field researchers were later urged to test was how mental accounting played out in real taxpayer populations facing real audit risk and fines.

A recent cross-country empirical note on behavioral factors in tax compliance (East–South Institute review, 2024) surveyed MSME populations in an emerging-economy sample and reported that behavioral biases among them overconfidence and mental accounting had a statistically significant negative effect on certain measures of tax compliance after controlling

for tax knowledge and enforcement variables. The study used standard questionnaires and regression analysis on MSME samples in multiple countries and concluded that mental accounting in some contexts reduced compliance because it allowed taxpayers to segregate tax liabilities into non-prioritized mental accounts. The authors recommended behavioral interventions (nudges that integrated taxes into primary cash-flow accounts) as a remedy a research gap they argued should be tested by randomized controlled trials. (East–South Institute, 2024).

Finally, three studies from the Kenyan perspective addressed auditor independence and organizational financial sustainability. Lung’ayia & Malenya (2020) “Influence of Auditors’ Independence on Financial Sustainability of Public Universities in Kenya: A case of Masinde Muliro University of Science and Technology” investigated a public-sector case using an explanatory survey design. Their target population was university finance and audit staff and the methodology combined structured questionnaires with document review; they reported that perceived auditor independence improved detection of financial mismanagement and supported better budgetary discipline, which in turn improved measures of financial sustainability (budget balance and resource utilisation). Nevertheless, they found that political interference and weak enforcement limited the full effect of auditor independence, and they proposed that future research should study causal links between external/audit-office independence and multi-year sustainability outcomes across several public universities. (Lung’ayia & Malenya, 2020).

A study of deposit-taking SACCOs in Kenya, “Internal Auditor’s Independence, Firm Size and Financial Performance of Deposit-Taking SACCOs” (2024), sampled a cross-section of SACCOs and used a descriptive survey of managers plus panel financial data to test whether internal-audit independence predicted ROA and survival indicators. The methodology

comprised questionnaires to auditors and managers and fixed-effects regressions on SACCO financials; the authors found that greater internal-audit independence predicted stronger profitability metrics and liquidity positions, but the magnitude of the effect varied by SACCO size – smaller SACCOs showed more benefit from auditor independence. The research gap they signposted was integration of internal and external audit indicators to measure whether combined audit independence translated into multi-year solvency and capital adequacy improvements. (Internal Auditor Independence SACCOs Kenya, 2024).

A county-level study, “Influence of Audit Committee Independence on the Quality of Audit Reports of SACCOs in Homa Bay County” (2023), used a purposive sample of SACCOs in Homa Bay and regression analysis to show that greater audit-committee independence correlated with higher quality audit reports and with more timely financial disclosures. The population was SACCO boards and auditors, the methodology was cross-sectional survey plus archival review of audit reports, and the findings suggested that stronger committee independence improved confidence in reported numbers and supported short-term financial sustainability by improving creditor and depositor confidence. The authors recommended broader samples and longitudinal work to demonstrate whether improvements in report quality translated into long-term financial sustainability.

2.3.3 Auditors' Risk Attitude on the Financial Sustainability

A study by Turku School of Economics (2023) investigated the relationship between Environmental, Social, and Governance (ESG) performance and firm valuation, while examining the moderating role of audit quality. The main objective was to establish whether higher levels of audit quality strengthen the impact of ESG performance on the long-term financial viability of firms. The target population comprised publicly listed firms across

Europe, and secondary financial data were analyzed using regression models. The study found that audit quality enhanced the link between ESG performance and firm value, thereby indirectly supporting financial sustainability. However, the research did not directly address the risk attitude of auditors, leaving a gap on how the personal or professional orientation of auditors towards risk influences sustainability outcomes (Turku School of Economics, 2023).

Another global study by Chen, Hung, and Wang (2021) examined the effect of audit quality and auditor conservatism on corporate sustainability performance among multinational corporations. The objective was to determine whether auditors' conservative risk posture enhances transparency and ensures firms' financial resilience. The target population was large multinational firms in Asia and North America, with data collected from annual reports and sustainability disclosures. Using panel regression models, the findings indicated that auditor conservatism was positively associated with corporate sustainability scores, suggesting that auditors with cautious risk orientations contributed to better sustainability outcomes. The limitation, however, was that the study focused on conservatism as a proxy for risk attitude without capturing broader dimensions of auditors' risk preferences. This created a gap in understanding the full scope of auditors' risk attitudes on financial sustainability (Chen et al., 2021).

A study conducted by Akurut and Lubega (2021) in Uganda analyzed the effect of audit committee effectiveness and internal audit function on sustainability reporting practices in the financial services sector. The objective was to establish whether strong audit structures contribute to enhanced sustainability reporting. The study targeted financial institutions in Uganda, where data were collected through surveys and secondary reports, and analyzed using regression analysis. Results showed that both audit committee effectiveness and internal audit function were positively associated with sustainability reporting, demonstrating the importance

of governance mechanisms in advancing sustainable practices. However, the study did not examine financial sustainability directly and also failed to explore how auditors' individual risk attitudes influence the sustainability outcomes of organizations (Akurut & Lubega, 2021).

In Nigeria, a study by Okolie and Amos (2022) examined the role of auditors' professional skepticism on financial sustainability among manufacturing firms. The objective was to determine whether auditors' cautious assessment of risk and evidence collection improved firms' long-term financial viability. The target population comprised listed manufacturing companies on the Nigerian Stock Exchange. The methodology involved cross-sectional survey research design and regression analysis of responses from internal auditors and audit committee members. Findings revealed that professional skepticism, as a component of risk attitude, had a positive and significant effect on the financial sustainability of firms. However, the study measured skepticism rather narrowly and did not account for the broader range of risk attitudes auditors may hold, leaving a gap for further exploration (Okolie & Amos, 2022).

A related study by Banda and Moyo (2023) in Zambia focused on external auditors' perceptions of risk management and their effect on the financial sustainability of microfinance institutions. The main objective was to test whether auditors' approach to risk assessment in auditing influenced the survival and stability of microfinance institutions. The target population was licensed microfinance institutions, and data were gathered through structured questionnaires administered to both external auditors and senior finance officers. Using structural equation modeling, the study found that auditors who displayed proactive risk attitudes contributed to stronger financial sustainability outcomes in the institutions audited. Nonetheless, the research was context-specific to microfinance institutions and did not examine

corporate organizations, hence restricting the generalizability of its findings (Banda & Moyo, 2023).

A study by Bathaie, Pulford, and Krockow (2024) investigated the impact of mental accounting on tax liabilities using experimental design. The objective was to determine how individuals' tendency to separate incomes into mental categories affected their compliance with tax obligations under varying tax rates and audit probabilities. The target population was individual taxpayers in a laboratory experiment. Findings revealed that at very high tax rates, participants significantly under-declared labour income relative to capital income, indicating that mental accounting worsened compliance. The limitation was that the study was experimental and did not capture real-life taxpayer behavior across larger populations (Bathaie et al., 2024).

In another study, Burt, Thorne, and Walker (2023) analyzed how taxpayers' reference points and mental accounting influence aggressive tax filing behavior. The main objective was to explore whether taxpayers who mentally separated tax obligations from their resources were more compliant than those who did not. The target population comprised individual taxpayers in a field setting, with survey data collected post-tax filing. Findings showed that taxpayers who expected to owe taxes and did not separate tax obligations from other financial resources were more likely to engage in aggressive and non-compliant tax filing. The limitation was that the study examined aggressive filing rather than outright evasion, and was limited to a single jurisdiction (Burt et al., 2023).

A third study by Sadeghi and colleagues (2020) in Iran examined the effect of mental accounting on tax compliance among self-employed auditors. The objective was to analyze how mental accounting influenced value-added tax (VAT) and income tax compliance, with

work conscience and financial literacy as mediating factors. The target population was self-employed auditors, and the methodology involved a cross-sectional survey of 150 respondents analyzed through regression. The findings revealed that mental accounting significantly reduced compliance, with stronger effects on VAT than on income tax obligations. However, the study was limited by its cross-sectional design and narrow focus on auditors, leaving scope for broader exploration across sectors (Sadeghi et al., 2020).

Nyongesa, Rono, and Tuwey (2024) carried out a study to examine the effect of financial risk attitude on the financial sustainability of small and medium enterprises (SMEs) in Nairobi. The main objective was to establish whether SME owners' willingness to take or avoid risks influenced their firms' financial sustainability. The target population was 8,947 SMEs in Nairobi's Central Business District, with a sample of 383 selected through stratified random sampling. Using hierarchical regression, the findings indicated that financial risk attitude had a positive and significant effect on financial sustainability. However, environmental dynamism did not moderate the relationship. The limitation was that the study focused on owners' risk attitudes rather than auditors', leaving a gap in understanding how auditors' risk attitudes affect sustainability (Nyongesa et al., 2024).

A case study by Lung'ayia and Malenya (2020) assessed the influence of auditors' independence on the financial sustainability of public universities in Kenya, focusing on Masinde Muliro University of Science and Technology. The objective was to establish whether independence in auditing practices enhanced financial sustainability in higher learning institutions. The target population was the university's internal audit and finance staff, and a descriptive survey design was adopted. Findings indicated that auditors' independence had a significant effect on financial sustainability, as it strengthened transparency and accountability.

The limitation was that the study covered only one institution, limiting generalizability, and did not explicitly measure auditors' risk attitudes (Lung'ayia & Malenya, 2020).

Another Kenyan study by Otieno and Ouma (2022) examined the effect of tax audits on tax compliance among SMEs in Kisumu County. The main objective was to determine whether audit execution, planning, and reporting enhanced compliance and long-term financial sustainability of SMEs. The target population was registered SMEs, and data were collected through structured questionnaires. Regression analysis revealed that tax audits significantly improved compliance and contributed to the sustainability of SMEs. However, the study focused on tax audit processes and outcomes, without considering the risk attitudes of auditors themselves, leaving an empirical gap that this research aims to address (Otieno & Ouma, 2022).

2.3.4 Auditors' Ethical Orientation on Financial Sustainability

A study by Alatawi, Mat Dauda, and Joharia (2025) examined the link between environmental, social, and governance (ESG) practices and firm valuation, with audit quality serving as a moderating factor. The study targeted publicly listed Nordic firms between 2017 and 2023 and employed panel data analysis using fixed-effects regression. The findings revealed that firms with higher ESG scores recorded higher valuations, particularly when audited by Big Four firms, which served as a proxy for ethical audit quality. This suggested that audit quality, reflecting ethical seriousness, plays a central role in enhancing financial sustainability through firm value. However, the study did not directly investigate auditor ethical orientation at the individual level, nor did it focus on developing economies, leaving a gap for studies that operationalize ethical orientation more explicitly in less developed regulatory environments.

In another global study, Almasri (2025) investigated the impact of applying internal auditing ethics on risk management in banks operating in Palestine during periods of crisis. The objective was to determine how internal auditing ethics integrity, objectivity, confidentiality, and competence improved risk management effectiveness. The target population was banks in Palestine, and the methodology used a mixed-methods explanatory sequential design combining surveys and interviews. The findings indicated that strong adherence to internal auditing ethics significantly reduced operational risks, improved trust among stakeholders, and enhanced risk management effectiveness, which collectively strengthened financial sustainability. The study, however, assessed risk management as a proxy rather than directly measuring financial sustainability, and it was limited to crisis contexts. This created a gap for studies that focus on the direct relationship between auditors' ethical orientation and financial sustainability under normal operating conditions.

From a regional perspective, Mvunabandi and Maama (2023) assessed the impact of ethics on audit quality across 323 firms in twelve Sub-Saharan African countries between 2012 and 2021. The study employed panel regression models to examine the effect of ethical values on audit quality. Surprisingly, the findings showed that ethical values had a negative but statistically insignificant effect on audit quality, while audit tenure had a significant positive effect. The study underscored the complexity of the link between ethics and audit outcomes. However, it focused on audit quality rather than financial sustainability and did not explore auditors' ethical orientation at the individual level, leaving a gap for future research to connect ethics more directly with financial sustainability.

In Uganda, a study by Munene (2021) explored the association between audit committee effectiveness, internal audit functions, and sustainability reporting practices in financial services firms. The study targeted forty-eight firms and adopted a cross-sectional

correlational design, collecting data through questionnaires. The results revealed that both audit committee effectiveness and internal audit functions had positive and significant associations with sustainability reporting, particularly for economic and social indicators. Nevertheless, the study emphasized reporting practices rather than actual financial sustainability outcomes, leaving unanswered questions about the long-term influence of auditors' ethical orientation on financial resilience and survival.

Similarly, Awori (2023) investigated the effect of accounting ethical practices on the quality of financial reports in Ugandan manufacturing firms, using the Gulu Agricultural Development Company as a case study. The study involved 104 respondents and applied survey and regression analysis. Findings indicated that ethical accounting practices had a positive and significant influence on financial reporting quality. While this reinforced the role of ethics in enhancing transparency and accountability, the study only focused on financial reporting quality as a proxy for sustainability. It also relied on a single firm as the case, limiting the generalizability of the results. This left a gap for broader studies across multiple sectors linking auditors' ethical orientation to actual measures of financial sustainability.

Globally, the role of mental accounting in tax compliance has also been studied with negative implications for compliance. For instance, Javareshk, Pulford, and Krockow (2024) carried out an experimental study in the United Kingdom to test how mental accounting influences income declaration under different tax regimes. The study used a small sample of forty-seven university staff and students and employed manipulated scenarios with varying tax rates, audit probabilities, and fine rates. The findings revealed that when tax rates rose to 60 percent, participants declared significantly less of their labor income compared to capital income, illustrating how mental accounting reduced compliance. Although insightful, the study

was limited by its small experimental sample and the artificial nature of its design, leaving space for real-world investigations in developing countries.

A similar experimental study by Putri, Tarjo, and Setiawan (2018) focused on accounting students in Indonesia and found that mental accounting influenced decisions to evade taxes by treating refunds and payments asymmetrically. Although this work was slightly older than 2020, it reinforced evidence of the negative impact of mental accounting on tax compliance. However, it did not involve actual taxpayers, which narrowed its practical relevance. More broadly, the scarcity of post-2020 studies in Africa on the negative effects of mental accounting on tax compliance highlights an important gap for future research.

