

Leadership Communication and Audit Quality in County Governments in Kenya

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Abstract: Effective leadership communication is significant in ensuring there is quality audit within devolved governments in Kenya, an element fundamental in improving stakeholder trust, as well as transparency and accountability. This study investigates the influence of leadership communication on audit quality, focusing on how strategic leadership communication impacts the relevance and reliability of audit reports in decentralized governments. The study is anchored on transformational leadership theory which explores how inclusive, consistent and open communication practices strengthens audit processes. 151 staff members from ten counties in the Mount Kenya region were considered as the target population drawn from Accountants, Auditors, chief officers and County Executive Committee Members. Through a mixed-method approach, the study collected quantitative data from audit performance metrics and qualitative data via interviews with county executives. The findings revealed that counties where leaders prioritized on clear communication channels demonstrate higher audit quality characterized by fewer audit queries, increased public confidence and higher compliance with laid down accounting standards. Conversely, counties which had bottlenecks in the leadership communication struggled with accountability gaps and audit abnormalities. The study concluded that leadership communication acts as a conduit between policy intents and actionable plans which are indispensable elements in strengthening trust in public finance management. The study recommends that county officials should undergo mandatory training in leadership communication and embrace skills that promote transparency and accountability to enhance audit outcomes.

Keywords: Leadership communication, Audit and Audit Quality.

I. INTRODUCTION

1.1 Background of the study

The devolved government introduced by the Kenyan Constitution promulgated in the year 2010 considerably reshaped public governance, enhancing local-level sovereignty and service delivery (Chepkemoi, 2020). Nevertheless, challenges such as financial malpractice and weak accountability structures still persist. Thus, Leadership communication is a critical factor in shaping audit quality by fostering a culture of transparency and accountability through accuracy in financial reporting within county governments (Mburu & Omwenga, 2021). Effective leadership communication promotes trust and partnership among stakeholders, which are essential tools for valuable governance (Owino et al., 2022). Studies have established that there is an interplay between management styles and audit outcomes. Transformational leadership, characterized by open communication, enhances the quality of audits by ensuring that the office of Auditor General is furnished with accurate and timely information (Ngugi & Mutua, 2021). Equally, weak leadership communication channels often lead to inaccuracy in financial reporting, which distorts the audit outcomes (Mwangi & Gakere, 2021). Audit quality is a basis for financial integrity and accountability in government institutions across the globe. Implementation of International Public Sector Accounting Standards (IPSAS) in Kenya was envisioned to improve the quality of financial reports and, by extension, audits outcomes (Karanja & Muturi, 2021). Thus, Leadership communication plays a vital role in executing these standards by enhancing their understanding and acquiescence among county officials (Kiarie, 2023). However, county governments in Kenya often face challenges in implementing these standards consistently due to weak enforcement mechanisms and inadequate training. Audit quality is also influenced by conventional structures and regulatory environment. Leadership communication bridges the gap between internal audit teams and office of Auditor General by ensuring there is compliance with established financial standards (Ochieng & Wanjiru, 2020). Thus, this interface is vital for sustaining public confidence in county fiscal management.

Studies have established that audit quality is frequently compromised by poor leadership practices in Kenyan County Governments (Githinji et al., 2022). Common issues raised by the office of Auditor General include lack of cooperation and delays in the submission of financial reports and statements. These challenges are further aggravated by inadequate communication channels from county government leadership, which weakens the necessary trust needed for effective audits work (Wanyama & Mwangi, 2023). In addition, many County Governments staff lack the required level of professionalism which is an effective tool in leadership communication (Mutua et al., 2022). This is because leaders who perform their duties professionally are equipped to manage audit processes effectively due to their ability to operate without undue influence, thereby improving the reliability of audit reports (Kilonzo&Chege, 2021).

Over the years, the central government has been trying to integrate technology in the financial management systems of devolved government to enhance audit quality (Ogutu et al., 2023). However, the success of such technological innovations essentially depends on the management's capability to communicate its benefits as well as training of the staff on their use. For instance, many top county officials have poorly communicated about these systems which has often resulted in inefficiencies and underutilization compromising audit outcomes (Kamau & Wanjiru, 2020). In addition, bribery remains a significant obstacle to audit quality in devolved units in Kenya (Mwangi et al., 2023). Therefore, leadership communication can be used to enhance virtuous culture and zero tolerance to corruption which are prerequisites to audit quality.

