

**ROLE OF AUDIT COMMITTEE IN PROMOTING
ACCOUNTABILITY AND GOVERNANCE IN COMMERCIAL
BANKS IN KENYA**

RATEMO FELIX ONSERIO

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FULFILLMENT OF THE REQUIREMENTS FOR THE AWARD
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DECLARATION

This research project is my original work and has not been presented for award of any degree or diploma at the University of Nairobi or any other college/University. No part of this project may be reproduced without permission from the researcher or the University of Nairobi.

Signature.....

Date.....

Ratemo Felix Onserio

D63/85519/2016

This project has been submitted for examination with my approval as the university Supervisors.

Signature.....

Date.....

Dr. Kennedy Okiro PhD

Department of Finance and Accounting

School of Business

University of Nairobi

DEDICATION

This project paper is dedicated to my family, who have always encouraged and supported me throughout my life. They have been, and still are, the pillar of strength in my life. I thank you.

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To God, who made all this possible. All glory unto him.

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TABLE OF CONTENTS

DECLARATION	ii
DEDICATION	iii
ACKNOWLEDGEMENT	iv
ABSTRACT	xi
TABLE OF CONTENTS.....	v
LIST OF TABLES.....	viii
LIST OF FIGURES.....	ix
ABBREVIATIONS AND ACRONYMS.....	x
CHAPTER ONE: INTRODUCTION.....	1
1.1 Background of the Study.....	1
1.1.1 Role of Audit Committees	2
1.1.2 Audit Committee and Accountability Practices	3
1.1.3 Audit Committee and Accountability	5
1.1.4 Audit Committee, Accountability and Governance	7
1.1.5 Audit Committee and Governance Practice.....	7
1.2 Statement of the Problem.....	9
1.3 Research Objectives.....	11
1.4 Value of the Study	11
CHAPTER TWO: LITERATURE REVIEW	13
2.1 Introduction	13
2.2 Theoretical Foundation	13
2.3 Theoretical Perspectives	14
2.3.1 Agency Theory and Audit Committee.....	14
2.3.2 Stewardship theory and accountability practices	16
2.3.3 Stakeholders theory and institutions.....	17
2.3.4 Summary of theoretical Perspectives and implications	17
2.4 Empirical Literature Review	18
2.4.1 Audit Committee, Accountability Practices and Organizational Governance.....	18
2.5 Summary of Literature Review and Knowledge Gaps	20

2.6 Conceptual Framework	23
CHAPTER THREE.....	25
RESEARCH METHODOLOGY	25
3.1 Introduction	25
3.2 Research Design	25
3.3 Population of the Study.....	26
3.4 Sampling Criteria.....	26
3.5 Data Collection.....	27
3.6 Reliability and Validity Tests.....	28
3.6.1 Reliability Tests	28
3.6.2 Validity Test	28
3.7 Data Analysis	29
3.8 Ethical Considerations	31
CHAPTER FOUR	32
DATA ANALYSIS AND INTERPRETATION OF FINDINGS	32
4.1 Introduction	32
4.2 Response Rate	32
4.3 Reliability	32
4.4 Demographic Characteristics	33
4.4.1 Gender.....	33
4.4.2 Level of Education.....	33
4.4.3 Employment Status.....	34
4.5 Descriptive Statistics.....	34
4.5.1 Audit Committee of the CBs.....	35
4.5.2 Accountability Practices and Governance Structures of the CBs	36
4.6 Inferential Statistics	38
4.6.1 Correlation Analysis	39
4.6.2 Regression Analysis	39

CHAPTER FIVE: SUMMARY OF FINDINGS, CONCLUSIONS AND RECOMMENDATIONS.....	42
5.1 Introduction	42
5.2 Summary of Findings.....	42
5.3 Conclusions	43
5.4 Recommendations.....	44
5.5 Limitation of the Study	44
5.6 Suggestions for Further Studies.....	44
REFERENCES	45
Appendix I: Questionnaire	51

LIST OF TABLES

Table 1: Summary of Empirical Literature and Research Gaps	21
Table 2: Analytical Model of Data.....	30
Table 3: Reliability	32
Table 4: Audit Committee of the CBs	36
Table 5: Accountability Practices and Governance Structures of the CBs	38
Table 6: Correlation Matrix	39
Table 7: Model Fitness	39
Table 8: Analysis of Variance.....	40
Table 9: Regression of Coefficients	40

LIST OF FIGURES

Figure 1: Conceptual Framework.....	24
Figure 2: Gender.....	33
Figure 3: Level of Education.....	34
Figure 4: Employment Status.....	34

ABBREVIATIONS AND ACRONYMS

AC	Audit committee
ACGA	Asian Corporate Governance Association
ANOVA	Analysis of Variance
BSC	Balanced Score Card
CBs	Commercial Banks
CEP	Council of Economic Priorities
CMA	Capital Markets Authority
GAAP	Generally Accepted Accounting Practices
ICFR	Internal Control over Financial Reporting
SME	Small and Medium Enterprises
SOE	State Owned Enterprises
SPSS	Statistical Packages for Social Sciences

ABSTRACT

The general objective of this study was to determine the influence of audit committee on accountability practices of commercial banks in Nairobi Kenya. This study was anchored on various theories namely agency theory, stewardship theory and stakeholder theory. The study used a descriptive cross sectional survey design. The target population of the study was on 33 CBs located in Nairobi. The study specifically targeted Audit committee members, board members, managers, employees and auditors of the CBs. The research was conducted among five banks that are listed in the NSE and five banks that are not listed in the NSE all of which are licensed by the Central Bank of Kenya. The study used purposive sampling to sample 50 respondents whereby 5 respondents were selected from each bank. The study used primary data which was collected using a semi structured questionnaire. Descriptive statistics were used to analyze the data. Descriptive statistics displayed data in percentages, mean, frequencies and standard deviation. Results were presented through graphs and tables. The researcher also conducted correlation and regression analysis to determine the relationship between the study variables. The study concluded that audit committees have a positive effect on accountability practices of commercial banks in Nairobi Kenya. From the findings discussed above the study recommends the following; given that the audit committees have a positive effect on accountability practices of commercial banks in Nairobi Kenya it is recommended that the commercial banks should put more emphasis on the need to engage audit committees more on issues pertaining accountability practices and governance as this would result to better performance and overall growth.

CHAPTER ONE

INTRODUCTION

1.1 Background of the Study

Audit committees may either enhance or hinder organizational performance (Agoraki and Panagiotis, 2009). Boven (2013) argues that public accountability practices can be understood as answers for organizational performance. This has however elicited debate on effect of audit committees on organizational performance. Bhagat and Romano (2011) aver that accountability practices have influence on organizational performance. Various studies have been done on the audit committees, accountability practices and organizational performance with results that remain inconclusive.

In China, (Kyahko 2011) asserts that audit committees have relationship to organizational performance. Roberts (2007) avers that accountability practices have great effect on Private sector performance in Australia. In India, Kumar and Singh (2010) consents that accountability practices have an effect on the relationship between audit committees and organizational performance. Bovens (2013) concurs that organizational performance is determined by various variables among them accountability practices and audit committees functions.

This study is anchored on various theories to aid in explaining the relationships among the variables of the study. Among them is the Agency theory (Jensen & Meckling, 1976); the stakeholder's theory (Freeman, 2004) and the institutional theory (Scott, 2004). The agency theory key paradigm is on organizational accountability practices and organizational performance (Roberts et al., 2007). The stakeholders theory (Freeman, 2004), provides insights on how organizations

understand and evaluate the audit committees and how they develop accountability practices to cope with the organizational performance.

The Kenya government establishes parastatals to meet both business and social objectives. Some SOEs exist to revise some market failure. The management of these parastatals and other state owned corporations and government owned institutions is therefore very critical to the overall economic development of the country. It is in this regard that corporate governance as exercised on these state owned enterprises is important. Commercial Banks (CBs) as a parastatal was also established to achieve particular goals and objectives in the financial sector. Since the establishment of CBs in Kenya, there have been concerns of accountability practices in relation to performance particularly on their efficiency and effectiveness on service delivery.