Turning to the local context, Kenyan studies have linked ethical orientation to financial sustainability in various ways. For example, Chemweno (2024) investigated the relationship between ethical values and financial sustainability in the Catholic Diocese of Eldoret. The study targeted a population of 1,663 individuals, with a stratified random sample of 322 respondents, and employed a correlational design with both questionnaires and document analysis. The findings showed that ethical values had a very strong, positive, and significant effect on financial sustainability, explaining over half of the variance in sustainability outcomes. While this highlighted the critical role of ethics, it focused on institutional rather than auditor-specific ethics, pointing to a need for studies centered on auditor ethical orientation.

Similarly, Kinamdali, Miroga, and Otinga (2022) studied the influence of financial auditing on the financial sustainability of Kisii County Government. Targeting 109 finance-related officials and using explanatory survey design, the study established that financial auditing positively affected the county's financial sustainability. However, it did not

specifically assess auditors' ethical orientation, instead emphasizing broader audit practices. This created a gap for research on the ethical dimension of auditing in local governments.

Finally, Omwenga (2023) examined the influence of auditor independence on the financial sustainability of Masinde Muliro University of Science and Technology. Using survey methodology targeting university staff involved in finance and audit, the study found that auditor independence had a significant positive effect on the institution's financial sustainability. While independence is a component of ethical orientation, the study did not comprehensively capture broader dimensions such as objectivity, integrity, or professional values. This pointed to the need for more holistic examinations of auditor ethical orientation in Kenyan institutions.

2.4 Research Gap

Despite extensive research on the relationship between an auditor's professional experience and organizational performance, the connection between this experience and financial sustainability remains under-explored. Previous studies have primarily examined how professional experience influences audit quality and fraud detection (Chen et al., 2021). However, limited attention has been paid to how experienced auditors impact the long-term financial stability of organizations. Future research should focus on how specific aspects of an auditor's experience, such as industry specialization or tenure, contribute to strategies that ensure financial sustainability.

While auditor independence is recognized as a cornerstone of credible financial reporting, the concept of "free independence," a scenario where auditors operate without coercion or external influence, has not been sufficiently studied in the context of financial sustainability. Research has primarily centered on regulatory and structural safeguards to

protect independence (Kenches & Salterio, 2016). Yet, there is a lack of studies exploring how auditors' autonomy in decision-making influences organizational strategies to achieve sustainable financial outcomes. Understanding this dynamic could provide new insights into governance frameworks.

The risk attitudes of auditors are another understudied area concerning financial sustainability. Although research has explored the impact of risk aversion or tolerance on audit outcomes and decision-making processes (Sweeney & Pierce, 2020), little is known about how auditors' risk preferences influence their recommendations for sustainable financial practices. Investigating this relationship could shed light on how auditors' risk attitudes shape their assessments of long-term financial risks and opportunities, thereby influencing organizational sustainability.

Ethical orientation is crucial for maintaining public trust in financial reporting, yet its role in promoting financial sustainability has not been sufficiently examined. Studies often focus on how ethical orientation affects compliance and fraud detection (Kaplan & Mauldin, 2020). However, there is a notable research gap in understanding how auditors' ethical principles impact their guidance on achieving financial sustainability. Further research could investigate the interplay between ethical decision-making and long-term financial planning to address this gap comprehensively.

2.5 Conceptual Framework

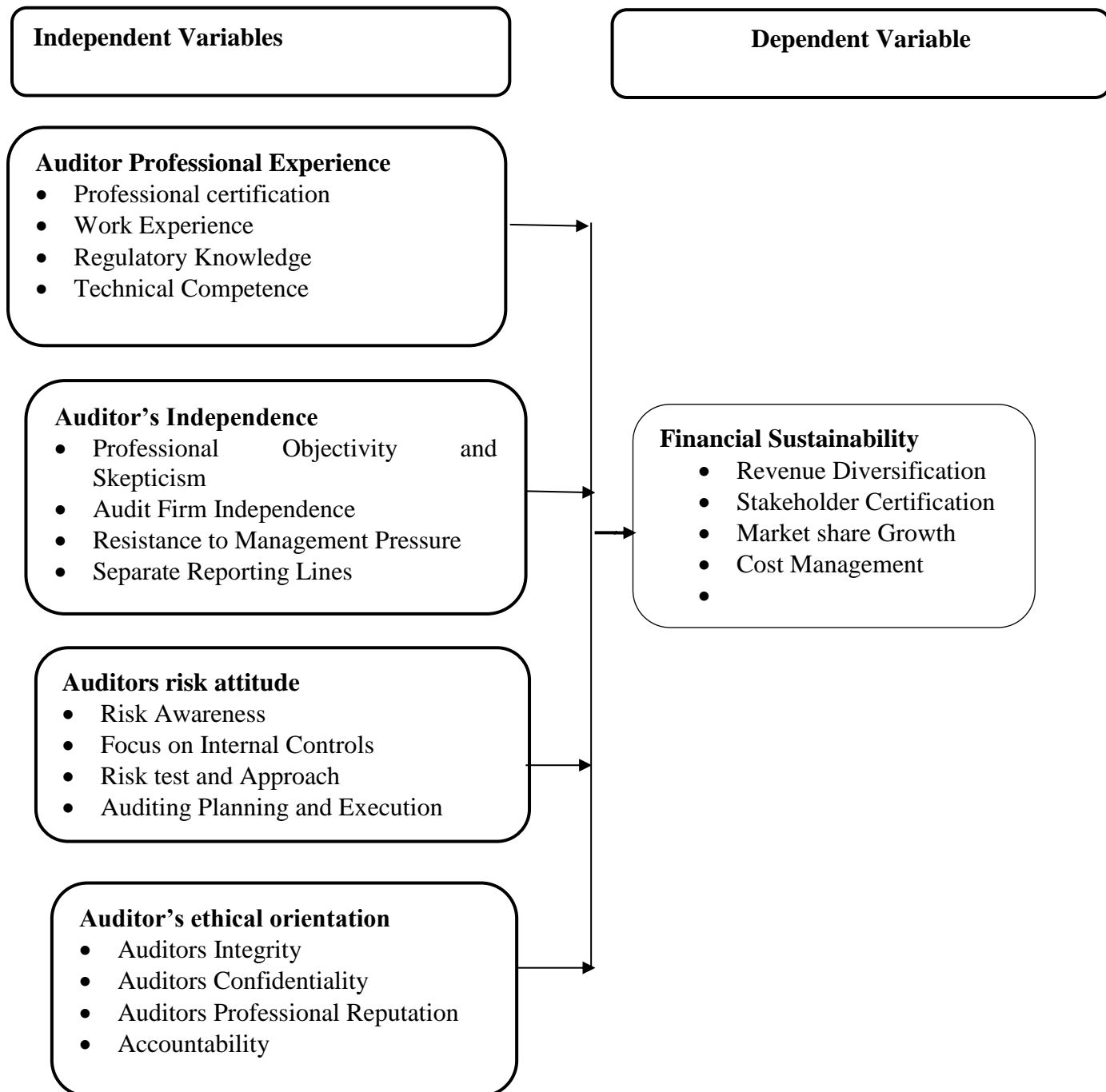


FIGURE 1

Conceptual Framework

2.6 Operationalization of Variables

TABLE 1

Operationalization of Variables

Variables	Operational Indicators	Measurement Scale
Auditor Experience	Professional <ul style="list-style-type: none"> • Accounting Standards • Sector Knowledge 	5-point Likert Scale
Auditor's Independence	<ul style="list-style-type: none"> • Audit Services Provided • Financial Interest 	5-point Likert Scale
Auditors Risk Attitude	<ul style="list-style-type: none"> • Experience and Expertise • Regulatory Environment and Standards 	5-point Likert Scale
Auditor's Ethical Orientation	<ul style="list-style-type: none"> • Personal Values and Beliefs • Professional Codes of Conduct 	5-point Likert Scale
Financial Sustainability	<ul style="list-style-type: none"> • Revenue Diversification • Cost Management 	5-point Likert Scale

CHAPTER THREE

RESEARCH METHODOLOGY

3.1 Introduction

This study investigates the influence of Auditor Characteristics on the Financial Sustainability of County Governments in Kenya. The chapter discusses research design and methods by reviewing the study design, target population, sample design, data collection, necessary information collection procedures, and data analysis. It entails making careful selections regarding who to investigate, choosing the methodology, and ensuring that the data collection process is reliable. It also explains the methods used to process and assess the data.

3.2 Research Design

In this study, descriptive research was used by the researcher. As Mugenda and Mugenda (2013) note, when the goal of a study is to accurately describe the situation or the relationship between variables, a suitable design maximizes reliability and minimizes data bias. A descriptive study design was used to provide facts and hints about key associations between variables and their apparent evolution, and the population described to investigate the influence of Auditor Characteristics on the Financial Sustainability of County Governments in Kenya.

This study explored the characteristics of research, providing insights into various topics within a specific field of study. It aimed to illustrate the genuine occurrence of a situation. This study utilized statistical tools to analyze and describe data, enabling the presentation of information from a broad dataset without altering its integrity. This approach explored the relationship between independent and dependent variables within the study framework.

3.3 Target Population

According to Gravetter and Forzano (2022), the target population represents the entirety of specific individuals, entities, or items that hold relevance for the researcher's investigation. In alignment with Sekaran and Bougie (2011), the population denotes the complete set of individuals, events, or subjects under scrutiny by the researcher. In this study, the target population was 1 internal auditor and 2 finance officers from each of the 47 Counties in Kenya, translating to 141 staff for this study. Since the study population was small, a census approach was adopted. A census study offers the unique advantage of comprehensive data collection, ensuring accuracy and inclusivity by examining every individual or unit within the target population (Mugenda & Mugenda, 2013).

3.4 Research Instrument

The basic data for this study were collected directly from respondents via questionnaires. The target population filled out surveys, which the researcher distributed to the twelve firms. Important people, particularly company executives and public relations professionals. The key reason for picking the responders indicated above was that these individuals were more likely to display a deep comprehension of the philosophy underlying the financial Sustainability of County Governments in Kenya. Furthermore, they were better able to explain how Auditor Characteristics have improved on financial Sustainability of County Governments in Kenya. The researcher collected data through a standardized questionnaire disseminated via the "drop and pick" method. The researcher's questionnaire was in the form of a Likert scale of 1-5; **1** strongly agree, **2** Agree, **3** Neutral, **4** Disagree, **5** strongly disagree.

3.5 Pilot Study

Different authors have described a pilot study as a practice that ensures errors are confined at a minimal cost. It is carried out so as to ascertain the reliability and validity of data collection tools (Saunders et al., 2017). Those engaged in the pilot study were not incorporated in the final research to prevent research fatigue and tiresome. This pilot study laid the groundwork for a larger-scale investigation into the role of auditor characteristics in promoting the financial sustainability of county governments in Kenya. The findings provided actionable insights for strengthening financial oversight and accountability in devolved units. Singh (2022) proposes using 5%-10% of the sample size for pilot analysis. Ten percent of the sample was used for instrument pre-testing. This represented 10% of the actual sample, which was within the 10% to 20% recommended by Clark, Foster, Bryman, and Sloan (2021). This allowed for the modification of questionnaires to improve their validity and reliability.

3.5.1 Reliability Test of the Research Instrument

To evaluate the reliability of the research instrument, a pilot study was carried out with a focus on ensuring consistency and dependability in the findings. Participants were guided through a standardized procedure to interpret and answer the questionnaire in a uniform manner, minimizing potential variations in responses. Reliability was measured using Cronbach's Alpha, a widely recognized statistical method for assessing internal consistency. Each section of the instrument was carefully analyzed, and any Cronbach's Alpha values below the acceptable threshold of 0.7 were scrutinized. According to Gall, Borg, and Gall (2016), a value of 0.7 or higher indicates acceptable reliability. Scores falling below this level prompted further review and adjustments to enhance the instrument's reliability.

3.5.2 Validity Test of the Research Instrument

According to Ghauri and Gronhaug (2005), validity refers to the degree to which the collected data directly correspond to the study's focus. To guarantee that the questionnaire fully captured the breadth of the research topic, content validity was evaluated in line with the recommendations of Straub et al. (2004). A comprehensive pilot study was undertaken, during which participants provided feedback to identify any questions that were unclear or potentially misleading. This iterative process facilitated the refinement of the questionnaire, ensuring that each item accurately aligned with the study's objectives. Furthermore, the instrument was reviewed by academic experts in the field, who critically assessed the constructs to confirm they accurately represented the intended variables. Their input played a crucial role in strengthening the validity and overall quality of the research tool.

To improve follow-up feasibility and maximize the likelihood of a high response rate crucial in a census approach the study implemented a structured follow-up plan. This involved sending scheduled reminder emails and making follow-up phone calls to non-respondents at set intervals. These efforts aimed to keep participants engaged, address any questions or concerns about the questionnaire, and encourage prompt completion, thereby supporting comprehensive data collection and reducing non-response bias.

3.6 Data Collection Procedure

The primary data collection method was the use of structured questionnaires that included both qualitative and quantitative aspects. The qualitative data (non-numerical data) was collected using the questionnaire. This data was collected from the open-ended questions where the responses were recorded verbatim. The quantitative data was collected using the closed questions where the responses were scored on a numerical scale. These

instruments were developed to contain the items that helped in achieving the objectives of the study (Bell, 2013).

