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ABSTRACT

This study investigated the influence of financial auditing on financial sustainability in county governments in Kenya; a case of Kisii County Government, Kenya. The study was informed by the lending credibility theory, theory of inspired confidence and agency theory. Explanatory survey design was used to explain hypothesized relationships. The study targeted 109 respondents comprising of mainly auditors, finance officers, revenue officer, economist and accountants working in Kisii county government. From a target population of 109 respondents, a sample size of 86 was calculated as per Taro Yamane's proportional sampling technique formula. Primary data was collected by means of self-administered structured questionnaires. Collected data was coded, cleaned, tabulated and analyzed using descriptive and inferential statistics with the aid of specialized Statistical Package for Social Sciences, version 26. Descriptive analysis such as frequencies, means, and standard deviation was utilized whereas analyzed data presented in tables and graphs. Further, inferential statistics assessed nature and the strength of the relationships. SPSS version 26 is the analysis computer software that was used to compute statistical data. From 86 questionnaires that were dispatched for data collection, 81 questionnaires were returned completely filled. Both descriptive and inferential statistics revealed that all of the study's independent variables (auditors' competency, auditors, independence, internal audit standards, audit reporting structure) significantly influenced the dependent variable (financial sustainability in Kisii County Government, Kenya). The study concluded that one, both internal and external auditors' competency significantly influences audit quality which consequently deters financial mismanagement that can make county governments not able to sustain their budgets; two, well monitored internal audit standards can deter deliberate accounting errors and save county government huge finances hence enable them sustain their financial expenditures. The study recommends that one, county government finance managers should foster auditors' independence without compromising or conspiring with them, so as to give authentic audit reports that dully identify financial mismanagement in county governments; two, county governments should support effective internal audit standards that do not compromise audit quality; and finally, county governments should have a transparent and effective audit reporting structure that does not compromise the independence and quality of the internal audit reports.

Key Words: *Auditors' Competency, Auditors' Independence, Internal Audit Standards, Audit Reports*

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INTRODUCTION

In the wake of a multiplicity of economic crises, governments- both national and local, all over the world are faced with difficult choices that have global ramifications. In such difficult economic situations, governments both global and local become increasingly cognizant of the need to balance their budgets in order to avoid financial difficulties. Yet itis often difficult for governments to assess the financial distress of their localities and, more importantly, to recognize local financial difficulties before they become severe (Kloha, Weissert & Kleine, 2019).

The operationalization of internal audit, according to IIA (2016) includes the standards of internal audit, auditor independence, internal controls and competence in performing their professional duties. The adherence to internal audit standards are crucial in boosting the effectiveness of the process according to the publication of IIA (2018) including aspects such as attribute, implementation standards and performance. Further it is argued that the auditor is supposed to be independent of both the personnel related and operational related activities within the firms. This is with the aim, of not compromising the opinions of the auditor in terms of integrity, recommendations and conclusions. Also according to KPMG (2019) on detection of financial fraud, competence in performing professional financial duties is a key consideration. Further the designed audit systems within the firm should adhere to the internal checks in line with the internal audit control function which includes organizing, directing, planning and controlling program operations and the systems put in place to report, measure and monitor performance of the financial audit control program.

Globally, American Accounting Association (2018) reported that auditors are used as a mechanism to enhance credibility of the financial statements so that the public who are not involved in the day to day running of the organization can have some level of confidence in the reported financial position. The willingness of internal auditors to report a discovered breach depends on a number of factors including; the level of independency accorded by the management (Raja, 2022).

The forty seven (47) counties have the mandate of bringing governance closer to the people as fronted by the decentralization premise that avers each public entity should bring power and resources closer to the people in order to maximize on the benefits of devolution. The Fourth Schedule of the Constitution of Kenya, 2020 lists the functions of both National and County Governments. Functions such as Agriculture, County Roads, Health Services, Provision of Water, Early Childhood Development Education (ECDE), Polytechnics and Home Craft Centers among others have been devolved to counties. Transitional Authority (T.A.) was a constitutional body tasked to ensure that over the medium term, there was a seamless transition of functions from National Government to County Governments. The basis is resources should follow functions and thus counties are allocated money from the National Exchequer and are also expected to collect local revenue collections in order to provide service delivery to the people.

Statement of the Problem

Financial sustainability in public institutions is concerned with ensuring that funds are continuously available when required and that they are acquired and utilized in the most efficient and effective manner to the advantage of the citizens who are tax payers; but financial sustainability has become one of the most prominent issues (World Bank, 2020).

In Kenya, Office of Controller of Budgets in Kenya reveals that the financial sustainability in both national and county governments are generally weak and dominated by conditions of financial resource scarcity thus, service delivery in county governments continue being poor translating to low citizens satisfaction index because county government cannot sustain their budget allocations and expenditures (Controller of Bugdet, 2023).

More so, in most county governments in Kenya, there are reported cases of financial instability as a result of poor financial management practices, delays in release of equitable share of funds by the National Treasury, inability to meet local revenue targets, high recurrent costs which may not only fail to satisfy their service obligations to citizens but also drain the public coffers by requiring drastic measures; which imply forgone economic growth and development and continuing pressure to the national government to support the county governments which cannot sustain themselves financially (Controller of Bugdet, 2023).

Since the inception of devolved governance in 2013, many counties have struggled to balance their budgets and meet their financial obligations. In 2019, the total budget deficit for all counties was estimated to be KSh 79.7 billion while in 2020 was KSh 84 billion. The total budget deficit for all counties in Kenya in 2021 was KSh 98.5 billion while in 2022 was KSh 120 billion. This is according to the 2022 Budget Review and Outlook Paper published by the National Treasury (Controller of Bugdet, 2022). The Auditor General's report, 2021 voiced concerns about the discrepancy between County budget and County government spending, stating that an inept PFM system results in ineffective management of public expenditures and the misuse of limited resources (The National Treasury report, 2022).

Empirically, studies done both in the global and local context for use of auditing to check financial sustainability have exhibited contextual, conceptual and methodological gaps. For instance, Davidson, Goodwin-Stewart and Kent (2019), Hutchinson and Zain (2019), Messier (2021) and Kaplan and Mike (2018) have focused on general financial auditing in foreign countries without really identifying salient auditing areas that requires adequate focus to boost financial reporting and management in either private or public organizations.

More interestingly, despite complaints from the public and Office of the Auditor General about financial unsustainability due to financial mismanagement in county governments, most financial audit reports are either politicized or cancelled as malicious and lacking authenticity, yet many county governments still complain of financial unsustainability; a gap that motivated this study to investigate influence of financial auditing on financial sustainability in county governments in Kenya; a case of Kisii County Government, Kenya.

Objectives of the study

The general objective of the study was to investigate the influence of financial auditing on financial sustainability in Kisii County Government, Kenya. The study was guided by the following specific objectives;

- To determine the influence of auditor's competency on financial sustainability in Kisii
- County Government, Kenya.
- To determine the influence of auditor's independence on financial sustainability in Kisii County Government, Kenya.
- To determine the influence of internal audit standards on financial sustainability in Kisii County Government, Kenya.
- To determine the influence of audit reporting structure on financial sustainability in Kisii County Government, Kenya.

The study tested the following research hypotheses

- **H_{01}:** Auditors competency does not significantly influence financial sustainability in Kisii
- County Government, Kenya.
- **H_{02}:** Auditors independence does not significantly influence financial sustainability in Kisii
- County Government, Kenya.
- **H_{03}**: Internal audit standards do not significantly influence financial sustainability
- County Government, Kenya.
- **H_{04}**: Audit reporting structure does not significantly influence financial sustainability in Kisii County Government, Kenya.