1.1.1 Role of Audit Committees

The audit committee is a corporate administration system and control instrument to combine investors and administration premiums (Elsayed, 2011). The audit committee goes about as an agent of investors and are considered as a noteworthy basic leadership group (Kumar and Singh, 2013). Audit committees are expected to perform different functions, for example oversight, evaluation, monitoring, assurance services of management to mitigate agency costs (Gabrielsson, 2007). They also include employing and retrenching of management, provide and avail access to resources, grooming CEO and providing strategic road map for the organization (Kemp, 2006). Audit committee also has influence to initiate organizational change and facilitate processes that support the organizational mission (Coles, 2008). Further, the audit committee seeks to protect the owner's interest in an increasingly

competitive environment while maintaining managerial professionalism and accountability practices in pursuit of good organizational performance (Donker & Sahir, 2008).

The audit committee, management, and the independent auditor all have distinct roles in financial reporting for business entities. The management is responsible for ensuring preparing the financial statements at year end, establishing and maintaining adequate internal control over financial reporting (ICFR), and evaluating the effectiveness of ICFR. The independent auditor is responsible for expressing an opinion on the fairness with which the financial statements present, in all material respects, the financial position, the results of operations, and cash flows in conformity with GAAP, and, when applicable, evaluating the effectiveness of ICFR. To oversee ICFR successfully, the audit committee should be familiar with the processes and controls management has put in place and understand whether those processes and controls are designed and operating effectively. The audit committee should work with management, the internal auditors, and the independent auditor to gain the knowledge needed to provide appropriate oversight of this area.

1.1.2 Audit Committee and Accountability Practices

Accountability is the pressure to justify one`s judgments to others (Cameron, 2004). Public practices are the hallmarks of modern democratic governance (Kim, 2013). Democracy remains a paper method if people with great influence can't be considered responsible to general society for their demonstrations and oversights, for their choices, approaches, and their consumptions acquired (Iman, 2014). Open Accountability rehearses are the essential fundamentals of popular government (Cook,

1998). Accountability practices in the Private sector all through the world are being given genuine consideration in perspective of the way that the administration is the most elevated high-roller of open assets (Bhagat and Romano, 2010). Those in authorities accept fiduciary status with the orderly duties expecting them to render their stewardship records to those for whom the authority is held in trust (Laegreid and Koen, 2010). The overall population is progressively requiring public officers to be responsible by exhibiting viable utilization of public resources and assets in the conveyance of administrations and quest for government targets (Obaze, 2006).

It is the privilege of residents to request and know the exercises of their elected public officers and the chosen elected officers should intentionally give record of their stewardship to people in general (Boven, 2006). Society has the privilege to expect of each public agent a record of their organization, all citizens have a privilege to choose either personally or through their delegates, with regards to the need of people in general commitment and to comprehend what utilizes it is placed in. Roberts (2007) gives four perspectives of accountability as: leadership accountability that deals with giving data on plans to the future time frame, performance accountability with giving data on accomplishments, exercises and financial audit for the year, methodology responsibility rehearses is giving data of mission and targets for the year and asset accountability in giving data on regulatory issues, structure and administration of an organization. Generally accountability practices deal with providing information on production of reliable, relevant and timely leadership, performance, procedures and resources to the community and stakeholders.

1.1.3 Audit Committee and Accountability

Tomkins (1987) views accountability practices in the private sector as the introduction of records or performance in accounting terms. However, Martinez-Gonzalez and Marti (2006) guarantee this can be troublesome in the private sector where the idea of public assets constrain the rendering of records because of the nonappearance of a standard or the revenue figure. This is the reason accountability in people in general and not revenue driven areas are given more noteworthy incentive than the private sector. Goodin (2003) arranges public accountability as positioned and activity driven because of its bureaucratic nature. In regard to public authorities, they have to guarantee that the demonstration inside their announcement and give motivations to their action. Thus, the concentration in the private sector stays inside the limits of specialized accountability practices demands and centers upon audit committee and the elected authorities.

Studies directed into private sector accountability practices has concentrated extensively on various leveled accountability (Bovens, 2007). Without characterized limits, private sector responsibility rehearses can't be enough surveyed (Taylor and Rosair, 2000). An increasing body of literature has endeavored to clarify the idea of accountability in the private sector (Patton, 1992; and performance and accountability, with an emphasis on viability and yields (performance), and effectiveness and results (programme).

Roberts (2007) gives four practices of accountability practices as: accountability for consistence is accountability connected to satisfying lawful commitments. This has likewise been named legitimate (Bovens, 2005), political (Bovens,2005) and

proficient (Flack and Ryan, 2003; Bovens,2005) accountability practices in the writing. Inside this sort of accountability practices, the terms proficient and political accountability cover extraordinarily and are connected to the activity of power along a leadership hierarchy. Accountability practices for assets are connected to the utilization of assets and authoritative assets in an approved way. This responsibility practice has been alluded to as honor (Stewart, 1984), financial (Leat, 1990), monetary (Flack and Ryan, 2003), regulatory (Bovens, 2005) and trustee (Connolly and Dhanani, 2009) accountability practices. Accountability practices for Procedures is worried about guaranteeing the right exercises have been embraced to meet authoritative objectives. These accountability practices have additionally been named process (Leat, 1990), open (Sinclair, 1995), activities (Goodin, 2003), adequacy (Flack and Ryan, 2003) and exercises (Dhanani, 2009) accountability.

Some researchers nearly interface accountability and obligation. They contend that one cannot be responsible to anybody, except if one additionally has obligation regarding accomplishing something (Day and Klein, 1987). Others contend that obligation is a sector or factor inside a more extensive part of accountability (Schlenker et al., 1994 made reference to in Frink and Klimoski, 1998). Accountability has both internal and external measurements (Ebrahim, 2003). For an internal one, it is inspired by a sentiment of obligation and communicated through individual or hierarchical activities. Globally, it is a commitment which people or organizations should satisfy (Ebrahim, 2003). Accountability ought to run together with duty. There are six primary sections of the responsibility relationship.

1.1.4 Audit Committee, Accountability and Governance

Iqbal and Lewis (2009) view accountability practices as being essentially about decision making. They argue that a lack of proper accountability practices, compounded by inefficient systems of monitoring can result in organizational collapse. They present three dimensions of accountability practices which are pertinent to all types of organizations; ‘accountability practices for whom’, ‘accountability practices by whom’ and ‘accountability practices with what resources’. In this regard, they outline accountability practices agenda for decision making which includes: the distribution of decision-making responsibilities among different participants; rules and ways for making decisions; the levels of involvement in decisions; the structure through which the target and objectives are set; the means of attaining those goals; and reviewing and overseeing performance.

In addition to resolution-making, the role of accountability practices within an organization could also be linked to how accountability practices are determined in an organization and how accountability practices is discharged to different groups of stakeholders. Thus, accountability practices could be seen as an integral part of accountability practices of an organization. Without adequate accountability practices and accountability practices of an organization performance cannot be attained. Therefore, the accountability practices of organizations are a key aspect of their accountability practices.

1.1.5 Audit Committee and Governance Practice

The financial journey in Kenya dates back to the colonial times. The British Empire declared Kenya a British Sphere of Influence and established the East African

Protectorate in the year 1865 and officially declared Kenya as a colony in the year 1920. During that 19th Century, the East African region engaged in trading activities and there was need for the use of currency. That is when the revolution in the banking sector started in Kenya. In the year 1955, the Ottoman Bank and the Commercial Bank of Africa were established. Cooperative Bank of Kenya opened its doors in the year 1968. In 1968 National Bank of Kenya took over the Ottoman Bank. In 1971, Kenya Commercial Bank was formed as a result of the merger between National and Grindlays Bank with the government owning a stake of 60 percent. The Merchant Bank division of Grindlays was merged with Grindlays Bank International Ltd and formed Stanbic Bank. 1971 saw Barclays Bank change its name to Barclays Bank International Ltd while in the year 1974, National Bank of Chicago and City Bank of New York were formed. The banking sector in Kenya is ever evolving. Despite the numerous economic challenges that have been witnessed within the sector, the industry remains strong and vibrant. At the moment, three banks have been placed under receivership with only one having recovered and back to operations. Kenya currently has 44 banks. 31 of the banks are locally owned while the remaining 13 are foreign owned. Among the 31 locally owned banks, the government of Kenya has a shareholding in three of them, 27 of them are commercial banks and one is a mortgage finance institution, known as Housing Finance.

