FACTORS INFLUENCING PERFORMAMNCE OF AUDIT COMMITTEES IN STATE CORPORATIONS: A CASE OF THE KENYA URBAN ROADS AUTHORITY

BY

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This Research Project Report is Submitted in Partial Fulfillment of the Requirements for the Award of The Degree of Master of Arts in Project Planning and Management of University of Nairobi.

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DECLARATION

This Research Project Report is my original work and has not been submitted to any other college, institution or university for any award.

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This Research Project Report has been submitted to the University for examination with my approval as the supervisor.

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DEDICATION

To my dear parents Mr. and Mrs. Danson Githinji who have encouraged me to continuously improve my education.

To my loving wife Mary Nyambura and our children Danson, Muthoni and Nyokabi for their unwavering support as I pursued this degree.

You all know how much I appreciate your support.

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To all of you: Asante Sana!

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ABBREVIATIONS AND ACRONYMS

ADB	African Development Bank
CAE	Chief Accounting Executive
CEO	Chief Executive Officer
EMU	Efficiency Monitoring Unit
ERS	Economic Recovery Strategy for Wealth and Employment Creation
FDI	Foreign Direct Investment
GoK	Government of Kenya
IIA	Institute of Internal Auditors
IRS	Internal Revenue Service
KENAO	Kenya National Audit Office
OECD	Organization for Economic Cooperation and Development
RAB	Registration of Accountants Board
SAO	Sarbanes Oxley Act
SEC	Securities and Exchange Commission
SOE	State Owned Enterprises
USA	United States of America

ABSTRACT

The purpose of this study was to evaluate factors that influence performance of audit committees in state corporations and the impact of these factors in terms of ensuring good corporate governance practices and accountability. The study was a case analysis of KURA in selected operation areas in county headquarters. The study was guided by the following research questions; (i) To determine the effect of training of the Audit Committee members on the improvement of corporate governance in KURA. (ii) To assess whether the composition of the Audit Committee members affects good corporate governance in KURA (iii) To determine the effect of regular meetings of the Audit Committee members on good corporate governance in KURA. The methodology use was a descriptive study focusing on process of implementation and the results thereof. The case was used in order to increase the likelihood of high quality data but not necessarily as an object of interest in its own right. The data and information was collected using questionnaires. Data was analyzed through descriptive statistics using Statistical Package for Social Scientists (SPSS) in order to give quantifiable statistics and results done with the help of Microsoft Office Excel programme and presented in pie charts, bar graphs and tables. The findings of the study revealed that training of the audit committee members is important so as to equip the members with the necessary skills that they would need in the course of their assignment. This proves to be fundamental as not all audit committee members may have a background in the functions of being an audit committee member, and given that tasks required of them and the knowledge that is expected of them may differ across them, an induction and continuous information and knowledge update would be beneficial both to the audit committee members and to the organization. The respondents indicated that the audit committee members training is important for among other factors to bring members up to date and ensure that they are current on developments in corporate governance procedures and practices supported by 61.5% of the respondents strongly agreeing and 28.2% agreeing with these sentiments. For an effective audit committee, the composition of the committee and the regularity of committee meetings are key in the ensuring that there is an effective and probably efficient audit committee to monitor, check and evaluate the financial functions and practices of an organization The study recommends that audit committee members should undertake trainings to equip them with the necessary skills and knowledge to perform their duties effectively. The composition of the audit committee members is significant in monitoring and evaluation of the organizations performance and should be properly constituted. The regularity of the audit committee's meetings is important to ensure that the committee functions effectively in enhancing good corporate governance practices to be attained in the organization. Thus, the committee ought to meet regularly to be instrumental in keeping a check on the performance and the accountability of an organization.

CHAPTER ONE

INTRODUCTION

1.1 Background of the Study

State Owned Enterprises (SOEs) commonly known as government Parastatals were first established in Kenya by the colonial government, these were meant to provide essential services to the white settlers. Indigenous Africans participation in economic activities such as trade and cash crop farming was, generally, discouraged. (CGD, 2002) After independence in 1963, the independent Kenya government devised strategies to achieve three goals; that were considered imperative for development and growth: to speed up overall economic growth rate, provide equitable distribution of development benefits and for the 'Kenyanization' of the economy. The means of achieving these goals were clearly defined in Sessional Paper No. 10 of 1965 on African Socialism and its Application to Planning in Kenya, which states that, "under African Socialism, the power to control resource use resides with the state". (CGD, 2002).

State Owned Enterprises (SOEs), or parastatals, are businesses that are owned and managed by the government. Beginning 1965 onwards, the government actively expanded and strengthened SOEs as the vehicles of development and Kenyanization. Indeed, as the SOEs proliferated in the first decade of independence, Kenya's economy at an impressive pace rate of 6.8%. Economic growth, however, dropped marginally to 5% in the 1980s, and further declined to a mere 0.3% in 1990s. (CGD, 2002).

The Kenya government forms parastatals to meet both commercial and social goals. Some SOEs exist to correct for market failure. This is the case, where, for instance, the service they give cannot be profitably provided by the private investors. By 1990, the Kenya government held equity in 250 commercial enterprises and had majority shareholdings in more than half of the 250 enterprises. Of these, the government directly held equity in about 50 enterprises while government-owned development finance institutions held equity in the rest. (Tangri, 1999; CGD, 2002). 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 good corporate governance as exercised on these state owned enterprises is important in contributing to the economic development of the country.

Corporate Governance is concerned with the establishment of an appropriate legal, economic and institutional environment that facilitates and allows business enterprises to grow, thrive and survive as institutions for maximizing shareholder value while being conscious of and providing for the well-being of all other stake holders and society. It is a system by which corporations are directed, controlled and held to account. In this regard, the role of the Board is to ensure that a corporation is directed, controlled and held to account. (Mulili, 2011; Awoyemi, 2009).

The Kenya Urban Roads Authority is responsible for planning, design and implementation of road projects in urban areas, comprising the City Council and municipalities. It has 10 regions: Coast, Upper Eastern, Lower Eastern, Nairobi, Central, North Rift Valley, South Rift Valley, North-Eastern, Western and Nyanza. Kenya Urban Roads Authority is committed to excellence in the provision of a safe and secure urban road network across the country. This is intended to be achieved by the provision of high quality professional services and continuous improvement of service delivery to all its clients and stakeholders. (Akaranga, 2008). Disseminating on a timely basis, accurate and reliable information concerning urban road development, rehabilitation, protection, and maintenance, and the formulation of key urban road policies and best practices. To build capacity in road maintenance, management and development through information exchange between stakeholders and urban planners and to pursue compliance to quality management requirements as a critical factor in quality assurance in all its processes. (Taboi, 2010).

Good corporate governance dictates that the Board of Directors governs the corporation in a way that maximizes shareholder value and in the best interest of society. (ECA, 2004).

1.2 Statement of the Problem

The necessity for Good Corporate Governance and accountability by corporate managers has overwhelmingly increased today in the wake of widespread fraud, corruption, misappropriation of funds and mismanagement of corporations especially in state managed corporations. The large number of complaints and disgruntlement bears testimony against the performance of state run institutions as filed at the office of the Ombudsman as well as highlighted from time to time by the press. (Reports of 2008/2009) Complaints have also been filed at the parent Ministries, with the Kenya Anti Corruption Commission and even tabled by members of parliament at the floor of the house. This has led to heightened need for state corporations to adopt good Corporate Governance and accounting practices in their organizations. (Taboi, 2010).

The problem of state corporations is that the impacts of the state corporations actions have largely been negative given that politicization and poor corporate governance, compounded with weak supervisory mechanisms and structure of financing and financial management have been standing features leading to the poor management of these corporations. (Taboi, 2010; Akaranga, 2008). Though Governments, private sector and regulatory bodies have since come up with numerous legislations to help organizations to minimize cases of corporate governance fraud and mismanagement, these have still been witnessed . There is need for firms and government agencies to adhere to Good Corporate Governance through prudent financial management practices, the development of quality and safe products and services, care for the environment and good corporate governance responsibility, and compliance with set legislations that govern the management of corporate organizations. (Taboi, 2010; Kajola, 2008).

The Audit Committee is a key fulcrum in any corporate organization in monitoring and placing a check on good accounting and management practices. The Audit Committee function of an organization plays a significant role in enhancing good corporate governance by providing an assurance of adherence by management to observe prudent corporate policies, the management of risks and place a check on internal controls compliance with set auditing standards. The Audit Committee can be of great help to the board in establishing, implementing, monitoring, evaluating and sustaining good corporate governance practices for the benefit of the company and its stakeholders.

1.3 The Purpose of the Study

The purpose of this study was to determine factors influencing performance of audit committees in state corporations.

1.4 Objectives of the Study

The main objective of the study was to determine the effectiveness of an organization's Audit Committee in enhancing good corporate governance and accountability. The study assessed the factors influencing performance of audit committees in state corporations in Kenya with a focus on KURA.

The specific research objectives were:

1. To determine the effect of training of the Audit Committee members on the improvement of corporate governance practices in KURA.
2. To assess whether the composition of the Audit Committee members affects good corporate governance practices in KURA
3. To determine the effect of regular meetings of the Audit Committee members on good corporate governance practices in KURA.

1.5 Research Questions

In order to achieve the above stated objectives, the following research questions guided the study: -

1. What is the effect of training of the Audit Committee members in improving good corporate governance practices in KURA?
2. How does the composition of the Audit Committee members improve good corporate governance practices in KURA?
3. What is the effect of regular meetings on good corporate governance practices in KURA?

1.6 Significance of the Study

This research study provided useful information for the Government and KURA on the status of Audit Committees in corporate institutions. The government and parastatals should benefit through understanding of the factors that influence performance of audit committee in state corporations in enhancing their corporate governance practices and accountability. The research made suggestions on ways of strengthening and improving the internal audit committee so as to enhance their performance through reduction of corporate malpractices.

Other government institutions and the private sector should benefit through the understanding of corporate governance practices and the important role that the Audit Committee plays in enhancing corporate governance, particularly in fostering corporate accountability and transparency. The managements of different business organizations would benefit from the study through the understanding of the role of the Audit Committee in state run corporations in enhancing good corporate governance practices. They would also be in a position to institute stringent audit practices and timely act on cases of corporate malpractices. The board would learn of the important role the audit committee has in safeguarding the public funds and the interest of other stakeholders in their watchdog role.

1.7 Delimitation of the Study

The study investigated the factors that influence audit committee in KURA in examining its successes and failures. The study limited itself to the analysis of the internal audit practices carried out within the KURA to determine whether they enhance or compromise corporate governance practices and financial accounting standards required by corporate institutions in Kenya.

1.8 Limitation of the Study

The likely challenge was the unwillingness to cooperate by some of the staff of the parastatal. This was overcome by assurances of utmost confidentiality of information obtained from the study.

1.9 Basic Assumptions of the Study

There were no assumptions in this study. This is because KURA is a recently formed organization which was established to fill gaps existing in the management of the roads sector and thus functionality of its structures has not been tested through time. This requires everything to be examined afresh. So nothing was assumed to be functioning properly and was a subject of study.

1.10 Definition of Significant Terms

Audit Committee - an operating committee of the Board of Directors charged with oversight of financial reporting and disclosure.

Corporate Governance - refers broadly to the rules, processes, or laws by which corporations, organizations or businesses are operated, regulated, and controlled.

Parastatal - a quasi-governmental organization, corporation, business, or agency owned or controlled wholly or partly by the government

Ranking of Organizations – is a competitive assessment for rating an organization relative to its peers in the industry.

State Corporation - legal entity created by a government to undertake commercial activities on behalf of an owner government

Training - Organized activity aimed at imparting information and/or instructions to improve the recipient's performance or to help him or her attain a required level of knowledge or skill.

Meetings - Formal or informal deliberative assembly of individuals called to debate certain issues and problems, and to take decisions.

Composition - a person or group of persons elected or appointed to perform some service or function, as to investigate, report on, or act upon a particular matter

- The act of putting something together

Actions against fraud - types of fraud and abuse; Policies, procedures and controls to mitigate any incidences of fraud or malpractices

Audit Committee - operating committee of a company's board of directors that is in charge of overseeing financial reporting and disclosure.

Board of directors - body of elected or appointed members who jointly oversee the activities of a company or organization.

Monitoring - the monitoring of accounting policies, the oversight of any external auditors, regulatory compliance, and the discussion of risk management policies with management.

Performance contract - performance agreement between the Government, acting as the owner of a Government Agency, and the management of the Agency. It clearly specifies the intentions, obligations and responsibilities of the two contracting parties.

Quality of audit report - process of identifying and administering the activities needed to achieve the quality objectives of IAS (International Audit Standards)

1.11Organization of the Study

The research study has been organized and arranged in the following main sections for clarity, sequence and ease of compilation.

Chapter One which covers the background to the study, statement of the problem, the purpose and the objectives of the study, the research questions, the significance of the study, the limitations and delimitations to the study, the assumptions to the study, the definition of terms and the summary of the chapter one.

Chapter Two which reviews literature looking at the factors that influence performance of audit committees in state corporations, the audit standards adopted by the state corporations, the role of the board in enhancing internal audit practices, the rate of compliance by state corporations to the audit practices, the independence of the audit committee in corporate organizations, it also incorporates the conceptual framework of the study and ends with a summary to the chapter

Chapter Three which covers and looks at the introduction of the method used, research design, target population, sampling procedure, design and sample size. The method of collecting data, the research procedure, validity and reliability, the methods of data analysis ending up with a summary to the chapter.3

Chapter Four which covers and deals with the findings from the study, presenting the output of the research and the results in table form with comments on the tabled data.

Chapter Five which presents and provides a discussion of the findings in relation to previous studies and gives conclusions and suggestions/recommendations to the study results.