3.7 Data Processing and Analysis

Data analysis is the process of interpreting and deriving conclusions from the information gathered in a study (Kombo & Tromp, 2016). As Kerlinger (2013) explains, quantitative analysis comprising both descriptive and inferential statistics facilitates the presentation and understanding of numerical data. In this study, the data was cleaned, coded, and entered into SPSS version 24 for processing. Descriptive statistics such as the mean, standard deviation, range, and minimum and maximum values were used to summarize the data. Inferential statistics, including correlation analysis, regression, and ANOVA, were employed to explore the relationship between the independent and dependent variables. The regression model outlined below were used to estimate the effect of risk management on financial inclusion:

$$Y = \beta_0 + \beta_1X_1 + \beta_2X_2 + \beta_3X_3 + \beta_4X_4\epsilon$$

Where:

Y = Financial Sustainability

β_0 = constant

β_0, β_1 = beta coefficients

X_1 = Auditor Professional Experience

X_2 = Auditor's Independence

X_3 = Auditors risk attitude

X₄= Auditor's ethical orientation

ε = error term

3.8 Diagnostic Tests

The appropriateness of the regression model was evaluated using the following diagnostic tests:

3.8.1 Multicollinearity Test

Multicollinearity occurs when two or more independent variables in a regression model are highly correlated, which can result in unstable coefficient estimates and inflated standard errors (Singh et al., 2023). This violates the assumption of independence among predictors, making it difficult to isolate the effect of each variable. To detect multicollinearity, Variance Inflation Factors (VIFs) will be calculated. The null hypothesis assumes no multicollinearity among the predictors. VIF values between 1 and 10 indicate no multicollinearity, whereas values exceeding 10 suggest its presence (Kalnins & Hill, 2023). If detected, log transformations were applied to the variables to reduce multicollinearity and improve the reliability of the regression results.

3.8.2 Normality Test

Normality is a core assumption in regression analysis, requiring that the residuals (errors) follow a normal distribution. This ensures the validity of the statistical tests within the model (Suhaili et al., 2021). A normal distribution of residuals forms a bell-shaped curve, showing most values concentrated around the mean (Yang, 2023). Skewness and kurtosis values will be computed to assess normality, with values within ± 3 indicating compliance with the assumption (Upendra, 2023). If substantial deviations from normality occur,

transformations such as logarithmic or square root adjustments were applied to meet the assumption and maintain the validity of the results.

3.8.3 Linearity Test

Linearity assumes a proportional relationship between the independent and dependent variables, allowing the regression model to correctly capture this relationship (Maydeu-Olivares et al., 2020). It is characterized by changes in the dependent variable being directly proportional to changes in the predictor (Hirukawa & Raïssi, 2020). Pearson Correlation Analysis will be used to check linearity, with correlation coefficients near ± 1 indicating a strong linear association, and values close to 0 showing weak or no linear relationship (Riffenburgh & Gillen, 2020). If linearity is absent, the variables may be transformed, or non-linear regression methods were considered to better model the relationship between financial risk management and financial inclusion.

3.8.4 Homoscedasticity Test

Homoscedasticity refers to the assumption that residuals have constant variance across all predicted values. A violation, known as heteroscedasticity, can lead to inefficient estimates and biased standard errors, undermining hypothesis testing (Kroeger et al., 2021). Homoscedasticity implies a uniform spread of residuals throughout the predicted range (Zhou et al., 2021). The Breusch-Pagan test and residual plot analysis will be used to assess this assumption. The null hypothesis states that residuals are homoscedastic. A p-value below the chosen significance level (e.g., 0.05) indicates heteroscedasticity (Ilori & Tanimowo, 2022). If detected, corrective measures such as weighted least squares regression or variable transformations were implemented to stabilize residual variance.

3.9 Ethics and Considerations

The study prioritized ethical standards to safeguard the integrity of the research and the rights of participants. Informed consent was obtained from all respondents, ensuring they understood the purpose, procedures, and their right to withdraw without repercussions (Xu et al., 2020). Confidentiality was maintained by anonymizing responses and avoiding the collection of identifiable information. Data was collected via Google Forms, with responses securely stored and accessible only to the researcher. The study complied with institutional review board requirements and professional ethical guidelines for research involving human participants (Eba & Nakamura, 2022). Adherence to these principles ensured a transparent, respectful, and credible research process, enhancing the trustworthiness and validity of the findings.

CHAPTER FOUR

DATA ANALYSIS, PRESENTATION AND INTERPRETATION

4.1 Introduction

This chapter is a summary of the results of the data analysis based on the objectives and research questions used to perform the research. Descriptive and inferential statistical methods were used to help in a comprehensive interpretation of the results. The content of the chapter is structured thus: he starts his chapter with a summary of the response rate, which is followed by the content background of the study. It subsequently delivers the findings of the diagnostic tests, assesses the reliability and validity of the information, gives the descriptive statistics, and the demographics of the respondents. The chapter ends with a conclusion of the key research findings.

4.2 Response rate

The research reported a high engagement among the respondents, which indicates their readiness to express their opinion on issues concerning auditors and financial viability of the county governments. The themes covered by the questionnaires were vast and in line with the study objectives as they provoked different and rich information that added diversity to the data in terms of options and real experiences within the county setting. There were 141 questionnaires given but 136 were properly filled and sent in, a response rate of 96.45. Hardigan, Popovici, and Carvajal (2016) have claimed that a response rate of over 50 percent is usually satisfactory in descriptive research, which means that the turnout was significantly higher than the required level in this study.

TABLE 2
Findings on Response Rate

Response	Frequency	Percentage
Returned	136	96.45%
Unreturned	5	%
Total	141	3.55%

Source: Author (2025)

4.2.1 Reliability Test

Reliability analysis was conducted using Cronbach's Alpha to assess the internal consistency of the questionnaire items for each study variable. A Cronbach's Alpha coefficient of 0.7 or higher is generally considered acceptable for social science research, as it indicates that the items measure the intended construct consistently (Tavakol & Dennick, 2011). The results in Table 3 show that Financial Sustainability recorded the highest reliability coefficient ($\alpha = 0.891$), suggesting a very strong internal consistency among its five items. Auditor Professional Experience also demonstrated high reliability ($\alpha = 0.889$), indicating that respondents interpreted the questions in a consistent manner. Auditors Independence achieved a coefficient of 0.773, while Auditor's Risk Attitude and Auditor's Ethical Orientation recorded 0.793 and 0.781, respectively all above the 0.7 threshold. These values confirm that the questionnaire items for all constructs were well-designed and yielded dependable responses.

The findings confirm that all the study variables met the recommended reliability threshold, with Cronbach's Alpha values ranging from 0.773 to 0.891. This indicates that the measurement scales used in the study were internally consistent and suitable for further

statistical analysis on the relationship between auditor characteristics and the financial sustainability of county governments in Kenya.

TABLE 3
Reliability Test Findings

Variables	Cronbach's Alpha	Number of Items in questionnaire	Conclusion
Financial Sustainability	0.891	5	Reliable
Auditor Professional Experience	0.889	5	Reliable
Auditors Independence	0.773	5	Reliable
Auditor's Risk Attitude	0.793	5	Reliable
Auditor's Ethical Orientation	0.781	5	Reliable

4.2.2 Validity Analysis using Kaiser-Meyer-Olkin and Bartlett's test

Factor analysis was carried out to assess the construct validity of the study variables using the Kaiser-Meyer-Olkin (KMO) measure of sampling adequacy and Bartlett's Test of Sphericity. A KMO value above 0.6 indicates that the sample size is adequate for factor analysis, while a significant Bartlett's Test ($p < 0.05$) confirms that the correlation matrix is not an identity matrix, meaning the variables are sufficiently correlated for factor extraction (Kaiser, 1974).

The results in Table 4 show that Financial Sustainability had a KMO of 0.732, Auditor Professional Experience 0.751, and Auditors Independence 0.764 all comfortably above the recommended minimum threshold, suggesting a high degree of sampling adequacy. Auditor's Risk Attitude and Auditor's Ethical Orientation had KMOs of 0.637 and 0.649 respectively, also meeting the acceptability standard for factor analysis. For all variables, Bartlett's Test of

Sphericity was statistically significant ($p = 0.000$), confirming that the items within each construct were appropriately correlated for validity testing.

The factorial test results confirm that all study constructs exhibited adequate sampling adequacy and statistically significant inter-item correlations, thereby validating the measurement instruments. These findings indicate that the items used to measure auditor characteristics and financial sustainability were both relevant and appropriate for further multivariate statistical analysis within the context of county governments in Kenya.

TABLE 4
Findings on Kaiser-Meyer-Olkin and Bartlett's Test

	KMO	Bartlett's Test of Sphericity			Validity
		Approx. Chi-Square	Df	Sig.	
Financial Sustainability	0.732	66.072	5	0	Valid
Auditor Professional Experience	0.751	95.259	5	0	Valid
Auditors Independence	0.764	28.156	5	0	Valid
Auditor's Risk Attitude	0.637	62.538	5	0	Valid
Auditor's Ethical Orientation	0.649	62.759	5	0	Valid

4.3 Socio- Demographic Characteristics of Respondents

This section outlines the socio-demographic profiles of the respondents involved in the study. Gaining insight into these characteristics is crucial, as they provide important context for analyzing the responses and viewpoints shared. The analysis focused on key demographic indicators including age, gender, educational background, and years of professional

experience, helping to shed light on how these factors might shape participants' perceptions related to the study's subject matter.

4.3.1 Gender of Respondents

The results in Table 5 show that 58.1% of the respondents were male, while 41.9% were female. This distribution suggests that the auditing profession within county governments in Kenya is moderately male-dominated, although female representation is still significant. The relatively high proportion of male respondents may reflect existing gender imbalances in senior audit positions within the public sector, which could influence perspectives on auditor characteristics such as professional experience, independence, and risk attitude. Conversely, the notable presence of female auditors provides a balanced viewpoint in the study, allowing for a more comprehensive understanding of how gender diversity may affect approaches to auditing and, ultimately, the financial sustainability of county governments.

TABLE 5
Gender of Respondents

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	MALE	79	58.1	58.1	58.1
	Female	57	41.9	41.9	100
	Total	136	100	100	

4.3.2 Department of Respondents

The analysis in Table 6 shows that 33.1% of respondents were from the County Executive. This proportion highlights the significant role of policy-level officers in shaping and overseeing financial governance, implying that their perspectives are likely to reflect strategic and administrative considerations influencing financial sustainability.

Accountants made up the largest group at 36.8%, indicating that a substantial portion of the respondents were directly involved in financial record-keeping, reporting, and compliance. Their input provides critical insights into the operational and technical aspects of financial management that underpin the sustainability of county resources.

Respondents from the Audit Department accounted for 30.1% of the sample. This group’s involvement ensures that the study captures in-depth perspectives on audit processes, professional standards, and oversight functions, all of which are central to assessing the influence of auditor characteristics on county governments’ financial sustainability.

TABLE 6

Department of Respondents

		Frequenc y	Percen t	Valid Percent	Cumulative Percent
Valid	County Executive Accountants	45	33.1	33.1	33.1
	Audit	50	36.8	36.8	69.9
	Total	41	30.1	30.1	100
		136	100	100	

4.3.3 Academic Qualification of Respondents

Respondents holding a Certificate qualification accounted for 22.1% of the sample. This indicates that a notable portion of the workforce possesses foundational academic training, which may influence their approach to practical auditing tasks through applied, hands-on skills rather than theoretical analysis. Those with a Diploma made up 20.6% of respondents, representing mid-level qualifications that blend technical proficiency with an intermediate level of professional knowledge. This group is well-positioned to handle operational responsibilities while bridging the gap between entry-level and higher-qualified personnel.

Participants with a Degree comprised 14%, reflecting a smaller but academically advanced segment that likely brings broader analytical and policy-oriented perspectives to auditing and financial governance processes. Holders of a Master’s degree represented 17.6% of respondents, suggesting the presence of individuals with advanced expertise and specialized knowledge relevant to strategic decision-making in auditing and financial sustainability.

The largest proportion, 25.7%, held a PhD, indicating a strong representation of highly specialized professionals capable of contributing to evidence-based policy development, complex financial analysis, and high-level oversight in county government auditing functions. This high percentage of doctoral-level respondents underscores the depth of academic expertise informing the study’s findings.

TABLE 7
Academic Qualification of Respondents

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Certificate	30	22.1	22.1	22.1
	Diploma	28	20.6	20.6	42.6
	Degree	19	14	14	56.6
	Masters	24	17.6	17.6	74.3
	PhD	35	25.7	25.7	100
	Total	136	100	100	

4.4 Descriptive Statistics

4.4.1 Findings on Financial Sustainability

The findings in Table 8 present a mixed picture regarding the adoption of practices that support financial sustainability in county governments. For Q6, 27.94% of respondents agreed, 36.03% were neutral, and an equal 36.03% disagreed that counties have ensured integration of financial and non-financial reporting for holistic sustainability assessments. With a mean of

3.08 (SD = 0.80), this suggests that while some progress has been made, integration is far from uniform. This lack of full institutionalization risks leaving social and environmental factors underrepresented in financial reports, which may compromise the ability of decision-makers to consider sustainability holistically.

Q7, 36.03% of respondents agreed, 31.62% were neutral, and 32.35% disagreed that county management periodically conducts audits of sustainability reports, including ESG disclosures. The mean score of 2.96 (SD = 0.83) reflects slightly lower perceived effectiveness compared to Q6, indicating inconsistency in the adoption of ESG audit practices. This uneven application could result in variable levels of transparency and accountability across counties, potentially undermining the credibility of sustainability disclosures and limiting public trust.

Q8, 34.56% agreed, 30.88% were neutral, and an equal 34.56% disagreed that robustness testing of systems monitoring sustainability metrics is normally conducted. The mean of 3.00 (SD = 0.83) highlights a near-even split in perception, suggesting that transparency in sustainability monitoring is not a standardized practice. Without consistent system evaluations, counties risk leaving gaps in performance tracking, which may delay the detection of emerging risks to sustainability outcomes.

Q9 shows 26.47% agreement, 36.76% neutrality, and an equal 36.76% disagreement that staying updated on global trends in financial and sustainability reporting is a fundamental county practice. Despite recording the highest mean score (3.10, SD = 0.79), the high neutrality and disagreement levels indicate potential gaps in capacity, resources, or prioritization. Without keeping pace with global reporting standards, counties risk falling behind in aligning with international benchmarks and donor expectations, reducing competitiveness and compliance.