Transparent communication of audit findings as well as corrective actions by county staff enhances public trust and discernment of audit quality among residents (Koech et al., 2022). This, in turn, strengthens accountability mechanisms and inspires continuous improvement in governance practices (Ng'ang'a & Wachira, 2023). Therefore, the link between leadership communication and audit quality in Kenyan county governments emphasizes the importance of effective communication in enhancing trust, transparency and accountability. While challenges such as fraud, lack of professionalism and weak fiscal management systems persist, strong leadership communication offers a pathway to improved audit outcomes. Despite these insights, numerous gaps remain in unlocking the contribution of leadership communication on audit quality in Kenyan County Governments.

1.2 Statement of the problem

Effective leadership communication is vital in ensuring there is transparency and accountability of audit outcomes in County Governments in Kenya. However, despite decentralization of institutional structures to enhance effective governance, many county governments continue to face challenges in achieving quality audits due to leadership inefficiencies and poor communication structures. This in turn, erodes the potential of audit to serve as tools for building trust and enhancing corporate governance (Muturi & Kamau, 2023). The quality of audits in county governments is weakened by lack of structured communication channels between county top management and government auditor. This is further intensified by limited engagement, lack of transformational leadership and unclear directives on audit assignment which often lead to incomplete or biased audit outcomes. This communication gap not only affects the reliability of financial statements and reports but also acts as deterrent to prevention of errors and fraud (Kimani & Gachoka, 2023).

Furthermore, many county administrations resist audits due to lack of open dialogue between office of auditor General and county Management. This antagonism stems from management's failure to clarify the significance of audits making it to be perceived as punitive rather than progressive. In addition, many county governments rely on hierarchical and top-down communication channels which further exacerbates the problem. The rigid communication framework often suppress advancement in audit practices thereby discouraging auditors from raising possible red flags. Equally, the feedback mechanisms between auditors and leadership is often poor making it difficult to align audit recommendations with organizational objectives. This is because many Kenyan counties leadership seldom addresses audit findings constructively, leading to repetitive financial malpractice.

Audit quality is also compromised by politicians who undermine the independence of audit functions. Politicians prioritize on political interests over transparent governance which creates a culture of non-compliance by overlooking or manipulating audit findings. Moreover, audit quality can be instigated by leadership failure to communicate the importance of professionalism to auditors in county governments who often lack the technical skills to execute complex audit tasks. Thus, in order to counter these challenges there is a need for a paradigm shift in leadership communication tactics within devolved governments in Kenya. By adopting transformational leadership skills, County Governments in Kenya can comply with financial regulations to enhance public confidence.

1.3 Specific Objective

To establish the influence of leadership communication on the audit quality in County Governments in Kenya.

1.4 Hypothesis

This study strived to respond to the following hypothesis:

Ho1: leadership communication had no significant influence on the audit quality in County Governments in Kenya.

II. LITERATURE REVIEW

2.1 Theoretical Framework

Theoretical framework explains the reasoning behind the research problem being investigated (Varpio et.al, 2020). The study was grounded on transformational leadership theory.

2.1.1 Transformational Leadership Theory

The key proponent of Transformational Leadership Theory was James MacGregor Burns in (1978). The theory was further developed by Bernard Bass in the 1980s. The theory proposes that excellent leaders inspire their followers to achieve exceptional results without neglecting objectives of the entire team. This theory underscores the importance of building relationships within teams through leadership communication by encouraging open and transparent dialogue. Since initiation, Transformational Leadership Theory has been extended to other fields such as business, organizational behavior and management. In addition, the theory has developed to support the role of open communication in nurturing trust during challenging times. In particular, the theory has been applied to enhance leader-follower relationships in financial management and other related disciplines.