CHAPTER TWO

LITERATURE REVIEW

2.1 Introduction

The reflection and the collation of the literature review to this chapter attempts to present a review of various previous studies that have been undertaken in relation to the role of the audit committee in good corporate governance practices. Various studies and academic work on this subject are reviewed herein to provide a broad perspective on the role of the audit committee in practicing good corporate governance and specifically with a directed view on its role, functions and the factors influencing effectiveness as regards the audit committee's of state corporations. This study delved into the review of literature that deals majorly with the conduct and performance of the audit committees in state corporations. The corporate governance players have a common objective in ensuring financial reporting quality. When these responsibilities are taken into consideration as a whole, audit quality can be considered to have an effect on the relationship between audit committee effectiveness and financial reporting quality.

The problem of state corporations indicates that the impacts of the state corporations have largely been negative, some of the reasons for this include: Politicization and poor corporate governance practices. Weak supervisory mechanism - the role of the state corporation advisory committee is just advisory yet it could play a more powerful role as a monitor and evaluator of performance of state corporations. The role of the audit committee remains unclear in many state corporations as they are also duly politically guided. Expenditure controls are terribly weak. Prosecution of chief executives for abuse of office and misappropriation of funds is usually not carried out effectively (Njiru, 2010; Karugor, 2005). The need for good corporate governance practices by State Corporations is a response to the growing importance of governance issues both in the emerging and developing economies and for promoting efficient utilization of public resources. It is also in recognition of the role of good governance in management of public corporate finance, capital formation and maximization of shareholders value as well as protection of investors' rights.

2.2 The Effect of Training of The Audit Committee Members in Improving Good Corporate Governance

A primary responsibility of the audit committee is to oversee the integrity of the company's accounting and reporting practices and financial statements. As financial reporting becomes more complex, the audit committee needs to make sure that the financial statements are understandable and transparent. The audit committee needs to provide discipline to ensure that the company reports information that is reliable and understandable, they need to understand complex accounting and reporting issues, such as fair value accounting and related assumptions, and how management addresses them, continue to focus on pension obligations, asset impairments, earnings, cash flows and liquidity positions and other ongoing financial statement issues affected by economic conditions, they need the knowledge to review significant financial reporting and regulatory developments, including their effect on the financial statements and how they affect the company's resource needs, they need to learn about the company's operations and significant risks without focusing overly on process and to assess the quality of the accounting principles and the appropriateness of significant accounting policies, considering alternative treatments of generally accepted accounting principles (Ernst and Young, 2012). To be able to do this the audit committee members need to be trained and taught on the basics and the principles of the role of the committee members, in order for them to effectively and efficiently deliver on the outputs of the responsibility required of them.

Prior research provides empirical evidence of the effects of knowledge and experience on audit committee members' exercise of independent judgments. For instance, experienced audit committee members who also have audit knowledge are more likely to support the auditor in an auditor management dispute case over an accounting policy (i.e. substance over form) than audit committee members who have concurrent experience as an independent board director and senior member of management (DeZoort and Salterio, 2001).

Other studies show that the higher the collective financial reporting knowledge and experience of audit committee members, the higher the support they provide auditors in auditor-management disagreements regarding materiality judgments (DeZoort et al., 2003). Recent studies that have examined the association between the financial expertise of audit committee members and corporate financial reporting quality (Abbott et al., 2002; McDaniel et al., 2002; Farber, 2004). Farber (2004) find that, compared to a matched sample of non-fraud firms, fraud firms have significantly fewer financial experts (i.e., defined in the study as those who have accounting or related financial management expertise; a person who is or has been a senior corporate officer with financial oversight responsibility on their audit committees.

Abbott et al. (2002) find that firms with financial experts on audit committees are less likely to experience financial reporting restatement or fraud. McDaniel et al. (2002) find that, when asked to identify clients' reporting issues for discussion with the auditors, financial experts (e.g., those who possess employment experience or professional certification in accounting/finance) tend to focus more on activities which their experiences suggest are associated with quality concerns, such as restatements, while financial literates (e.g., those who are able to read and understand basic financial statements) focus more on non-recurring issues, or issues that have less important implications for reporting quality. In other words, financial items that are less critical to overall reporting quality can distract financial literates. Consistent with the empirical evidence, the professional literature suggests that boards of directors are taking a much closer look at the makeup of their audit committees.

2.3 The Composition of The Audit Committee Members in Improving Good Corporate Governance

The composition of the committee is critical to its effectiveness. Members with requisite skills, knowledge, independence and judgment are important. Their level of commitment and availability is also critical to the audit committee's ability to perform its responsibilities effectively. A range of diverse perspectives and thinking helps strengthen the quality of audit committee deliberations and delivers real value for companies and shareholders, especially for companies that operate globally. Focus on committee composition, including independence, financial expertise, broad business or leadership experience and succession planning is critical for company's accountability (Taboi, 2010; Di Napoli, 2007).

The company needs to evaluate the audit committee expertise and competence of the members in the context of the company's strategy and risk profile today and for the next several years. The right balance is crucial and will fluctuate with changing circumstances. To consider the ability to work collectively, to challenge decisions in a credible manner and to avoid "groupthink", align audit committee meeting materials and agendas with priority areas: which incorporates putting significant areas first in advance materials and on the agenda, include and discuss matters for review and make comments, present compliance matters, standard reports and informational items at the end of advance materials packages and meetings (they may not need to be discussed at the meeting), follow meetings with private and executive sessions with auditors and the internal auditor and to help promote healthy skepticism among fellow committee and board members of the company (Ernst and Young, 2012; Taboi, 2010). The committee needs to consider alternative viewpoints, evaluate whether the company's crisis preparedness is adequate, consider periodically rotating audit committee members, staggering the terms of service to have the benefit of new skills and perspectives, engage independent advisers, as necessary, recognize the significant workload of board service, and especially of audit committees, consider policies limiting directors' other board service or audit committee participation and to conduct an annual committee self-evaluation, considering what the committee could have done better and what the committee needs to do next year and beyond (Ernst and Young, 2012).

Before December 1999, stock exchanges' and NASD's rules for audit committee composition were vague at best. They required or encouraged large, U.S.-listed companies to maintain audit committees with all or a majority of their members independent of management. However, the listing requirements did not define ‘‘independence.’’ In December 1999, based on the BRC’s Report, the NYSE and NASD modified their audit committee requirements. Under the new standards, all U.S.-listed firms must now maintain audit committees with at least three independent, financially-literate directors. Committee members must have no relationship to the company that may interfere with the exercise of their independence from management and the company (NYSE Listing Guide, Section 303.01 (B)(2)(a). In addition, the audit committee must include at least one member with financial expertise, designated as audit committee financial expert (ACFE) (BRC, 1999).

In January 2003, the SEC adopted rules requiring companies to disclose in their annual reports whether it has at least one ACFE or, if one does not exist, why not (SEC 2003). The SEC defines an ACFE as a member who has understanding of Generally Accepted Accounting Principles (GAAP) and financial statements. The ACFE should also have the ability to apply such principles in regards to accounting for estimates, accruals and reserves; have experience preparing, auditing, analyzing, or evaluating financial statements; and have an understanding of audit committee functions. A level below financial expertise is financial literacy, broadly defined as ‘‘the ability to read and understand basic financial statements.’’ These listing-standard changes have resulted in a close evaluation of directors serving on audit committees, most notably those members who do not meet the new definition of independence (Di Napoli, 2007).

As audit committees adjust to the current governance climate and to elevated accountability, they face a new challenge: attracting and retaining the directors they need for effective governance, and particularly, those willing to accept the ACFE designation. To complicate matters further, owing to the perceived risks of being a director of a public company, board turnover has increased dramatically to roughly 33% in 2003 (Daum and Gallo, 2003). Some of the current challenges to recruiting qualified audit committee members include:

Both the rewards and the risks of board service have shifted. Historically, the intrinsic rewards have included the opportunity to contribute the directors’ skills and expertise to the corporation, to enhance their own knowledge, to develop business contacts, and to enjoy the prestige of being affiliated with a respected corporation. Many of these traditional intrinsic rewards are eroding, and while director compensation is expected to increase, these increases will not be sufficient to overcome the increased personal financial and reputation risk of being a board director (Olson, 1999; Paskell-Mede and Jackson, 1999; Kirk, 2000; Zacharias, 2000). As a result, some governance committees require directors to step down from a number of boards and audit committees and to limit the number of audit committees on which a director can sit to three, in line with NYSE rules.

In theory, the ACFE designation does not impose additional duties, obligations, or liabilities on the ACFE that are greater than other members of the committee. And the SEC has granted ACFEs a safe harbor, meaning that other committee members may not abdicate their responsibilities. In practice, however, directors will be on the short list of targets of public scrutiny whenever questions are raised concerning corporate misconduct. Not only has the likelihood of shareholder class-action lawsuits increased, but also the likelihood of losing these suits has increased. For instance, these lawsuits include derivative suits filed by shareholders on behalf of the company against the board, SEC investigations, and the Employee Retirement Income Security Act (ERISA) lawsuits (Larkin, 2004). Independent of the ACFE, any audit committee who lacks the aptitude to question a public company's financial reports or suspected unethical conduct of its employees or senior executives will be abdicating its duty as ''guarantors'' of the corporate financial reporting quality. As a result, many directors are refusing to sit on the audit committee at all.

Demands on the directors' time have multiplied, as evidenced by recent survey studies indicating a significant increase in the number and duration of audit committee meetings. According to a 2002 survey of KPMG's ACI, 40% of audit committees expected to meet in person or via conference call eight or more times in 2003 (KPMG ACI, 2002). Further, Spencer Stuart's Board Index study (SSBI, 2003) finds that in just one year the number of audit committee meetings reported by S&P 500 companies increased by 46%, from an average of five per year to an average of seven, and 40% are meeting eight or more times a year. The study also reports that the average number of hours, per director, per year spent on board tasks (including meeting, preparation, and travel) was 101 hours, an increase of 12% since the previous year (SSBI, 2003). Consistent with this, other survey studies find that board meetings last longer now, ranging in length from a day and a half to two days (Taub, 2004). Further, audit committees now are meeting with the external auditors much more often and in many cases outside of formal audit committee meetings.

Most BODs are now examining the compensation package necessary to recruit competent audit committee members and retain the current ones. Currently, the most common compensation packages are comprised of; stock options only, stock options plus meeting fees; or options plus cash retainer. The package most recommended so far includes all three components: stock options plus meeting fess plus cash retainer. However, the NYSE Listing Committee Report recommends that stock options not be used in compensating members of the audit committee. The Committee's objective is to eliminate a potential conflict of interest that may impact the independence of audit committee members (ECA, 2004).

2.4 Regularity of Audit Committee Meetings and Good Corporate Governance

Audit committees need to meet regularly to facilitate the performance of their role and functions. This is important for the effective carrying out of their activities and roles. For instance an audit committee that convenes only twice a year before the regular board meeting for just fifteen minutes and whose duties are limited to a perfunctory presentation cannot be compared to one that meets twelve times a year before each board meeting; where every member has a financial background, where there are no personal ties to the chairman or the company, where they have their own advisers, where they ask tough questions of management and outside auditors and where ultimately the investor interest is being served (BCBS, 2010).

It is important that the audit committee develop a formal calendar of activities related to their areas of responsibility as prescribed in the committee charter, including a meeting plan that is reviewed and agreed by the entire board. The meeting plan should include communications between the committee chair or full committee and the auditor before the release of the interim or year-end financial data. In addition, two face to face meetings during the year with the external auditor and at least one executive session with the internal and external auditors with the management's presence should be recommended for the audit committee (BRC, 1999; BCBS, 2010). The audit committee should take charge of their agenda and ensure, in particular that it focuses on, among other matters, risks directly affecting the financial statements, key controls, interim financial information, policies and practices for management's communications with analysts and the qualitative aspects of financial reporting. They should inquire about time pressures on the auditor, including pressures on the timing of audit procedures, the degree of the management's cooperation with the auditor and their potential effects on audit effectiveness. To review the internal and external auditors' performance on annual basis, exercise responsibility as the external auditor's primary client, to assess the auditor's responsiveness to the committee's and the board of director's expectations and be satisfied that the auditor is appropriately compensated for performing a thorough audit (BCBS, 2010).

2.5 The Factors Influencing Performance of Audit Committee in Enhancing Corporate Governance in State Corporations

The Institute of Internal Auditors (IIA November, 2003) names the Audit Committee function as one of the four corner stones of good governance alongside the board, executive management and external audit. It notes that with the right positioning in an organization and with professional staff and leadership, an audit committee function will provide independent and objective opinions on the organization's operations and report these regularly to the board and management. (IIA, 2003) According to the Institute of Internal Auditors (IIA), *"Internal auditing is an independent, objective assurance and consulting activity designed to add value and improve an organization's operations. It helps an organization accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control, and governance process.* The Sarbanes-Oxley Act (SOA) (Sect. 301) strengthens prior professional and regulatory pronouncements related to creating a strong Board Audit Committee. The members must not be part of management and include one financial accounting expert. Through its professional standards (Attribute Standard 1110) and practices, the IIA has been a strong advocate for the internal audit group to report (functionally) to the Board Audit Committee.

The Audit Committee acts as a control mechanism over senior management by ensuring adequate internal controls', reviewing the reliability of records, enforcing board decisions, undertaking statutory duties where they exist, receiving reports on detection and prevention of fraud, causing the undertaking value for money audit exercises, causing the undertaking of assignments as directed by the board e.g. overseeing the implementation of external requirements and monitoring the reporting procedures (IIA, 2003).

The Audit Committees are now being challenged by other committees and the chief executives to not only prove their value but to play a larger role in Corporate Governance. The Audit Committee has a significant role to play in a company's demonstration of good Corporate Governance and that an effective Audit Committee function embraces a broad concept of risk assessment and management focusing on monitoring financial and operational controls and compliance (Hespenheide, 2003).