Q10 reveals 34.56% agreement, 32.35% neutrality, and 33.09% disagreement that counties evaluate governance structures and their impact on sustainable financial performance. The mean of 2.99 (SD = 0.83) reflects a moderate perception of such evaluations being conducted. However, inconsistent application of governance reviews could prevent counties from identifying structural weaknesses, thereby limiting the effectiveness of reforms intended to strengthen financial sustainability.

Overall, these results suggest that while certain counties have made strides in adopting integrated reporting, ESG audits, monitoring system robustness, global trend alignment, and governance evaluations, these practices are far from universally implemented. This variability creates a fragmented approach to financial sustainability, potentially weakening the overall capacity of county governments to ensure long-term fiscal health and resilience. A more standardized adoption of these practices could enhance transparency, accountability, and alignment with both national priorities and global best practices.

TABLE 8
Financial Sustainability

	SA	A	N	D	SD	Desc.Stat	
						Mean	SD
Q6. Counties have ensured integration of financial and non-financial reporting for holistic sustainability assessments.	0.00%	27.94%	36.03%	36.03%	0.00%	3.08	.80
Q7. County management periodically Conduct audits of sustainability reports, including environmental, social, and governance (ESG) disclosures	0.00%	36.03%	31.62%	32.35%	0.00%	2.96	.83
Q8. Testing of robustness of systems that monitor sustainability metric is normally done to facilitate transparency	0.00%	34.56%	30.88%	34.56%	0.00%	3.00	.83
Q9. Staying updated on global trends in financial and sustainability reporting is fundamental to counties	0.00%	26.47%	36.76%	36.76%	0.00%	3.10	.79
Q10. Counties have evaluated governance structures and their impact on sustainable financial performance	0.00%	34.56%	32.35%	33.09%	0.00%	2.99	.83

4.4.2 Auditor Professional Experience

In Table 9 Q11, 40.44% of respondents strongly agreed and 26.47% agreed that auditors in counties adhere to ethical standards and integrity to ensure unbiased and objective assessments, while 33.09% remained neutral. With a low mean score of 1.93 (SD = 0.86), the results indicate a strong perception of ethical adherence among county auditors. This suggests that ethical conduct is generally upheld, which is crucial in maintaining public trust and ensuring accurate audit outcomes. However, the significant neutrality implies that some respondents may not have directly observed such conduct or remain unconvinced about its consistency. Consequently, sustained training, clear ethical codes, and transparent enforcement mechanisms are essential to strengthen confidence in auditors' objectivity.

Q12, 28.68% strongly agreed, 38.24% agreed, and 33.09% were neutral on the statement that independence can be compromised if auditors are influenced by personal or external interests, yielding a mean of 2.04 (SD = 0.79). This suggests that respondents recognize the risk of compromised independence, particularly in environments where political or managerial influence may be prevalent. The notable proportion of neutral responses could imply a lack of direct evidence among some participants, yet the general agreement points to the need for stricter safeguards. Therefore, reinforcing protective frameworks such as conflict-of-interest declarations and independent audit committees remains vital for preserving auditor independence.

Q13, 39.71% strongly agreed, 27.94% agreed, and 32.35% were neutral that effective oversight by regulatory bodies such as ICPAK ensures auditors remain independent, producing a mean of 1.93 (SD = 0.85). These findings highlight strong confidence in regulatory oversight, yet the third of respondents who are neutral signal that oversight mechanisms may not always be visible or effectively communicated. This points to an opportunity for regulatory bodies to enhance transparency in their monitoring processes and provide regular updates on compliance actions taken, thereby reinforcing trust in their ability to safeguard auditor independence.

Q14 shows that 30.88% strongly agreed, 40.44% agreed, and 28.68% were neutral that periodic rotation of auditors helps maintain independence, resulting in a mean of 1.98 (SD = 0.77). This strong overall agreement reflects the perception that rotation reduces familiarity threats and long-term influence risks. However, the notable neutrality rate suggests that while the policy is conceptually sound, its actual implementation and enforcement in county contexts may be inconsistent. Hence, formalizing and enforcing rotation policies at regular intervals could help ensure this preventive measure is applied effectively.

Q15 reveals that 30.88% strongly agreed, 34.56% agreed, and 34.56% were neutral that periodic rotation of auditors can help widen their knowledge on audit independence, producing a mean of 2.04 (SD = 0.81). This reflects a recognition that rotation not only mitigates independence risks but also provides exposure to diverse operational contexts, enhancing professional competence. Nevertheless, the equal proportion of neutrality highlights a potential gap in awareness or experience of such benefits, implying the need for training and awareness programs to emphasize how rotational practices contribute both to independence and professional growth.

TABLE 9

Auditor Professional Experience

	SA	A	N	D	SD	Desc.Stat	
						Mean	SD
Q11. Auditors in counties adhere to ethical standards and integrity to ensure unbiased and objective assessments	40.44%	26.47%	33.09%	0.00%	0.00%	1.93	.86
Q12. Independence can be compromised if they are influenced by personal or external interests	28.68%	38.24%	33.09%	0.00%	0.00%	2.04	.79
Q13. Effective oversight by regulatory bodies such as the Institute of Certified Public Accountants of Kenya (ICPAK) ensures that auditors remain independent.	39.71%	27.94%	32.35%	0.00%	0.00%	1.93	.85
Q14. The periodic rotation of auditors can help maintain their independence.	30.88%	40.44%	28.68%	0.00%	0.00%	1.98	.77
Q15. The periodic rotation of auditors can help widen their knowledge on audit independence	30.88%	34.56%	34.56%	0.00%	0.00%	2.04	.81

4.4.3 Findings on Auditors Independence

The analysis in Table 10 shows that Q16, 35.29% of respondents strongly agreed, 31.62% agreed, and 33.09% were neutral that strong legal safeguards protecting auditors from external pressures or retaliation help maintain their independence. With a mean of 1.98 (SD = 0.83), the data indicate substantial recognition of the value of legal protections, although the

notable proportion of neutrality suggests that some respondents may not be fully aware of such protections or their enforcement in county contexts. This underscores the need not only to strengthen legal frameworks but also to publicize and operationalize them so auditors are both protected and confident in exercising their mandate without fear of reprisal.

In Q17, 33.09% strongly agreed, 35.29% agreed, and 31.62% were neutral that regulatory bodies overseeing auditor conduct, setting rules, and ensuring adherence to standards can reinforce independence. The mean score of 1.99 (SD = 0.81) reflects strong confidence in regulatory oversight; however, the one-third neutrality rate suggests possible gaps in visible enforcement or communication of oversight activities. Therefore, regulatory agencies such as ICPAK and the Office of the Auditor-General could strengthen their impact by increasing transparency in their monitoring functions and demonstrating tangible outcomes of their oversight efforts.

Q18, 36.03% strongly agreed, 29.41% agreed, and 34.56% were neutral that long-term appointments without regular rotation can compromise an auditor's independence and efficiency. With a mean of 1.99 (SD = 0.84), these results show a clear recognition that familiarity threats and complacency risks are real concerns. Yet, the considerable neutrality suggests that not all counties may have experienced or observed such compromise, pointing to the need for more evidence-based advocacy on the importance of mandatory auditor rotation to safeguard objectivity and maintain performance standards.

Q19 reveals that 33.82% strongly agreed, 34.56% agreed, and 31.62% were neutral that the political environment and public scrutiny can either bolster or undermine auditor independence. A mean score of 1.98 (SD = 0.81) confirms that respondents acknowledge the influence of political dynamics on audit outcomes. While public scrutiny can act as a deterrent

to undue influence, political interference poses a significant risk, particularly in highly politicized county contexts. As such, fostering transparent processes and strengthening citizen oversight mechanisms could help balance these opposing forces and preserve auditor independence.

Q20 shows 38.24% strongly agreed, 25.74% agreed, and 36.03% were neutral that adequate remuneration and resources can reduce susceptibility to undue influence and preserve independence. The mean of 1.98 (SD = 0.86) indicates that resource adequacy is seen as a critical safeguard, yet the high neutrality rate suggests that disparities in resourcing across counties might limit universal recognition of its benefits. Addressing budgetary constraints, ensuring competitive pay, and providing adequate operational support could therefore enhance both auditor independence and overall audit quality.

TABLE 10**Findings on Auditors Independence**

	SA	A	N	D	SD	Desc.Stat	
						Mean	SD
Q16. strong legal safeguards that protect auditors from external pressures or retaliation can help maintain their independence	35.29%	31.62%	33.09%	0.00%	0.00%	1.98	.83
Q17. Regulatory bodies that oversee the conduct of auditors, setting rules and ensuring adherence to standards, can help reinforce auditor independence	33.09%	35.29%	31.62%	0.00%	0.00%	1.99	.81
Q18. Long-term appointment without regular rotation can compromise an auditor's independence and efficiency	36.03%	29.41%	34.56%	0.00%	0.00%	1.99	.84
Q19. The political environment and the level of public scrutiny can either bolster or undermine the auditors' independence	33.82%	34.56%	31.62%	0.00%	0.00%	1.98	.81
Q20. Providing auditors with adequate remuneration and resources can help reduce susceptibility to undue influence and preserve their independence	38.24%	25.74%	36.03%	0.00%	0.00%	1.98	.86

4.4.4 Auditors risk attitude

Table 11 shows, Q21, 33.82% of respondents agreed, 33.09% were neutral, and 33.09% disagreed that auditors proactively assess risks to ensure county governments remain financially sustainable, with a mean of 2.99 (SD = 0.82). This evenly distributed response pattern suggests mixed perceptions about the extent to which auditors engage in proactive risk assessment. Such division implies that while some auditors are seen as forward-looking in risk management, others may adopt a more reactive approach. Therefore, enhancing training in proactive risk identification and embedding it into audit procedures could bridge this gap, leading to stronger preventative measures for financial sustainability.

Q22, 27.94% agreed, 36.03% were neutral, and 36.03% disagreed that risk-averse behavior among auditors negatively affects financial sustainability, yielding a mean of 3.08 (SD = 0.80). The balanced distribution between neutral and disagreeing responses indicates uncertainty or skepticism about whether avoiding risks hinders sustainability. This suggests that while extreme risk aversion can limit innovation, some degree of caution is valued in public sector audits. Consequently, policies should promote a balanced approach that avoids excessive conservatism while still safeguarding public resources.

Q23, 27.21% agreed, 41.18% were neutral, and 31.62% disagreed that auditors prioritize identifying high-risk areas to mitigate financial mismanagement, producing a mean of 3.04 (SD = 0.77). The high proportion of neutral responses signals possible ambiguity about whether risk targeting is systematically embedded in audit practices. This indicates the need for clearer audit guidelines that emphasize prioritizing high-risk areas and ensuring that auditors have the analytical tools to identify and address these risks effectively.

Q24 shows 33.82% agreement, 36.76% neutrality, and 29.41% disagreement with the statement that a balanced risk-taking approach by auditors improves decision-making for financial sustainability, with a mean of 2.96 (SD = 0.80). The closeness of these proportions reflects varied perceptions about the benefits of calculated risk-taking in audits. This suggests that while some stakeholders value a balanced approach, others may remain cautious, possibly due to the accountability demands in public sector work. Thus, fostering an audit culture that recognizes when calculated risks are beneficial could enhance strategic decision-making without compromising compliance.

Q25 indicates 38.24% agreement, 28.68% neutrality, and 33.09% disagreement that auditors' unwillingness to take calculated risks impacts the quality of financial

recommendations, with a mean of 2.95 (SD = 0.85). The relatively high agreement level here shows more recognition of the link between cautiousness and the quality of recommendations. This implies that overcautious auditors may avoid making bold yet necessary recommendations, potentially limiting the impact of audit reports. Therefore, auditor training programs should incorporate case-based learning to help professionals recognize when calculated risks can lead to more impactful and relevant financial advice.

TABLE 11

Auditors risk attitude

	SA	A	N	D	SA	Total Mean	SD
Q21. Auditors proactively assess risks to ensure that county governments remain financially sustainable.	0.00%	33.82%	33.09%	33.09%	0.00%	2.99	.82
Q22. Risk-averse behavior among auditors negatively affects the financial sustainability of county governments.	0.00%	27.94%	36.03%	36.03%	0.00%	3.08	.80
Q23. Auditors prioritize identifying high-risk areas to mitigate financial mismanagement in county operations.	0.00%	27.21%	41.18%	31.62%	0.00%	3.04	.77
Q24. A balanced risk-taking approach by auditors improves decision-making processes for financial sustainability.	0.00%	33.82%	36.76%	29.41%	0.00%	2.96	.80
Q25. Auditors' unwillingness to take calculated risks impacts the quality of financial recommendations provided.	0.00%	38.24%	28.68%	33.09%	0.00%	2.95	.85

4.4.5 Auditors Ethical Orientation

The analysis in Table 12 Q26, 46.32% of respondents strongly agreed and 53.68% agreed that ethical auditors play a critical role in enhancing the financial sustainability of county governments, yielding a very low mean score of 1.54 (SD = 0.50), which indicates unanimous agreement. This strong consensus demonstrates that ethical conduct is universally perceived as essential to sustaining county finances. Consequently, policies and professional guidelines should continue to emphasize ethics as a non-negotiable pillar of auditing practice, as any erosion of ethical standards could directly jeopardize fiscal integrity and long-term stability.

Q27, 52.94% strongly agreed and 47.06% agreed that adherence to ethical standards reduces financial irregularities in county governance, producing the lowest mean of the group (1.47, SD = 0.50). The absence of neutral or dissenting responses underscores the certainty among respondents that ethical compliance directly curtails malpractice. This finding implies that ethics-focused training and strong enforcement of professional codes can serve as preventive measures against fraud, mismanagement, and corruption in county governments.

Q28, 50.74% strongly agreed and 49.26% agreed that a lack of ethical orientation among auditors contributes to weak financial sustainability frameworks, with a mean of 1.49 (SD = 0.50). The unanimous agreement reflects a recognition that without ethical foundations, even the most sophisticated financial systems can be undermined. Therefore, recruitment, promotion, and retention policies should prioritize integrity and moral responsibility as key criteria for public-sector auditors.