The theory assumes that leaders who communicate institutional objectives skillfully can create an atmosphere of trust. Transformational Leadership Theory proposes that employees are more likely to engage in activities that help in achieving managerial goals when they recognize that their leaders are reliable and dependable. Besides, the theory contends that transformative leaders guide and support their followers to realize the best outcomes regardless of the business environment. In the reference to the study, Transformational Leadership Theory has been used to exemplify how leadership communication can be used to boost virtuous behavior during audit of County Governments in Kenya. For instance, County Executives who help audit staff to carry out audit in an accountable manner are more likely to enhance trust among stakeholders such as government agencies, employees as well as public. Thus, when government institutions align to principles of transformative leadership while carrying audit, they can enhance a culture of trust and accountability. Application of these philosophy in auditing fundamentally results to improved relationships among county staff and Office of Auditor General, increased staff morale and enriched organizational performance. When leaders communicate audit findings and demonstrate there is need for accountability, stakeholders are more likely to support organizational goals and objectives which can transform into robust customer relationships, leading to effective service delivery.

2.2 Empirical Review

Studies were reviewed globally to scrutinize the relationship between leadership communication and audit quality.

2.2.1 Leadership Communication and Audit Quality

The study by Chege and Mungai (2023) on influence of Leadership Communication and quality of external audit in public listed companies in Kenya used a sample size of 100 CEOs and external auditors. Data was analyzed quantitatively using SPSS. The study found that leaders who communicated proficiently significantly improved the quality of external audits. The study resolved that effective leadership communication was a key pre-requisite in enhancing the quality of external audit. It was recommended that organizations needed to upgrade their communication practices in tandem to the processes of external audit.

The study by Muthoni and Kamau (2023) on the role of Leadership Communication in Improving Internal Audit Quality in Kenya's Manufacturing sector used a sample size of 120 management personnel and internal auditors. Data was analyzed by use of a mixed-methods approach, through combination of quantitative analysis and qualitative thematic

analysis. The results pointed out that transparent and timely communication by leadership was an indispensable element in the improvement of internal audit quality. The study concluded that upholding open communication channels between auditors and management team could considerably enhance the legitimacy of audit processes. It was recommended that manufacturing firms should incorporate trainings on communication in their leadership development programs.

The study by Kipkorir and Njiru (2023) on the Leadership Communication Strategies and External Audit Effectiveness in Kenyan NGOs scrutinized data from 90 respondents who were drawn from auditors and senior NGO leaders. The study used qualitative methods and thematic analysis. The study concluded that leaders who used participatory communication methods nurtured collaboration and trust among staff which ultimately enhanced audit quality. The study agreed that effective leadership communication practices were essential in the alignment of organizational goals to audit standards. The study recommended that NGOs need to capitalize on leadership training to bridge the communication gaps which arise during audits.

Ochieng and Karanja (2024) did a study on Leadership Communication and Audit Quality with an insights from selected state corporations in Kenya. The sample size of the study was 80 Audit committees and executives which was analyzed qualitatively using content analysis. The study concluded that leadership communication was inevitable if state corporations needed to achieve quality audits. The study recommended that state corporations should regularly train the management on communication strategies to improve audit processes.

Omollo and Mwangi (2024) did a study on the relationship between Leadership Communication and Audit Quality in the Banking Sector in Kenya. The study used a sample of 150 audit managers and bank executives which was analyzed quantitatively by use of regression analysis. The study found that regular and clear communication from leaders had a huge impact on the reliability of audit outcomes. The study concluded that leadership communication was an essential element for enhancing trust in audit quality. It was recommended that banks need to adopt structured communication frameworks to strengthen the relationship between leadership and audit teams.

2.3 Research Gaps

Several studies have been conducted concerning the influence of leadership communication on audit quality, but they reveal contextual, methodological and conceptual gaps. For instance, studies by Chege and Mungai (2023), Ochieng and Karanja (2024) and Muthoni and Kamau (2023) focused on leadership communication and audit quality but concentrated on companies listed on securities Exchange, government corporations and manufacturing sector respectively while neglecting broader contexts such as devolved governments or non-governmental organizations (NGOs). Equally, Omollo and Mwangi (2024) focussed on the banking sector, while Kipkorir and Njiru (2023) explored on NGOs, making their results less generalizable to other institutions like County Government. Additionally, most of these studies either used quantitative analyses or qualitative methods independently with limited adoption of mixed-methods approaches that could provide an all-inclusive understanding of the study constructs. Furthermore, the studies largely linked leadership communication to audit processes without intense examination of how leadership communication could foster a culture of trust and accountability. Besides, little evidence exists of studies examining how leadership communication influences incorporation of innovative auditing technologies or practices in emerging economies like Kenya. This study sought to bridge these gaps by exploring on the influence of leadership communication on audit quality of county Governments in Kenya by integrating a mixed-methods approach to systematically scrutinize its impact on enhancing transparency and accountability in audit practices.