According to Woda (2002), the auditor who is a key pillar in the Audit Committee is a strong supporter and catalyst for helping organizations establish governance in financial management, regulatory compliance, operational management and information technology (IT). He notes that it is now more important for auditors to become more involved in supporting and helping implement Corporate Governance in IT and management. He notes that IT and Corporate Governance are concerned with communication and internal checks and balances.

Hamaker (2003), notes that the recent spate of high profile corporate bankruptcies has intensified the call for improved corporate governance. He has defined three forms of corporate governance: The first form is Corporate Governance, which is a concept that developed during the 1990s and proposed by Organisation for Economic Cooperation and Development (OECD). It states that, the corporate charter defines the corporate governance structure of an organisation, by laws and formal policy.

The second form of governance is enterprise governance, which is a relatively new informal term that refers comprehensively to the way an organisation is managed. It is the set of responsibilities and practices exercised by the board and executive management with the goal of providing strategic direction, ensuring that objectives are achieved, ascertaining that risks are managed appropriately and verifying that the enterprises resources are used responsibly (World Bank, 2010; Mulili, 2011).

The last form of governance is the information technology governance, which consists of the leadership and organisational structures, and processes that ensure that the organisation information technology sustains and extends the organisations strategies and objectives. The purpose of good corporate governance is to ensure integrity of accounting and financial reporting systems that include independent audit that have appropriate financial controls, risk monitoring, and compliance with laws and regulations (Mulili, 2011).

2.6 The Audit Standards Adopted by State Corporations to Enhance Corporate Governance and Accountability

Hynes (2010), notes that the Kenyan government is trying to improve ethics and governance in public and private enterprises in an effort to attract foreign direct investment (FDI). Kenya is a major economy in the east and central African region, and its success in improving economic performance is likely to have a significant demonstration effect on the region's economic development (World Bank, 2001).

Although the country has taken some measures to improve its economic governance, economic growth and various social indicators continue to decline. This is partly a reflection of how deeply entrenched many problems are, including in the area of financial accountability in both private and public sectors. Deep-seated skepticism on the part of private investors, specifically foreign private investors, about the possibility of successfully implementing reform initiatives has not yet been overcome, and private investment levels remain very low (World Bank, 2001).

Weaknesses in corporate governance practices, lack of pressure from the users of financial statements for high-quality information, and the general absence of transparency in the corporate sector, pervade the corporate financial reporting regime in Kenya (World Bank, 2001). The fact that a number of banks failed in the late 1990s, and the audited financial statements did not provide early warning signals about these failures, has raised concerns among the general public about the quality of accounting and auditing in the country (World Bank, 2001).

Effective and efficient management of public sector organizations and institutions is an issue of public concern in many countries. Melese et al. (2004) argue that public sector organizations are increasingly being demanded to be more accountable for their performance and are therefore expected to operate efficiently and effectively. This therefore implies that public sector organizations and the management have to search for ways and means to improve on their activities and performance. Notable approaches which may be applied include the use of performance contracts. Similarly, activity based management practices in corporate institutions can increase transparency and efficiency when conducting government activities thereby assisting public sector organizations to achieve their objectives (Baird, 2007; Melese et al., 2004; Mulili, 2011). Rwegasira, (2000) argues that the concept of corporate governance is not necessarily the best solution for the developing economies. This is because a number of developing countries face numerous problems that include unstable political regimes, low per capita incomes and diseases. Such problems require more elaborate solutions than simply adopting corporate governance concepts (Mulili, 2011; Okeahalam, 2004; Shleifer and Vishny, 1997).

Tsamenyi, Enninful-Adu and Onumah (2007) argue that developing countries are often faced with a multitude of problems that include uncertain economies, weak legal controls, protection of investors and frequent government intervention. These problems make it even more necessary for developing countries to adopt effective corporate governance structures. The pressures of an increasingly globalized world economy, democratization, IMF/World Bank's economic reforms and the recent financial scandals in the West have forced a number of developing countries to adopt the corporate governance ideals (Ahunwan, 2002; Gugler, Mueller & Burcin, 2003; Reed, 2002). It has also been suggested that improved corporate governance systems can serve as an incentive for attracting foreign investment (Ahunwan, 2002). In fact, it is poor economic performance and high international debt levels in emerging markets that forced the World Bank, IMF, and the IFC to intervene in an effort to improve the corporate governance systems of these markets (Reed, 2002; Mulili, 2011).

Although in practice companies use the standards adopted by the ICPAK, it is not legally authorized to issue accounting and auditing standards. As far as enforcement of legal requirements is concerned, the UNCTAD pointed out that in practice the levels of non-compliance with IFRSs are quite high (World Bank, 2001; ICPAK, 2008). In addition, UNCTAD reported that some industry specific regulation in Kenya and IFRS-based requirements are not compatible and thus universal adherence to IFRSs has not been achieved. In response, the ICPAK stated in a 2008 Action Plan prepared for the

IFAC that it is in the process of reviewing the financial reporting environment to identify existing and potential hindrances to the adoption and implementation of IFRSs (World Bank, 2001; ICPAK, 2008).

The audit function in State Corporation is by legal statutes bestowed upon the Kenya National Audit Office (KENAO) which is mandated through Section 29(i) of the Public Audit Act 2003, to carry out audits on economy, efficiency and effectiveness with which the government, a state corporation or a Local Authority uses its resources. Environmental Audit falls under this section since it seeks to establish the three E's (economy, efficiency and effectiveness) in respect to environmental issues. In this regard, KENAO will seek to ensure improved and sustainable benefits to environment in use of available resources (KENAO, 2012).

The Kenya National Audit Office (KENAO) is a Constitutional office mandated to audit the Central Government, Local Authorities and State Corporations. Originally this Office was referred to as the Exchequer & Audit Department which with time changed to be the Office of the Controller and Auditor-General. During this period, the Office derived its mandate from the Exchequer and Audit Act: Cap 412, which provided for the audit of the Central Government by the Controller and Auditor General. Later the Act was amended to provide for audit of Local Authorities and State Corporations.

On July 1, 1977, the Accountants Act, Chapter 531, Laws of Kenya, established three bodies: (i) Institute of Certified Public Accountants of Kenya (ICPAK); (ii) Registration of Accountants Board (RAB); and (iii) Kenya Accountants and Secretaries National Examinations Board (KASNEB). The KASNEB administers examinations for persons intending to qualify for registration as accountants and company secretaries; the bulk of its student membership comprises those pursuing accountancy either at the technician level or as full certified public accountants (CPAs) (World Bank, 2001). The RAB is empowered to register those who have attained the specified qualifications after passing the relevant examinations administered by KASNEB. Persons holding designated foreign accountancy qualifications are allowed to be registered with the RAB after passing the examinations in company law and taxation administered by KASNEB (World Bank, 2001). Upon completion of examination requirements, when a person obtains CPA registration with the RAB, he/she is allowed to be a member of the ICPAK. Recommendations for review of the Accountants Act to address institutional weaknesses have already been presented to the Ministry of Finance, and a draft revised law has been forwarded to the Treasury (World Bank, 2001).

The existing statutory framework poses challenges to efforts to strengthen the accounting profession. The arrangement for regulating the profession through three separate entities has given rise to coordination problems in mobilizing resources to improve the quality of professional education and training and to enforce rules, regulations, and standards (World Bank, 2001). A Committee established by the Treasury has been entrusted with the responsibility to find ways to improve coordination among the three separate bodies involved in the process of examination, registration, and membership. It is perceived that the outcome of this process should help overcome constraints to effective decisions that impact the whole spectrum of accounting profession. The ICPAK and KASNEB are already addressing matters concerning the strengthening of the CPA qualification process. A market perception survey is in progress which will identify needs in addition to benchmarking the qualification to internationally accepted requirements (World Bank, 2001).

The Companies Act requires all limited liability companies to prepare and present annual audited financial statements. The Kenyan Companies Act, which is substantially the same as the U.K. Companies Act of 1948, was not amended to reflect the requirements set by the Accountants Act. Consequently, there is lack of clarity concerning the statutory requirements on disclosures in the financial statements of limited liability companies (World Bank, 2001).

2.6.1 Efficiency Monitoring Unit

The work of the Efficiency Monitoring Unit entails continuous monitoring and analyzing of Government Policies, Programmes and Projects with a view to advising the Government on problems being encountered in their implementation and recommending remedial measures, reviewing existing management systems, procedures and practices of public sector organizations with a view to improving their effectiveness and efficiency; studying implemented projects and drawing practical experiences for future use. In planning and designing of similar projects; assessing sustainability of completed development projects; monitoring working environment in the public sector and the conditions of public offices with a view to making appropriate recommendations' for improvement (KENAO, 2012; World Bank, 2010).

2.7The Role of The Board in Enhancing Prudent Internal Audit Practices and Good Corporate Governance Practices

According to Kajola (2008), corporate governance provides for the roles of the board or corporate management as being: The business of a firm is managed under the direction of a board of directors who delegates to the CEO and other management staff, the day to day management of the affairs of the firm. The board sees to the appointment of a qualified person as the CEO and other management staff. The directors, with their wealth of experience, provide leadership and direct the affairs of the business/institution with high sense of integrity, commitment to the firm, its business plans and long- term shareholder value. The board provides other oversight functions.

Under Section 2 of the State Corporation Act, a Board is defined as: - "…. the body or person, by whatever name called, carrying out or empowered to carry out functions relating to the overall direction and management of a State Corporation" (Tanui, 2009). Further, Section 15 of the State Corporation Act, Cap 446 stipulates that: - "A Board shall be responsible for the proper management of the affairs of a State Corporation and shall be accountable for the moneys, the financial business and the management of a State Corporation"(Tanui, 2009). Every Corporation should be headed by an effective

Board that should exercise leadership, enterprise, integrity and judgment in directing the corporation so as to achieve continuing prosperity and to act in the best interest of the enterprise in a manner based on transparency, accountability and responsibility. As can be noted from the above, Corporate Governance framework in state-owned enterprises is very complex. The respective powers, roles and responsibilities of Parliament, Ministers, Boards and Chief Executive Officers tend to result in greater management complexity in terms of stewardship and accountability than is the norm in the private sector (Tanui, 2009).

There are several ways in which corporate governance helps companies and economies attract investment and strengthen the foundation for long-term economic performance and competitiveness. First, by demanding transparency in corporate transactions, in accounting and auditing procedures, in purchasing, and in all of the myriad individual business transactions, corporate governance attacks the supply side of the corruption relationship. Corruption drains companies' resources and erodes competitiveness, driving away investors (La Porta, De Silanes, Shleifer, & Vishny, 1997). Second, corporate governance procedures improve the management of the firm by helping firm managers and boards develop a sound company strategy, and by ensuring that mergers and acquisitions are undertaken for sound business reasons, and that compensation systems reflect performance. These measures help companies to attract investment on favorable terms and enhance firm performance (La Porta, De Silanes, Shleifer, & Vishny, 1997).

Third, by adopting standards for transparency in dealing with investors and creditors, a strong system of corporate governance helps to prevent systemic banking crises, even in countries where most firms are not actively traded on stock markets. Taking the next step and adopting bankruptcy procedures also helps to ensure that there are methods for dealing with business failures that are fair to all stakeholders, including workers, owners, and creditors. Without adequate bankruptcy procedures, including enforcement systems, there is little to prevent insiders from stripping the remaining value from an insolvent firm to their own benefit. This has happened on a wide scale during many of the privatization efforts in transitional and emerging markets, with disastrous results (La Porta, De Silanes, Shleifer, & Vishny, 1997).

Fourth, recent research has shown that countries with stronger corporate governance protections for minority shareholders also have much larger and more liquid capital markets. Comparisons of countries that base their laws on different legal traditions show that those with weak systems tend to result in most companies being controlled by dominant investors rather than a widely dispersed ownership structure. Hence, for countries that are trying to attract small investors - whether domestic or foreign - corporate governance matters a great deal in getting the hard currency out of potential investors' mattresses and floorboards. Collectively, these investors may be a significant source of large sums of long-term investment (La Porta, De Silanes, Shleifer, & Vishny, 1997).

A good board assures the corporation's investors that the assets they've provided are used by the corporate managers - heir agents - to further corporate conduct aimed at achieving the corporate purpose to which they've agreed, and thereby achieving value for the investors. It assures them that their capital is not being wasted or misused, but is being used to promote corporate economic performance, that in turn promotes corporate value and social well-being generally (CIPE, 2003). Specifically, and turning to solid economic theory, an independent board reduces the losses from the "agency" problem, fundamental to the public corporation, that is inherent in the separation of ownership from control. By monitoring the agents (the managers) good boards assure good economic performance; good governance and performance result in lower capital costs and higher shareholder values. Boards can be most effective in their oversight role when their members are sufficiently independently minded to monitor the managers, and to treat all shareholders fairly (CIPE, 2003).

Contestability is a factor in keeping management focused on performance, the mechanism that empowers those better suited to a task to take it over from those less capable. Simply, if management does not perform, it should be removed by the board. And the law should provide shareholders with the ability to replace both the board and management through a sale to a third party. In short the threat of a takeover should be present, as a spur to performance (CIPE, 2003). The result is that management doesn't stagnate for long: if nonperforming managers are not replaced (usually by being encouraged by the board to quietly step down) the market for corporate control may step in by removing the board. When corporate governance systems provide managerial oversight and contestability, it is more likely that managers and boards who do not focus on improving firm performance and on putting assets to efficient use will be replaced (CIPE, 2003).