The Kenya commercial banks was established in 1958 when its parent company CB group was formed as a branch of the national bank of India in Mombasa. The merger between Grindlays Bank and National Bank of India in 1958 gave birth to national and Grindlays Bank. when Kenya attained independence , the Kenyan government acquired 60% of shareholding in national and Grindlays Bank. This effort was

focused on keeping banking to many Kenyans. In the year 1970, the Kenyan government took full control of the national and Grindlays bank and renamed it to Kenya commercial bank group.

The financial functions of monitoring is part and parcel of CBs management committee and therefore it should not only be treated as reporting requirement that assists managers in order to perform their roles, but it should also be seen as a tool that engages stakeholders in the activities of various projects of the firms so that such projects can grow and reach sustainable levels for future generations (Economic Development Board, 1991). CBs, the board of directors, members/owners needs to be in control of their operations. It is by conducting an internal and external assessments that they can be in a position to learn and improve their operations. A culture of continuous monitoring and evaluation of policies needs to be adopted if activities are to flow smoothly (Innes, 1991).

Internal policies and procedures need to be harmonized and internal control systems strengthened to avoid cases of embezzlement and fraud (World Bank 2009). Based upon these observations, audit committee is required for formulating the guidelines to the desired changes in the overall monitoring and evaluation of policies would be sure results in better managed and growing KCBs in Nairobi County.

1.2 Statement of the Problem

Audit committees on organizational performance are at the heart of both conceptual and empirical research in corporate governance (Jacobs, 2002). Performance

differences in organizations are often the subject of academia research and government analysis and are as a result of wide ranging factors (Kayhko, 2011). Therefore there is a strong positive relationship between audit committees and performance (Adjaoud & Andareeb, 2007).

Several studies have been carried out both internationally and locally to provide empirical evidence on the factors which determine organizational performance. However there are conceptual, contextual and methodological gaps. In the international front conceptual gaps are evident in Hubbard (2009) who avers that institutions need to respond to the changes for better accountability and performances. Balogun (2003) established that mismanagement, poor financial reporting are major causes of corporate collapse in Africa. Boven (2006) found out that there is a link between governments, civil society, service delivery and performance in Bangalore. According to Kayhko (2011) in China, there is a positive relationship between audit committees and firm performance.

These studies are inconclusive as they do not provide links of accountability and governance effect on the relationship between audit committees and performance of county governments of Kenya. These studies however were carried out in contexts outside Kenya in different sectors and environmental settings and the results cannot be generalized with the county governments in Kenya on audit committee effect on performance. In Kenya, Kipngeno (2011) established that the audit committee functions have significant influence on performance of public sector in Kenya. The study focused on audit committee functions on SACCOs in Kenya. Okiro (2014) study on East African Community Exchange concluded that different stakeholders are

major factors in compliance and performance by stock exchange firms in East Africa. Ragama (2013) considered audit committee effectiveness and efficiency in deposit taking SACCOs in Kenya. Githinji and Muage (2013) investigated the place of audit committee in the organizational chart to promote corporate governance. Researchers are still seeking to establish the combination of variables that are of the highest impact on organizations performance. This study therefore sought to establish the effect audit committee on accountability practices and governance in the banking sector in Kenya.

1.3 Research Objectives

The objective of this study was to determine the influence of audit committee on accountability practices of commercial banks in Nairobi Kenya.

1.4 Value of the Study

The findings of this study would have cross cutting benefits to the various stakeholders and what they have identified as their urgent needs. The study would assist the government policy makers in the issues of formulating favorable policies that provide an enabling environment for CBs and other institutions. The County government of Nairobi would also realize its role in promoting and empowering the financial institutions. This may range from creating an enabling environment to financial support, improving accountability, governance and performance and technical support. The large community of Nairobi County would also learn on the importance of CBs as a saving platform so that they can create good financial muscle that enables them to borrow and expand their businesses. In addition, the CBs would benefit through periodic monitoring and evaluation and

be in a position to refine and further develop their products and hence making them gain competitive advantage in their operations.

The CBs would also realize the hidden potential of accumulating capital which facilitate training and education of members and assist in diversification of their investment to the other sectors like real-estate, insurance and banking among others.

The study will also contribute to the literature on how audit committee relates to accountability and governance commercial banks.

CHAPTER TWO

LITERATURE REVIEW

2.1 Introduction

To enable a deeper understanding of the concepts under the study, it was necessary to carry out a review of literature. This chapter covers theoretical and empirical review of literature on audit committees, accountability practices and performance. In what follows, the chapter explores theoretical underpinnings and informing the study before undertaking a pairwise review of literature. In so doing, various research gaps are exposed along contextual, conceptual and methodological. These gaps are summarized and tabulated. At the end, a conceptual framework is extracted diagramming the relationship of variables as conceptualized by the study and hypotheses stated.

2.2 Theoretical Foundation

This study had two concepts are audit committee concept, accountability and governance structures. All these concepts are anchored in several theories. The main theories are the agency theory (Jensen & Meckling, 1976), the Stakeholder theory (Freeman, 1998), steward theory (Donaldson, 1991) and institutional theory (Cohen, 2007). These theories assume full discretion on audit committees, accountability practices and accountability practices for stellar performance. Conversely, agency, steward, institutional and stakeholder proponents advocate for control, monitoring, value creation and oversight. These theories are discussed below.

2.3 Theoretical Perspectives

The functions and influence of audit committee has been studied by scholars of different disciplines such as law, economics, finance, sociology, strategic management and organization theory (Kiel & Nicholson, 2003). The extant literature has primarily focused on the characteristics of the audit committees in affecting firm performance (Fama & Jensen, 1983; Dalton, & Canella, 2003). Meanwhile, some scholars have also paid attention to other issues such as ownership (Kapopoulos & Lazeretou, 2007), CEO turnover and compensation (Lausten, 2002) in affecting firm performance. This section reviews three major theoretical perspectives of audit committee and governance mechanisms that are considered relevant for this study viz., agency theory, stewardship theory and stakeholder theory.

2.3.1 Agency Theory and Audit Committee

The agency theory focuses on the relationship between the principal (shareholders) and his agent (firm management). The theory argues that in modern business enterprises there is clear separation of firm ownership and firm management, this is likely to lead to conflicts especially on areas such as the kind of risks the managers are willing to take but for which shareholders are not willing to bear, sacrificing current returns to shareholders in order to expand the business for future revenue growth and high returns on investment. The differences in priorities and the kind of risks to be taken may create disagreement between firm owners and management leading to costs associated with the resolution of these conflicts (Eisenhardt, 1989). Many managers who have more expertise and knowledge about the firm core business are more likely to use their expertise to advance their self interest more than shareholders interest and this make firm to incur more costs related to structuring of

contracts, monitoring costs of agents behaviour and business losses incurred by the firm due to selfish decision made by managers (Fama and Jensen 1983).

According to Eisenhardt 1989 conflicts between shareholders and management will arise especially in large business enterprises where share ownership is widely spread to even small shareholders with little or no resources to spare on monitoring the agents or managers behaviour. Eisenhardt asserts that situations may arise where the shareholders desires or goals are set aside by managers who are keen in pursuing their own goals and desires. This implies that there is need for the principal to spend a lot of resources in monitoring what the agent is actually doing. To avoid this kind of costs the board of management needs to create a balance between shareholders interest and management expectations so as to minimize agency conflicts and improve organizational performance.

Agency theory assumes that agency problems can be dealt with and avoided by putting in place clear agency contracts between the management and firm ownership that clearly outline the roles and duties of agents in firms. The shareholders will hold the management accountable to their roles and duties as stipulated in the contracts (Meckling, 1976). The challenges facing firms in agency relationship is the problem of lack of perfect contracts and this may be occasioned by unforeseen factors within the business environment. Circumstances and situations may arise that forces managers to use their discretion in making decisions especially in allocation of firm resources which eventually lead to agency problems (Berle & Means, 1932).