Q29 reveals 56.62% strong agreement and 43.38% agreement that the ethical orientation of auditors directly influences their capacity to provide reliable financial

recommendations, with the lowest mean of 1.43 (SD = 0.50). This near-universal agreement highlights the inseparable link between ethics and the quality of professional judgment. As such, embedding ethical reasoning into audit methodologies and decision-making frameworks can enhance the credibility and reliability of audit recommendations, thereby strengthening governance outcomes.

Q30 shows 46.32% strong agreement and 53.68% agreement that ethical auditors are more likely to ensure accountability in the management of public resources, matching Q26 with a mean of 1.54 (SD = 0.50). This consensus illustrates that ethics not only influence technical audit work but also foster transparency and responsible stewardship of public funds. Therefore, cultivating a culture of ethical accountability in county audit offices can significantly enhance public confidence and reinforce financial sustainability.

TABLE 12**Auditors Ethical Orientation**

	SA	A	N	D	SD	Desc.Stat	
						Mean	SD
Q26. Ethical auditors play a critical role in enhancing the financial sustainability of county governments.	46.32%	53.68%	0.00%	0.00%	0.00%	1.54	.50
Q27. An auditor's adherence to ethical standards reduces financial irregularities in county governance	52.94%	47.06%	0.00%	0.00%	0.00%	1.47	.50
Q28. Lack of ethical orientation among auditors contributes to weak financial sustainability frameworks.	50.74%	49.26%	0.00%	0.00%	0.00%	1.49	.50
Q29. The ethical orientation of auditors directly influences their capacity to provide reliable financial recommendations	56.62%	43.38%	0.00%	0.00%	0.00%	1.43	.50
Q30. Ethical auditors are more likely to ensure accountability in the management of public resources.	46.32%	53.68%	0.00%	0.00%	0.00%	1.54	.50

4.5 Diagnostic Tests**4.5.1 Multicollinearity Test**

The Variance Inflation Factor (VIF) values for all independent variables Auditor Professional Experience (1.031), Auditors Independence (1.004), Auditor's Risk Attitude (1.030), and Auditor's Ethical Orientation (1.006) are well below the commonly accepted threshold of 5 and even further from the stricter threshold of 10 used in some econometric assessments. These results indicate that multicollinearity is not a concern in this study, meaning that the independent variables are not highly correlated with one another. Consequently, each predictor can be interpreted as making a unique contribution to explaining variations in corporate governance among SMEs without distortion from overlapping influences. This

strengthens the reliability of the regression model, ensuring that parameter estimates are stable and that the statistical significance of each variable can be confidently attributed to its own effect rather than confounding interrelationships.

TABLE 13
Collinearity Statistics

	VIF
Auditor Professional Experience	1.031
Auditors Independence	1.004
Auditor's Risk Attitude	1.030
Auditor's Ethical Orientation	1.006

4.5.2 Normality Test

The results of the Kolmogorov–Smirnov and Shapiro–Wilk tests indicate that all study variables Financial Sustainability, Auditor Professional Experience, Auditors Independence, Auditor’s Risk Attitude, and Auditor’s Ethical Orientation have significance values greater than the 0.05 threshold. This outcome suggests that the data for each variable does not significantly deviate from a normal distribution. The Shapiro–Wilk test, which is particularly effective for small to medium sample sizes, further confirms normality with p-values ranging from 0.071 to 0.987, reinforcing the assumption required for parametric statistical analysis. Additionally, the Kolmogorov–Smirnov results, adjusted using Lilliefors Significance Correction, corroborate this finding, thus ensuring that the regression analysis, correlation tests, and other inferential statistics applied in this study are valid.

From an implication perspective, the confirmation of normality enhances the robustness and credibility of the statistical inferences drawn. Since the dataset satisfies this fundamental

assumption, the study can confidently rely on parametric methods to detect significant relationships and effects without the risk of biased estimations due to skewed distributions. Moreover, the normal distribution of variables suggests that the responses are evenly spread across the measurement scale, minimizing the likelihood of data clustering at extreme ends, which can distort findings. This supports the generalizability of results and strengthens the statistical power of the analysis.

TABLE 14
Normality Test

	Kolmogorov-Smirnov ^a			Shapiro-Wilk		
	Statistic	df	Sig.	Statistic	df	Sig.
Financial Sustainability	0.045	136	0.200*	0.997	136	0.987
Auditor Professional Experience	0.052	136	0.178*	0.981	136	0.092
Auditors Independence	0.048	136	0.21*	0.986	136	0.071
Auditor's Risk Attitude	0.05	136	0.196*	0.984	136	0.083
Auditor's Ethical Orientation	0.047	136	0.222*	0.982	136	0.095

*. This is a lower bound of the true significance.

a. Lilliefors Significance Correction

4.5.3 Linearity Test

The partial regression plot in figure 2 demonstrates a clear linear relationship between Auditor Professional Experience and Financial Sustainability, as evidenced by the clustering of data points around the regression line and an R-squared value of 0.653. This moderate to strong positive correlation suggests that increases in auditor experience are associated with improvements in financial sustainability, validating the assumption of linearity in this context.

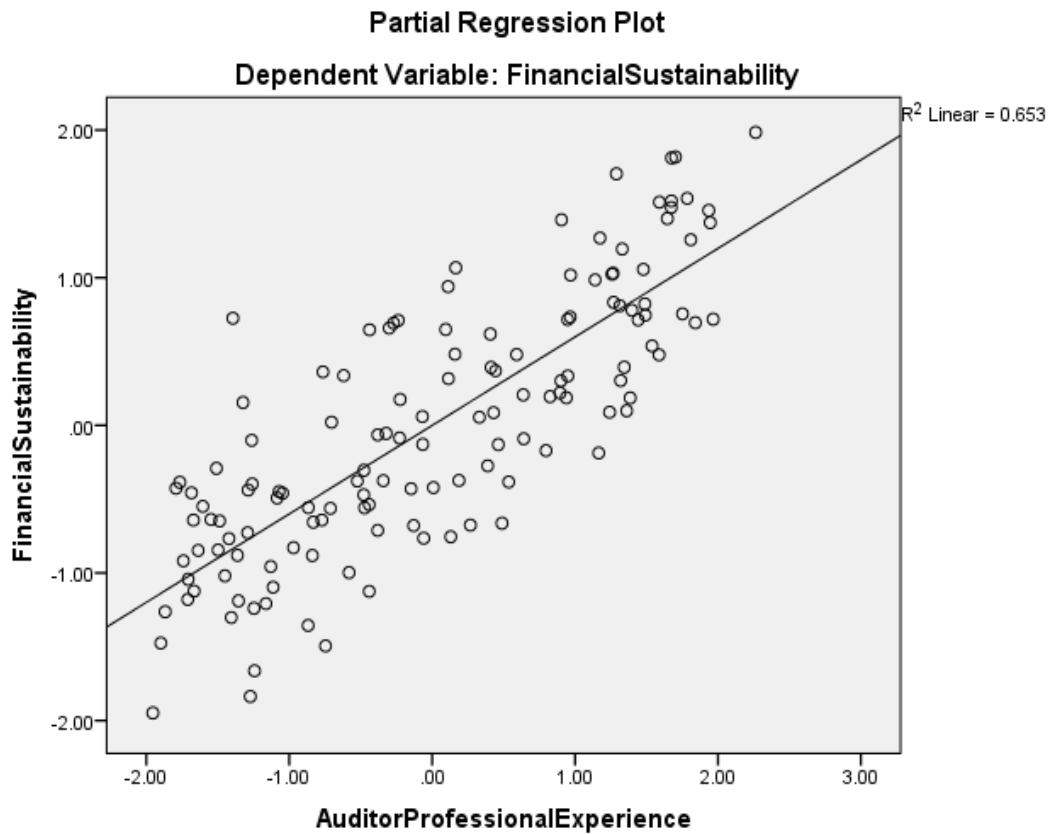


FIGURE 2

Auditor Professional Experience

The partial regression plot in figure 3 for Auditors Independence and Financial Sustainability reveals a moderate positive linear relationship, supported by an R-squared value of 0.543. This indicates that approximately 54.3% of the variation in financial sustainability can be explained by changes in auditor independence. The alignment of data points around the regression line and the upward slope further affirms the presence of linearity in this relationship.

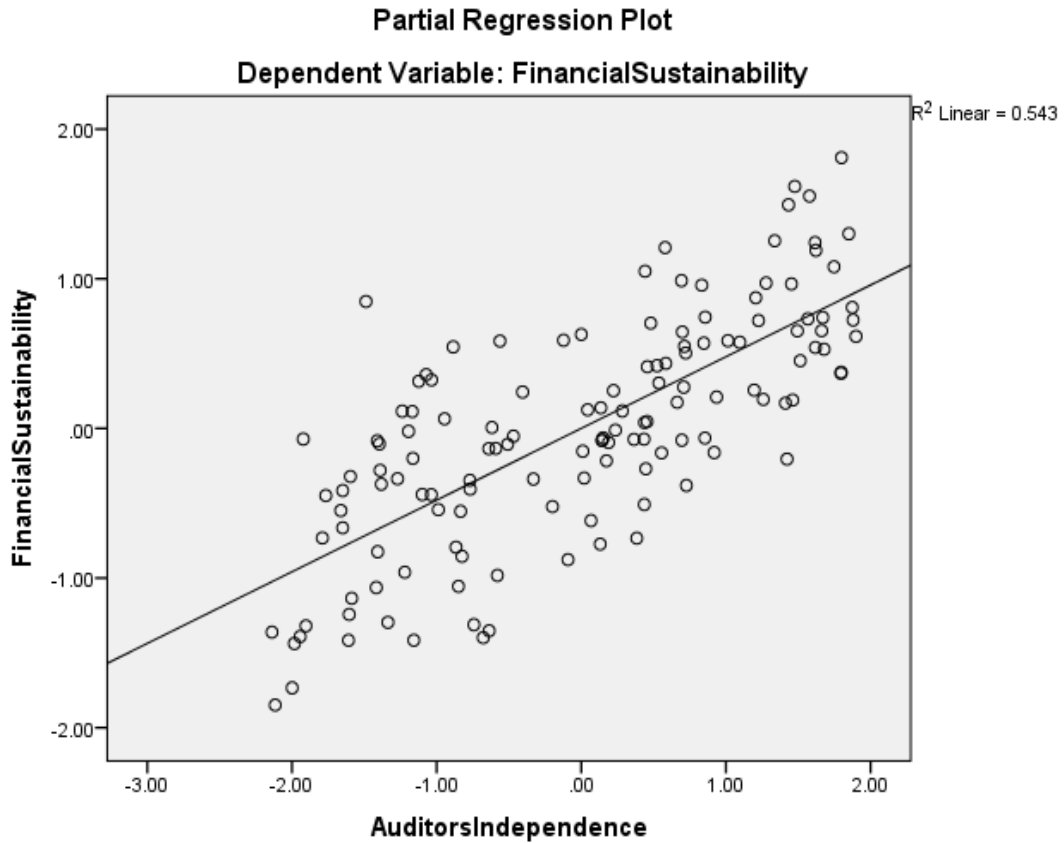


FIGURE 3

Auditors Independence

Based on the partial regression plot, there is evidence of linearity between Auditors' Risk Attitude and Financial Sustainability. The fitted regression line shows a clear positive slope, and the R-squared value of 0.472 indicates that 47.2% of the variation in financial sustainability is explained by changes in auditors' risk attitude. The clustering of data points around the line further supports the presence of a linear relationship.

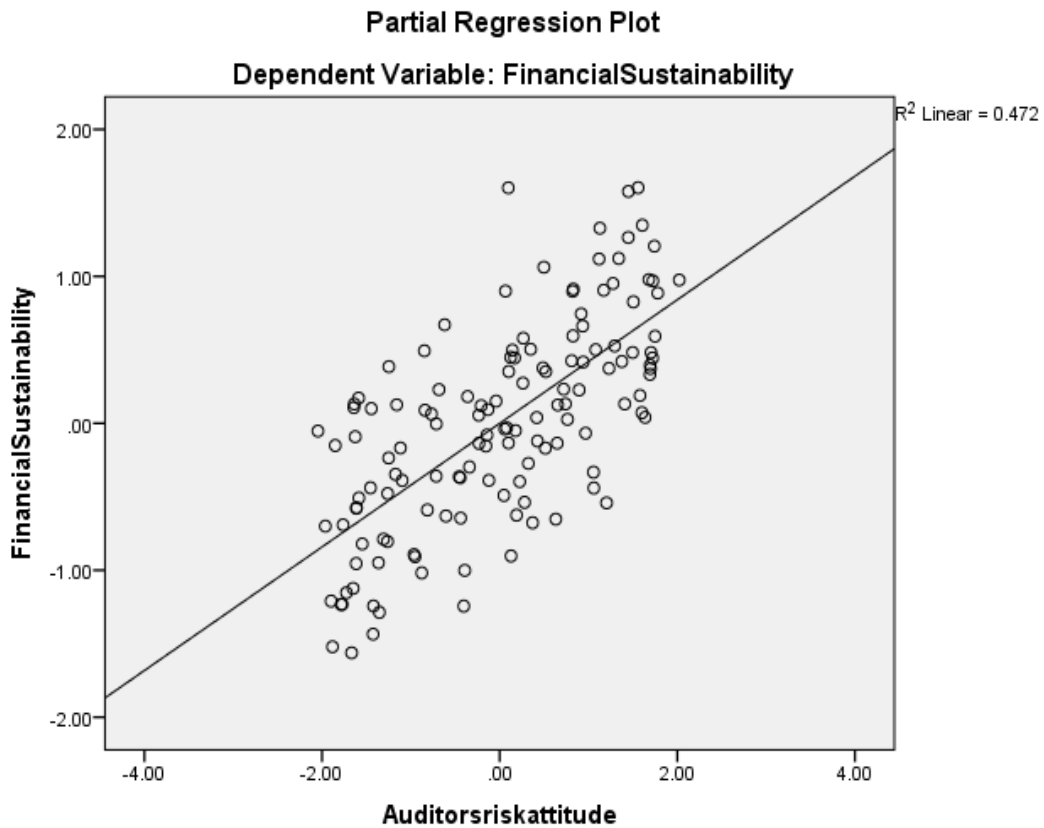


FIGURE 4

Auditors Risk Attitude

The partial regression plot indicates a weak but present linear relationship between Auditors' Ethical Orientation and Financial Sustainability. The positive slope of the regression line suggests that higher ethical orientation among auditors is associated with improved financial sustainability. However, the R-squared value of 0.248 implies that only 24.8% of the variation in financial sustainability is explained by this variable, pointing to limited explanatory power and the likely influence of other factors. Thus, while linearity exists, it is not strong.