LITERATURE REVIEW

Theoretical Review

Limperg's theory of inspired confidence

This theory was developed in the late 1920s by the Dutch professor Theodore Limperg (Hayes et al., 2019). Limperg's theory addresses both the demand for and the supply of audit services. According to Limperg, the demand for audit services is the direct consequence of the participation of outside stakeholders in the company. These stakeholders demand accountability from the management, in return for their contribution to the company. Since information provided by management might be biased, a possible divergence between the interest of management and outside stakeholders, an audit of this information is required.

With regard to the level of audit assurance that auditor should provide, (the supply side), Limperg adopts a normative approach. The auditor's job should be executed in such a way that the expectations of a rational outsider are not thwarted. So, given the possibilities of audit technology, the auditor should do everything to meet reasonable public expectations. This theory of inspired confidence is therefore related to this study because it helps assess how auditors should help county governments' financial officials identify and seal financial mismanagement areas so as to boost financial accountability and sustainability.

Agency theory

Agency theory was coined by Stephen Ross and Barry Mitnick and analyses the relationship between two parties: investors and managers. The agent (manager) undertakes to perform certain duties for the principal (investors) and the principal undertakes to reward the agent (Andersson & Emander, 2016).

In this regard, according to agency theory, the role of the auditor is to supervise the relationship between the manager and the owners. A gap expectation occurs when the distribution of the responsibility is not well defined. The responsibility of every part is well defined in the regulation. The manager and the owners have to realize that the auditor does not have responsibility of the accounting, but only see that the auditing is done properly (Andersson & Emander, 2016).

Further, given that principals (in this case tax payers) will always be interested in the outcomes generated by their agents (in this case county governments), agency theory demonstrates that accounting and auditing have an important task in providing information and this task is often associated with stewardship, in which an agent (county government) reports to the principal (citizens) on the organizations' events. The demand for auditing is sourced in the need to have some means of independent verification to reduce record keeping errors, asset misappropriation, and fraud within business and business organization. However, a survey conducted by Wahdan et al. (2016) revealed that the auditors believe that the auditor's work would be used as a guide for investment, valuation of companies, and sometimes in predicting bankruptcy; in this case, county governments not able to financially sustain their bloated expenditures.

Lending credibility theory

The lending credibility theory as reported by Hayes et al.(2019) asserts that the primary function of the audit is to add credibility to the financial statements. In this view the service that the auditors are selling to the clients is credibility. Audited financial statements are seen to have elements that increase the financial statement users' confidence in the figures presented by the management (in the financial statement). The users' are perceived to gain benefits from the increased credibility, these benefits are typically considered to be that the quality of investment decisions improve when they are based on reliable information.

Further, audited financial statements are used by management (agent) in order to enhance the principal's faith in the agent's stewardship and reduce the information asymmetry. However, Wallace (2018) asserted that audited information does not form the primary basis for investors' investment decisions. On the other hand, it is often asserted that financial statements have a function of confirming message that was previously issued. In the past, it was claimed that the auditor was responsible for searching, discovering and preventing fraud in his/her client company which was an early 20th century perception (Hayes et al., 2019).

In this regard, a credible auditor accomplishes the professional task through his/her judgment in form of credible reports because professional focus of auditors is to provide reasonable assurance and verify the truth and fairness of the financial statements, though detection of fraud (in this case, in county governments) that lead them experience financial uncertainty.

Review of Study variables

Auditors competency and financial sustainability

This assessed how auditors' technical audit skills, audit tools & techniques, understanding of IT based accounting and audit system, prioritization of core audit competencies plus auditors' core audit competencies help identify financial mismanagement thus influencing financial sustainability in Kisii County Government in Kenya.

That is, auditors must have several attitudes as a basis for making decisions on audit activities. The attitudes that auditors must possess include: due professional care. Due professional care is the use of healthy considerations in determining the scope, in the choice of methodology, and in the selection of tests and procedures for auditing. Auditors must use sound professional judgment in determining the standards set for the work performed (Mulyadi, 2018). More so, due professional care requires the auditor to carry out professional skepticism, namely an attitude that includes thoughts that question and critically evaluate audit evidence. The use of due professional care is needed to produce a quality audit. This is strengthened by the research conducted by Ningrum and Budiartha (2017); from the results of research showing that due professional care have a positive effect on audit quality.

Further, auditors as the spearhead of the implementation of audit assignments must always improve the knowledge they already have so that the application of knowledge can be maximized in practice. The influence of auditor integrity on audit quality on integrity has a significant effect on audit quality, meaning that if an auditor has an honest, courageous, prudent and responsible attitude in carrying out the audit it will build trust and provide a basis for reliable decision making (Wardayati, 2016).

Auditors independence and financial sustainability

This assessed whether appointment of audit service providers, accountability of audit oversight committees and authenticity of audit reports are done without due influence so as to highlight cases of financial frauds thus influencing financial sustainability in Kisii County Government in Kenya.

That is Independence is the attitude of auditors who are impartial, do not have personal interests, and are not easily influenced by parties who have an interest in giving opinions (Mulyadi, 2018). Auditor independence is one of the important factors to produce a quality audit. Independence is a determinant of audit quality, because if the auditor is truly independent it will not be affected by his client. The auditor will freely carry out his audit duties. However, if auditors do not have independence, especially if you get pressure from the client, the audit quality that is produced is also not optimal. The auditor cannot provide an objective opinion if he is not independent. Even though auditors have sufficient technical capabilities, the public will not believe if they are not independent.

Internal audit standards and financial sustainability

This assessed whether adherence to professional audit standards, accounting fraud awareness, compliance with audit standards, security of IT based audit systems plus internal auditors' qualifications help identify financial mismanagement thus influencing financial sustainability in Kisii County Government in Kenya.

Mulyadi (2018) asserted that auditors who apply due professional care are easier to detect fraud in the entity being audited. Based on this study, of the 45 cases of fraud in the financial statements, 24 cases (60%) occurred because the auditor did not apply an adequate level of professional and ethical skepticism. This makes due professional care very much needed to produce a quality audit. Another factor that also influences audit quality is integrity. Integrity is a quality that underlies public trust and is a benchmark for members in testing all decisions taken. Integrity requires a member to, among other things, be honest and forthright without sacrificing the secrets of the recipient of services, services and public trust should not be defeated by personal gain (Mulyadi, 2018). Integrity can accept unintentional errors and disagreements honestly, but cannot accept fraud or abolition of principles, the higher the integrity an auditor has and to comply with the code of ethics of the auditor's profession, the more quality the audit will be.

Audit reporting structure and financial sustainability

This evaluated whether objectivity of audit reports, audit schedules and audit report areas, persons to forward or receive audit reports, implementation of audit reports, data/information used in audit reports help identify financial mismanagement thus influencing financial sustainability in Kisii County Government in Kenya.

Most scholars Alqatamin (2018) assert that internal audit reports are only of value when managers address the problems and deficiencies identified by the audits or make informed decisions to accept the risks. Audit committees and senior management play an important role by monitoring and enforcing commitments to take corrective action. That is, CEO and senior management team establish the "Tone at the Top" that is critical to the success, value and credibility of the internal audit Reports are balanced-reporting the good risk and control practices as well as the weaknesses observed, Reports identify the best practices observed throughout the organization and audit reports rate recommendations as high, medium and low in order to assist management in assigning priorities for action to the issues raised.