2.3.2 Stewardship theory and accountability practices

The stewardship theory argues that effective control by firm managers maximizes organization performance and firm profits. The theory advocates for use of audit committee members who deeply understands the needs of a company and are therefore better placed to offer technical expertise and in-depth knowledge that can move a firm forward. Managers as principal agents who run corporations make decisions that are sometimes influenced by non-financial motives. According to Maslows theory at a certain point in life human beings need recognition and self-actualization of their careers. As such managers and other firm employees may seek success in their roles in order to receive recognition from colleagues and other stakeholders in the industry. Many company directors and firm mangers seek to protect their image as expert decision makers who deliver value to shareholders. Good company managers not only succeed in building successful firms but also become effective stewards in building their own managerial careers (Fama, 1980)

According to Vishny and Shleifer 1997 managers who generate good financial returns to shareholders create a good image that enables them to increase shareholders value in the stock exchange market and thus create good future financial prospects for the firm. The stewardship theory argues that insiders are better placed to manage a company than outsiders. The theory therefore emphasizes that majority of the directors (executives) should be internal since they better understand the core business of the firm and are likely to make superior decisions that can lead to more business success. Having a company with clear and unified leadership has a higher probability of attaining organizational success due to reduction in conflict between company goals and personal objectives. (Donaldson and Davis 1997).

2.3.3 Stakeholders theory and institutions

This theory is an advancement of the traditional agency theory. The theory expects audit committees to look at after not only the interest of company shareholders but also other stakeholders in society and protect them from rogue managers who may want to defraud shareholders in pursuit of their own self-interest. The firm shareholders are considered the major stakeholders in the entity but there are also a number of stakeholders whose interest should also be catered for. Audit committees need to look at also the interest of customers, suppliers, special interest groups, the environment and other ethical considerations (Freeman, 2004).

Over the years the role of audit committees is shifting from the traditional role of protecting shareholders interest to a broader role where more stakeholders' interest needs to be taken care of. Stakeholders' theory looks at firms and society as interdependent and therefore firms serve broader responsibilities beyond maximizing returns to the company shareholders (Donaldson and Preston 1995). The stakeholders' theory therefore seeks to equip managers with knowledge on how to carry out the shared purpose of the firm to achieve the desired company and societal goals profitability (Davis & Donaldson 1992).

2.3.4 Summary of theoretical Perspectives and implications

Audit committees are essential in protecting shareholders value as well as stakeholders' value in firms. A review of the agency theory shows that conflicting interest between firm owners and firm management leads to high operational costs. The agency theory advocates for clear contracts managing the agency relationship between firm owners and firm management in order to reduce conflicts and protect

shareholders interest. The stewardship theory on the other hand proposes the fusion of shareholders interest with management goals. The theory looks at managers as company stewards who should deliver value to their firms. Audit committees are usually appointed by shareholders to look into the activities carried out by managers and ensure that everything done by management seeks to protect and further shareholders interest and value.(Fama & Jensen1983) as well as practitioners. Audit committees are appointed by the shareholders to monitor and control managerial decision making to protect the shareholders' interest. However, other alternative theories of stewardship theory, resource dependency theory and stakeholder theory have become prominent over the recent times. The next section utilizes the above four theoretical perspectives to identify specific audit committees and accountability practices and their influence on organizational performance.

2.4 Empirical Literature Review

This section discusses and reviews the empirical studies on the relationship among audit committees and accountability practices on performance. For each empirical study reviewed, a description of the objectives, methodology and results is undertaken. Summary of the empirical literature identifying the research gaps is also presented and forms a basis for the development of the proposed conceptual model.

2.4.1 Audit Committee, Accountability Practices and Organizational Governance

The audit committee is a focal component of corporate administration mechanism and structure and its proficiency and exhibitions could decide the achievement of checking and the activity of the firm (Aluchna, 2010). Because of monitoring, the The audit committee ought to transform poor performance, overturn weak decision

and change under-performing supervisors. In the coming years how well The audit committee can enhance their own adequacy is ending up progressively critical (Bird et al., 2004). The audit committee is considered by barge on literature as the review panel's capacity to play out its bearing and control jobs adequately (Petrovic, 2008); thus, to guarantee organization's thriving, truly increase the value of the firm, draw the organization nearer to its objectives or achieve corporate performance that fulfills the interests of investors/partners (Nicholson and Kiel, 2004).

In a dynamic environment, audit committees become very important for smooth functioning of organizations. Audit committee are expected to perform different roles, such as, monitoring of management to mitigate agency costs (McNulty and Stiles, 2005), hiring and firing of management (Hendry & Kiel, 2004), grooming CEO (Vancil, 1987) and providing strategic road map for the firm (Kemp, 2006). Audit committees also have a responsibility to initiate organizational change and facilitate processes that support the organizational mission (Bart and Bontis, 2003).

The audit committee should not only guard negative management practices that may lead to corporate failures or scandals but also ensure that organization act on opportunities that enhance the value to all owners. To understand the functions of audit committee, it should be recognized that audit committee consists of a team of professionals, who combine their capabilities and competences that collectively represent the pool of social capital for their organization that contributes towards executing the accountability practices (Carpenter & Westphal, 2001).

The extant literature has primarily focused on the characteristics of the audit committee in affecting organization performance (Dalton & Canella, 2003). The study aims to examine the independent influence of audit committees on performance with respect to county governments in Kenya. Evidence of relationship between audit committees and performance, or lack thereof, will enable counties to make appropriate choices about audit committees to create and improve county value. Muange, Gacheru and Adoyo (2013) notes that audit committees enhances performance in commercial banks. Okiro (2014) asserts that accountability practices influences firm performance.

2.5 Summary of Literature Review and Knowledge Gaps

The review of literature has exposed various gaps among the relationship of the variables of this study. The conceptual gaps include those identified in literature regarding the relationship between the concepts under study. The contextual gaps relate to the Kenyan CBs while the methodological include gaps in population, sample size, research design as well as data analysis gaps. The gaps identified in literature are summarized in Table 2.1.

Table 1: Summary of Empirical Literature and Research Gaps

Researcher (s)	Focus of the Study	Methodology	Main Findings	Knowledge Gaps	How Current Study Addressed the Gaps
Pearce et al., (2012)	The relationship between organizational resources and performance	A conceptual discussion of the relationship between organizational resources and performance	A combination of resources possessed by a firm influence organizational performance	The role of governance structures, accountability practices and audit committees were not examined. The arguments are not backed by empirical evidence	The current study sought to introduce accountability, governance and audit committees of CBs in Nairobi County.
Talaja (2012)	Testing VRIN Framework: Resource Value and Rareness as Sources of Competitive Advantage and Above Average Performance	Cross sectional Survey of 265 large and medium sized Croatian companies. Analysis used structural equation modeling	Companies with more valuable and rare resources achieve higher levels of competitive advantage and performance	The context was in Croatia. The role of accountability practices, accountability practices and audit committees performance relationship was not the focus of this study.	The current study sought to establish the combined influence of accountability, governance and audit committees of CBs in Nairobi County.
Nkundabanyanga et al (2013)	Effective board governance and performance in Ugandan state corporations	Qualitative research design used PESTEL Analysis	Revealed that the board bring controls, effectiveness, communication and evaluation in state corporations	The study focused on the audit committees on performance in the Private sector in Uganda with two variables.	This study focused on CBs in Kenya with three variables of audit committee, accountability and governance of CBs in Nairobi County.
Wanyama et al	Factors	Descriptive sampling	The stakeholders,	This study will not look at	This study looked at accountability,

(2013)	influencing the day to day practice of corporate governance in Uganda	design Using ANOVA	accountability, governance and performance are the major factors in corporate performance	performance audit committees on accountability and governance structures of CBs in Nairobi County.	governance and audit committee towards governance of CBs in Nairobi County.
Kamaara, Gachunga and Waititu (2013)	The relationship between board of director characteristics and performance of commercial State Corporations in Kenya	Cross-sectional survey with a sample of 20 commercial State Corporations	There is a strong relationship board characteristics and performance of State Corporations	The study will be limited to CBs in Nairobi. The sample will not be representative of the entire CBs. Accountability practices, governance structures and audit committee will be considered in this study	The current study sought to establish the relationship between audit committees, accountability and governance on the governance across all CBs in Nairobi County.
Okiro (2014)	Governance, capital structure, regulatory compliance and performance of firm listed at the East African Community exchange.	Case study, Cross section, Multivariate regression analysis.	The stakeholders, governance and performance are the major factors in for compliance and performance of stock exchange firms.	The study will contextualize the CBs as the Private sector and conceptualize accountability practices, audit committees on governance structures	The study conceptualized accountability, audit committees and accountability on governance using the CBs in Nairobi County.