2.8 The Rate of Compliance To Established Regulatory Audit Practices and Prudential Financial Guidelines

According to Awoyemi, (2009)**,** that in a practically globalised market place such as we have today, the tendency for governments to move towards increased regulation is high, yet this has a high possibility of titling towards protectionism. Indeed the role of government in business has been shown to have a direct link to corrupt practices as the exercise of political clout leads to favours for cronies and political associates which tendencies make the case against government role more compelling. Yet, it is undeniable, as evidence suggest, that leaving firms to self regulate is a stretch of responsibility taken too far. This is because the natural human instinct for self preservation, survival and to get ahead of everyone often places firms in direct conflict with the wider expectations of a corporate governance regime.

Kenya has made significant strides in putting in place the institutional framework for improving corporate accounting, auditing, and financial reporting practices since the first time of the ROSC Accounting and Auditing review exercise conducted in 2001 (World Bank, 2010). The framework appears to be of higher quality than that of the one in 2001. However, there is room for improvement. Moreover, in order to face future challenges, updating of the institutional underpinnings of accounting and auditing, in line with international developments of good practices, would allow Kenya to emerge as a role model of accountancy reform and development both regionally and internationally (World Bank, 2010).

Article 110 of the Kenyan Constitution empowers the Kenya National Audit Office (KENAO) to undertake audits of state-owned enterprises. The KENAO audit work primarily focuses on compliance with financial management rules set by the Government. Its audit of state-owned enterprises focuses on evaluation of fiscal plans implemented, reviews of income and expenses, and assurance of compliance with state's financial and economic guidelines. KENAO has the authority to appoint statutory auditors to undertake the audit works on behalf of the Controller and Auditor General and, in such cases, the audit opinion is signed by the Controller and Auditor General (World Bank, 2010). In recent years, Kenya's legislative and regulatory regime, applicable to accounting and auditing of corporate entities, banks, and similar financial institutions, has changed significantly. In 2008, a new Accountants Act was promulgated. The Government is in the process of issuing a new Companies Act. Furthermore, many regulatory pronouncements were made with the objective of putting in place a sound institutional framework for regulating accounting, auditing, and corporate financial reporting (World Bank, 2010).

The State Corporations Act: as in many other African economies, State-owned corporations play a significant role in Kenya. Owing to the plethora of State corporations subject to different legislative regimes, the State corporations Act was enacted to streamline the operations of State Corporations (UNCTAD, 2003). For this reason, it is a statute of general application and specifically provides that in the event of conflict between its provisions and those of other statutes, including the Companies Act under which some state corporations are enacted, the State Corporations Act prevails. In terms of disclosure requirements, the provisions of the State Corporations Act do not differ materially from those of the Companies Act. However, the statute confers significant powers on the Executive and particularly the President, the Responsible Minister, the Treasury and the Permanent Secretary of the parent ministry, who is the accounting officer (UNCTAD, 2003).

The narrow definition of governance relates to the avoidance of corruption which is a difficult but undoubtedly very important issue. The concern with corruption is neither new in India nor unique to her, a similar verdict can be spoken of Kenya as well. It is obviously impossible to quantify the extent of corruption in India on any reliable basis and even more difficult to compare the situation across countries (Ahluwalia, 1997). In 1996 India was ranked ninth on a list of 54 countries in descending order of perceived corruption. Nigeria topped the list followed by Pakistan, Kenya, Bangladesh, China, Cameroon, Venezuela and Russia (Ahluwalia, 1997). A similar situation can be visualized as being experienced in the Kenyan case as relates to public institutions in general and to the state corporations in particular.

2.9 The Audit Committees of State Corporations Independence from Interference in Their Auditing Operations

Good public management and administration, with emphasis on accountability and responsiveness to customer needs, has been seen as an aspect of good governance by donor agencies supporting reforms in developing countries. To the World Bank, good governance consists of a public service that is efficient, a judicial system that is reliable, and an administration that is accountable to the public. The World Bank elaborates on four elements of good governance (World Bank, 1989, 1992).

Public sector management emphasizing the need for effective financial and human resource management through improved budgeting, accounting and reporting, and rooting out inefficiency particularly in public enterprises; Accountability in public services, including effective accounting, auditing and decentralization, and generally making public officials responsible for their actions and responsive to consumers; A predictable legal framework with rules known in advance; a reliable and independent judiciary and law enforcement mechanisms; and Availability of information and transparency in order to enhance policy analysis, promote public debate and reduce the risk of corruption (ECA, 2003).

It is apparent from the above conception of “good governance” that there is some emphasis on improving public-sector management systems. Thus, in the good governance prescriptions, one finds public management reforms as a key component pointing towards market and private sector approaches to public sector management, under the guise of New Public Management (NPM). (ECA, 2003). New Public Management (NPM) is a label used to describe a management culture that emphasizes the centrality of the citizen or customer, as well as accountability for results. It is a set of broadly similar administrative doctrines, which dominated the public administration reform agenda of most OECD countries from the late 1970s (Hood, 1991; Pollitt, 1993; Ridley, 1996). It captures most of the structural, organizational and managerial changes taking place in the public services of these countries, and a bundle of management approaches and techniques borrowed from the private-for-profit sector (ECA, 2003).

Improved accountability in the conduct of public affairs is a reform objective. There is plenty of empirical evidence to show that even in consolidated democratic States in Africa, there are major deficits in accountability (Olowu, 1999; Therkilsden, 2001). Problems of accountability arise, for example, when: Governments ignore or transgress social ethics and constitutional and legal provisions in conducting public affairs; Tasks to be performed are so complex or unspecified that implementation is very difficult if not impossible; Activities are hidden; Corrupt practices are widespread; Political and personal loyalty are rewarded more than merit; and Public participation in running public affairs is low. (ECA, 2003).

The audit committee has proved to be an important organ in the prudent management and accountability for organizations around the world even to public corporations in various countries (ECA, 2003). While experience of audit committees in the UK is shorter, it is encouraging, and around two-thirds of the top 250 UK listed companies now have them in place. Experience in the United States has shown that, even where audit committees might have been set up mainly to meet listing requirements, they have proved their worth and developed into essential committees of the board. Similarly, recently published research in the United Kingdom concludes that the majority of companies with audit committees are enthusiastic about their value to their businesses. They offer added assurance to the shareholders that the auditors, who act on their behalf, are in a position to safeguard their interests (ECA, 2003).

Audit committees should be formally constituted to ensure that they have a clear relationship with the boards to whom they are answerable and to whom they should report regularly. They should be given written terms of reference which deal adequately with their membership, authority and duties. Membership should be confined to the non-executive directors of the company and a majority of the nonexecutives serving on the committee should be independent (GEE, 1992).

The audit committee should have explicit authority to investigate any matters within its terms of reference, the resources which it needs to do so, and full access to information. The committee should be able to obtain external professional advice and to invite outsiders with relevant experience to attend if necessary. The audit committee's duties should be determined in the light of the company's needs (GEE, 1992). Membership of an audit committee is a demanding task requiring commitment, training and skill. The directors' concerned need to have sufficient understanding of the issues to be dealt with by the committee in order to take an active part in its proceedings. This is why committees should, if it is appropriate and within their authority, be able to invite outsiders with relevant experience to attend meetings (GEE, 1992).

At a minimum, the audit committee as a whole should have recent and relevant experience and should possess a collective balance of skills and expert knowledge - commensurate with the complexity of the organisation and the duties to be performed - in financial reporting, accounting and auditing (BCBS, 2010). All over the world stringent measures are being taken to ensure that there is proper accountability and expression of responsibilities from the board and the management of companies and organizations (KPMG, 2000; BRC 1999). In America for instance, in the autumn of 1998, SEC Chairman Arthur Levitt announced the formation of a blue ribbon committee charged with developing a series of recommendations to enable audit committees to function as the “ultimate guardian of investor interests and corporate accountability.” Officially called the “Blue Ribbon Committee on Improving the Effectiveness of Corporate Audit Committees,” the committee was sponsored jointly by the New York Stock Exchange (NYSE) and the National Association of Securities Dealers (NASD) (KPMG, 2000; BRC 1999).

Its eleven members contributed a diversity of experience associated with self regulatory organizations as well as the corporate community, investors, independent auditors, securities firms, and the legal community. The committee solicited public comments and held a public hearing in its quest to develop recommendations that would best help audit committees carry out their responsibilities (KPMG, 2000; BRC 1999). The committee’s recommendations, along with a number of guidelines for best practices for audit committees, were announced in February 1999. The recommendations are designed to improve financial reporting and focus on the oversight function where discretion and subjective judgments bear on the quality of financial reporting. There are ten recommendations in all. The first two are aimed at strengthening the audit committee’s independence (KPMG, 2000; BRC 1999).

2.10 Limits set by state corporations for action against reported cases of malpractices

Scholars like Callaghy (1986), Nukunya (1992), Groenendijk (1997), Ruzindana (1998), Waliggo (1999), Osei (1999), and Rossouw (1999), traced the root causes of corruption in Africa to: prevalence of dictatorial rules, monitized or materialised economies, poor economic and educational empowerment of the citizenry, the “politics of the belly”, making the public sector as the “prime mover” of economic development and the absence of national ethical and moral values and true patriotism. Appropriate measures, no matter how bitter, have to be adopted to root-out these causes of corruption, if Nigeria and indeed other African countries are really serious about the fight against corruption. There are many branches or dimensions of corruption in Nigeria, which need stringent measures in practice for effective prevention and control.

Auyo (1998), highlights some of them to include: abuse of power; ill - treatment of subordinates and indecent treatment of people's needs; self-award of contract; malicious withdrawal or 'carpeting' of personnel files; unnecessary delay of actions on certain demands; fraudulent distortion of facts and figures; nepotism; embezzlement and other financial misappropriation; ghost worker systems; 10% syndrome; transfer of public funds to private accounts; over - invoicing; over - pricing of contracts; and arson, usually to cover -up corrupt practices (Sowunmi, Raufu, Oketokun, Salako and Usifo, 2010).
Kalema, (2008), states that publicly owned development bodies that operate on sound corporate governance principles, are accountable and tasked with facilitating the development of private enterprises can make a positive contribution. They can assist in the financing of enterprise growth as well as providing managerial expertise to enterprises.

Prior to 2003, the government agencies known as parastatals were not known as centres of good service to the public. They were seen to serve at the whims and for the personal fulfillment of political leaders, and not the public (Taboi, 2010). As a result, many were poorly run, known largely for corrupt procurement and other practices, and they accumulated deficits that the government was expected to fund to enable the parastatals to fund their operations, including salaries in some cases. This image largely changed with the new government. Ministers were given leeway in the appointment of directors at these companies and new metrics were introduced to the management of parastatals. (Taboi,2010).

These included performance contracts for CEOs that cascaded down to line managers and staff, balanced scorecards, and push towards ISO certification - all of which promoted continuous improvement and better delivery of services to the public. Also, many of the new parastatals heads were picked from long, distinguished careers in the private sector, and the new management systems and guidance they brought translated to better and more competent management decision making (Taboi, 2010).

Parastatals now competed and became celebrated for improved performance in several aspects - one of which was the practice of holding ceremonies annually to hand dividend cheques to the Finance Minister as well as being ranked as one category of KRA’s top tax payers. The better management of parastatals also bore fruits in some cases by making them attractive for privatization. This allowed the government of Kenya to divest from parastatals e.g. the Kenya Electricity Generating Company (Kengen) and the Kenya Reinsurance Corporation (Kenya Re) – raising funds for other government programs, while allowing members of the public to become shareholders through listing on the Nairobi Stock Exchange (Taboi, 2010).

State ownership has had a number of negative impacts, for example, all SOEs are expected to achieve a number of noncommercial objectives that are defined by the state and must adhere to affirmative action norms for employment to ensure that the percentage of representation of certain groups (scheduled castes and tribes, the handicapped, former members of the military, and so on) is equal to that in central government ministries (Goswami, 1996). In addition, because of pressure from the comptroller and accountant general’s annual audit, they are inclined to accept the lowest bidder for procurement tenders, even when quality is poor, and they have little autonomy in making major decisions, including the appointment of senior management personnel or financial investments (Goswami, 1996).

Two major corporate governance initiatives (after the security scams of 1992 - 94) have been launched in India since the mid-1990s; the first has been by the Confederation of Indian Industry, India’s largest industry and business association, and the second by SEBI. More than a year before the onset of the 1997 Asian crisis the Confederation of Indian Industry set up a committee to examine corporate governance issues and recommend a voluntary code of best practices. The committee released “Desirable Corporate Governance: A Code” in April 1998. The code focuses on listed companies and provides detailed recommendations that address the items identified earlier in the scams (Goswami, 1996).

Paine (1996) identified an organizational integrity-based stratagem that is more comprehensive and broader than the legal compliance strategy to encourage and support an ethical corporate culture. Four challenges which must be met before an organizational integrity approach can work: (1) developing an ethical framework, (2) aligning practice with principles, (3) overcoming cynicism, and (4) resolving ethical conflicts. In order to create an ethical compass or a framework for integrity, Paine (1994), also suggests a useful starting point is to begin by answering some questions to the four fundamental sources of responsibility: (1) What is the organization's fundamental reason for being - its ultimate aim (purpose)? (2) Who are the constituencies to whom the company is accountable and on whom it depends for success? What are their legitimate claims and interests (people)? (3) What is the organization's authority and ability to act (power)? and (4) What are the organization's obligations or duties, as well as its guiding aspirations and ideals (principle)?

The situation in Kenya is hardly any different from the mentioned experiences and thus calls for measures to be taken by the government to catch corrupt and ill bent leaders in the state corporations, who are bent on making the corporations but their own individualized cash cows.

2.11 Theoretical Framework of the Study

A company's corporate governance function includes five main actors: management, the board of directors, the audit committee, the external auditors and the internal auditors (Cohen et al. 2004). One of the main objectives of corporate governance is to ensure a company's financial reporting quality. The interaction among corporate governance actors is crucial to achieve this objective (SOX 2002; Cohen et al. 2004). This study will focus on the audit committee function of corporate governance.