Further, the chief audit executive provides summaries of audit reports to senior management and the audit committee. The level of detail depends on the size of the organization but is sufficient to allow the audit committee to understand the types and frequency of control issues that internal audit raises and how management is responding to them.; then periodically, the audit committee asks to see a detailed internal audit report to understand the methodology and quality of reporting (Alqatamin, 2018).

Thus as best audit practice, line management is required to review all audit findings and provide action plans and dates for implementation before or soon after the audit report is issued. Where management recommends that no action be taken, the decision to accept the related risk is approved at the appropriate level. Management accepts responsibility for monitoring corrective action on weaknesses reported by internal audit.

Conceptual framework

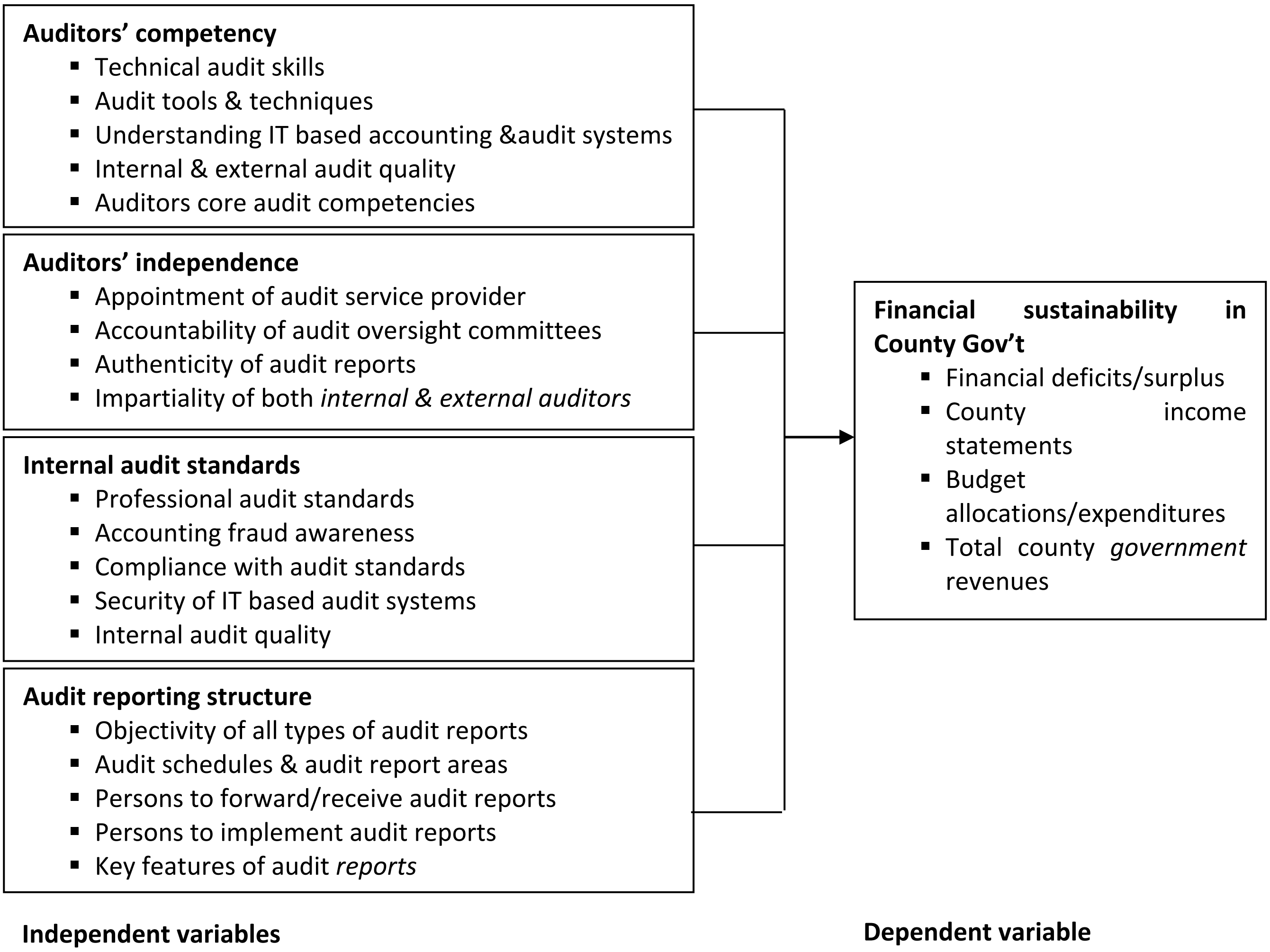

Figure 1: Conceptual Framework

Empirical review of related literature

El-Nafabi (2019) sought to establish the role of public sector audit and financial control systems in safeguarding public funds in Sudan. He alleged that there are a number of factors that encourage financial corruption in the public sector. He asserted that financial control systems and internal check in majority of public sector units are weak and ineffective. This is claimed to be occasioned by a shortage or lack of qualified and trained accountants as exemplified by the allegation that in a public department, all the financial activities of the concerned organization are conducted by one or two employees. In addition, there is absence of internal auditing which is a crucial component of internal control system in most government departments. In case such exists, it is very weak and ineffective. It is also asserted that there are deficiencies in the accounting system in most public firms. Some of the cited challenges facing public financial management system include the allegation that the entire accounting system is manual at both national level and the states, and that about half of the staff have had no formal training in financial management.

Sarens (2016) also revealed that internal audit is subject to the capability and competence of the Department of Internal audit in the periodical report findings and recommendations produced. Depending on its competence and performance, internal audit could either earn a good or bad reputation in the firm (Sarens, 2016). For Internal audit to remain reputable, it has to keep on evaluating its performance and continually improving its services (Caswell & Allen, 2021). Previously, internal auditors were not recognized as in organizations and were treated as mere accountants but that scenario has changed in that their services are currently treated as management oriented services. The international accounting standards committee has worked for over twenty years to harmonize international accounting standards in different continents.

Alqatamin (2018) found that in response to the financial crises, the Jordanian government established regulations for the establishment of an independent audit committee in 2018 as part of a series of accounting reforms to improve corporate governance practices and restore investor confidence in companies listed on the Amman Stock Exchange (ASE). The government's recommendation to establish an independent audit committee was on a voluntary basis for companies, but in 2018, it was made mandatory for all companies listed on the Amman Stock Exchange.

Dhaliwal (2020) further supported the notion of independent audit committee by asserting that independent audit committee is a good corporate governance mechanism because it includes the quality, credibility, objectivity and integrity of the company's financial report. The audit committee has become an important mechanism in corporate governance, where the board has delegated many important functions, such as supervision of corporate governance and financial report to its standing committees, specifically, and the audit committee. As all members of the audit committee have oversight responsibility of the company's financial reporting process, their characteristics can enhance the effectiveness of the audit committee. Previous studies have concluded that an effective audit committee and its relevance to the quality of the company's financial reporting can reduce the management of earnings, financial fraud and qualified audit reports.

Ashbaugh-Skaife and Collins (2017) used data prior to audits mandated by section 404 of the Sarbanes-Oxley Act to investigate the economic factors that expose firms to internal control risks, the incentives to discover and report internal control deficiencies (ICDs), the effects of ICDs on earnings quality, and market consequences of making such a disclosure.

Ashbaugh-Skaife and Collins (2017) found that, relative to those not disclosing deficiencies, firms making “early” ICD disclosures (i.e., prior to mandated audits) typically have more complex operations, recent changes in organization structure, more accounting risk exposure, and fewer resources to invest in internal control. Early disclosing firms are also more likely to contract with dominant audit suppliers, change auditors, and face greater monitoring by regulators and institutional investors. As to deficiency consequences, the results of our earnings quality tests suggest that firms disclosing ICDs typically report low quality financial information. In addition, market tests indicate that the market differentially responds to the disclosure of ICDs conditional on whether the market is already valuing firms from an abandonment option perspective due to their operating uncertainty.