Source: Researcher (2018)

The review of literature and subsequent summary of the previous studies has brought out several issues. First, most studies on organizational performance have focused on one or two variable (s) such as board roles and corporate governance. The combined effects of audit committees, accountability practices and accountability practices on organizational performance have been considered. This is contrary to propositions by Kyahko (2011) and Bovens (2005) who propose that studies on organizational performance should be undertaken in combination of various variables among them audit committees, accountability as well as governance mechanisms.

Second, most studies have been conceptualized either as audit committee influencing performance or corporate governance influencing performance. Studies that have conceptualized the relationship between audit committees, accountability practices, and performance are rare. Finally, all studies reviewed did not contextualize the variables in the current study within Kenyan CBs. The current study therefore offered great insights to the relationship of the concepts as well as the context.

2.6 Conceptual Framework

The audit committee's influence on overall existence and operations of an organization performance cannot be underestimated. Whether tautological or basic reasoning, the audit committee have roles to play in performance of organizations. However, most of the previous studies have studied two or three variables relationship on organizational performance. They have also done this in exclusion of accountability practices and accountability practices despite the compelling need for examining their combined influences on organizational performance. Further, literature is categorical of the postulation that no single factor can influence

organizational performance. There have been propositions of testing the role of audit committee on firm performance in combination of other variables. This study took keen interest of these propositions and thus presented a comprehensive conceptual model in Figure 2.1

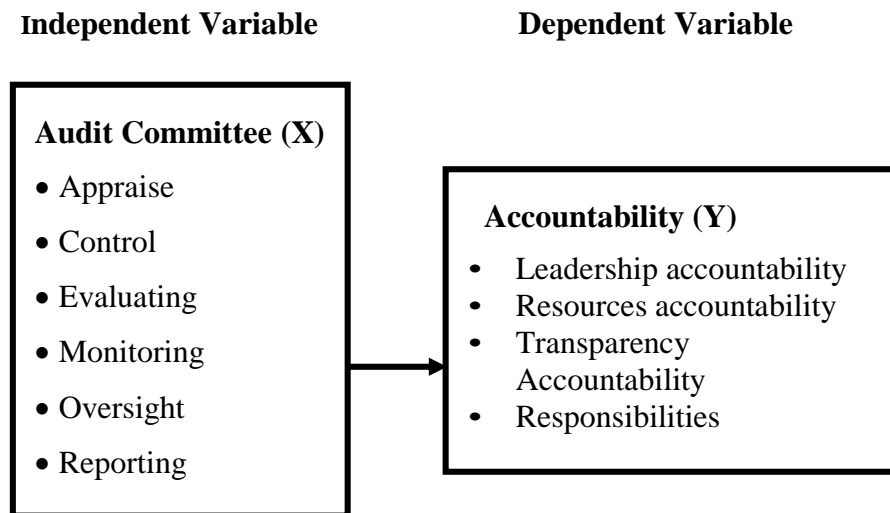


Figure 1: Conceptual Framework

Source: Author (2018)

The study conceptualized a relationship between audit committees, accountability and governance. The audit committees were conceptualized to have an independent empirical role influencing performance. The operational indicators of audit committees included oversight, evaluation, monitoring and controls as evidenced in extant literature.

CHAPTER THREE

RESEARCH METHODOLOGY

3.1 Introduction

This chapter is a discussion of the methodology used in this study. It describes the steps, procedures and approaches followed in executing this study. Additionally, data collection methods, reliability and validity of measurement together with operationalization of research variables are also discussed. Finally, data analysis is summarized.

3.2 Research Design

The study used a descriptive cross sectional survey design. Cross sectional studies are carried out once and represent a snap shot of one point in time. Cross-sectional survey was chosen to enable collection of data across a large number of organizations at one point in time. Cross sectional surveys help a researcher to establish whether significant associations among variables exist at some point in time (Nachmias & Nachmias, 2004; Cooper & Schindler, 2006).

A research design is a plan for selecting the sources and types of information to be used to answer a research question. It helps develop a structure for specifying relationships among variables. Bryk and Raudenbus (1992) argue that in cross sectional surveys either the entire population or a subset thereof is selected. This study sought to establish interrelationships between audit committees and accountability and governance of the Kenyan CBs. Other researchers (Ongore, 2011; Letting et al., 2012; Machuki, 2011; Gachunga, 2010; Awino, 2011; Awino, Okiro, Iraya & Mutua, 2014) successfully used the same design for similar studies.

3.3 Population of the Study

The target population of the study was on 33 CBs located in Nairobi. The study specifically targeted Audit committee members, board members, managers, employees and auditors of the CBs. The research was conducted among five banks that are listed in the NSE and five banks that are not listed in the NSE all of which are licensed by the Central Bank of Kenya namely; CFC Stanbic Bank Ltd., Diamond Trust Bank Kenya Ltd., Housing Finance Ltd, Equity Bank Ltd., Co-operative Bank of Kenya Ltd., Bank of Baroda (K) Ltd., Commercial Bank of Africa Ltd., Development bank of Kenya Ltd., Eco Bank Ltd. and I & M Bank Ltd. The above banks were purposefully selected from the 33 commercial banks in order to provide important information required to answer the research question. Newbert (2008) argues that staff at management levels in an organization is deemed to be in a position to understand an organization's internal operations. CBs Audit committee were chosen for the study because they provided reliable and valid unique area in terms of CBs stakeholders and board services and unpredictability of accountability practices which affect governance in the CBs. The questionnaire is attached as Appendix II.

3.4 Sampling Criteria

The sampling techniques chosen by the researcher was purposive sampling technique. Purposive sampling is also known as judgmental sampling and is used when the researcher uses their own judgment in choosing members of population to participate in the study (Saunders, Lewis & Thornhill, 2012). A sample of 50 respondents (five from each commercial bank ($10 \times 5 = 50$)) were selected from the 10 commercial banks mentioned above for the study. The five individuals were

purposefully selected from each bank for the study.

Purposive sampling concentrates on particular characteristics of a population that are of importance to the researcher. The researcher considered purposive technique because the study aimed at determining the role of audit committees in promoting accountability and governance in commercial banks. It was important therefore for the researcher to use the banks listed in the NSE and banks that are not listed in the NSE to get a broader view. This sampling design was adopted because according to Patton (1990) one may learn a great deal more by focusing in depth on understanding a small number of carefully selected sample than by gathering standardized information from a large, statistically representative sample of the population.

3.5 Data Collection

Primary and secondary data was collected because the two sources of data are meant to reinforce each other (Stiles and Taylor, 2001). The data was largely quantitative in nature. Primary data was collected using a semi structured questionnaire. The questionnaire comprised of closed ended questionnaires as well as a few open ended ones guided by the concepts of the study and research objectives. A five point Likert scale ranging from not at all (1) to (5) a very large extent was used to construct some of the items. Likert scale questions are the most frequently used variation of the summated rating scale.

The questionnaire was divided into five sections. Section I collected data on the specific demographics of the Nairobi CBs while the rest of the sections was dedicated to the objectives under study. This was also to ensure consistency of responses from each CBs. The questionnaire is attached as Appendix II.