The aim of this section is to introduce the underlying theoretical foundations for this study. The agency theory will be introduced. Agency theory is a general theory of accounting which explains the demand for monitoring provided by audit committees and external auditors. The theoretical frameworks regarding corporate governance, audit committee effectiveness and audit quality are introduced.

These theories are:
Agency Theory (Fama and Jensen, 1976) and the Stakeholder Theory (Freeman, 1984).

2.11.1 Agency Theory

The theory is rooted in the work of Berle and Means (1932) on the separation of firm ownership from management. It is also often credited to the landmark work of Jensen and Meckling (1976) and Fama and Jensen (1983). They suggested that Agency problems will arise in any circumstance where the Principal (owners, shareholders) employs the Agent (management) to undertake a number of duties on their behalf for a reward. Thus management acting as Agent to the Principals owe them a fiduciary duty of care to run the organisation in the best interests of the owners for a stipulated reward (Berle and Means, 1932; Jensen and Meckling, 1976; Pratt and Zeckhauser, 1985). However, Jensen and Meckling (1976) argue that conflicts of interest do inevitably exist between the management and owners of businesses in cases where owners are not managers. This is because the theory assumes a model of man (manager) that is self serving, individualistic and opportunistic in nature, who prefers to maximise his own utility functions at the expense of the owners. As a result, the theory is built on the assumption that there is almost always a divergence of objectives between the goals of the management and those of the shareholders.

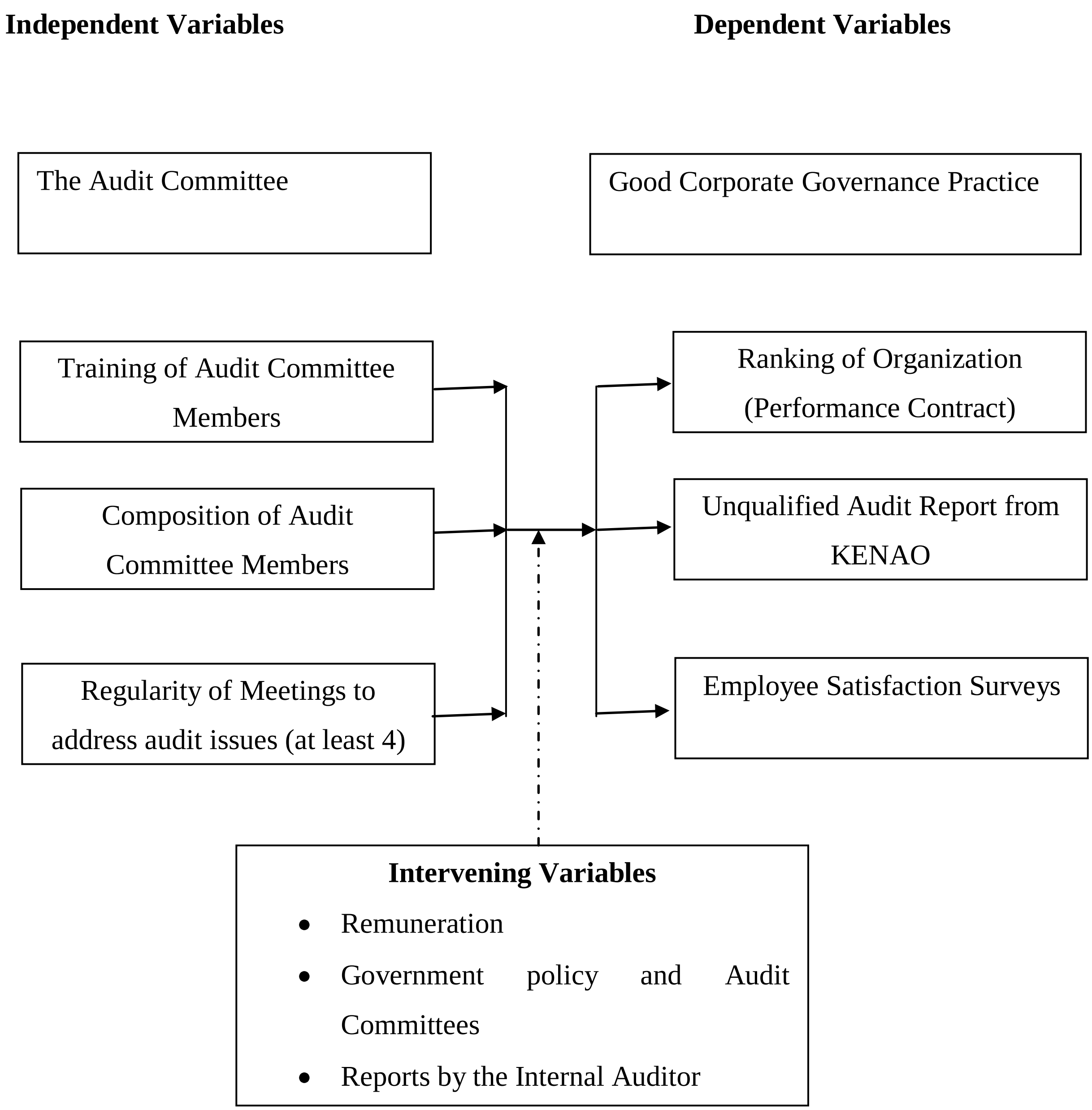
2.11.2 Stakeholder Theory

One of the criticisms of Agency Theory is that it provides a short term perspective and explanation of the purpose of the firm (Freeman, 1984; Freeman, Wick and Parmar, 2004). Also, critics argue that its scope is narrow, since it projects the activities of the firm from the perspective of the shareholders only. An alternative proposition known as the Stakeholder Theory suggests that a firms activities should be projected on longer and broader perspectives (Freeman, 1984). The theory posits that the essence of corporate activity is not only for the benefit of the shareholders, but also for the benefit of all relevant stakeholders (including the shareholders) and it is all these relevant stakeholders who should be the main remit of the modern firm (Freeman, 1984; Cadbury, 1992; Jensen, 2001). It argues that firms should be managed in such a way that they coordinate the diverging interests of their numerous stakeholders including employees, shareholders, customers, suppliers, the government and society in general. This consideration should thus impact upon the formulation of the corporate strategy of the organisation as a whole (Marcoux, 2003). The arguments for the stakeholder view of the corporation have often been premised on moral and business ethics (Phillips, 1997).

2.12 Conceptual Framework

The conceptual framework is developed to examine the relationship between corporate governance practices and Audit committee functions. The link between governance practices and the audit committee activities are illustrated in Figure 1. In this conceptual framework, governance practices and audit committee activities are independent and dependent variables respectively. This study attempts to bridge the gap by providing a basis for a thorough and insightful discernment of the influence of corporate governance mechanisms on the audit committee activities. Although the causal relationships among the constructs, as shown in Figure 1, seem to be straightforward, in order to make practical statements about governance practice and its relation with audit committee activities, the conceptual framework requires further analysis

Figure 1: The Conceptual Frame work



2.13 Summary

This chapter covers literature review of the research questions to the study, reflecting on cases and studies undertaken by various persons over time on the training of status of state owned corporations and their management. It seeks out what has been done as well as the recommendations made for better management and accountability by the management of state owned corporations. This review or the literature brings us to the methodology of the study. The methodology chapter follows next and describes the method used in the research; the population, the research design and procedures and the data analysis.

CHAPTER THREE

METHODOLOGY

3.1 Introduction

This chapter describes the research design employed in the study putting into perspective the characteristics of the population and the sampling design, the sampling technique and sample size, the data collection methods, the research procedures and the data analysis methods used.

3.2 Research Design

Research design provides the glue that holds the research project together. Trochim, (2006) indicates that a design is used to structure the research, to show how all of the major parts of the research project - the samples or groups, measures, treatments or programs, and methods of assignment - work together to try to address the central research questions.

The research study used the KURA case analysis in a descriptive study of the subject of research. A case study is typically a detailed analysis of a single or individual case (Lee, and Lings, 2008), where a case is defined as a single social setting. (Lee, and Lings, 2008). It supposes that one can properly acquire knowledge of the phenomenon from an extensive exploration. A descriptive study is one in which the problem is clearly defined and the variables known. Cooper and Schindler (2008), state that the problem is structured and well understood. The basic characteristics of a descriptive research is that it provides a descriptive analysis of a given population or sample in a qualitative, quantitative or a combination of both. In addition, both types of data can be presented and broad research questions used. This justifies the use of this design in that it enables the researcher to analytically explain the findings of the research based on the variables tested.

3.3 Population

The population of interest in this study consisted all of the 749 staff of KURA. They were all employees of KURA in all the county headquarters across the country where KURA exists.

3.3.1 Target Population

The target population was comprised of supervisors, the management and the directors of KURA numbering 375 from whom data was gathered.

3.4 Sampling Procedure

Sampling means deliberately limiting the number of cases in the study. It involves a risk of the study findings being not true for some of the left-out cases, but this risk can often be calculated and restricted on a tolerable level.

3.4.1 Sampling Design and Sample Size

3.4.1.1 Sampling Frame

The sampling frame was stratified into staff consisting of supervisors, management and directors of KURA randomly selected from various departments of KURA offices.

3.4.1.2 Sampling Technique

The sampling technique that was used combined random sampling and stratified sampling. To ensure a representative sample of staff numbering 375, the researcher made use of the stratified sampling technique. This assured the researcher that he was accurately representing not only the overall population but each region as well. The strata's were then randomly selected using a simple random sample to give each individual sample unit an equal opportunity to be included in the sample. If a random sample is properly made it contains no bias and it is therefore relatively representative of the population.

3.4.1.3 Sample Size

Evans *et al,. (*2000) says that a sample size is the number of observations in a sample. The actual sample size of the population was drawn using simple random procedure. According to Welman and Kruger (2001), simple random sampling provides each member of the population with an equal chance of being included in the sample. The procedure involved identification of all units of analysis in the sampling frame which were given consecutive numbers. A table of random numbers was generated from a computer programme which was then used to ensure that each number had an equal chance of being selected. There was no human error or interference in the selection of the sample and the sample selected was representative of the population. As the EHS Manual (2011) suggests (as quoted by Tolonen, 2008) that sample size relates to the statistical precision of the survey results, whereas bias is the concern related to low response rate. The relative benefit from higher precision, and therefore higher number of participants, is better if the response rate is high. On the other hand, if the expected response rate is low, it will be better to spend resources on increasing the response rate than to increase the total sample size. The sample size taken in this study was 40 of the target population.

3.5 Methods of Data Collection

Primary data was collected using structured questionnaires. The questionnaires and research instruments were developed from literature review and organized on the basis of background information of the respondents and the research questions to ensure relevance to the research problem. The questions were tailored to establish the effect/impact of internal audit committees in KURA. Instruments description were given and indicated whether researcher developed or were standardized instruments. A description of the nature of instruments or items used was given and the validity, reliability and administration procedure provided.

According to Curmin and Slater (1996), the structure of the questionnaire should ensure that there is a flow from question to question and topic to topic, as would usually occur in a conversation. Special interest was taken to ensure that there were no radical jumps between topics, which tends to disorient respondents and thus influence their answers. Closed ended items were used to provide exact information needed by the researcher while open-ended questions provided detailed information in the respondents own words. The use of structured questionnaires also requires minimal staff and enables the researcher to collect large amounts of data within the shortest time possible. It is fast and easy to administer and is perceived to be more anonymous which gives respondents courage to answer questions without fear of victimization. (Cooper and Schindler, 2003).

3.5.1 Research Instruments

The research procedure included a detailed description of the steps taken in the research. That is a complete account of the research process including the pilot testing, scheduling of subjects/participants, distribution and collection of instruments and running of experiments or testing of instruments. This procedures included timing of interviews/questionnaires and instruments given to subjects. Questionnaires were developed from specific research questions with respect to every stratified research sample unit. A pilot test was conducted before the main research to test the efficacy of instruments. A draft questionnaire was developed and a weeklong pilot testing carried out on pilot sample respondents randomly selected from the identified population. This enabled the researcher to redesign the questionnaire and make modifications where necessary before they were distributed to the respondents. The researcher and assistants administered the questionnaires to respondents after training the assistants on what was to be done and ensure that they knew their duties. At the end of administering the questionnaires, the researcher collected the questionnaires and prepared them for analysis. The method of data analysis incorporated a statistical analysis using computer-based tools that is Excel, SPSS. The analysis looked at quantitative approaches using descriptive and inferential statistics. Data was then be presented in tables, as discussed in detail in Chapter 4.

3.6 Validity

To ensure data validity, the same data was collected each time over repeated tests/observations during the pre-test of tools. Validation involves collecting and analyzing data to assess the accuracy of an instrument. The validity of quantitative instruments was established using a panel of experts and a field pilot-testing conducted before the study. Establishing the eternal validity for the instrument followed directly from sampling. Content validity for the appropriateness of the content of the instrument involved taking representative questions from sampled population at the pilot testing and evaluating them against the desired outcomes. There was randomization of the sample groups to ensure validity.

3.7 Reliability

Reliability can be thought of as consistency. If the instrument consistently measures what it is intended to measure? In this study reliability check was done with the Inter-Rater/Observer Reliability check to determine that the degree to which different raters/observers give consistent answers or estimates, thus ensure reliability of the instruments. Reliability was established using a pilot test by collecting data from 20-30 subjects not included in the sample. To assure reliability questions were precisely worded without ambiguity and the qualitative coding was consistent particularly with open-ended questions. There was proper definition of key terms. The instrument was found to be reliable as the responses given provided the right answers that the researcher intended.