Alqatamin (2018) assert that internal audit reports are only of value when managers address the problems and deficiencies identified by the audits or make informed decisions to accept the risks. Audit committees and senior management play an important role by monitoring and enforcing commitments to take corrective action. That is, CEO and senior management team establish the “Tone at the Top” that is critical to the success, value and credibility of the internal audit Reports are balanced-reporting the good risk and control practices as well as the weaknesses observed, Reports identify the best practices observed throughout the organization and audit reports rate recommendations as high, medium and low in order to assist management in assigning priorities for action to the issues raised.

Further, the chief audit executive provides summaries of audit reports to senior management and the audit committee. The level of detail depends on the size of the organization but is sufficient to allow the audit committee to understand the types and frequency of control issues that internal audit raises and how management is responding to them.; then periodically, the audit committee asks to see a detailed internal audit report to understand the methodology and quality of reporting (Alqatamin, 2018).Thus as best audit practice, line management is required to review all audit findings and provide action plans and dates for implementation before or soon after the audit report is issued. Where management recommends that no action be taken, the decision to accept the related risk is approved at the appropriate level. Management accepts responsibility for monitoring corrective action on weaknesses reported by internal audit.

METHODOLOGY

Explanatory survey research design was employed in this study since the design is suitable for exploring associations that are conducted in order to explain any behaviour or reactions of people to a given phenomenon in the society (Peshkin, 2019). The study targeted 109 respondents comprising of Internal Auditors, Finance Officers, Accounting Officers, Economists and Revenue Officers working in Kisii County Government, Kenya. The study employed stratified random sampling technique which guided how sampled 86 officials were to be selected. The study's sample size of 86 was determined using Taro Yamane's proportional sampling technique formula.

Primary data was collected by means of self-administered structured questionnaires. All collected data was coded, cleaned, tabulated and analyzed using descriptive and inferential statistics with the aid of specialized Statistical Package for Social Sciences, version 26. Descriptive analysis such as frequencies, means, and standard deviation were utilized whereas analyzed data presented in tables and graphs. Further, inferential statistics assessed nature and the strength of the relationships. SPSS version 24 is the analysis computer software that was used to compute statistical data.

Study statistical model

$y = \beta_0 + \beta_1X_1 + \beta_2X_2 + \beta_3X_3 + \beta_4X_4+\varepsilon$

y = financial sustainability in Kisii County Government, Kenya

β_0 = Constant

X_1 = auditors competency

X_2 = auditors independence

X_3= internal audit standards

X_4 = Audit reporting structure

$\{\beta_0\text{-}\beta_4\}$ = Beta coefficients

ε = the error term

FINDINGS

Descriptive statistics

The descriptive statistics presented in this section were summated responses on the statements measuring the study's independent variables (auditors competency, auditors independence, internal audit standards, audit reporting structure) and dependent variable (financial sustainability) using Likert scale with values ranging from 5 to 1; that is; 5=Strongly Agree, 4=Agree, 3= Uncertain, 2=Disagree and 1= Strongly Disagree. The results are presented in the table form showing frequencies of responses as per each statement and its corresponding percentage score in brackets, means and standard deviations.

Descriptive statistics: Auditors competency

These are summarized responses on whether auditors' competencies influence financial sustainability in Kisii County Government in Kenya. The descriptive results are presented in table 1.

Table 1: Descriptive statistics: Auditor's Competency

Statement	5	4	3	2	1	Mean	SD
1.All auditors have requisite technical audit capacity to clearly manage the county audit function	10(12.3)	47(58.0)	2(2.5)	20(24.7)	2(2.5)	3.59	0.927
2. The audit departments have professional audit tools & techniques to detect financial malpractices in the county government	9(11.1)	48(59.3)	4(4.9)	17(21.0)	3(3.7)	3.71	0.899
3.The auditing officers have a clear understanding of latest IT based accounting &audit systems that deter financial mismanagement in the county government	7(8.6)	46(56.9)	6(7.4)	18(22.2)	4(4.9)	3.69	0.924
4.Internal auditors are registered with certified professional international auditing bodies	8(9.9)	49(60.5)	6(7.4)	16(19.7)	2(2.5)	3.20	0.891
5.Generally, most auditors have core audit competencies to detect financial mismanagement in the county government	6(7.4)	45(55.6)	5(6.2)	21(25.9)	4(4.9)	3.49	0.883
Valid listwise 81							
Grand mean = 3.536							

From table 1, most respondents agreed (58.0%) and strongly agreed (12.3%) that all auditors have requisite technical audit capacity to clearly manage the county audit function, while 59.3% and 11.1% agreed and strongly agreed respectively that the audit departments have professional audit tools and techniques to detect financial malpractices in the county government, thus having competent auditors with professional audit tools can help detect accounting misstatements thus boost financial sustainability in the county government.

More so, 56.9% and 8.6% of respondents agreed and strongly agreed respectively that the auditing officers have a clear understanding of latest IT based accounting and audit systems that deter financial mismanagement in the county government; while a further 60.5% and 9.9% of respondents agreed and strongly agreed respectively that internal auditors are registered with certified professional international auditing bodies, thus can help detect financial mismanagement in the county government, which consequently boost financial sustainability in the county government.

On overall, most respondents (55.6%) of respondents agreed that generally, most auditors have core audit competencies to detect financial mismanagement in the county government. This is supported by Mulyadi (2018) assertion that due professional care requires the auditor to carry out professional skepticism, namely an attitude that includes thoughts that question and critically evaluate audit evidence. The use of due professional care is needed to produce a quality audit. This is strengthened by the research conducted by Ningrum and Budiartha (2017); from the results of research showing that due professional care have a positive effect on audit quality which can assist both public and private firms deter financial mismanagement and consequently boost financial sustainability in County governments.

Descriptive statistics: Auditors independence

These are summarized responses on whether auditors' independence influence financial sustainability in Kisii County Government in Kenya. The descriptive results are presented in table 2.

Table 2: Descriptive statistics: Auditor's Independence

Statement	5	4	3	2	1	Mean	SD
There is independent appointment of audit service providers that diligently audit county government finances	9(11.1)	50(61.8)	4(4.9)	15(18.5)	3(3.7)	3.52	0.871
The internal audit committees are not controlled by senior county government executives	10(12.3)	47(58.1)	6(7.4)	14(17.3)	4(4.9)	3.48	0.894
There are audit oversight committees that are not micro managed by the office of the governor	9(11.1)	48(59.3)	7(8.6)	12(14.8)	5(6.2)	3.43	0.834
All county financial audit reports are authentic in nature	6(7.4)	49(60.5)	7(8.6)	16(19.8)	3(3.7)	3.44	0.918
Both internal and external auditors operate independently without influence from the office of the governor	7(8.6)	46(56.9)	6(7.4)	18(22.2)	4(4.9)	3.61	0.909
Valid listwise 81							
Grand mean = 3.496							

From table 2, most respondents agreed (61.8%) and strongly agreed (11.1%) that there is independent appointment of audit service providers that diligently audit county government finances. This is reinforced by 58.1% of respondents who agreed that the internal audit committees are not controlled by senior county government executives, thus confirming independence in appointment and micromanaging auditors.

Further, 59.3% and 11.1% of respondents agreed and strongly agreed respectively that there are audit oversight committees that are not micro managed by the office of the governor, while a further 60.5% and 7.4% of respondents agreed and strongly agreed respectively that all county financial audit reports are authentic in nature, implying independence in financial auditing system. Most respondents (56.9%) also reinforced this by agreeing that both internal and external auditors operate independently without influence from the office of the governor.