3.6 Reliability and Validity Tests

3.6.1 Reliability Tests

According to Sorooshian (2010) reliability is a measure of the degree to which a research instrument yields consistent results or data after repeated trials. The test-retest method will be used in this study in order to assess the reliability of data collected using the same instrument. Cronbach's Alpha coefficient was used to compute reliability tests. Alpha coefficient of 0.7 and above was interpreted to mean satisfactory internal consistency reliability (Bovens, 2005). Neuman (2006) identifies three types of reliability, stability, representative and equivalent. Stability reliability takes into consideration the question of whether or not a measure delivers the same answer across different time period. This was examined by test-retest method.

3.6.2 Validity Test

Validity is defined as the accuracy, truthfulness and meaningfulness of influences that are based on the data obtained from the use of a tool or a scale for each variable on the study (Hyndman and McMahon, 2010). Validity is the degree to which results obtained from the analysis of the data actually represent the phenomenon under the study. It therefore has to do with how accurately the data obtained in the study represents the variables of the study. If such data is a true reflection of the variables, then inferences based on such data will be accurate and meaningful (Hardy and Ballis,

2013). Both construct validity and content validity were used in adapting the measures for the variables in this study. The questionnaires were pre-tested to ascertain their relevance to the study in production of accurate results. Content validity was done by testing and retesting the questionnaire which covered all the four main areas of the study. Construct validity on the other hand was attained through the operationalization of the study variables which reflected the theoretical assumptions that underpin the conceptual framework of this study.

3.7 Data Analysis

For this study, both descriptive (mean scores, standard deviations, coefficients of variance, skewness and kurtosis percentages) and inferential statistics were used. These helped to describe the characteristics of the variables of this study and to find out the underlying features of the relationships between audit committees, accountability practices and governance of CBs of Kenya.

Ntim and Soobaroyen (2013) contend that descriptive statistics provide the basic features of the data collected. Inferential statistical technique to be used includes Pearson's product moment coefficient correlation (r), simple linear regression analysis and multiple linear regression analysis. Simple linear regression analysis was used to determine the independent effect of the dependent variable, audit committees and accountability and governance of CBs of Kenya. The researcher used multiple linear regression to establish the nature of the relationship between audit committees and, accountability and governance of CBs and also to test the relationships. The correlation matrix was constructed to investigate the relationship between the study variables.

Table 2: Analytical Model of Data

Research Objective	Hypothesis	Analytical Tests	Structural Equation Models (SEMs)	Interpretation
To establish the effect of Audit Committee on the accountability and governance of CBs in Kenya	Audit Committee have no significant effect on Accountability and governance of CBs in Kenya	Bivariate Data analysis. (ANOVA)	$Y = \beta_0 + \beta_1 X_1 + \epsilon_1$ (SEM3) Y = Accountability X ₁ = Audit committee β ₀ β ₁ coefficients ε ₁ = Error term	Interpret as audit committee has influence on the accountability and governance of CBs.

3.8 Ethical Considerations

Kidder (2009) defines ethics as moral principles that govern an individual behaviour in conducting an activity. Information gathered from the study respondents will be kept confidential since it is for academic purposes only. This study did not pose any physical, psychological or cognitive harm to the respondents. The respondents were informed about the purpose of the questionnaires which is to solicit data on audit committee on the accountability and governance of CBs in Kenya. Firstly, consent was gotten by engaging and interacting with the respondents, this was helpful in winning their support and permission to conduct investigation.

The researcher explained to the respondents the importance of this research and the goals that the researcher sought to achieve. The nature of this research was acknowledged to them including the questions; privacy was achieved by assuring the respondents that their identities and all the information provided would be kept a secret. This motivated them to participate in the research process. The researcher considered sharing the results for this study upon a written request by the institution. Questionnaires were administered to the respondents and prior communication was made before administration. This was helpful in enhancing the willingness of the respondents in taking part of this study by providing accurate and reliable information. This also improved the quality of the research findings.

CHAPTER FOUR

DATA ANALYSIS AND INTERPRETATION OF FINDINGS

4.1 Introduction

This chapter deals with the analysis of data. The objective of the study was to determine the influence of audit committee on accountability practices of commercial banks in Nairobi Kenya. The data analysis is in harmony with the objective of the study where patterns were investigated through descriptive analysis, and inferential analysis which were then interpreted and inferences drawn on them.

4.2 Response Rate

The number of questionnaires that were administered was 50. All the questionnaires were properly filled and returned. This represented an overall successful response rate of 100%. This can be explained by the fact that the questionnaires were self-administered.

4.3 Reliability

Reliability of the questionnaire was tested using Cronbach Alpha. The research instrument was reliable as the alpha for the variables was above 0.7. Table 3 shows the reliability results.

Table 3: Reliability

Variable	No of Items	α =Alpha	Comment
Audit Committee	8	0.781	Reliable
Accountability Practices and Governance Structures	8	0.747	Reliable

4.4 Demographic Characteristics

This section consists of information that describes basic characteristics such as level of gender, education of the respondents, and the employment status.

4.4.1 Gender

The study sought to find out the gender of the respondents. Results in Figure 2 show that 64% of the respondents were male while 36% were female. This depicts the situation in the corporate sector whereby the workforce constitutes of more male than female employees.

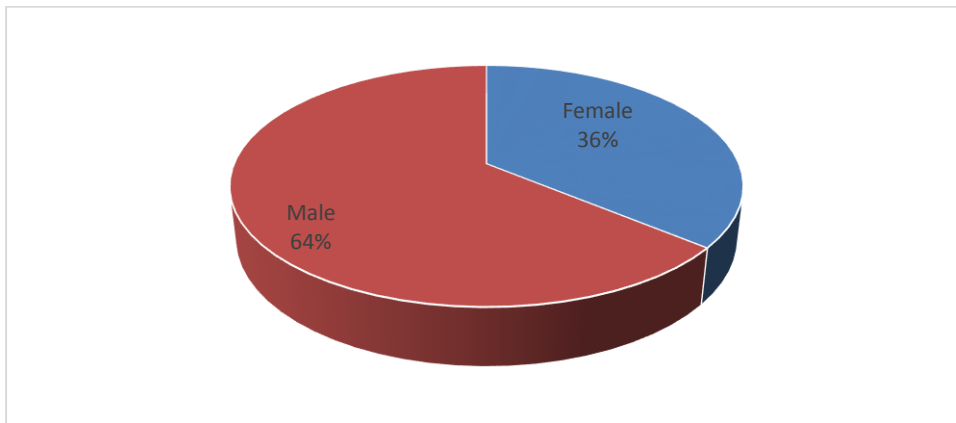


Figure 2: Gender

4.4.2 Level of Education

The study sought to establish the level of education of the respondents. Results in Figure 3 reveal that 44% of the respondents had a degree certificate. Another 42% had a master's degree certificate, 8% had a doctorate certificate while the rest 6% had a diploma certificate. This is an indicator that the respondents were educated and had taken the initiative to upgrade their education. The implication of this is that they were skilled and had the requisite knowledge to get their jobs done.

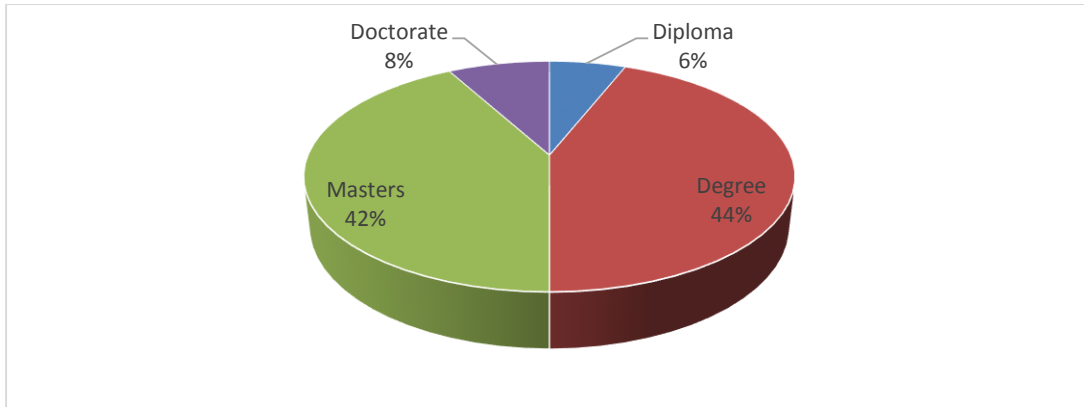


Figure 3: Level of Education

4.4.3 Employment Status

The study also sought to establish the employment status of the respondents. Results in Figure 4 show that 56% were employed on a permanent basis while the rest 44% were employed on a contract basis.