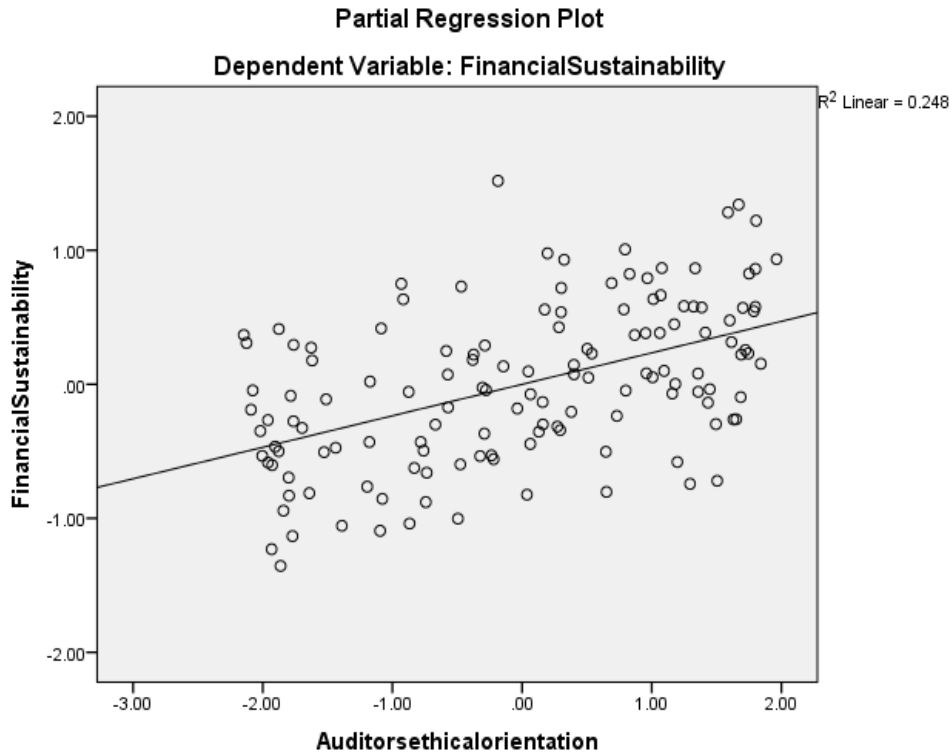


FIGURE 5

Auditors Ethical Orientation

4.5.4 Homoscedasticity Test

The scatterplot of standardized residuals against standardized predicted values shows a random dispersion of points around the horizontal line at zero, with no discernible funnel shape or systematic pattern. This randomness suggests that the variance of the residuals remains relatively constant across all levels of the predicted values, indicating the presence of homoskedasticity. Therefore, the assumption of equal variance critical for linear regression validity is reasonably satisfied in this model.

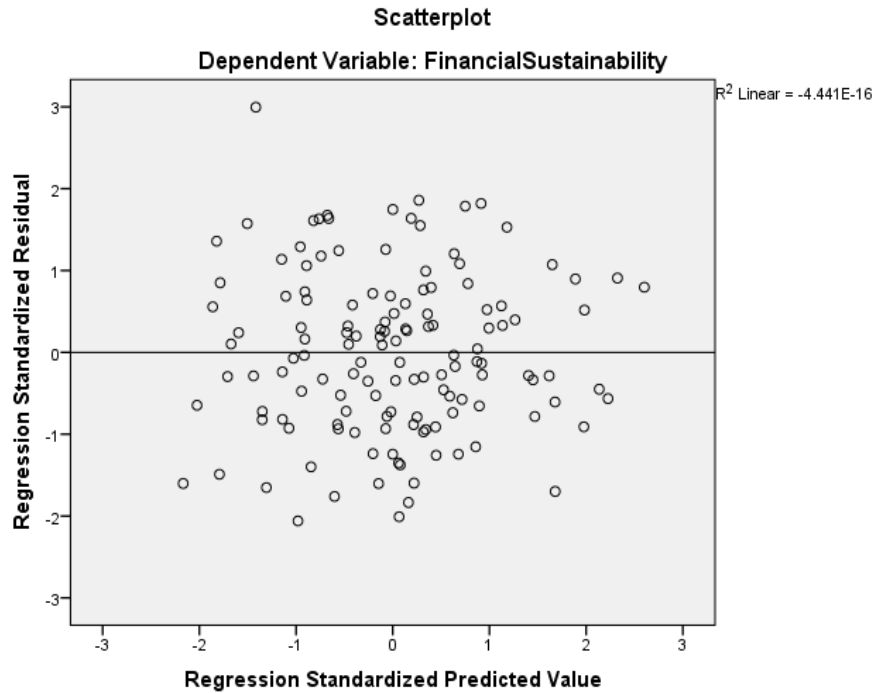


FIGURE 6

Homoscedasticity Test

4.6 Inferential Analysis

4.6.1 Correlation Analysis

The correlation analysis was conducted to establish the strength and direction of the relationships between auditor characteristics and the financial sustainability of county governments in Kenya. The auditor characteristics examined included professional experience, independence, risk attitude, and ethical orientation. Pearson correlation coefficients were employed to assess both the magnitude and significance of these relationships at the 0.01 and 0.05 significance levels. These findings provide insights into how different dimensions of auditor attributes contribute to enhancing or constraining the financial sustainability of devolved units.

Based on the correlation matrix, financial sustainability demonstrates varying degrees of association with the four auditor characteristics. Auditor professional experience shows a strong positive and statistically significant correlation with financial sustainability ($r = 0.629$, $p < 0.01$). This suggests that county governments with more experienced auditors are likely to achieve greater financial sustainability, as professional experience enables auditors to provide informed oversight, ensure compliance, and promote prudent use of resources.

Auditor independence is moderately and significantly correlated with financial sustainability ($r = 0.419$, $p < 0.01$). This indicates that independence plays a meaningful role in sustaining county finances, as objective and unbiased auditors are better positioned to detect mismanagement, reduce undue influence, and safeguard public resources. Interestingly, auditor independence does not correlate significantly with other auditor attributes such as professional experience, risk attitude, or ethical orientation, suggesting that independence operates as a distinct factor in shaping financial outcomes.

Auditors' risk attitude also demonstrates a moderate positive and statistically significant correlation with financial sustainability ($r = 0.478$, $p < 0.01$). This implies that auditors who adopt balanced risk assessment approaches can contribute positively to county financial stability by encouraging effective controls and prudent fiscal practices. However, the correlation between risk attitude and professional experience is weak and statistically insignificant ($r = 0.161$, $p = 0.062$), suggesting that experience does not necessarily shape auditors' perceptions of risk.

Auditors' ethical orientation, on the other hand, shows a weak but statistically significant positive relationship with financial sustainability ($r = 0.182$, $p < 0.05$). This finding indicates that while ethical standards matter, their influence on financial sustainability is

relatively limited compared to experience, independence, and risk attitude. Moreover, ethical orientation is not significantly associated with the other auditor attributes, implying that ethics function more as an individual trait rather than being strongly shaped by professional experience or risk perception.

In summary, the correlation results highlight that auditor professional experience, independence, and risk attitude are the most influential characteristics in promoting financial sustainability of county governments. Ethical orientation, while important, appears to play a more supportive role. Collectively, the findings emphasize the need for counties to not only engage experienced auditors but also safeguard their independence and foster sound risk assessment practices to enhance accountability and long-term fiscal health.

Table 15
Correlation Analysis

		Financial Sustainability	Auditor Professional Experience	Auditors Independence	Auditor's risk attitude	Auditor's ethical orientation
Financial Sustainability	Pearson Correlation	1.0000				
	Sig. (2- tailed)					
Auditor Professional Experience	Pearson Correlation	.629**	1.0000			
	Sig. (2- tailed)	0.0000				
Auditors Independence	Pearson Correlation	.419**	-0.0492	1.0000		
	Sig. (2- tailed)	0.0000	0.5691			
	N	136.0000	136.0000	136.0000		
Auditors risk attitude	Pearson Correlation	.478**	0.1606	-0.0365	1.0000	
	Sig. (2- tailed)	0.0000	0.0618	0.6729		
Auditors ethical orientation	Pearson Correlation	.182*	-0.0522	-0.0225	-0.0566	1.0000
	Sig. (2- tailed)	0.0336	0.5459	0.7946	0.5125	

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

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

4.7 Model Fitting

The ANOVA results in Table 16 evaluate the overall significance of the regression model developed to examine the effect of auditor characteristics on the financial sustainability of county governments in Kenya. The model incorporates four predictor variables auditor professional experience, auditor independence, auditor risk attitude, and auditor ethical orientation with financial sustainability serving as the dependent variable.

The regression sum of squares (SSR) is 157.103, while the residual sum of squares (SSE) is 35.598, giving a total sum of squares (SST) of 192.701. This distribution indicates that a substantial portion of the variance in financial sustainability is explained by the selected auditor characteristics, with relatively little left unexplained by the model.

The mean square for regression is 39.276 (obtained by dividing SSR by 4, the regression degrees of freedom), whereas the mean square for residuals is 0.272 (computed by dividing SSE by 131, the residual degrees of freedom). This yields an F-statistic of 144.536, which is very large, and a p-value (Sig.) of .000. Since the p-value is far below the 0.05 threshold, the results confirm that the regression model is statistically significant at the 5% level.

This finding implies that, taken together, auditor professional experience, independence, risk attitude, and ethical orientation exert a statistically significant combined effect on the financial sustainability of county governments. The high F-value suggests that the explanatory power of the model is strong, and the likelihood that these results are due to chance is extremely low.

In summary, the ANOVA results confirm that the relationship between auditor characteristics and financial sustainability is both statistically significant and meaningful. The model provides a good fit for the data, reinforcing the idea that strengthening auditor attributes

particularly their experience, independence, risk management orientation, and ethical stance can play a critical role in enhancing the long-term fiscal health and accountability of county governments in Kenya.

TABLE 16

Anova

Model	Sum of Squares	df	Mean Square	F	Sig.
1 Regression	157.103	4	39.276	144.536	.000 ^b
Residual	35.598	131	.272		
Total	192.701	135			

a. Dependent Variable: Financial Sustainability

b. Predictors: (Constant), Auditors ethical orientation, Auditors Independence, Auditors risk attitude, Auditor Professional Experience

The model summary in Table 17 provides evidence of a strong and statistically significant relationship between auditor characteristics and the financial sustainability of county governments in Kenya. The model yields a correlation coefficient (R) of 0.903, indicating a very strong positive association between the independent variable's auditor professional experience, auditor independence, auditor risk attitude, and auditor ethical orientation and the dependent variable, financial sustainability.

The coefficient of determination (R Square) is 0.815, which means that 81.5% of the variance in financial sustainability can be explained by the four auditor characteristics included in the model. This represents a high level of explanatory power, demonstrating that variations in county financial sustainability are strongly accounted for by the combined influence of auditor-related factors. The adjusted R Square is 0.810, slightly lower than the unadjusted R², which indicates that the model remains robust and not overfitted, and that each of the included predictors meaningfully contributes to explaining financial sustainability.

The standard error of the estimate is 0.52128, showing that the predicted values of financial sustainability deviate only moderately from the actual observed values. This suggests that the model provides reasonably accurate predictions of financial sustainability outcomes across counties.

The R Square change value of 0.815, coupled with an F-change statistic of 144.536 ($p = 0.000$), confirms that the inclusion of auditor characteristics significantly improves the model's explanatory power. The highly significant p-value indicates that the observed relationship is not due to chance, but reflects a genuine and meaningful impact of auditor attributes on financial sustainability.

In summary, the model summary results demonstrate that auditor characteristics collectively explain over 80% of the variation in the financial sustainability of county governments in Kenya. This is a very strong explanatory effect, underscoring the critical importance of engaging experienced, independent, ethically oriented auditors with balanced risk perspectives to strengthen fiscal accountability and ensure long-term financial sustainability at the county level.

TABLE 17

Model Summary^b

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	R Square Change	Change Statistics			
						F Change	df1	df2	Sig. F Change
1	.903 ^a	.815	.810	.52128	.815	144.536	4	131	.000

a. Predictors: (Constant), Auditors ethical orientation, Auditors Independence, Auditors risk attitude, Auditor Professional Experience

b. Dependent Variable: Financial Sustainability

Table 18 presents the regression coefficients of the predictor variables auditor professional experience, auditor independence, auditor risk attitude, and auditor ethical orientation on the dependent variable, financial sustainability of county governments in Kenya. The analysis examines both the direction and statistical significance of each predictor's effect while holding the other variables constant (*ceteris paribus*). The unstandardized coefficients (B) represent the expected change in financial sustainability resulting from a one-unit change in each auditor characteristic, while the standardized coefficients (Beta) allow comparison of the relative strength of each predictor.

The unstandardized coefficient (B) for auditor professional experience is 0.599, with a p-value of 0.000, which is highly significant at the 0.01 level. This means that, holding other auditor attributes constant, a one-unit increase in professional experience leads to a 0.599-unit increase in financial sustainability. With a standardized Beta of 0.598, professional experience emerges as the strongest predictor among all auditor characteristics. This suggests that counties with highly experienced auditors are more likely to maintain sustainable finances through improved oversight, enhanced compliance with Public Finance Management (PFM) laws, and more effective accountability mechanisms.