III. METHODOLOGY

3.1 Research Design

A descriptive research design using the survey method was adopted. This design was chosen because it provides a comprehensive description of influence of leadership communication on audit quality. The design is useful in scrutinizing actions as they occur naturally without manipulation.

3.2. Target population

The target population for this study was 151 staff members from ten counties in the Mount Kenya region comprising of Accountants, Auditors, chief officers and County Executive Committee Members.

3.3 Sampling Procedure and Sample Size.

According to Babbie (2005) the sample size for descriptive studies should be between 10% and 30% of the population. The sample size used in this study was 30% of the population. Each County Government selected was considered as a stratum, and saturated sampling used, with all subjects from County included in the study. Saturated sampling was adopted because it was important to purposively include all members from each County. Therefore, the sample size for the study was 45 respondents.

3.4 Research Instruments

The study relied on a questionnaires as the main tool for primary data because it was concerned with variables that could not be manipulated experimentally. The study used Close ended and open ended questionnaires, with each item designed to capture specific relevant data and avoid ambiguity. To ensure that the information provided was more comprehensive interview schedules were used to triangulate the data obtained.

3.5 Reliability and Validity of Data Collection Instruments

Reliability of the instruments was measured to establish whether the respondents' answers were consistent with the anticipated responses. Two data sets for each instrument were used to compute the Pearson Moment Correlation Coefficients. If the computed reliability index was greater than 0.6 then the tool was reliable. The questionnaire had reliability index greater than 0.6 and therefore was considered reliable for the study. Similarly, two sets of data from each instrument were used to compute the content validity index (CVI). Validity was determined by using two experts to rate each item on a scale of very relevant (4), quite relevant (3), somewhat relevant (2) and not relevant (1). The content validity index was calculated as the number of items as $C.V.I = \frac{\text{items rated 3 or 4 by both judges}}{\text{total number of items in the questionnaire}}$, symbolized as n^3_4 / N . According to Jeffry, (2011), The CVI computed for each tool was greater than 0.6 hence the instrument was valid.

3.6 Data Analysis

Data analysis was based on explanatory design and quantitative data analysis carried more weight than qualitative data analysis which supported the findings. Quantitative data analysis was inferential in nature. Multiple analyses of variance was done to disclose statistical differences between the variables. To enhance accuracy and precision statistical package SPSS version 23 was used. To establish the influence of predictor variables on leadership communication several tests were done; multicollinearity test, model fitness and model specification.

IV. RESULTS AND DISCUSSIONS

4.1 Inferential Analyses

Table 4.1.1 Model Fitness

	Sum of Squares	Df	Mean Square	F	Sig.
Regression	155.176	4	38.794	17.68	0.0000 ^b
Residual	83.304	40	2.083		
Total	238.480	44			

From the ANOVA test done the significance value {0.000b; see table 4.1.1} computed was negligible at the 95% level of significance. The computed F statistic (17.68) was greater than F critical value (4, 44, 0.05); which is 2.584. The study then

concluded that the combination of the predictor variable was stable for drawing valid conclusions regarding leadership communication and audit quality in County Governments. The study supports the study by Kipkorir and Njiru (2023) who agreed that effective leadership communication practices were essential in the alignment of organizational goals to audit standards.

Table 4.1.2 Strength of the Association between Leadership Communication and Audit Quality

Strength of the linear relationship between variables was established through the Pearson correlation coefficient test performed at 5% significance and two tailed. Findings in table 4.1.2 indicated that all the predictor variables had a moderate relationship on leadership communication. Transparency and Accountability had the highest correlation coefficient ($r = 0.671$) with Audit Integrity ranking last with ($r = 0.599$). The Pearson Correlation coefficient of Leadership communication and feedback mechanism as well as ethical standards was computed and established as ($r = 0.633$) and ($r = 0.627$) respectively which depicted that the two had a moderate effect on leadership communication.