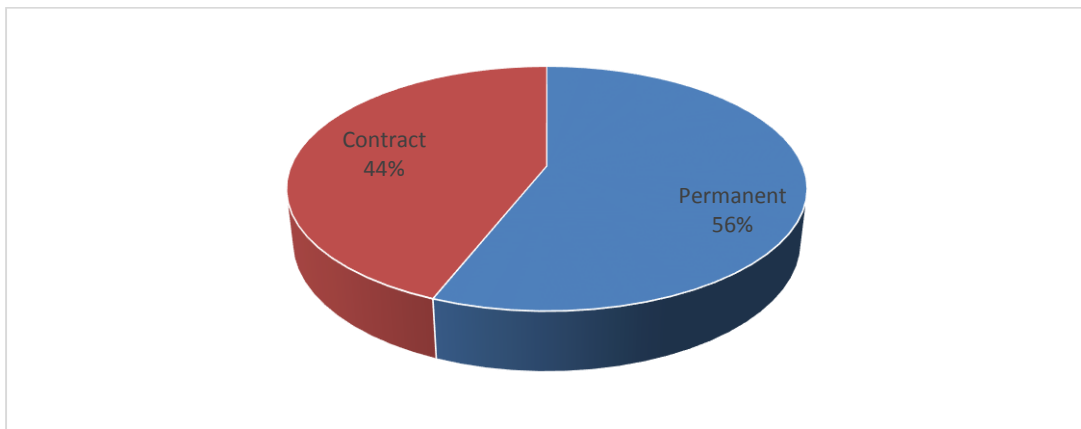


Figure 4: Employment Status

4.5 Descriptive Statistics

This section presents the descriptive results on audit committee of the CBs and accountability practices and governance structures of the CBs.

4.5.1 Audit Committee of the CBs

The study sought to establish the influence of audit committees on accountability practices and governance structures of the CBs. Results in Table 4 illustrates that 62% of the respondents agreed that the CBs have sufficient audit committee to carry out planned mandate in the CBs, 88% affirmed that the CBs audit committee have adequate oversight roles on CBs internal control systems, 66% posited that the CBs audit committee monitors the operations of the entire the CBs while 62% pointed out that the CBs audit committee promote evaluation of internal control mechanisms of CBs for better governance. Results also revealed that 82% of the respondents agreed that the audit committee ensures that the CB's accomplishes good governance structures for effectiveness and efficiencies, 62% reiterated that the CBs audit committee are involved in the monitoring and evaluating governance structures, 64% posited that the CBs audit committee are involved in the monitoring governance structures while 68% affirmed that the CBs audit committee are involved in the monitoring and evaluation of CBs management structures. On a five point scale, the average mean of the responses was 3.8 which means that majority of the respondents agree statements in the questionnaire.

Table 4: Audit Committee of the CBs

Statement	Strongly Disagree	Disagree	Neutral	Agree	Strongly Agree	Mean
The CBs has had sufficient audit committee to carry out planned mandate in the CBs.	4.0%	6.0%	28.0%	36.0%	26.0%	3.7
The CBs audit committee has had adequate oversight roles on CBs internal control systems.	2.0%	4.0%	6.0%	32.0%	56.0%	4.4
The CBs audit committee monitors the operations of the entire the CBs.	0.0%	4.0%	30.0%	56.0%	10.0%	3.7
The CBs audit committee will promote evaluation of internal control mechanisms of CBs for better governance.	6.0%	2.0%	30.0%	58.0%	4.0%	3.5
The audit committee ensures that the CB's accomplishes good governance structures for effectiveness and efficiencies.	2.0%	0.0%	16.0%	30.0%	52.0%	4.3
The CBs audit committee will be involved in the monitoring and evaluating governance structures.	12.0%	2.0%	26.0%	50.0%	10.0%	3.4
The CBs audit committee will be involved in the monitoring governance structures.	14.0%	16.0%	6.0%	18.0%	46.0%	3.7
The CBs audit committee will be involved in the monitoring and evaluation of CBs management structures.	16.0%	16.0%	0.0%	20.0%	48.0%	3.7
Average						3.8

4.5.2 Accountability Practices and Governance Structures of the CBs

The study sought to establish the status of accountability practices and governance structures of the CBs. Results in Table 5 illustrates that 80% of the respondents agreed that the appointments of CBs audit committee members have always

considered a mix of skills required in the stewardship and the governance structures of the CBs, 76% posited that the CB's audit committee appointment process is on consideration of governance structures and not on political, 78% posited that all CBs stakeholders are involved in the appointments of the CBs audit committee members while 72% pointed out that they are familiar with what is in the CB's by-laws and governing policies that are geared towards governance structures.

Results also revealed that 84% of the respondents agreed that there have been clear guidelines on the operations of the CBs audit committee in line to CBs governance structures, 70% reiterated that the responsibilities of the CBs audit committee have been clearly defined to enable good governance structures, 86% posited that the CBs audit committee has been composed of balanced gender to allow good governance structures while 90% affirmed that the CBs audit committee is important for the effective and efficient governance structures of the CBs. On a five point scale, the average mean of the responses was 4.1 which means that majority of the respondents were agreeing to the statements in the questionnaire.

Table 5: Accountability Practices and Governance Structures of the CBs

Statement	Strongly Disagree	Disagree	Neutral	Agree	Strongly Agree	Mean
The appointments of CBs audit committee members have always considered a mix of skills required in the stewardship and the governance structures of the CBs.	0.0%	0.0%	20.0%	46.0%	34.0%	4.1
The CB's audit committee appointment process is on consideration of governance structures and not on political.	0.0%	0.0%	24.0%	30.0%	46.0%	4.2
All CBs stakeholders are involved in the appointments of the CBs audit committee members.	0.0%	0.0%	22.0%	40.0%	38.0%	4.2
I am familiar with what is in the CB's by-laws and governing policies that are geared towards governance structures.	2.0%	0.0%	26.0%	42.0%	30.0%	4.0
There have been clear guidelines on the operations of the CBs audit committee in line to CBs governance structures.	4.0%	0.0%	12.0%	26.0%	58.0%	4.3
Responsibilities of the CBs audit committee have been clearly defined to enable good governance structures.	0.0%	0.0%	30.0%	40.0%	30.0%	4.0
The CBs audit committee has been composed of balanced gender to allow good governance structures.	0.0%	2.0%	12.0%	52.0%	34.0%	4.2
The CBs audit committee is important for the effective and efficient governance structures of the CBs.	2.0%	2.0%	6.0%	64.0%	26.0%	4.1
Average						4.1

4.6 Inferential Statistics

Inferential analysis was conducted to generate correlation results, model of fitness, and analysis of the variance and regression coefficients.

4.6.1 Correlation Analysis

The Table 6 below presents the results of the correlation analysis. The results presented in the Table 5 shows that audit committee of the CBs and accountability practices and governance structures of the CBs have a positive and significant association ($r=0.716$, $p=0.000$). This implies that audit committees of the CBs enhance accountability practices and governance structures of the CBs.

Table 6: Correlation Matrix

Variable		Accountability Practices and Governance Structures	Audit Committee
Accountability Practices and Governance Structures	Pearson Correlation	1	
	Sig. (2-tailed)		
Audit Committee	Pearson Correlation	0.716	1
	Sig. (2-tailed)	0.000	

4.6.2 Regression Analysis

Results in Table 6 above show that audit committee of the CBs were found to be satisfactory variables in explaining accountability practices and governance structures of the CBs. This is supported by coefficient of determination also known as the R square of 0.502. This means that audit committee of the CBs explain 50.2% of the variations in the accountability practices and governance structures of the CBs. This results further means that the model applied to link the relationship of the variables was satisfactory.