Table 3.1 Operational Definition of Variables

Variables	Indicator	Measurement	Scale/Ratio
Independent Variables			
Training of Audit Committee Members	Certificates obtained	Trainings attended	1-10
Regular Meetings	Minutes of meetings	No. of meetings	1:4
Composition of Audit Committee Members	Field of Expertise of members	No of members coming from the same field of expertise	1:4
Dependent Variables			
Unqualified KENAO Audit Report	Letter from KENAO	KENAO Annual Audit Report	
Ranking of Organization performance	Rank in performance	Position in rankings	1- 10
Employee Satisfaction Surveys	Survey Report	No. of times survey are conducted	1-10
Intervening Variables			
Remuneration of Board Members	Sum given	Frequency period	
Timely and Well prepared audit reports	Report	Number of reports	
Government policy on audit committee	Adherence to policy	Audited reports	

3.8 Methods of Data Analysis and Presentation

Arsham, (2008), says that data analysis is the systematic application of statistical and/or logical techniques to turn raw data into information that can be used in making decisions. Whether it is being used to make decisions in business, science, policy-making or administration, the goal of data analysis is to turn good data into good decisions.

Descriptive statistics was used to analyze data. According to Blade (1999), descriptive statistics particularly graphs and charts have the potential to enhance the understanding of outcomes of quantitative research. It also gives graphical presentations that are easy to understand. Quantitative data was used to analyze data in terms of frequency distribution tables and percentages. To ensure easy data analysis, questionnaires were coded numerically with a coding scheme for each variable of study. That meant that each variable was assigned an exclusive code. This eliminated errors and increased accuracy level of the results.

Data collected was analyzed both qualitatively and quantitatively as appropriate. Data was analyzed using the SPSS programme to group data because the programme has the capability to handle recurring needs of data analysis. This enabled the researcher to record variables and effect transformations. MS Excel was used to produce graphs and summarized frequency table. Both qualitative and quantitative techniques were employed in the study.

CHAPTER FOUR

DATA ANALYSIS PRESENTATION AND INTERPRETATION

4.1 Introduction

This chapter presents the results and findings according to the research questions. These are presented in this section as they correspond to the research questions of the study as outlined in chapter one of the report. The questionnaire covered the demographic information of the respondents, the effect of training of the audit committee, the composition of the audit committee members and the effect of regular meetings of the audit committee on corporate governance. The information and data obtained was presented in form of frequency tables. The study targeted staff in the Kenya Urban Roads Authortity (KURA).

4.2 Background Information of the Respondents

The age, gender, level of education and religion formed the background information of the respondents. The work related information included the name of the parastatal, department, rank of staff/respondent, the number of years worked at the organization and their income range.

4.3 Response Rate

The researcher considered the background information to the study as relates to the perspectives of the different ranks of staff in the organizations. The response rate for the questionnaires were obtained from 95% of the respondents and staff from the organization.

4.4 Demographic Information

4.4.1 Gender

Table 4.1 Gender Representation

	Gender	Frequency	Percent
	Male	21	52.5
	Female	14	35.0
	Total	35	87.5
Missing	System	5	12.5
Total		**40**	**100.0**

The analyzed results indicate that the gender distribution of the respondents is unevenly distributed with males being the majority averaging 60% compared to the females who are only 40%.

4.4.2 Age

Table 4.2 Distribution of the age range of respondents

Age	Frequency	Percent
21 – 30	1	2.5
31 -40	7	17.5
41 -50	17	42.5
Over 50	16	37.5
Total	**40**	**100.0**

The distribution of the participating staff in terms of their age ranges shows a greater majority of 42.5% to be in the range of 41 - 50 years followed by those over 50 years and then those in the ages between 31 - 40 years in comparable numbers.

4.4.3 Highest Level of Education Reached

The results show an interesting pattern in the highest level of education attained by the respondents 59.4% have achieved a university education, followed by 37.5% who have gone up to college level education while 3.1% have had a secondary school education.

Table 4.3 The highest level of education attained by participating youths

	Level of Education	Frequency	Percent
	Secondary	1	2.5
	College	12	30.0
	University	19	47.5
	Total	32	80.0
Missing	System	8	20.0
Total		**40**	**100.0**

4.5 Religion

Table 4.4 Distribution by religion of the respondents

	Level of Education	Frequency	Percent
	Christian	28	70.0
	Muslim	1	2.5
	Total	29	72.5
Missing	System	11	27.5
Total		**40**	**100.0**

From the findings, of the participating staff 70% are of the Christian faith whereas only 2.5% is Muslims.

4.6 Rank/Position of Respondents

Table 4.5 rank/position of the respondents

	Rank/Position	Frequency	Percent
	Supervisor	16	40.0
	Manager	3	7.5
	Director	20	50.0
	Total	39	97.5
Missing	System	1	2.5
Total		**40**	**100.0**

The rank/position of the respondents indicate that 51.3% are in the top management at the position of director, 41% hold supervisory positions, where as 7.7 % are at some managerial positions in their organizations

4.7 Number of years worked at the organization

Table 4.6 Number of years worked at the organization

	Years worked	Frequency	Percent
	2	1	2.5
	3	5	12.5
	4	7	17.5
	5	2	5.0
	6	3	7.5
	7	8	20.0
	8	7	17.5
	9	1	2.5
	10	3	7.5
	Total	37	92.6
Missing	System	3	7.5
Total		**40**	**100.0**

The largest percentage 21.6% of the respondents have worked at their organizations for some 7 years, 18.9% have worked for 4 years and another 18.9% have worked for 8 years at their stations. Thirteen point five percent have worked for 3 years, 8.1% for 10 years and another comparable 8.1% for some 6 years.

4.8 Income Ranges of Respondents

The respondents indicate their income ranges as tabled in the table below with 48.7% earning an income in the range of 50,000 - 100,000, 38.5% earn an income in the range of over 100,000 while 12.8% earn incomes in the range of 10,000 - 50,000.

Table 4.7 income ranges of respondents earnings

	Income range	**Frequency**	**Percent**
	10,000 – 50,000	5	12.5
	50,000 – 100,000	19	47.5
	Over 100,000	15	37.5
	Total	39	97.5
Missing	System	1	2.5
Total		**40**	**100.0**

4.9 The Effect of Training of the Audit Committee Members

The questions were structured to establish the effect of training on the performance of the audit committee members and the responses obtained in the following analysis.

4.91 Importance of Training of Members To Know Accounting Standards To Apply.

Table 4.8 Very important for members to know accounting standards to apply

	Accounting standards	**Frequency**	**Percent**
	Strongly Agree	17	42.5
	Agree	18	45.0
	Neutral	4	10.0
	Total	39	97.5
Missing	System	1	2.5
Total		**40**	**100.0**

In our analysis, when the respondents were asked whether it is important to train the members of the audit committee 46.2% agreed that they should be trained, 43.6% strongly agreed that they should undergo training while 10.3% had neutral views on the matter.

4.9.2Training Enables Members Recognize Relationship Between Incentive And Management Deception

Table 4.9 Training enables members recognize relationship between incentive and management deception

	Recognize Relationship	Frequency	Percent
	Strongly Agree	14	35.0
	Agree	19	47.5
	Neutral	6	15.0
	Total	39	97.5
Missing	System	1	2.5
Total		**40**	**100.0**

The responses to if the training of committee members enables them recognize the relationship between incentives and deception by the management showed that 48.7% agreed that it did and 35.9% strongly agreed that it did, whereas 15.4% were neutral.

4.10 Understanding the Expectations of Being an Audit Member

Table 4.10 Makes members understand expectations of committee

	Recognize Relationship	Frequency	Percent
	Strongly Agree	20	50.0
	Agree	17	42.5
	Neutral	1	2.5
	Total	38	95.0
Missing	System	2	5.0
Total		**40**	**100.0**

To establish whether the training of audit committee members makes members understand the expectations of being an audit committee member indicate that 52.6% strongly agreed it does make members understand, 44.7 % agreed and a mere 2.6% were neutral.

4.11 Makes Them Have an in Depth Understanding of The Organizations Business, Background

Table 4.11 Makes them have an in depth understanding of the organizations business

	Understand Business	Frequency	Percent
	Strongly Agree	22	55.0
	Agree	16	40.0
	Neutral	1	2.5
	Total	39	97.5
Missing	System	1	2.5
Total		**40**	**100.0**

Analyzing if the training gives them an in depth understanding of the organization revealed that a given 56.4% of the respondents strongly agreed, 41.0% agreed and 2.6% had no opinion on the statement.

4.12 Understand The Dynamics of The Audit Committee

The respondents indicated that 35.9% agreed that training makes the members understand the dynamics of the audit committee meetings and 28.2% were in a strong agreement with that, whereas 30.8% were neutral.

Table 4.12 Enables them understand the dynamics of audit committee meetings

	Understand Dynamics	**Frequency**	**Percent**
	Strongly Agree	11	27.5
	Agree	14	35.0
	Neutral	12	30.0
	Disagree	2	5.0
	Total	39	97.5
Missing	System	1	2.5
Total		**40**	**100.0**

4.13 Enables Them Understand Factors Influencing Performance of Audit Committee in Investor Relations

Table 4.13 Enables them understand the role of audit committee in investor relations

	Understand Role	**Frequency**	**Percent**
	Strongly Agree	5	12.5
	Agree	14	35.0
	Neutral	18	45.0
	Disagree	2	5.0
	Total	39	97.5
Missing	System	1	2.5
Total		**40**	**100.0**

As to training enables members understand the role of the audit committee in investor relations process 46.2% were neutral on the matter, and 35.9% agreed that the training empowers members , 12.8% were in a strong agreement with that point and 5.1% disagreed that it does make members understand the role of the audit committee.

4.14Enables Them Have A High Level Overview of The Internal Control Framework

Table 4.14 Enables them have a high level overview of the internal control framework

	Overview of Internal control	Frequency	Percent
	Strongly Agree	22	55.0
	Agree	13	32.5
	Neutral	4	10.0
	Total	39	97.5
Missing	System	1	2.5
Total		**40**	**100.0**

Analyzing whether the training enables members of the audit committee to have a high level overview of the internal control framework and enterprise risk management revealed that 56.4% were in strong agreement, 33.3% agreed and 10.3% were neutral.

4.15 Training Ensures Members Have An Understanding of Controls Over Management Reporting

Table 4.15 Ensures members have an understanding of controls over management reporting

	Understand Control	Frequency	Percent
Valid	Strongly Agree	17	42.5
	Agree	18	45.0
	Neutral	3	7.5
	Disagree	1	2.5
	Total	39	97.5
Missing	System	1	2.5
Total		**40**	**100.0**

The analysis revealed that 46.2% agreed and 43.6% strongly agreed that the training of members makes members have an understanding of controls over management reporting and 7.7 % were neutral

4.16 Training Ensures Integrity of Members In Accounting and Financial Reporting

A majority 38.5% agreed and 28.2% strongly agreed that training ensures the integrity of members in accounting and financial reporting systems yet still 28.2% disagreed and some 5.1% were neutral.

Table 4.16 Ensures integrity of members in accounting and financial reporting

	Integrity	Frequency	Percent
	Strongly Agree	11	27.5
	Agree	15	37.5
	Neutral	11	27.5
	Disagree	2	5.0
	Total	39	97.5
Missing	System	1	2.5
Total		**40**	**100.0**

4.17 Training Ensures Members Understand Benchmarks of An Effective and Efficient Audit

The respondents agreed with 43.6% and 43.6% strongly agreeing that training audit committee members ensures they understand the benchmarks of an effective an efficient audit while 12.8% were neutral.

Table 4.17 Ensures members understand benchmarks of an effective and efficient audit

	Understand Benchmark	Frequency	Percent
	Strongly Agree	17	42.5
	Agree	17	42.5
	Neutral	5	12.5
	Total	39	97.5
Missing	System	1	2.5
Total		**40**	**100.0**

4.18 Members are Updated on Corporate Governance Procedures and Practices

The respondents were positive about members being current on developments in corporate governance 61.5% strongly agreed and 28.2% agreed while 10.3% were neutral on the matter.

Table 4.18 Members are current on developments in corporate governance procedures and practices

	Current on Developments	Frequency	Percent
	Strongly Agree	24	60.0
	Agree	11	27.5
	Neutral	4	10.0
	Total	39	97.5
Missing	System	1	2.5
Total		**40**	**100.0**

4.19 Training Ensures That Members Understand The Various Types of Fraud

Table 4.19 Ensures that members understand the various types of fraud

	Understand Fraud	Frequency	Percent
	Strongly Agree	13	32.5
	Agree	17	42.5
	Neutral	9	22.5
	Total	39	97.5
Missing	System	1	2.5
Total		**40**	**100.0**

That training ensures that members have an understanding of the various types of fraud revealed that 43.6% agreed and 333.3% strongly agreed that this is so whereas 23.1% were neutral.

4.20 Members Have an Understanding of Guidelines, Have A Whistle Blowing Network

The respondents indicated that training enables members have an understanding of guidelines and to have a whistle blowing network for the detection of fraud with 41.0% agreeing and 28.2% strongly agreeing while 30.8% were neutral on the matter.

Table 4.20 Members have an understanding of guidelines, have a whistle blowing network

	Understand guidelines	**Frequency**	**Percent**
	Strongly Agree	11	27.5
	Agree	16	40.0
	Neutral	12	30.0
	Total	39	97.5
Missing	System	1	2.5
Total		**40**	**100.0**

4.21 The Composition of the Audit Committee

4.21.1 Comprise at Least One Member With Financial or Accountancy Competency

Table 4.21 Comprises at least one member with financial or accountancy competency

	Financial competency	Frequency	Percent
	Strongly Agree	15	37.5
	Agree	22	55.0
	Neutral	2	5.0
	Total	39	97.5
Missing	System	1	2.5
Total		**40**	**100.0**

The respondents indicated that 56.4% agreed and 38.5% strongly agreed that audit committee comprises at least one member with financial or accountancy competency while 5.1% were neutral.