On overall response, the grand mean is 3.496 rounded to 4 which is 'agree' on the Likert scale of measurement implying that generally, most respondents agreed that auditors independence influence financial sustainability inn Kisii County Government. This is supported by Mulyadi, (2018) assertion that auditor independence is one of the important factors to produce a quality audit. Independence is a determinant of audit quality, because if the auditor is truly independent it will not be affected by his client. The auditor will freely carry out his audit duties. However, if auditors do not have independence, especially if you get pressure from the client, the audit quality that is produced is also not optimal. The auditor cannot provide an objective opinion if he is not independent. That is, even though auditors have sufficient technical capabilities, the public will not believe if they are not independent.

Descriptive statistics: Internal audit standards

These are summarized responses on whether internal audit standards influence financial sustainability in Kisii County Government in Kenya. The descriptive results are presented in table 3.

Table 3: Descriptive statistics: Internal Audit standards

Statement	5	4	3	2	1	Mean	SD
The audit department follows professional auditing standards	11(13.6)	45(55.5)	3(3.7)	20(24.7)	2(2.5)	3.47	0.872
The internal auditors have real time accounting fraud checks	8(9.9)	48(59.3)	4(4.9)	18(22.2)	3(3.7)	3.59	0.995
Internal auditors strictly comply with authentic audit standards	9(11.1)	44(54.3)	7(8.6)	19(23.5)	2(2.5)	3.16	0.825
The audit department has upgraded and secure IT based audit systems	7(8.6)	50(61.7)	5(6.2)	16(19.8)	3(3.7)	3.63	0.971
All internal auditors have requisite accounting & auditing qualifications from certified professional bodies	10(12.3)	46(56.9)	6(7.4)	15(18.5)	4(4.9)	3.43	0.973
Valid listwise 81 Grand mean = 3.456							

From table 3, most respondents agreed (55.5%) and strongly agreed (13.6%) that the audit department follows professional auditing standards, while a further 59.3% and 9.9% agreed and strongly agreed respectively that the internal auditors have real time accounting fraud checks which thus detect accounting or financial frauds that can plunge the county government in financial crisis.

More so, 54.3% and 11.1% of respondents agreed and strongly agreed that internal auditors strictly comply with authentic audit standards, while 61.7% of respondents agreed that the audit department has upgraded and secure IT based audit systems which can therefore detect and prevent financial mismanagement.

Further, 56.9% and 12.3% of respondents agreed and strongly agreed that all internal auditors have requisite accounting and auditing qualifications from certified professional bodies. This implies that most internal auditors in Kisii county government are certified by professional bodies which ensures that internal audit meets the international auditing standards

In summary, the grand mean is 3.456 rounded off to 4, which is agree on the Likert scale of measurement, implying that most respondents generally agreed that internal audit standards influence financial sustainability in Kisii County Government in Kenya. The results are supported by Wainaina (2021) who evaluated the internal control function of Kenya Polytechnic University College, and used a case study as the research design. This involved examining the College's internal control system, and semi structured questionnaires. Internal controls contributed to an organization having a sound general accounting environment and precise financial and operational records. The study recommended that to preserve a sound system of internal audit controls, management should assess the risks the college is exposed to, while carrying out its financial operations.

Descriptive statistics: Audit reporting structure

These are summarized responses on whether audit reporting structure influence financial sustainability in Kisii County Government in Kenya. The descriptive results are presented in table 4.

Table 4: Descriptive statistics: Audit reporting structure

Statement	5	4	3	2	1	Mean	SD
All internal audit reporting systems are well structured to check county government financial expenditures	10(12.3)	47(58.1)	4(4.9)	17(21.0)	3(3.7)	3.47	3.37
There is authentic information used in county audit reports which matches actual county government financial expenses	8(9.9)	49(60.5)	5(6.2)	15(18.5)	4(4.9)	3.52	3.54
Persons to forward or receive audit reports always oblige to check county government financial sustainability	9(11.1)	48(59.3)	4(4.9)	18(22.2)	2(2.5)	3.49	3.42
There are regular audit schedules with core audit report areas in all county government departments so as to check over expenditures	11(13.5)	45(55.6)	6(7.4)	16(19.8)	3(3.7)	3.45	3.58
The county government senior management is responsive to auditors reports and fully implements audit report recommendations that guide county government financial sustainability	6(7.4)	50(61.7)	3(3.7)	20(24.7)	2(2.5)	3.58	3.31
Valid listwise 81							
Grand mean = 3.502							

From table 4, most respondents agreed (58.1%) and strongly agreed (12.3%) that all internal audit reporting systems are well structured to check county government financial expenditures; while a further 60.5% agreed that there is authentic information used in county audit reports which matches actual county government financial expenses, implying that internal audit reporting systems are well structured to check county government financial expenditures through use of authentic audit reports.

More so, 59.3% of respondents agreed that persons to forward or receive audit reports always oblige to check county government financial sustainability, while 55.6% and 13.5% of respondents agreed and strongly agreed respectively that there are regular audit schedules with core audit report areas in all county government departments so as to check over expenditures.

Further, 61.7% and 7.4% of respondents agreed and strongly agreed respectively that the county government senior management is responsive to auditors reports and fully implements audit report recommendations that guide county government financial sustainability. This implies the concerned parties that receive audit reports can determine audit disclosures and valid implementation of audit reports.

In summary, the grand mean is 3.502, rounded off to 4 which is 'agree' on the Likert scale of measurement; implying that most respondents generally agreed that audit reporting structure influence financial sustainability in Kisii County Government in Kenya. The results are supported by Alqatamin (2018) who asserted that internal audit reports are only of value when managers address the problems and deficiencies identified by the audits or make informed decisions to accept the risks. Audit committees and senior management play an important role by monitoring and enforcing commitments to take corrective action. That is, CEO and senior management team establish the "Tone at the Top" that is critical to the success, value and credibility of the internal audit Reports are balanced-reporting the good risk and control practices as well as the weaknesses observed, Reports identify the best practices observed throughout the organization and audit reports rate recommendations as high, medium and low in order to assist management in assigning priorities for action to the issues raised.

Inferential statistics

Assumptions of multiple regression analysis models

First, test of linearity refers to the degree to which the change in the dependent variable is related to the change in the independent variable. This was tested by correlation coefficients and correlation results showed that independent variables (auditors' competency, auditors, independence, internal audit standards, audit reporting structure) have significant correlation with the dependent variable (financial sustainability) as shown in table 5 on correlation analysis.

Table 5: Correlations

		Auditors competency	Auditors independence	Internal audit stds	Audit reporting structure	Financial sustainability
Auditors competency	Pearson Correlation	1				
	Sig. (2-tailed)					
	N	81				
Auditors independence	Pearson Correlation	.511**	1			
	Sig. (2-tailed)	.000				
	N	81	81			
Internal audit Standards	Pearson Correlation	.594**	.635**	1		
	Sig. (2-tailed)	.000	.000			
	N	81	81	81		
Audit reporting structure	Pearson Correlation	.597**	.638**	.575**	1	
	Sig. (2-tailed)	.000	.000	.000		
	N	81	81	81	81	
Financial sustainability	Pearson Correlation	.816**	.828**	.813**	.798**	1
	Sig. (2-tailed)	.000	.000	.000	.000	
	N	81	81	81	81	81

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

Secondly, multicollinearity tests whether two or more conceptualized independent variables are highly correlated with each other. This leads to problems with understanding which independent variable contributes to the variance explained in the dependent variable, as well as statistical problems in calculating a multiple regression model. This assumption was tested using correlation analysis. Most researchers insist that if correlation coefficient, (r) is close to 1 or -1, then there is multicollinearity but if correlation coefficient (r) is not above 0.9, then there is no multicollinearity In this study (table 5 on correlation analysis), the highest correlation coefficient between all pairs of independent variables (auditors' competency, auditors, independence, internal audit standards, audit reporting structure) is 0.638, which is below the threshold of 0.9, thus multicollinearity assumption was checked and met.