Table 7: Model Fitness

R	R Square	Adjusted R Square	Std. Error of the Estimate
0.716	0.513	0.502	0.1965

The F-statistic in the linear model output display is the test statistic for testing the statistical significance of the model. The F-statistic values in the ANOVA display are for assessing the significance of the variables in the model (Cooper & Schindler, 2008). Results in Table 6 indicate that the overall model was statistically significant as supported by an F statistic of 50.469 and a p value of 0.000. Further, the results imply that audit committees of the CBs are good predictors of accountability practices and governance structures of the CBs.

Table 8: Analysis of Variance

Indicator	Sum of Squares	Df	Mean Square	F	Sig.
Regression	1.949	1	1.949	50.469	0.000
Residual	1.854	48	0.039		
Total	3.803	49			

Regression coefficients results in Table 9 show that that there is a positive and significant relationship between audit committee of the CBs and accountability practices and governance structures of the CBs as supported by beta coefficients of 0.350. This implies that better audit committee of the CBs by a unit would enhance accountability practices and governance structures of the CBs by 0.350 units.

Table 9: Regression of Coefficients

Variable	B	Std. Error	T	Sig.
(Constant)	2.820	0.19	14.83	0.000
Audit Committee	0.350	0.049	7.104	0.000

The regression model too the form

$$Y = \beta_0 + \beta_1 X_1 + \epsilon_1$$

$$Y = \text{Accountability}$$

X1 = Audit committee

β_0 β_1 coefficients

ϵ_1 = Error term

Hence, the final model was.

Accountability Practices and Governance Structures = 2.820+ 0.350 Audit Committee
of the CBs.

CHAPTER FIVE

SUMMARY OF FINDINGS, CONCLUSIONS AND RECOMMENDATIONS

5.1 Introduction

This chapter dealt with the summary of the findings, the conclusion and recommendations. This was done in line with the objective of the study. Areas of further research were suggested and limitations of the study were taken into account.

5.2 Summary of Findings

The general objective of the study was to determine the influence of audit committee on accountability practices of commercial banks in Nairobi Kenya. The results affirmed that audit committee influenced accountability practices. This was supported by the findings that the CBs have sufficient audit committee to carry out planned mandate in the CBs, the CBs audit committee have adequate oversight roles on CBs internal control systems, CBs audit committee monitors the operations of the entire the CBs and that the CBs audit committee promote evaluation of internal control mechanisms of CBs for better governance. The results were also supported by the findings that audit committee ensures that the CB's accomplishes good governance structures for effectiveness and efficiencies, CBs audit committee are involved in the monitoring and evaluating governance structures, CBs audit committee are involved in the monitoring governance structures and that CBs audit committee are involved in the monitoring and evaluation of CBs management structures.

The findings were also supported by the correlation and regression results. The correlation results revealed that audit committee of the CBs and accountability practices and governance structures of the CBs have a positive and significant

association ($r=0.716$, $p=0.000$). On the other hand the regression results revealed that that audit committee of the CBs and accountability practices and governance structures of the CBs have a positive and significant relationship ($\beta =0.350$, $p=0.000$). These findings are consistent with those of Muange, Gacheru and Adoyo (2013) who notes that audit committees enhances performance in commercial banks. These findings are also agreed with those of Okiro (2014) who asserts that accountability practices influences firm performance.

5.3 Conclusions

The study concluded that audit committee has a positive effect on accountability practices of commercial banks in Nairobi Kenya. This was supported by the findings that CBs audit committee members have always considered a mix of skills required in the stewardship and the governance structures, CB's audit committee appointment process is on consideration of governance structures and not on political, all CBs stakeholders are involved in the appointments of the CBs audit committee members and that they are familiar with what is in the CB's by-laws and governing policies that are geared towards governance structures.

The conclusion was also supported by the findings that there have been clear guidelines on the operations of the CBs audit committee in line to CBs governance structures, the CBs audit committee have been clearly defined to enable good governance structures, the CBs audit committee has been composed of balanced gender to allow good governance structures and that the CBs audit committee is important for the effective and efficient governance structures of the CBs.

5.4 Recommendations

From the findings discussed above the study recommends the following; first, given that the audit committee have a positive effect on accountability practices of commercial banks in Nairobi Kenya it is recommended that the commercial banks should put more emphasis on the need to engage audit committees more on issues pertaining accountability practices and governance as this would result to better performance and overall growth.

5.5 Limitation of the Study

This study experienced various limitations. To begin with, there was trouble in accessing the targeted respondent. The limitation was mitigated by administering the questionnaires personally to the respondents. Additionally, the researcher experienced hesitance by respondents to give their feedback as they feared it would be used against them. To mitigate this, the researcher acquired a letter of introduction from the university that guaranteed the respondents that the feedback would be utilized for scholarly purposes and would be held in confidence.

5.6 Suggestions for Further Studies

This study suggests that a similar study should be conducted but focus on other financial institutions such as SACCOs for comparison purposes. The study also suggests that a study showing the effect of specific aspects of audit committees should be conducted. This would help to single out the aspects that have greater effect than others and thus it would be easier to prioritize the stronger aspects.

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APPENDICES

Appendix I: Questionnaire

This questionnaire is developed to collect data from CBs of Nairobi in Kenya on audit committees, accountability practices and governance structure. The data collected shall be used for academic purposes only and will be treated with strict confidence. Your participation in facilitating the study will be highly appreciated. We would therefore urge you to freely answer the questions as only the researchers will have access to the data and for the development of the final report.

PART I: Demographics of the CBs

1. What is your current department in this

bank.....

2. What is your current level of education attained

Diploma []

Degree []

Masters []

Doctorate []

Any other? Specify.....

3. **What is your gender?**

Male [] Female []

4. **Your current employment status**

Permanent []

Temporary []

Contract []

Any other? (Specify).....

PART II: Audit Committee of the CBs

5. Using the scale shown below, rate your level of agreement (or disagreement) with respect to the following aspects of Audit committee functions and governance structures. Use a tick (√) to indicate your choice. Use a scale where **1 is Strongly Disagree; 2 are disagreeing; 3 are Neutral; 4 is Agree and 5 is Strongly Agree.**

	Audit committee	1	2	3	4	5
AC1	The CBs has had sufficient audit committee to carry out planned mandate in the CBs.					
AC2	The CBs audit committee has had adequate oversight roles on CBs internal control systems.					
AC3	The CBs audit committee monitors the operations of the entire the CBs.					
AC4	The CBs audit committee will promote evaluation of internal control mechanisms of CBs for better governance.					
AC5	The audit committee ensures that the CB's accomplishes good governance structures for effectiveness and efficiencies					

AC6	The CBs audit committee will be involved in the monitoring and evaluating governance structures					
AC7	The CBs audit committee will be involved in the monitoring governance structures.					
AC8	The CBs audit committee will be involved in the monitoring and evaluation of CBs management structures.					

Any Other (please specify)-----

PART III: Accountability Practices and Governance Structures of the CBs

Using the scale shown below, rate your level of agreement (or disagreement) with respect to the following aspects of accountability practices and performance. Use a tick (√) to indicate your choice. Use a scale where **1 is Strongly Disagree; 2 are disagreeing; 3 are Neutral; 4 is Agree and 5 is Strongly Agree.**

	Accountability practices and governance structures	1	2	3	4	5
APGS1	The appointments of CBs audit committee members have always considered a mix of skills required in the stewardship and the governance structures of the CBs.					
APGS 2	The CB’s audit committee appointment process is on consideration of governance structures and not on political.					

APGS3	All CBs stakeholders are involved in the appointments of the CBs audit committee members.					
APGS4	I am familiar with what is in the CB's by-laws and governing policies that are geared towards governance structures.					
APGS5	There have been clear guidelines on the operations of the CBs audit committee in line to CBs governance structures.					
APGS6	Responsibilities of the CBs audit committee have been clearly defined to enable good governance structures.					
APGS7	The CBs audit committee has been composed of balanced gender to allow good governance structures.					
APGS8	The CBs audit committee is important for the effective and efficient governance structures of the CBs.					

Any Other (please specify)-----

END

THANKS YOU FOR TIME AND INFORMATION

GOD BLESS ABUNDANTLY