4.21.2 Committee is Composed of Independent Members

Table 4.22 Committee is composed of independent members

	Financial competency	Frequency	Percent
	Strongly Agree	9	22.5
	Agree	22	55.0
	Neutral	5	12.5
	Disagree	1	2.5
	Strongly Disagree	2	5.0
	Total	39	97.5
Missing	System	1	2.5
Total		**40**	**100.0**

On the committee's composition of independent members the responses revealed that 56.4% agreed and 23.1% strongly agreed while 2.6% disagreed and 12.8% were neutral

4.21.3 Consider Rotating Committee Members Periodically

Table 4.23 Consider rotating committee members periodically

	Rotate Members	**Frequency**	**Percent**
Valid	Strongly Agree	15	37.5
	Agree	17	42.5
	Neutral	4	10.0
	Disagree	3	7.5
	Total	39	97.5
Missing	System	1	2.5
Total		**40**	**100.0**

The respondents indicated that 43.6% agree and 38.5% strongly agree that committee members should be periodically rotated while 7.7% disagreed and 10.3% were neutral.

4.22 Committee Should Engage Independent Advisers To Help Evaluate Committee's Performance

Table 4.24 should engage independent advisers to help evaluate committee's performance

	Independent Advisers	Frequency	Percent
	Strongly Agree	10	25.0
	Agree	15	37.5
	Neutral	10	25.0
	Disagree	4	10.0
	Total	39	97.5
Missing	System	1	2.5
Total		**40**	**100.0**

Concerning the committee engaging independent advisers the respondents indicated that 38.5% agree and 25.6% strongly agree that committee should engage independent rotated while 10.3% disagreed and 25.6% were neutral.

4.23 Independent Member Should be Independent in Relation to The Company, Its Directors and Controlling Shareholders

Table 4.25 Independent member should be independent in relation to the company

	Independent Advisers	Frequency	Percent
	Strongly Agree	8	20.0
	Agree	14	35.0
	Neutral	10	25.0
	Disagree	7	17.5
	Total	39	97.5
Missing	System	1	2.5
Total		**40**	**100.0**

The committee independent member should be independent 35.9% of the respondents agreed and 20.5% strongly agreed, whereas 25.6% were neutral while 17.9% disagreed.

4.24 Committee Members Should Have Requisite Skills

Table 4.26 Members should have requisite skills

	Independent Advisers	Frequency	Percent
	Strongly Agree	21	52.5
	Agree	18	45.0
	Total	39	97.5
Missing	System	1	2.5
Total		**40**	**100.0**

While determining whether committee members should have requisite skills 53.8% of the respondents strongly agreed and 46.2% agreed that this should be so.

4.25 Expertise and Competence Requirements of The Committee Members Evaluated in Context of Strategy

Table 4.27 Expertise and Competence requirements

	Expertise and Competence	**Frequency**	**Percent**
	Strongly Agree	17	42.5
	Agree	13	32.5
	Neutral	8	20.0
	Disagree	1	2.5
	Total	39	97.5
Missing	System	1	2.5
Total		**40**	**100.0**

An analysis of whether expertise and competence requirements of committee members should evaluated in context of company strategy revealed that 43.6% strongly agreed and 33.3% agreed, while 2.6% disagreed and 20.5% were neutral.

4.26 Committee Member's Level of Commitment and Availability Considered

Table 4.28 Members level of commitment and availability considered

	Commitment	Frequency	Percent
	Strongly Agree	29	72.5
	Agree	10	25.0
	Total	39	97.5
Missing	System	1	2.5
Total		**40**	**100.0**

On analysis of whether the members level of commitment and availability should consider revealed that 74.4% strongly agreed and 25.6% agreed.

4.27 Committee Members Should Maintain and Update Knowledge and Skills

Table 4.29 Members should maintain and update knowledge and skills

	Update knowledge and skills	Frequency	Percent
	Strongly Agree	21	52.5
	Agree	17	42.5
	Neutral	1	2.5
	Total	39	97.5
Missing	System	1	2.5
Total		**40**	**100.0**

Many respondents strongly agreed 53.8% and 43.6% agreed that committee members should maintain and update the knowledge and skills required by their duties while 2.6% were neutral.

4.28 Members Should Have Good Understanding of The Company's Operations

Table 4.30 Members should have good understanding of company's operations

	Understanding	Frequency	Percent
	Strongly Agree	13	32.5
	Agree	24	60.0
	Neutral	2	5.0
	Total	39	97.5
Missing	System	1	2.5
Total		**40**	**100.0**

Analyzing if committee members should have a good understanding of the company's operations revealed that 61.5% agreed with that and 33.3% strongly agreed with the statement while 5.1% were neutral.

4.29 The Committee Should Be Composed Solely of Outside Directors

Table 4.31 The committee should be composed solely of outside directors

	Financial competency	Frequency	Percent
	Strongly Agree	8	20.0
	Agree	9	22.5
	Neutral	2	5.0
	Disagree	6	15.0
	Strongly Disagree	1	35.0
	Total	3	97.5
Missing	System	1	2.5
Total		**40**	**100.0**

Analyzing whether the audit committee should be composed solely of outside directors revealed that 35.9% strongly disagreed and 15.4% disagreed, but 23.1% agreed and 20.5% strongly agreed, while 5.1% were neutral.

4.30 Audit Committee Should Consist of At Least Four Members

Table 4.32 Audit committee should consist of at least four members

	Consist of 4 Least	**Frequency**	**Percent**
	Strongly Agree	1	35.0
	Agree	1	47.5
	Neutral	6	15.0
	Total	3	97.5
Missing	System	1	2.5
Total		**40**	**100.0**

An analysis of whether the audit committee should consist of at least four members revealed that 48.7% agreed and 35.9% strongly agreed whereas 15.4% were neutral on this point.

4.31 Effect of Regular Meetings of The Audit Committee

The questions under the effect of regular committee meetings were structured to determine the impact of regularity of meetings on good corporate governance.

4.31.1 Committee Members' Personal Attendance of Meetings

4.33 Committee members must personally attend meetings and cannot be represented

	Personal Attendance	Frequency	Percent
	Strongly Agree	18	45.0
	Agree	19	47.5
	Disagree	1	2.5
	Total	38	95.0
Missing	System	2	5.0
Total		**40**	**100.0**

The general response to committee members personally attending meetings revealed that 50.0% agreed and 47.4% strongly agreed whereas 2.6% disagreed.

4.32 Committee Members To Meet With External and Internal Auditors on A Regular Basis

Table 4.34 Members meet with external and internal auditors on a regular basis

	Meet internal and external auditors	Frequency	Percent
Valid	Strongly Agree	12	30.0
	Agree	22	55.0
	Neutral	3	7.5
	Disagree	1	2.5
	Total	38	95.0
Missing	System	2	5.0
Total		**40**	**100.0**

Analyzing whether committee members should personally attend meetings revealed that 57.9% agreed with this sentiment and 31.6% strongly agreed while 7.9% were neutral and 2.6% disagreed.

4.33 Committee Conduct an Annual Evaluation of The External Auditors Work

Table 4.35 Committee conduct an annual evaluation of the external auditors work

	Evaluate external auditor	**Frequency**	**Percent**
Valid	Strongly Agree	7	17.5
	Agree	10	25.0
	Neutral	19	47.5
	Disagree	2	5.0
	Total	38	95.0
Missing	System	2	5.0
Total		**40**	**100.0**

The analysis revealed that 50.0% of the respondents were neutral on this point, while 26.3% agreed and 18.4% strongly agreed. However, 5.3% disagreed.

4.34 Audit Committee Meets as Often as It Deems Fit and at Least Twice A Year

Table 4.36 Audit committee meet as often as it deems fit and at least twice a year

	Evaluate external auditor	Frequency	Percent
	Strongly Agree	19	47.5
	Agree	17	42.5
	Neutral	2	5.0
	Total	38	95.0
Missing	System	2	5.0
Total		**40**	**100.0**

An analysis of response to whether the audit committee meets as often and at least twice a year revealed that 50.0% strongly agreed and 44.7% agreed whereas 5.3% were neutral.

4.35 Committee Meetings Should Start and End With Summaries

Table 4.37 Meetings should start and end with summaries

	Summaries	Frequency	Percent
	Strongly Agree	26	65.0
	Agree	12	30.0
	Total	38	95.0
Missing	System	2	5.0
Total		**40**	**100.0**

This response indicated that 68.4% agreed that committee meetings should start and end with summaries and 31.6% agreed with that.

4.36 Committee Members Reserve The Right To Invite Any Group or Individual To The Audit Committee Meeting

Table 4.38 Members reserve the right to invite any group or individual to the audit committee meeting

	Reserve Right	Frequency	Percent
Valid	Strongly Agree	5	12.5
	Agree	8	20.0
	Neutral	23	57.5
	Disagree	2	5.0
	Total	38	95.0
Missing	System	2	5.0
Total		**40**	**100.0**

A majority of the respondents 60.5% were neutral to this point while 21.1%1greed and 13.2%strongly agreed, whereas 5.3% disagreed.

4.37 Ensure That All Members Actively Participate in Setting The Committee Agenda

Table 4.39 Ensure that all members actively participate in setting the committee agenda

	Set Agenda	Frequency	Percent
Valid	Strongly Agree	16	40.0
	Agree	21	52.5
	Neutral	1	2.5
	Total	38	95.0
Missing	System	2	5.0
Total		**40**	**100.0**

In the analysis 55.3% agreed all members actively participate in the setting of the agenda and 42.1% strongly while 2.6% were neutral.

4.38 At The Beginning of Each Meeting The Committee Review The Previous Meeting's Highlights

Table 4.40 At the beginning of each meeting the committee review the previous meeting's highlights

	Review previous highlights	Frequency	Percent
	Strongly Agree	21	52.5
	Agree	17	42.5
	Total	38	95.0
Missing	System	2	5.0
Total		**40**	**100.0**

The analysis revealed that 55.3% of the respondents support that the committee review the previous meetings highlights at the beginning of each meeting and 44.7% agreed with the point.

4.39At The End of Each Meeting Committee Summarize The Meetings Discussions

Table 4.41 At the end of each meeting committee summarize the meetings discussions

	Review previous highlights	Frequency	Percent
	Strongly Agree	25	62.5
	Agree	13	32.5
	Total	38	95.0
Missing	System	2	5.0
Total		**40**	**100.0**

The responses indicate that 65.8% of the respondents prefer that the committee at the end of each meeting summarize the meetings discussions and 34.2% do agree with them.

4.40 Have an Audit Committee Timetable and Schedule

Table 4.42 Have an audit committee timetable and schedule

	Review previous highlights	Frequency	Percent
	Strongly Agree	15	37.5
	Agree	23	57.5
	Total	38	95.0
Missing	System	2	5.0
Total		**40**	**100.0**

In the analysis 60.5% of the respondents indicated by agreement that the audit committee should have a timetable and a schedule of activities and 39.5% of them do strongly agree with the sentiments.

4.5 Chapter Summary

This chapter looked at the results and findings of the study, indicating that the data collection instruments were effective in terms of obtaining responses to the information required. All the target sample of respondents completed the questionnaires and thus, the findings do fully represent their views. The findings have established various factors which indicate the results training the audit committee are important to have effective and efficient audit committee. A comprehensive discussion and conclusions on the findings is presented in the following chapter.

CHAPTER FIVE

SUMMARY OF FINDINGS, DISCUSSION, CONCLUSIONS AND RECOMMENDATIONS

5.1 Introduction

This chapter looks at a summary of the results and findings of the study followed by a discussion of the results and findings and the conclusions drawn from the study and then the recommendations that have been made for improvement and for further research.

5.2 Summary of Findings

The major findings from the study show that there is a recognizable impact of training members of the audit committee to improve their performance and knowledge for an effective committee of an organization. This is reflected in the fact that majority of the staff responded stated that training is essential to equip the audit committee members and make better well rounded in the performance of their duties.

The training also broadened and opened the minds of committee members keeping them informed of the current trends and developments in the audit reporting and functions as well as keeping them rounded in conducting and carrying out good corporate governance practices. Thus, it significantly becomes a strategic component in the enhancing of overall corporate governance principles and practices in an organization and contributor to the shaping of the future management practices and performance of an organization.

Though there are some visible outcomes in the changes introduced in the corporate governance practices in the country and in the management of parastatals in Kenya there is still much required to be enforced in order to fully realize the objectives of audit reforms in the country. This would require therefore the full and cooperative participation of all stakeholders, both the public and the private stakeholders must needs work together to achieve lasting audit practices reforms in the country.

The Audit committee composition is fundamental in facilitating the oversight of the organizations accountability and monitoring processes as well as ensuring that significant governance practices are adhered to for the benefit of the organization. Audit committees need to be formally constituted and its membership should be confined to non-executive directors of the company and that these should be independent, without undue influence from the executive officials of the organization. The members to the committee should have the relevant experience and possess collectively a balance of skills and expert knowledge commensurate the complexity of the organization and its operations.

Audit committee meetings should be held on a timely and regular basis with the meeting's agenda prepared and distributed sufficiently in advance. The committee should meet at least quarterly and they should meet to review the financial statements before they are certified by the accounting officer. It is apparent therefore, that the frequency of the audit committee meetings has a bearing on the implementation of good corporate governance practices as concerns accountability and monitoring of the overall processes of good management practices in an organization.

5.3 Discussion

Some results and findings obtained from this study can be said to represent the views of other scholars of previous studies on the effects of the performance of the audit committee on good corporate governance and the implementation of desired audit reporting standards and practices as presented in the literature review, while other findings may contrast with the perspectives of other scholars.

5.3.1 The Effect of Training of The Audit Committee Members in Improving Good Corporate Governance

According to Cole, G.A. (1999), a training need is any shortfall in employee or trainee knowledge, understanding skills and attitudes as measured against what is required of the job or task.