Thirdly, normality test assumption asserts that data must have a normal distribution and this was tested by the use histograms with normal curve. The results (appendix V) show histograms with bell-shaped normal curves indicating that data was approximately normally distributed, thus met this assumption.

Lastly, as a statistical rule, since the researcher collected categorical data on independent and dependent variables, the collected categorical data was first summated and transformed into continuous data using SPSS to allow running of correlations, linear and multiple regressions analyses.

Linear regression results

This tested the linear influence of auditors' competency, auditors, independence, internal audit standards, audit reporting structure on financial sustainability in Kisii County Government in Kenya. This was computed by SPSS based on transformed data from categorical data to continuous data so as to run regression analyses based on continuous data.

Linear influence of auditors' competency on financial sustainability

This tested the linear influence of auditors' competency on financial sustainability in Kisii County Government in Kenya. The results are shown in table 6.

Table 6: Direct influence of auditor's competency on financial sustainability

Model Summary

					Change Statistics				
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	R Square Change	F Change	df1	df2	Sig. F Change
1	.816[a]	.665	.661	.71306	.665	157.037	1	79	.000

ANOVA[b]

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	79.847	1	79.847	157.037	.000[a]
	Residual	40.168	79	.508		
	Total	120.015	80			

Coefficients[a]

Model		Unstandardized Coefficients B	Std. Error	Standardized Coefficients Beta	t	Sig.
1	(Constant)	.619	.235		2.638	.010
	Auditors competency	.881	.070	.816	12.531	.000

a. Dependent Variable: Financial sustainability

From table 6, the model summary shows that R^2 = 0.665; implying that 66.5% variations in the financial sustainability in Kisii County Government, Kenya is explained by auditors competency while other factors not in the study model accounts for 33.5% of variation in financial sustainability in Kisii County Government, Kenya. Further, coefficient analysis shows that auditors competency has positive significant influence on financial sustainability in Kisii County Government, Kenya (β = 0.881 (0.070); at p<.01). This implies that a single improvement in auditors competency will lead to

0.881 unit increase in financial sustainability in Kisii County Government, Kenya. Therefore, the linear regression equation is;

(i) $y = 0.619 + 0.881X_1$

Where;

y = financial sustainability in Kisii County Government, Kenya

X_1 = auditors competency

Linear influence of auditors' independence on financial sustainability

This tested the linear influence of auditors' independence on financial sustainability in Kisii County Government in Kenya. The results are shown in table 7.

Table 7: Direct influence of auditors independence on financial sustainability

Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Change Statistics: R Square Change	F Change	df1	df2	Sig. F Change
1	.828[a]	.685	.682	.69122	.685	172.190	1	79	.000

ANOVA[b]

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	82.270	1	82.270	172.190	.000[a]
	Residual	37.745	79	.478		
	Total	120.015	80			

Coefficients[a]

Model		Unstandardized Coefficients B	Std. Error	Standardized Coefficients Beta	t	Sig.
1	(Constant)	.702	.219		3.213	.002
	Auditors Independence	.848	.065	.828	13.122	.000

a. Dependent Variable: Financial sustainability

From table 7, the model summary shows that $R^2 = 0.685$; implying that 68.5% variations in the financial sustainability in Kisii County Government, Kenya is explained by auditors independence while other factors not in the study model accounts for 31.5% of variation in financial sustainability in Kisii County Government, Kenya. Further, coefficient analysis shows that auditors independence has positive significant influence on financial sustainability in Kisii County Government, Kenya ($\beta = 0.848$ (0.065); at $p<.01$). This implies that a single improvement in auditors independence will lead to 0.848 unit increase in financial sustainability in Kisii County Government, Kenya. Therefore, the linear regression equation is;

(ii) $y = 0.702 + 0.848X_2$

Where;

y = financial sustainability in Kisii County Government, Kenya

X_2 = auditors independence

Linear influence of internal audit standards on financial sustainability

This tested the linear influence of internal audit standards on financial sustainability in Kisii County Government in Kenya. The results are shown in table 8.

Table 8: Direct influence of internal audit standards on financial sustainability

Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Change Statistics: R Square Change	F Change	df1	df2	Sig. F Change
1	.813[a]	.661	.657	.71745	.661	154.157	1	79	.000

ANOVA[b]

Model		Sum of Squares	Df	Mean Square	F	Sig.
1	Regression	79.350	1	79.350	154.157	.000[a]
	Residual	40.664	79	.515		
	Total	120.015	80			

Coefficients[a]

Model		Unstandardized Coefficients: B	Std. Error	Standardized Coefficients: Beta	t	Sig.
1	(Constant)	.867	.218		3.976	.000
	Internal Audit Standards	.807	.065	.813	12.416	.000

a. Dependent Variable: Financial sustainability

From table 8, the model summary shows that $R^2 = 0.661$; implying that 66.1% variations in the financial sustainability in Kisii County Government, Kenya is explained by internal audit standards while other factors not in the study model accounts for 33.9% of variation in financial sustainability in Kisii County Government, Kenya. Further, coefficient analysis shows that internal audit standards has positive significant influence on financial sustainability in Kisii County Government, Kenya ($\beta = 0.807$ (0.065); at $p<.01$). This implies that a single improvement in internal audit standards will lead to 0.807 unit increase in financial sustainability in Kisii County Government, Kenya. Therefore, the linear regression equation is;

(iii) $y = 0.867 + 0.807X_3$

Where;

y = financial sustainability in Kisii County Government, Kenya

X_3 = internal audit standards

Linear influence of audit reporting structure on financial sustainability

This tested the linear influence of audit reporting structure on financial sustainability in Kisii County Government in Kenya. The results are shown in table 9.

From table 9, the model summary shows that $R^2 = 0.636$; implying that 63.6% variations in the financial sustainability in Kisii County Government, Kenya is explained by audit reporting structure while other factors not in the study model accounts for 36.4% of variation in financial sustainability in Kisii County Government, Kenya. Further, coefficient analysis shows that audit reporting structure has positive significant influence on financial sustainability in Kisii County Government, Kenya ($\beta = 0.835$ (0.071); at $p<.01$). This implies that a single improvement in effective audit reporting structures will lead to 0.835 unit increase in financial sustainability in Kisii County Government, Kenya. Therefore, the linear regression equation is;

(iv) $y = 0.739 + 0.835X_4$

Where;

y = financial sustainability in Kisii County Government, Kenya

X_4 = audit reporting structure

Table 9: Direct influence of audit reporting structure on financial sustainability

Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Change Statistics: R Square Change	F Change	df1	df2	Sig. F Change
1	.798[a]	.636	.632	.74326	.636	138.243	1	79	.000

ANOVA[b]

Model		Sum of Squares	Df	Mean Square	F	Sig.
1	Regression	76.372	1	76.372	138.243	.000[a]
	Residual	43.643	79	.552		
	Total	120.015	80			

Coefficients[a]

Model		Unstandardized Coefficients B	Std. Error	Standardized Coefficients Beta	t	Sig.
1	(Constant)	.739	.240		3.081	.003
	Audit Reporting Structure	.835	.071	.798	11.758	.000

a. Dependent Variable: Financial sustainability

Multiple regression analysis

Multiple regression analysis was computed to assess the multivariate influence of the study's independent variables (auditors' competency, auditors, independence, internal audit standards, audit reporting structure) on the dependent variable (financial sustainability in Kisii County Government, Kenya). This was after the compulsory assumptions of multiple regression analyses were checked and met. The multiple regression results are shown in table 10.