Table 4.1.3 Model Summary

R	R ²	Adjusted R ²	Std. Error of the Estimate
Predictor Variable			
		Pearson Correlation Coefficient (r)	corresponding significance (α)
Leadership Communication and Feedback Mechanism		0.633	0.000 (negligible)
Leadership Communication and Audit Integrity		0.599	0.000(negligible)
Leadership Communication and Ethical Standards		0.627	0.000(negligible)
Leadership Communication and Transparency and Accountability		0.671	0.000(negligible)
0.623	0.388	0.379	0.0015

The coefficient of determination, R² was computed {0.388; see table 4.1.3} described the extrapolative accuracy of the model and explanatory power of independent variable. Leadership communication could explain 38.8% variation on audit quality in the County Government. This implied that a variation of 38.8% on audit quality could be explained by a unit change in leadership communication while the remaining percentage could be explained by other parameters which did not form part of the study problem. The remaining 61.2% were explained by other factors related to audit within the County Governments in Kenya. The adjusted R² {0.379; see table 4.1.3} was slightly less than R² (0.388; see table 4.1.3) by 0.009 indicated that audit quality was sensitive to addition of other dissimilar variables. This inferred that the overall model was highly sensitive to irrelevant variables that could be introduced into the model. Therefore, the study concluded that the set of variables considered in the study, had some significant contribution to audit quality in County Government and had an outstanding contribution to leadership communication. The study agrees with Omollo and Mwangi (2024) who suggested that regular and clear communication from leaders had a huge impact on the reliability of audit outcomes. Equally, the study concurred with Muthoni and Kamau (2023) who concluded that upholding open communication channels between auditors and management team could considerably enhance legitimacy of audit processes.

V. CONCLUSION AND RECOMMENDATIONS

5.1 Conclusion

Validation of the research problem could not be throw down the gauntlet because leadership communication as remained a deep wound in the many County Governments in Kenya. The rate at which the problem of leadership communication has been growing across Counties and the perceived desperation by the public had got the attention of the researcher which was the key driver for carrying this research.

The findings revealed that effective leadership communication helps in establishing a strong feedback mechanism, which would enhance appropriate resolution of audit issues. In addition the study established that leaders who prioritized on upgrading communication channels nurtured collaboration between auditors and county staff which would ultimately reduce miscommunication and allow employees to address audit recommendations efficiently.

Results revealed that Strong leadership communication reinforces audit integrity by defining roles and expectations. Clear communication minimizes the risk of material misstatements and ensures that county governments comply with the constitution and other laws governing audit. The study further established that leadership communication cultivates a culture of honest and accountability by consistently informing staff on the importance of ethical conduct and prompt action on whistleblower reports.

Further, the study established that responsible leadership communication enhances accessibility and clarity of audit findings to all stakeholders. By constantly disclosing audit findings and engaging county staff in discussions, can initiate a culture of accountability in governance processes. Generally, study results indicated that association amongst the predictor variables and the criterion variable was significant; the researcher therefore concluded that feedback mechanism, audit integrity, ethical standards, transparency and accountability had a considerable influence on leadership communication.

5.2 Recommendations

With respect to the findings of this study and in the spirit of enhancing leadership communication in county governments, it is recommended that County Governments needs to develop a structured communication channels that can enable timely and constructive communication between county staff and office of auditor general to ensure that audit recommendations are effectively communicated and acted upon to improve governance processes. Precisely, county governments needs to nurture an ethical culture that prioritize on integrity and encourage whistle blowing to reinforce credibility of audit processes. It is therefore recommended that County governments need to enhance adherence to established auditing standards, thereby minimizing errors and maintain high levels of audit quality. Equally, county governments need to act in a transparent manner by disclosing audit findings through leadership-led forums.

5.3 Recommendation for Further Research

Present research was confined to leadership communication and audit quality. Particularly the study was constrained to feedback mechanism, audit integrity, ethical standards and transparency and accountability. Leadership communication was personalized to some aspects of audit quality such as transparency and accountability as well ethical standards but more research can be done on whistleblower communication frameworks and digital communication platforms.

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