It would be expected that audit committee members be highly experienced professionals within their own field of expertise and as a result will undertake professional development and education on an on-going basis. However, it is still recognized that audit committee members should be given the opportunity to attend training to obtain new skills and/or update their existing skills so that they can effectively contribute to the audit committee functions.

The training required will depend on the background of each committee member and should be targeted to assist members in fulfilling their role on the audit committee and enhance their participation in their duties. The training performed should incorporate such areas of auditing as new and revised developments in corporate governance, financial reporting or relevant legislative updates, and/or industry specific areas. This would ensure that all audit committee members are well informed and are up to date in matters that concern the task that they are charged to undertake, equipping and preparing them for efficient service provision and result oriented output in their assignment.

The effect of this training would result in producing knowledgeable committee members well-furnished to carry out their duties effectively and efficiently, thus, rendering productive service to the organization and ensuring that the required standards are attained by the organization due to their hawk eyed monitoring processes to which they will have fully committed themselves to its implementation.

Devanney, C (2009), argues that there are many approaches to determining training needs of trainees and these have basic linkage between training input and performance output. That is what the training will add to the individual in terms of skills and knowledge as well as whether this input will then provide the individual with a capacity to be productive and produce useful end results.

5.3.2 The Composition of The Audit Committee Members in Exercising Good Corporate Governance Practices

The composition of the audit committee is fundamental to facilitate the oversight of the organizations accountability and monitoring in order to make room for improvement whenever and wherever it is identified. Audit committees should be formally constituted to ensure that they have a clear relationship with the boards to whom they are answerable and to whom they should report regularly. Membership should be confined to the non-executive directors of the company and a majority of the nonexecutives serving on the committee should be independent. (GEE, 1992)

The audit committee's duties should be determined in the light of the company's needs. (GEE, 1992) Membership of an audit committee is a demanding task requiring commitment, training and skill. The directors concerned need to have sufficient understanding of the issues to be dealt with by the committee in order to take an active part in its proceedings. This is why committees should, if it is appropriate and within their authority, be able to invite outsiders with relevant experience to attend meetings. (GEE, 1992)

At a minimum, the audit committee as a whole should have recent and relevant experience and should possess a collective balance of skills and expert knowledge - commensurate with the complexity of the organization and the duties to be performed - in financial reporting, accounting and auditing. (BCBS, 2010).

The effect of having a properly constituted audit committee will have a direct impact in how the committee influences the direction of the implementation of good governance practices within the organization. The right committee will influence the organizations to a positive direction and thus, give value for investment, whereas a misguided committee improperly constituted may not be worth its value as the desired performance may not be realized.

5.3.3 The Effect of Regular Meetings of The Audit Committee in Employing Good Corporate Governance Practices

Audit committee meetings should be held on a timely and regular basis and their proceedings, recommendations and discussions formally minuted. A meeting agenda should be prepared and distributed sufficiently in advance to enable adequate evaluation by committee members. A detailed agenda and strong chairing is vital in order that committee meetings remain focused.

The committee should determine its own agenda. The audit committee should meet at least quarterly, the timing of meetings depending on individual agency processes, audit reporting and financial statement preparation timeframes. For example, the audit committee should meet to review the financial statements before they are certified by the accountable officer or statutory body Chair and the chief finance officer.

An annual work plan sets out the activities to be covered by the audit committee. The work plan should allocate the key tasks to be covered at specific meetings to ensure all activities are addressed at the appropriate time during the year and that all key responsibilities are covered. The annual work plan would also allocate appropriate time for a review of the progress of the internal audit function against the audit plan. An analysis of the adequacy of the operational aspects of the audit, for example, staffing, skills and timing, also is desirable. When an audit committee is determining its work plan for the year, the committee should ensure that the plan aligns to the audit committee's charter. The audit committee's charter guides the behaviour and operations of an audit committee on an ongoing basis.

The audit committee needs to as soon as practicable after the end of the financial year, prepare a report to the accountable officer or statutory body summarising its operations for the year. The report could include: The audit committee's performance and achievements for the year. This should be compared to the original objectives and work plan which was set for the audit committee for the year and would include the performance and achievements of any subcommittees, if established.

The effect of the audit committee's regularity of meetings would result in the committee being able to determine its own agenda, develop its own work plan, review the various reports that it must look at in proper time and with adequate scrutiny and would be able to ultimately produce well thought out and thoroughly done reports on its findings and to give a well-planned, conclusive guidance as to the direction that the operations of accounting for the organization ought to take and be focused on.

5.4 Conclusions

It would be ideal to mention here, that the arguments in favour of training of audit committee members bolster the need to undertake committee members training, it may be apparent however, that various organizational needs may require contrasting training for its committee members, though the general required audit and financial reporting knowledge and information may many times be similar as there are internationally accepted guidelines for audit committee members training. From the study it is apparent, however, that training the audit committee members is ideal, and that the composition of that audit committee members is significant in monitoring and evaluation of the organizations performance.

The regularity of the audit committee's meetings is important to ensure that the committee role and functions in enhancing good corporate governance is attained in any organization. The respondents 61.5% strongly agreed and were positive about audit committee members being current on developments in corporate governance, 56.4% of the respondents strongly agreed that training gives members an in depth understanding of the organization and 56.4% were in strong agreement that training enables members of the audit committee to have a high level overview of the internal control framework and enterprise risk management. It significant at this point to note that the training and continuous updating of the knowledge of the audit committee members is vital for their own active and positive participation and contribution to their duties as members of the audit committee. Therefore, the audit committee members would require continual information upload for their up to date information and improvement in their performance so as to become effective tools in the duty and role of being audit committee members.

The involvement and inclusion of strategic stakeholders would help shape the aspects of improving the manner of training and the information necessary for the training and updating of knowledge of the audit committee members. This would involve a more proactive approach for corporates to organize the type of trainings that would enhance the effectiveness of their audit committee members, in liaison with the local authorities, the educationists, the audit and financial specialists, among others that will help drum up a well-rounded training plan. The impact of the training may ultimately be assessed by the attained objectives that were set to be achieved.

From the study it stands out that for an effective audit committee the composition of the committee and the regularity of committee meetings are key in the ensuring that there is an effective and probably efficient audit committee to monitor, check and evaluate the financial functions and practices of an organization and thus, ensure that accountability and expected good governance practices and performance is achieved. A properly constituted audit committee will have a direct impact in how the committee influences the direction of the implementation of good governance practices within the organization. Regularity of meetings of the audit committee would result in the committee being able to determine its own agenda, develop its own work plan, review the various reports that it must look at in proper time and with adequate scrutiny and thus, become a very effective organ in guiding the operations and the right direction in which the organization ought to follow.

5.5 Recommendations

The following recommendations made were based on the research findings and conclusions of the study.

1. It would be recommended that for an effective and efficient audit committee, that members undertake continuous improvement of their knowledge and skills. When training the audit committee members their specific needs as well as

organizational needs should be assessed to identify the gaps and respond to the economic context of the members as well as the organizational needs with relation to their industry environment and local resources available to them. The result and outcome of the training that changes the committee members' performance in tangible ways will impact on their effective performance and thus impact on the organization as a whole. The training therefore needs to be linked directly to organizations needs in tandem with the requisite skills that the audit committee members possess that will benefit them and the corporate organization as a whole.

2. It's recommended that members be selectively appointed by requisite standards taking into consideration their various competencies and the value that they would add to the organization. The composition of the audit committee becomes a critical organizational component in determining the effectiveness of the accountability function and the effectiveness of the monitoring agencies of the organization to provide checks and balances that ensure integrity, efficiency and self-sustainability of the organization.

3. It would be recommended that audit committee meetings which contribute significantly to the orderly conduct of its functions and activity, be conducted regularly with clearly set objectives that are geared towards definite goals and achievements such that the output of meetings would result into positive objectives that guide the organization towards its overall strategic plan and reduce misappropriation of valuable resources and thus, enable growth and prosperity of the organization.

5.6 Suggestions for Further Research

There may be a need for further research to determine to what extent political interference in affects the performance of parastatals as well the audit committee in providing oversight. Further research requires to be carried out to determine to what extent insufficient funding affects the performance of parastatals as well as the audit committees performance in providing oversight.

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APPENDICES

APPENDIX I: INTRODUCTORY LETTER

RAPHAEL MURIMI GITHINJI
UNIIVERSITY OF NAIROBI
P.O. BOX 30197 - 00100 GPO, NAIROBI
NAIROBI.

RE: FACTORS INFUENCING PERFORMANCE OF AUDIT COMMITTEES IN STATE CORPORATIONS: A CASE OF THE KENYA URBAN ROADS AUTHORITY (KURA)

Dear Respondent,
I am carrying out research on Factors Influencing Performance of Audit Committees in State
Corporations: A case of the Kenya Urban Roads Authority (KURA).
This is a study in partial fulfillment of the requirement for the Master of Arts Degree in Project Planning and Management at the University of Nairobi

This research uses KURA as the case study from which you have been selected as one of the lucky respondents. The result of this study will provide the analysis of the role played by the audit committee in parastatals to ensure good corporate governance practices.

This is an academic research and confidentiality is strictly emphasized, your name will not appear anywhere in the report. Kindly spare some time to complete the questionnaire attached.

Thank you in advance,

Yours Faithfully,
RAPHAEL MURIMI GITHINJI

APPENDIX II: QUESTIONNAIRE

KURA ANALYSIS QUESTIONNAIRE

PART A

Please tick in the box or write in the space for each question as applicable

This questionnaire is designed to help the researcher learn from the staff their experiences with the internal audit committee. The findings from this study will be used to improve the effectiveness of the internal audit committee in parastatals

Demographics and General Information

General

Gender: Male ☐ Female ☐

Age: 13 – 20 ☐ 21 – 30 ☐ 31 – 40 ☐ 41 – 50 ☐ over 50 ☐

Highest Level of Education: Primary ☐ Secondary ☐ ;ollege ☐ iiversity ☐

Religion: Christian ☐ Muslim ☐ other (please specify)………………………

Work Related

Name of Parastatal: ……………………………………………………………..

Department: ………………………………………………………………………

Rank/Position: Casual ☐ Supervisor ☐ Ianager ☐ Director ☐

Other………………………………………………………….

Number of Years worked: ……………………………………………………..

Income Range: 1000 - 10,000 ☐ 10,000 - 50,000 ☐ 0,000 - 100,000 ☐
Over 1000,000

PART B

1. **The Effect of Training of The Audit Committee Members In Improving Good Corporate Governance**

Please rank the following statement by marking them with an X depending on your agreement with them

The effect of training of the Audit Committee members	**Strongly Agree**	**Agree**	**Neutral**	**Disagree**	**Strongly Disagree**
very important for making members know which accounting standards apply					
Enables members to recognize the relationships between incentives and the likelihood of management deception in order to improve audit committee judgment.					
Makes them understanding the expectations of being an audit committee member					
Makes them have an in-depth understanding of the organization’s business, background, etc					
Enables them understand the dynamics of audit committee meetings, including, frequency of meetings, preparation for the meetings, etc.					
To understand the audit committee's role in the investor relations process and how it can manage its relationship with directors, management, internal and external auditors					
To have a high level overview of the internal control framework and enterprise risk management and the role of internal audit					
Ensures that members have an understanding for controls over management reporting					
Ensures integrity of members in accounting and financial reporting systems that include independent audit that have appropriate financial controls, risk monitoring, and compliance with laws and regulations					
Ensures members understand benchmarks of an					

effective and efficient audit committee					
That members are updated on developments in corporate governance procedures and practices					
Ensures that members understand the various types of frauds with a focus on industry specific issues, for example training for fraud prevention					
That members have an understanding of the guidelines have a whistle blowing network for the detection of fraud					

2. The Composition of The Audit Committee Members in Improving Good Corporate Governance

Please rank the following statement by marking them with an X depending on your agreement with them

The composition of the Audit Committee members	**Strongly Agree**	**Agree**	**Neutral**	**Disagree**	**Strongly Disagree**
Comprises at least one member with financial or accountancy competences.					
It is composed of independent members					
Should consider rotating audit committee members periodically.					
Should engage independent advisers to help evaluate the audit committee's performance when necessary.					
Independent member should be independent in relation to the company, its directors and controlling shareholders.					
Members should have the requisite skills, knowledge, and degree of independence.					
The expertise and competence requirements of the committee members, as well as a succession plan,					

should be evaluated in the context of the company's current strategy and expected risk profile					
The members' level of commitment and availability should also be considered					
Committee members should maintain and update the knowledge and skills required by their duties.					
The committee members should have a good understanding of the company's operations and its significant risks					
Should be composed solely of outside directors which oversees audit functions and the system of internal control.					
audit committees consist of at least four members					

3. The effect of regular meetings of the Audit Committee on good corporate governance

Please rank the following statement by marking them with an X depending on your agreement with them

The effect of regular meetings of the Audit Committee	**Strongly Agree**	**Agree**	**Neutral**	**Disagree**	**Strongly Disagree**
Committee members must personally attend the meetings and cannot be represented by another member					
Meet with external and internal auditors on a regular basis to stay informed about the planning, direction and scope of the audit,					
Conduct an annual evaluation of the external auditors' work.					
The Audit Committee meets as often as it					

deems necessary and at least twice a year prior to the Board meetings called to review the yearly and half-yearly accounts.					
Meetings should start and end with summaries **so** that all members have a common understanding of what has transpired and what the priorities are.					
Reserve the right to invite any group or individual to an audit committee meeting					
Ensure all members actively participate in setting the committee agenda, and whenever possible avoid conducting committee business between meetings					
At the beginning of each meeting, review the previous meeting's highlights					
At the end of each meeting, summarize the meetings discussion					
Have Audit Committee Timetable and schedule of activities					