Auditor independence has an unstandardized coefficient (B) of 0.479 and a highly significant p-value of 0.000. This implies that a one-unit improvement in auditor independence is associated with a 0.479-unit increase in financial sustainability, holding other factors constant. The standardized Beta of 0.469 underscores its substantial contribution. These results highlight that independent auditors free from political or administrative influence are better able to detect irregularities, enforce transparency, and ensure resources are used for intended purposes, thereby enhancing the fiscal stability of counties.

The coefficient for auditor risk attitude is 0.421 with a p-value of 0.000, confirming a statistically significant positive effect. *Ceteris paribus*, a one-unit increase in prudent and balanced risk attitudes among auditors translates to a 0.421-unit increase in financial sustainability. With a standardized Beta of 0.413, this factor has a meaningful though slightly smaller effect compared to experience and independence. This finding suggests that auditors who incorporate risk-based approaches into planning, execution, and follow-up contribute to stronger internal controls and better financial decision-making at the county level.

Auditor ethical orientation has an unstandardized coefficient (B) of 0.235, with a p-value of 0.000, indicating a statistically significant positive effect, though weaker than the other predictors. A one-unit increase in ethical orientation leads to a 0.235-unit increase in financial sustainability, holding all other variables constant. The standardized Beta of 0.248 confirms its smaller but meaningful influence. While ethics matter for fostering trust, integrity, and compliance, their effect is relatively limited, possibly because ethics require institutional reinforcement and strong enforcement mechanisms to translate into tangible fiscal outcomes.

TABLE 18
Coefficients

Model	Unstandardized Coefficients		Standardized Coefficients Beta	t	Sig.	95.0% Confidence Interval for B		Correlations		
	B	Std. Error				Lower Bound	Upper Bound	Zero-order	Partial	Part
1 (Constant)	.157	.236		.665	.507	-.310	.623			
Auditor Professional Experience	.599	.038	.598	15.699	.000	.524	.675	.629	.808	.590
Auditor's Independence	.479	.038	.469	12.470	.000	.403	.555	.419	.737	.468
Auditor's risk attitude	.421	.039	.413	10.832	.000	.344	.497	.478	.687	.407
Auditor's ethical orientation	.235	.036	.248	6.574	.000	.164	.306	.182	.498	.247

a. Dependent Variable: Financial Sustainability

Based on the coefficients, the estimated regression equation for financial sustainability of county governments can be expressed as:

$$Y=0.157+0.599X_1+0.479X_2+0.421X_3+0.235X_4$$

Where:

- Y = Financial Sustainability
- X₁ = Auditor Professional Experience
- X₂ = Auditor Independence

- X_3 = Auditor Risk Attitude
- X_4 = Auditor Ethical Orientation
- **0.157** = Constant (intercept)

4.8 Discussion of findings

4.8.1 Auditors' Professional Experience on Financial Sustainability

Empirical evidence consistently shows that auditors' professional experience has a positive and significant influence on financial sustainability. Across different contexts, experienced auditors have been found to improve the accuracy of financial reporting, enhance compliance with standards, and strengthen internal control systems. Their ability to identify risks early, detect fraudulent activities, and recommend corrective measures not only improves organizational governance but also builds stakeholder confidence and supports long-term fiscal stability. In the public sector, including county governments, auditors with more years of practice are associated with stronger financial planning, reduced wastage of resources, and improved accountability, all of which contribute to sustainable financial performance.

Several studies align with these findings. Jackson and Moldrich (2018) highlighted that experienced auditors in the U.S. contributed to stronger financial reporting quality, thereby enhancing organizational longevity. Green and Thompson (2019) in the UK, and Schmidt and Braun (2019) in Germany, similarly emphasized the role of experience in early risk detection and actionable insights that promote financial sustainability. Johnson and Hughes (2020) confirmed these results in the U.S. market, showing that firms audited by experienced professionals exhibited better transparency and long-term growth. In Africa, Owolabi and Dada (2021) in Nigeria and Nel and Steyn (2020) in South Africa found that auditors with longer

practice histories displayed higher levels of objectivity and fraud detection capability. Mensah and Oppong (2022) in Ghana showed that experienced auditors better adhered to international auditing standards, while Waweru and Ndungu (2019) in Kenya confirmed that auditors with over a decade of experience managed complex audits more effectively. Closer to the Kenyan context, Mwangi et al. (2020) established that county governments with experienced auditors achieved stronger fiscal discipline, while Ouko (2019) found that SMEs in Nairobi benefitted significantly in terms of financial stability from auditors' experience. Collectively, these studies reinforce the notion that professional experience is indispensable for achieving financial sustainability.

While the majority of evidence points to a positive association, a few studies raise caution. Some scholars argue that experience alone does not guarantee improved financial sustainability, as outdated skills, lack of continuous professional development, or complacency among long-serving auditors may reduce their effectiveness. For example, Schmidt and Braun (2019) observed that experience without diverse exposure or international training could limit auditors' ability to adapt to dynamic regulatory environments. Similarly, critics suggest that in highly politicized contexts, such as some public institutions in Africa, the independence of auditors may be compromised regardless of their years of experience, weakening the potential link between experience and financial sustainability. These perspectives highlight the importance of complementing professional experience with ongoing training, strong institutional frameworks, and ethical safeguards to ensure its positive impact on financial sustainability is consistently realized.

4.8.2 Auditors' Independence on Financial Sustainability

Auditor independence has been shown to play a fundamental role in enhancing financial sustainability by improving transparency, accountability, and the reliability of financial reports. Independent auditors are more effective in detecting irregularities, ensuring compliance with financial regulations, and preventing conflicts of interest, which strengthens governance structures and fosters long-term fiscal stability. Conversely, lack of independence, often due to political interference, overfamiliarity with clients, or provision of non-audit services, weakens auditors' objectivity and compromises the financial sustainability of organizations.

Several studies support these findings. Zhang et al. (2021) in the United States established that stricter independence regulations enhanced audit quality and reduced financial distress in public companies. Sharma and Singh (2018) in India confirmed that politically influenced auditors in municipal corporations were less effective in curbing financial mismanagement, thus underscoring the value of independence in ensuring fiscal stability. Brown and Ratzinger (2020) found that independent audits in U.S. state governments improved compliance and financial management. Similarly, Izedonmi and Egbide (2022) in Nigeria, Maleka and Botha (2018) in South Africa, and Mwangi and Nyaga (2020) in Kenya all highlighted that independent auditors significantly enhanced financial sustainability through better oversight, audit rotation, and restrictions on non-audit services. Njoki (2018) also demonstrated that internal auditor independence improved transparency and accountability in Kenya's real estate sector.

However, some studies caution that auditor independence does not always guarantee improved financial sustainability. For instance, Brown and Ratzinger (2020) noted that despite independence, external challenges such as limited resources and political influence continued

to undermine the effectiveness of state audits. Similarly, Izedonmi and Egbide (2022) found that excessive familiarity due to long auditor tenure weakened independence, leading to biased reporting. Maleka and Botha (2018) also observed that political interference could erode independence, even in systems with formal safeguards. These findings suggest that while independence is vital, its effectiveness is contingent upon supportive legal frameworks, continuous enforcement of audit standards, and insulation of auditors from political and institutional pressures.

4.8.3 Auditors' Risk Attitude on the Financial Sustainability

The reviewed studies reveal that auditors' risk attitudes significantly influence the financial sustainability of county governments. Conservative or risk-averse auditors tend to apply more rigorous audit procedures, which strengthen accountability, enhance transparency, and reduce instances of financial misreporting. This vigilance allows county governments to identify irregularities early and take corrective measures that safeguard fiscal stability. However, overly cautious approaches may also constrain innovation, as institutions could shy away from pursuing projects with uncertain but potentially beneficial outcomes. Ultimately, the findings highlight the need for balanced risk-taking in audit practices to ensure both compliance and sustainable financial management.

Several studies align with these findings. Ndede and Moyi (2020) emphasized that conservative auditors in Kenyan county governments reduce the probability of misreporting, thereby supporting fiscal sustainability. Similarly, Smith and Johnson (2020) observed that risk-averse auditors often issue more qualified opinions, which push institutions toward improved transparency and long-term financial sustainability. Smith et al. (2021) also confirmed that cautious audit attitudes promote robust internal controls and reduce financial

vulnerabilities, while Nkosi and Makena (2020) highlighted that risk aversion among South African auditors enhances accountability in environments with weaker controls. These studies collectively agree that auditors' risk-averse behavior strengthens financial sustainability by instilling fiscal discipline and reducing irregularities.

On the other hand, some findings diverge from this perspective. Johnson et al. (2017) found that experienced auditors and those in large firms were less risk-averse, yet their decisions still contributed to effective sustainability due to structured risk management systems. Similarly, Kamau and Njoroge (2022) showed that higher professional training reduces risk aversion, enabling auditors to make more balanced decisions that do not necessarily compromise sustainability. Mutunga and Otieno (2021) also observed that younger auditors and those in larger firms were more open to risk-taking but still maintained financial discipline due to strong organizational support. These studies suggest that while extreme risk aversion promotes sustainability, calculated risk-taking under proper controls can equally safeguard financial stability without limiting innovation.

4.8.4 Auditors' Ethical Orientation on Financial Sustainability

The findings of the study show that auditors' ethical orientation plays a vital role in promoting the financial sustainability of institutions, including county governments. Ethical auditors, who uphold integrity, fairness, and objectivity, strengthen accountability, reduce incidences of misreporting, and ensure compliance with regulations. This fosters stakeholder trust, enhances transparency, and minimizes risks such as fraud and mismanagement, thereby promoting long-term financial stability. On the other hand, weak ethical orientation undermines confidence in financial oversight and threatens sustainable fiscal practices.

Several studies support these findings. Chakrabarti and Shah (2021) found that auditors with strong ethical principles improved financial oversight in nonprofits, while Lopez et al. (2018) established that moral reasoning among auditors enhanced accountability and reduced fraud, thereby strengthening institutional viability. Similarly, Akinbuli and Oyetade (2022) in Nigeria emphasized that integrity and independence sustain ethical conduct, while van der Merwe and Möller (2021) showed that public sector auditors, due to stricter oversight, adhered more strongly to ethical codes. In Kenya, Mwangi and Karanja (2023) observed that senior auditors reinforced ethical practices, while Njoroge and Otieno (2022) highlighted that conservative ethical orientation enhanced financial sustainability in microfinance institutions by reducing errors and risks.

However, some studies highlighted findings that temper or challenge this positive link. For instance, Mwangi and Karanja (2023) noted that younger auditors sometimes compromised ethics under competitive pressures, suggesting that ethical adherence is not uniform across experience levels. Similarly, Njoroge and Otieno (2022) cautioned that while conservative ethical orientation supports financial sustainability, excessive risk aversion could delay critical decision-making, thereby hindering operational efficiency. These findings indicate that although ethical orientation generally strengthens financial sustainability, imbalances or external pressures may limit its effectiveness.

CHAPTER FIVE

SUMMARY, CONCLUSIONS AND RECOMMENDATIONS

5.1 Introduction

In this chapter, the complete synthesis of the study is made and this is placed within the main context of the existing literature by making comparisons of past studies to highlight areas of agreement and disagreement. It criticizes the extent to which the current findings provide support or disapprove previous studies and provides a reflection on the consistency of the available evidence. Moreover, the chapter also gives the interpretation and the main insights presented by the researcher based on the analysis.

5.2 Summary of the study

The study investigated the influence of auditor characteristics on the financial sustainability of county governments in Kenya. Recognizing the critical role of auditors in promoting accountability, transparency, and fiscal discipline, the research examined how specific attributes namely professional experience, independence, ethical orientation, and risk attitude affect the financial sustainability of devolved government units. The study was anchored on legitimacy theory, stewardship theory, and inspired confidence theory, which collectively explain how auditor behavior and governance structures contribute to public trust and sustainable fiscal management.

A descriptive research design was adopted, targeting all 47 county governments in Kenya. The study population comprised 141 officers, consisting of one internal auditor and two finance officers from each county. Given the relatively small population size, a census approach was employed to ensure comprehensive and inclusive data collection. Primary data

were gathered using structured questionnaires that captured both qualitative and quantitative information. Open-ended questions provided qualitative insights, while closed-ended questions on a five-point Likert scale yielded quantitative data. Instrument reliability was confirmed through a pilot test, producing a Cronbach's alpha coefficient of 0.7, indicating acceptable internal consistency.

Data were analyzed using the Statistical Package for Social Sciences (SPSS), applying descriptive and inferential statistical methods, including multivariate regression and structural equation modeling. The findings revealed that auditors' professional experience, independence, and ethical orientation had positive and statistically significant effects on financial sustainability. In contrast, auditors' risk attitude exhibited a negative but statistically insignificant influence.

The study concluded that enhancing auditor competence, safeguarding their independence from political interference, and promoting strong ethical values are crucial to improving fiscal accountability and sustainability. It recommended continuous professional development, institutional reforms, and reinforcement of audit autonomy as key strategies for strengthening governance and ensuring the long-term financial sustainability of Kenya's county governments.

5.3 Conclusions of the Study

The aim of the study was to determine the impact of the auditor characteristic, that is, the professional experience of the auditors, independence of the auditors, risk attitude of the auditors and the ethical orientation of the auditors on the financial sustainability of the county governments in Kenya. It was found out that the four characteristics are significantly related

with financial sustainability and each of them is relevant in the abilities of counties governments to improve accountability, transparency, and sound financial management.

The research came to a conclusion that the experience of auditors is crucial to financial sustainability. The counties that hired auditors who had long experience enjoyed the benefit of having their financial estimates evaluated correctly and their controls overseen better. Scrupulous auditors were in a better position to identify abnormalities and prescribe viable corrective action, which increased fiscal discipline and financial robustness in the long-run.

On the same note, the independence of auditors was established to be a significant predictor of financial sustainability. External evaluations of the financial practices were independent and there were no external pressures and interference by political forces. Such impartiality instilled accountability, prevented mismanagement, and increased compliance with rules, which instilled confidence among people on the financial systems of the counties.

Moreover, the risk attitude of auditors had a great effect on the sustainability of county finances. The auditors who were found to be risk-takers who were not overly risk averse, but rather were found to be balanced, assisted the county governments in realizing that they might be financially vulnerable, but still managed to make strategic decisions. Such a balance minimized financial risk and guaranteed service continuity without killing innovation in the mobilization and use of resources.