Table 10: Multiple regression results

Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Change Statistics: R Square Change	F Change	df1	df2	Sig. F Change
1	.908[a]	.825	.816	.52539	.825	89.694	4	76	.000

ANOVA[b]

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	99.036	4	24.759	89.694	.000[a]
	Residual	20.979	76	.276		
	Total	120.015	80			

a. Predictors: (Constant), Audit Reporting Structure, Auditors Competency, Auditors Independence, Internal Audit Standards

b. Dependent Variable: Financial sustainability

Multiple regression analysis in table 10 shows the multiple regression results of the combined influence of the study's independent variables (audit reporting structure, auditors competency, auditors independence, internal audit standards). The model's R squared (R^2) is 0.825 which shows that the study explains 82.5% of variation in financial sustainability in Kisii County Government, Kenya, while other factors not in the conceptualized study model accounts for 17.5%, hence, it is a good study model.

Additionally, Analysis of Variance (ANOVA) shows the mean squares and F statistics significant (F = 89.694; significant at p<.001), thus confirming the fitness of the model and also implies that the study's independent variables (audit reporting structure, auditors competency, auditors independence, internal audit standards) have significant variations in their contributions to financial sustainability in Kisii County Government, Kenya.

Further, the values of unstandardized regression coefficients with standard errors in parenthesis in table 11, indicate that all the study's independent variables (auditors' competency; β = 0.393 (0.078) at p<0.05; auditors' independence; β = 0.450 (0.081) at p<0.05; internal audit standards; β = 0.365 (0.095) at p<0.05, audit reporting structure; β = 0.325 (0.101) at p<0.05) significantly influenced financial sustainability in Kisii County Government, Kenya. (dependent variable).

Table 11: Coefficients

Model	Unstandardized Coefficients B	Std. Error	Standardized Coefficients Beta	t	Sig.
1(Constant)	.217	.101		2.154	.034
Auditors competency	.393	.078	.364	5.016	.000
Auditors Independence	.450	.081	.417	5.571	.000
Internal audit Standards	.365	.095	.356	3.833	.000
Audit Reporting Structure	.325	.101	.327	3.200	.002

a. Dependent Variable: Financial sustainability

Therefore, the study's final multiple regression equation is;

(v) $y= 0.217 +0.393X_1+0.450X_2+ 0.365X_3 + 0.325X_4$

Where;

y= financial sustainability in Kisii County Government, Kenya.

X_1= auditors' competency

X_2= auditors independence

X_3= internal audit standards

X_4= audit reporting structure

Hypothesis testing

First**, study hypothesis one (H_{01})** stated that auditors competency does not significantly influence financial sustainability in Kisii County Government, Kenya. Multiple regression results indicate that auditors' competency has significant relationship with financial sustainability in Kisii County Government, Kenya ; (β = 0.393 (0.078) at p<0.05). **Hypothesis one is therefore rejected**. The results indicate that a single improvement in auditors' competency will lead to 0.393 unit increase in financial sustainability in Kisii County Government, Kenya.

The results are consistent with Sawyer, (2018) who found that in cases where internal auditors do not meet the required qualifications, they may not perform their audit duties effectively hence, this may compromise their independence in the organization. This is because they will do shoddy jobs to correct and cover up clients who are implicated by the audit reports in the organization. The internal audit professionals are expected to

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provide recommendations for improvement in those areas where opportunities or deficiencies are identified. The management is responsible for internal controls while the internal audit operation provides assurance to management and the audit committee that internal controls are effective and working as intended (Ebaid, I. 2021).

Sarens (2016) also revealed that internal audit is subject to the capability and competence of the Department of Internal audit in the periodical report findings and recommendations produced. Depending on its competence and performance, internal audit could either earn a good or bad reputation in the firm thus leading to outsourcing of competent external auditors (Sarens G., 2016).

Secondly**, study hypothesis two (H_{02})** stated that auditors independence does not significantly influence financial sustainability in Kisii County Government, Kenya. Multiple regression results indicate that auditors' independence has significant relationship with financial sustainability in Kisii County Government, Kenya ; (β = 0.450 (0.081) at $p<0.05$). **Hypothesis two is therefore rejected**. The results indicate that a single improvement in auditors' independence will lead to 0.450 unit increase in financial sustainability in Kisii County Government, Kenya.

The results are supported by Alqatamin (2018) who found that in response to the financial crises, the Jordanian government established regulations for the establishment of an independent audit committee in 2018 as part of a series of accounting reforms to improve corporate governance practices and restore investor confidence in companies listed on the Amman Stock Exchange (ASE). The government's recommendation to establish an independent audit committee was on a voluntary basis for companies, but in 2018, it was made mandatory for all companies listed on the Amman Stock Exchange.

Raja (2022) study also asserted that auditors are used as a mechanism to enhance credibility of the financial statements so that the public who are not involved in the day to day running of the organization can have some level of confidence in the reported financial position. The willingness of internal auditors to report a discovered breach depends on a number of factors including; the level of independency accorded by the management. Audit independence must be viewed within the totality of corporate governance and the accountability of organizations to their stakeholders. The audit Committee must closely monitor the auditor's relationship with the company's management. For this to be done effectively, a membership of the Audit committee is required which together is sufficiently independent of executive management, has a minimum level of financial literacy and has the ability to ask perceptive questions which are pursued diligently.

Caswell and Allen (2021) study further reinforced that Auditor's independence in an organization has been termed as the cornerstone of the auditing profession since their opinion shades light to the management whether the financial statements for a given period depicts a fair and true position of the financial status of the organization (Craswell & Allen, 2021). Auditor's independence could mean that the auditor has full control or influence in the matter of his operation, action, conduct and opinion on his findings (American Accounting Association, 2018).

Thirdly**, study hypothesis three (H_{03})** stated that internal audit standards does not significantly influence financial sustainability in Kisii County Government, Kenya. Multiple regression results indicate that internal audit standards has significant relationship with financial sustainability in Kisii County Government, Kenya ; (β = 0.365 (0.095) at $p<0.05$). **Hypothesis three is therefore rejected**. The results indicate that a single improvement in efficient internal audit standards will lead to 0.365 unit increase in financial sustainability in Kisii County Government, Kenya.

The results are consistent with Mutua (2012) who studied the influence that risk based audits have on commercial banks' financial performance in Kenya using a correlation research design with the target 20 population being 44 commercial banks operating in Kenya. The study found that risk based auditing influences financial performance of banks and thus should be enhanced, recommending internal auditing standards to be adopted for financial performance to be realized.

Further, Prawitt, Smith and Wood (2019) study sampled 218 unique companies between the fiscal years 2020 and 2019 in order to estimate an abnormal accrual model comprising of 528 firm year observations. This study used OLS regression to determine the link between the quality of internal audit (experience and qualification) and earnings management. The results ended up showing that there exists a link between the experience of internal auditors and earnings management, thus confirming that internal auditing standard can influence financial management in both private and public firms.

Lastly**, study hypothesis four (H_{04})** stated that audit reporting structure does not significantly influence financial sustainability in Kisii County Government, Kenya. Multiple regression results indicate that audit reporting structure has significant relationship with financial sustainability in Kisii County Government, Kenya; (β = 0.325 (0.101) at $p<0.05$). **Hypothesis four is therefore rejected**. The results indicate that a single improvement in effective audit reporting structures will lead to 0.325 unit increase in financial sustainability in Kisii County Government, Kenya.

The results are consistent with Ningrum and Budiartha (2017) who found that the chief audit executive reports functionally to the audit committee on the planning, execution and results of audit activities. However, like any other corporate employee, the chief audit executive must report to someone administratively for purposes of pay, performance, space, equipment and related matters. This person should be sufficiently highly placed to reinforce the organizational status of internal audit and to support its unrestricted access to corporate resources, but must not impair the independence of the internal audit function. In practice, the individual to whom the chief audit executive reports administratively should be selected on the basis of his or her ability to respect and give effective support to the independence of internal audit, rather than for the position he or she holds.

Oroud, Islam and Tunku (2017) study further reinforced that internal auditors need a mandate that provides the authority they need within a structure that supports their independence and objectivity. This can best be achieved through a written charter for the internal audit function that is aligned with the mandate and needs of the audit committee. The mandate should be compatible with the best current practices and approved by the board or audit committee. Any restrictions by management should be disclosed to, and approved by, the audit committee. Internal audit should not have any operational accountability or perform functions that would be subject to subsequent internal audit review. Therefore the mandate of the internal audit function should be set out in a written charter that is compatible with the charter of the audit committee and consistent with the Standards of the Institute of Internal Auditors.

SUMMARY

The general objective of the study is to investigate the influence of financial auditing on financial sustainability in Kisii County Government, Kenya. The study tested a total of four hypotheses; that is; **H_{01}:** Auditors competency does not significantly influence financial sustainability in Kisii County Government, Kenya; **$H_{02:}$** Auditors independence does not significantly influence financial sustainability in Kisii County Government, Kenya; **H_{03}**: Internal audit standards does not significantly influence financial sustainability County Government, Kenya; **H_{04}**: Audit reporting structure does not significantly influence financial sustainability in Kisii County Government, Kenya.

This addressed the first objective of the study; to determine the influence of auditors' competency on

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financial sustainability in Kisii. Both descriptive and inferential statistics revealed that auditors' competency has significant relationship with financial sustainability in Kisii County Government, Kenya. The results indicate that both competent internal and external audit professionals are expected to provide sound audit report recommendations for improvement in areas where opportunities or financial mismanagements are identified. Further, competent auditors must use sound professional judgment in determining the standards set for the audit work performed because due professional care requires the auditor to carry out professional skepticism, namely an attitude that includes thoughts that question and critically evaluate audit evidence. The use of due professional care is needed to produce a quality valid and reliable audit report that saves an organization of any financial mismanagement.

This was the second objective of the study; to determine the influence of auditors' independence on financial sustainability in Kisii. Both descriptive and inferential statistics revealed that auditors' independence has significant relationship with financial sustainability in Kisii County Government, Kenya. In this regard, the study found that independent appointment of audit service providers, accountability of audit oversight committees and authenticity of audit reports are supposed to be done without due influence so as to highlight cases of financial frauds without fear or favor. Therefore, if auditors do not have independence, especially if they get pressure from the client, the audit quality that is produced is not optimal, the auditor cannot provide an objective opinion if he/she is not independent and even though auditors have sufficient technical capabilities, the public will not believe audit reports if they are not perceived to be independent.

This was the third objective of the study; to determine the influence of internal audit standards on financial sustainability in Kisii. Both descriptive and inferential statistics revealed that internal audit standard has significant relationship with financial sustainability in Kisii County Government, Kenya. In this regard, the findings imply that adherence to professional audit standards, accounting fraud awareness, compliance with audit standards, security of IT based audit systems plus internal auditors' qualifications help identify financial mismanagement in both public and private firms. More so, integrity of internal audits requires an audit member to, among other things, be honest and forthright without sacrificing the secrets of the recipient of audit services and public trust should not be defeated by personal gain. That is, the higher the integrity an internal auditor has and complies with the code of ethics of the auditor's profession, the more quality the audit report will be.

This was the fourth objective of the study; to determine the influence of audit reporting structure on financial sustainability in Kisii. Both descriptive and inferential statistics revealed that audit reporting structure has significant relationship with financial sustainability in Kisii County Government, Kenya. In this regard, the study showed that objectivity of audit reports, audit schedules and audit report areas; persons to forward or receive audit reports, implementation of audit reports, data/information used in audit reports help identify financial mismanagement in an organization. Therefore, the study supports the assertion that internal audit reports are only of value when relevant managers that receive the audit reports address the accounting problems and financial deficiencies identified by the audits and make informed decisions to accept the accounting or financial risks that can compromise prudential financial management.

CONCLUSIONS

The study rejected the first null hypothesis and concluded that auditor's competency has significant positive effect on financial sustainability in county governments in Kenya. The auditor competency is among factors that help improve the financial sustainability of the county government majorly because experienced auditors understand their roles and have appropriate expertise to carry their responsibilities well. All auditors were found to have requisite technical audit capacity to clearly manage the county audit function. Further, internal auditors were found to be registered with certified professional international auditing bodies.

The study established that auditor's independence has significant effect on financial sustainability in county governments in Kenya hence the second null hypothesis was rejected. To improve financial sustainability of county governments, Auditors have been appointed on an impartial basis and are responsible for carefully auditing the accounts of the county government and internal auditors work independently, free from any interference from the governor's office.

Thirdly, well monitored internal audit standards can deter deliberate accounting errors and save county government huge finances hence enable them sustain their financial expenditures.

Fourthly, a well-designed and effective audit reporting structure creates a transparent audit reporting system that allows concerned managers in the county governments to effectively implement audit report recommendations without fear or favor. There was authentic information used in county audit reports which matches actual county government financial expenses. Further, the county government senior management is responsive to auditors reports and fully implements audit report recommendations that guide county government financial sustainability.

RECOMMENDATIONS

The study recommends that first; the internal staff should have relevant academic qualifications and professional qualifications. There should be continuous assessments on the staff competency of audit staff of County governments in Kenya by qualified and recognized bodies for sustenance of improved performance of the internal audit department. Further the county government should ensure frequent on job training of its audit staff to ensure vast experience in auditing of its staff.

The study recommends that the county governments should seek to support the independence of its internal and external auditors" which is significant to their financial sustainability. This can be attained through not involving the auditors in the day-to-day internal control processes and activities of the organisations and also ensuring relationship independence of the auditors to the county executive. Further, to ensure independence, the internal audit function should be allowed unlimited access to desired records and information.

Thirdly, county governments should support effective internal audit standards that do not compromise audit quality.

The county government should ensure that all internal audit reporting systems are well structured to check county government financial expenditures. Further, the study recommended that county government senior management should be responsive to auditors reports and fully implements audit report recommendations that guide county government financial sustainability. In addition, management should make certain that the internal audit function has enough funding to do its responsibilities without being hampered by a lack of resources.

Areas for further research

The results of this study should serve as a foundation for further studies and add to the current body of knowledge. Therefore, the following suggestions for further study are made. This study focused on county government which are public sector, other studies should focus on private organization such as listed firms and commercial banks

Besides audit reporting structure, auditor's competency, internal audit standards and auditor's independence, other audit characteristics were excluded. For instance, further studies should focus on audit committee characteristics such as composition and diversity.

Since several factors were challenging to be operationalized into secondary variables, primary data had priority in this research; nevertheless, future studies should give primacy to secondary data for the purpose of external validity.

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