Besides, such a cornerstone of financial sustainability as the ethical orientation of auditors surfaced. Counties that engaged auditors with high ethics enjoyed transparency, fairness and integrity in financial reporting. These ethical practices did not only reduce fraud and resource misuse, but also established credibility in the eyes of the stakeholders, strengthening financial stability and sustainability.

Combined, the research finds that the nature of auditors is the core of attaining financial sustainability in the county governments. Accountability mechanisms are enhanced by professional experience, independence, risk attitude, and ethical orientation, which make accounting system stronger, more transparent, and financially resilient. Thus, the priority of the policymakers and regulatory agencies should be given to capacity-building programs, ethical enforcement and protection of independence of auditors in order to maximize positive contribution of auditing to county governance. The fortification of these auditor characteristics will make the county governments financially viable and provide quality public services to the citizens.

5.4 Recommendations of the study

On the findings, the present study makes various recommendations that would enhance financial sustainability in the county governments by improving the main auditor properties. The recommendations were made in accordance with the four fundamental attributes analyzed, as the professional experience of auditors, independence of auditors, risk attitude of auditors and ethical orientation of auditors.

The research provides that county governments should focus on hiring and keeping auditors of long professional history. This may be done by using focused hiring policy, ongoing professional growth and frequent refresher training in specialty in areas like the accounting standards in the public sector and forensic auditing and emerging technologies. Moreover, audit departments are supposed to start mentorship programs so that less experienced auditors could learn under experienced professionals and thus increase the quality of the audit practices and enhance long-term financial sustainability.

In order to protect the independence of auditors, it is advisable that the county governments should formulate policies, which reduce political involvement in the auditing process. It is necessary to revise the appointment and reporting structures so that auditors are not subject to unwarranted influence by county executives. Moreover, there should be the empowerment of external monitoring organizations, which include the Office of the Auditor-General and the Ethics and Anti-Corruption Commission, to offer checks and balance. The auditors should also be ensured with enough funding and logistics support to do their work objectively and without compromise.

The research proposes that counties are supposed to promote a balanced risk culture among the audit functions. The auditors ought to be trained on the contemporary risk management models to enable them to be able to detect financial weak points without being to risk averse as to limit innovation in service provision and revenue generation. This can be enhanced by risk management workshops, training in scenarios, and working together with the internal audit committees to enhance the capability of auditors to anticipate and respond to financial risks in a prudent way that can support financial planning and financial stability.

The study suggests that ethical principles should be imprinted in the county audit practices. Counties are to implement and apply codes of ethics in accordance to international auditing standards, and also offer continuous training on accountability, transparency and integrity. There should be systems like whistleblower protection systems, independent audit review panels, and strong sanctions on malpractice to deter malpractice. Counties can ensure a high level of trust in the community and boost financial sustainability by incorporating ethical principles into the audit processes.

Lastly, the study advises that the national and county level policy makers alongside oversight institutions should assist in enabling environment so as to enhance the power of auditing. This can be in form of coming up with capacity building programs to the auditors, adherence to regulatory standards and incentives given to implement ethical and independent auditing programs. Cooperative models among counties, professional auditing organizations and regulating bodies should also be encouraged to lead to higher knowledge-sharing, standardization of practices, and an improved overall governance climate.

Overall, these recommendations imply that not only is the concept of enhancing the quality of audits so vital in the context of enhancing the quality of auditors, but it is also the solution to the financial sustainability of the county governments. These counties are positioned to seek accountability, improve transparency and become more resilient in financial management by investing in professional experience, safeguarding independence, fostering balanced risk attitudes and upholding value ethics.

5.5 Areas for Further studies

With the results of this study, future research directions are suggested in order to widen the scope of the study on the impacts of auditor characteristics on financial sustainability of county governments in Kenya.

Future research can be expanded to the county government to national government entities, state corporations, or even non-profit organizations. Through such comparative studies, it would come out whether the impact of auditor characteristics is universal in the public sector institutions or it is dependent on the organizational structure, funding models, and governance systems. In addition, cross-county comparisons would be useful in establishing the

influence of the political environments, budgetary allocations and institutional cultures on the role of auditors in enhancing financial sustainability.

Although this paper was aimed at examining four aspects of auditor that are paramount in professional experience, independence, risk attitude, and ethical orientation, future research might consider other aspects that include technological competence, continuous professional growth, and adapting to the new digital auditory tools. The conceptual framework would be further elaborated by the realization that as counties digitize their financial management systems, the technological abilities of the auditors and the data analytics would have a bearing on the sustainability outcomes. Moreover, a closer look at the relationship between auditors' attributes and the institutional aspects of internal audit committees, oversight associations, or governance culture might be very enlightening.

The methods in terms of methods, future research can be enriched by using longitudinal designs to find out how auditor attributes affect the financial sustainability of organizations over time, especially in various budget years or government terms. This would assist in establishing causal associations and not the cross-sectional associations. Also, mixed methods studies incorporating surveys with detailed interviews or case studies might offer a more in-depth insight into how auditors experience life in the county government. Lastly, the generalizability and strength of results might be increased by increasing the sample size in several counties or using complex statistical models.

Future studies may also focus on the way external pressures which may include devolution financing restrictions, political interference or anti-corruption initiatives moderate the relationship between auditor characteristics and financial sustainability. Equally, research might also examine how international auditing standards, professional codes of ethics, and

capacity-building initiatives led by regulatory bodies can be used to build the effectiveness of county auditors.

Overall, although this study is a good indication that auditor characteristics are powerful determinants of financial sustainability among county governments, additional studies are required to fill the contextual, conceptual, and methodological gaps. Such researches would not only enhance theoretical knowledge but also offer practical solutions to the policy makers, regulatory authorities, and professional institutions that want to tighten the governance and accountability structures of the devolved system in Kenya.

5.6 Limitations of the Study

Although this study yielded some useful insights, a number of limitations were experienced throughout the research process. Although these limitations do not invalidate the findings, they illustrate some areas to improve and conduct research in future. The major constraints are summarized in three dimensions contextual, conceptual and methodological.

A contextual limitation of the study is that it looked at the county governments in Kenya. Although this setting gave valuable information about the effect of auditor characteristics on financial sustainability (i.e. professional experience, independence, ethical orientation, and risk attitude), the results might not be readily extrapolated to other levels of government, state corporations, or organizations in the private sector. All these contexts have special regulatory and political and institutional environments that can differentiate the auditors' positions. In addition, the study failed to draw a distinction across counties that have differing levels of fiscal capacity, political stability or institutional maturity, which may be critical determinants of how the characteristics of auditors are translated into sustainable

financial practices. Intercounty or cross-country comparisons would then be required to determine the broader applicability of the results.

Conceptually, the research was limited to four traits of auditors, that is, professional experience, independence, risk attitude, and ethical orientation, as predictors of financial sustainability. Although these dimensions are the key ones in determining the effectiveness of auditors, other variables including governance culture, leadership capacity, adoption of technology in auditing, and political interference influence financial sustainability within the county governments and were not integrated into the current framework. In addition, the researchers failed to put to bear the impact of external supervisory bodies, for instance the Office of the Auditor General or the Senate Public Accounts Committee, whose mandates may strengthen or compromise the effect of auditor attributes. In this sense, this study might not fully reflect the complexity of the factors that contribute to the financial viability of devolved governance due to the conceptual scope of the study.

The study methodology was cross-sectional design, meaning that it gathered data at one time. This restricts capability to determine how the characteristics of auditors affect financial sustainability in a series of budgets or political regimes. Causal inference is also limited by the cross-sectional approach, as it is unable to provide a conclusive result of the directionality of variables relationship. Moreover, the research was based on mostly quantitative data collected with the help of structured questionnaires. Although this method boosted objectivity and statistical examination, it might fail to reflect the lived experiences, situational difficulties, or micro-processes within the organizational environment that influence auditing practices across counties. There would have been a richer finding by incorporating qualitative methods like interviews, focus groups or reviewing documents to have more contextual understanding.

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APPENDICES

Appendix I: Letter of Introduction



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BOARD OF POSTGRADUATE STUDIES

KCAU/BPS/2025

Date: Monday, February 24, 2025

TO WHOM IT MAY CONCERN

Dear Sir/Madam,

RE: ANTHONY NJUGUNA KIARIE-REG NO: KCA/07/01378

It is my distinct pleasure to introduce to you Anthony Njuguna Kiarie who is a student in our institution pursuing a Master of Science in Commerce- (Finance and Investment) degree in the School of Business.

Anthony is conducting a research on a topic titled: "*Auditor Characteristics and Financial Sustainability of County Governments in Kenya*" which is part of the requirements of the program he is pursuing. The research as well as the data procured thereof shall be used for academic purposes only.

Any assistance accorded to him is highly appreciated.

In case of further inquiry, do not hesitate to contact the undersigned.

Yours faithfully,

A handwritten signature in blue ink, appearing to read 'Dr. Jackson NdoLO'.

DR. JACKSON NDOLO
DIRECTOR, BOARD OF POST GRADUATE STUDIES

FIGURE 7

Letter of Introduction

Appendix II: NACOSTI Letter

REPUBLIC OF KENYA
NATIONAL COMMISSION FOR SCIENCE, TECHNOLOGY AND INNOVATION

Ref No: 255934

RESEARCH LICENSE



This is to Certify that Mr. Anthony Njuguna Kiario of KCA University, has been licensed to conduct research as per the provision of the Science, Technology and Innovation Act, 2013 (Rev.2014) in Kiambu on the topic: AUDITOR CHARACTERISTICS AND FINANCIAL SUSTAINABILITY OF COUNTY GOVERNMENTS IN KENYA for the period ending : 23/May/2026.

License No: NACOSTI/P/25/4173831

255934

Applicant Identification Number

Deputy Director
NATIONAL COMMISSION FOR SCIENCE, TECHNOLOGY & INNOVATION

Verification QR Code



NOTE: This is a computer generated License. To verify the authenticity of this document, Scan the QR Code using QR scanner application.

See overleaf for conditions

FIGURE 8

NACOSTI Letter

Appendix III: Questionnaire

Kindly tick the box that matches your answer to the questions and list the answers in the spaces provided appropriately.

General Questions

Section A

1. Gender Male Female

2. Which department do you belong to?

County Executive [] Accountants [] Audit []

3. What is your academic qualification?

Certificate [] Diploma [] Degree []

Masters [] PhD []

4. How long have you served in the capacity?

1 – 3 years

4 – 5 years

6 – 8 years

Above 9 years

Section B: on Financial Sustainability

Comments on the following statement where 1 Strongly agree , 2 Agree , 3 Neutral , 4 Strongly disagree , 5 Strongly disagree					
QUESTIONS	1	2	3	4	5
Q6. Counties have ensured integration of financial and non-financial reporting for holistic sustainability assessments.					
Q7. County management periodically Conduct audits of sustainability reports, including environmental, social, and governance (ESG) disclosures					
Q8. Testing of robustness of systems that monitor sustainability metric is normally done to facilitate transparency					
Q9. Staying updated on global trends in financial and sustainability reporting is fundamental to counties					
Q10. Counties have evaluating governance structures and their impact on sustainable financial performance					

Section C: Auditors Independence on Financial Sustainability of County Governments in Kenya

Comments on the following statement where 1 Strongly agree , 2 Agree , 3 Neutral , 4 Disagree , 5 Strongly disagree .					
QUESTIONS	1	2	3	4	5
Q11. Auditors in counties adhere to ethical standards and integrity to ensure unbiased and objective assessments					
Q12. Independence can be compromised if they are influenced by personal or external interests					
Q13. Effective oversight by regulatory bodies such as the Institute of Certified Public Accountants of Kenya (ICPAK) ensures that auditors remain independent.					
Q14. The periodic rotation of auditors can help maintain their independence.					
Q15. The periodic rotation of auditors can help widen their knowledge on audit independence.					

Section D: Auditors Independence on Financial Sustainability

Comments on the following statement where 1 Strongly agree , 2 Agree , 3 Neutral , 4 Disagree , 5 Strongly disagree .					
QUESTIONS	1	2	3	4	5
Q16. strong legal safeguards that protect auditors from external pressures or retaliation can help maintain their independence					
Q17. Regulatory bodies that oversee the conduct of auditors, setting rules and ensuring adherence to standards, can help reinforce auditor independence.					
Q18. Long-term appointment without regular rotation can compromise an auditor's independence and efficiency					
Q19. The political environment and the level of public scrutiny can either bolster or undermine the auditors' independence					
Q20. Providing auditors with adequate remuneration and resources can help reduce susceptibility to undue influence and preserve their independence.					

Section E: Auditors Risk Attitude on the Financial Sustainability

Comments on the following statement where 1 Strongly agree , 2 Agree , 3 Neutral , 4 Disagree , 5 Strongly disagree .					
QUESTIONS	1	2	3	4	5
Q21. Auditors proactively assess risks to ensure that county governments remain financially sustainable.					
Q22. Risk-averse behavior among auditors negatively affects the financial sustainability of county governments.					
Q23. Auditors prioritize identifying high-risk areas to mitigate financial mismanagement in county operations.					
Q24. A balanced risk-taking approach by auditors improves decision-making processes for financial sustainability.					
Q25. Auditors' unwillingness to take calculated risks impacts the quality of financial recommendations provided.					

Section F: Auditors Ethical Orientation on Financial Sustainability

Comments on the following statement where 1 Strongly agree , 2 Agree , 3 Neutral , 4 Disagree , 5 Strongly disagree .					
QUESTIONS	1	2	3	4	5
Q26. Ethical auditors play a critical role in enhancing the financial sustainability of county governments.					
Q27. An auditor's adherence to ethical standards reduces financial irregularities in county governance.					
Q28. Lack of ethical orientation among auditors contributes to weak financial sustainability frameworks.					
Q29. The ethical orientation of auditors directly influences their capacity to provide reliable financial recommendations					
Q30. Ethical auditors are more likely to ensure accountability in the management of public resources.					