EFFECT OF AUDIT COMMITTEE CHARACTERISTICS ON AUDIT EFFECTIVENESS IN THE COUNTY GOVERNMENT OF KERICHO, KENYA

ERICK KIPKOECH KIRUI

A Thesis Submitted to the Board of Graduate Studies in Partial Fulfilment of the Requirements for the Conferment of the Degree of Master of Business Administration (Accounting Option) of University of Kabianga

UNIVERSITY OF KABIANGA

JANUARY 2022

DECLARATION AND APPROVAL

Declaration

I declare that this thesis is my original work and has not been presented for the conferment of a degree or award of a diploma in this or any other University;

Signature: ……………………………… Date…………………………………….

Erick Kipkoech Kirui

MBA/A/021/17

Approval

This thesis has been submitted for examination with our approval as the University supervisors.

Signature: ……………………………… Date…………………………………….

Dr. Isaac Naibei

Department of Accounting and Finance.

University of Kabianga.

Signature: ……………………………… Date…………………………………….

Dr. Williter Rop

Department of Marketing, Management Science Tourism and Hospitality Management,

University of Kabianga,

DEDICATION

This thesis is dedicated to my family, my dear wife Faith Chepkoech, My Children Immanuellah, Immanuel, Immaculate, and Ifanuel for love and support.

COPYRIGHT

ACKNOWLEDGEMENT

I owe the success of this thesis to various individuals and institutions whose support went a long way to shaping this thesis from the conceptual stage to its ultimate conclusion. Particularly, I wish to appreciate the support of my supervisors, Dr. Isaac Naibei and Dr. Williter Rop from the School of Business and Economics. The two were very instrumental in guiding me through the research process. Their close supervision and guidance were invaluable. I wish to acknowledge the support of all other staff and Lecturers from the School of Business and Economics and the Directorate of Board of Graduate Studies, University of Kabianga. I benefited immensely in the output from the various consultation I made. I wish to thank the management and staff of the County government of Kericho who facilitated me during the data collection exercise.

I wish to thank Mr. Philemon Korir and Ms. Lily Langat from The County Government of Kericho, who supported data collection. I wish to thank my employer, Equity Bank, for allowing me to further my studies. Although I cannot list everyone here, this is not to say the ones listed are the only ones who supported me. I am very grateful to all for your support. Finally, I wish to thank the Almighty God for giving me good health and protection during my study.

God Bless All!

ABSTRACT

Financial performance is an important element for organizational survival., whether public or private, profit or not for profit. Various studies have been done on the audit committees and organizational performance, both in the public and private sectors. Firms are becoming aware of the importance of effective corporate governance (CG) that should provide the mechanisms necessary for improving their organizational effectiveness. It is generally agreed that audit committees play a crucial role in governance practices, particularly in enhancing the boards' effectiveness in monitoring management. This study aimed to determine the effect of audit committee characteristics on audit effectiveness in the County Government of Kericho. Specifically, the study sought to determine the effect of audit committee meeting frequency, financial expertise, tenure, and independence of audit committee on audit effectiveness. The agency and institutional theories guided the study. Data were obtained from a population of 68 senior employees from the county governments of Kericho conversant with corporate governance structures of the County. The study utilized a correlational research design to study the audit committee characteristics and effectiveness. Further, the study applied census sampling to select all 68 employees. Data were analyzed using both descriptive and inferential statistics with the aid of SPSS software. Correlation and multiple regression analysis were used to assess the effect of various variables on audit effectiveness. The study established the selected audit committee characteristics accounted for 80.6% of the variations in audit effectiveness ($R2=.806$; $p<0.05$). Specifically, financial expertise was established to have a significant positive effect on audit effectiveness ($b=0.381$; $p<0.05$), independence of the audit committee also had a significant positive effect on audit effectiveness ($b=0.158$; $p<0.05$). On the other hand, the tenure of the audit committee had a significant negative effect on audit effectiveness ($b=-0.165$; $p<0.05$). There was no evidence that the frequency of meetings had any significant effect on audit effectiveness as the p-value was >0.05 ($b=0.381$; $p>0.05$). These findings conclude that the audit committee should comprise diverse membership to enhance audit effectiveness. Still, it must have a finance expert that the members should be independent and serve for a fixed term. These results are significant as they provide evidence of the effect of various board characteristics on audit effectiveness from a developing country and the public sector, which can be applied in policy and enrich the existing literature.

TABLE OF CONTENTS

LIST OF TABLES

LIST OF FIGURES

LIST OF ABBREVIATIONS AND ACRONYMS

ADF	Augmented Dickey-Fuller Test
AICPA	American Institute of Certified Public Accountants
ASE	Amman Stock Exchange
BRC	Blue Ribbon Committee
CEO	Chief Executive Officer
CG	Corporate Governance
ECM	Error Correction Method
GAO	General Accounting Office
ICPAK	Institute of Certified Public Accountants (ICPA-K)
MCA	Member of County Assembly
SEC	Securities and Exchange Commission
US	United States

OPERATIONAL DEFINITION OF TERMS

Audit Committee	Is a committee formed and charged with the oversight of financial disclosure and reporting in county the governments.
Audit Committee characteristics	Are features of the audit committee composition. In this study the selected characteristics are: tenure of audit committee, expertise of audit committee, independence of audit committee, frequency of audit committee characterises.
Audit Effectiveness	Is the ability of audit committee to achieve its intended objectives In this study, audit effectiveness has been gauged by the ability of the audit committee to: be courageous in making tough decisions; have a balanced, ethical approach to whistle blowing, challenge external auditors; effective in oversighting key risk areas both financial and non-financial; participates in preparation of the almanac and agenda of meetings
Audit Team size	Is the number of directors that form the internal audit committee of the ministry (Abbott & Parker, 2000)

Expertise	Is the knowledge regarding the business that the ministry is in and also technical knowledge of accounting and auditing (Ali, 2010). In this study, expertise has been used to refer to existence of members with knowledge, training and experience in finance and accounting matters.
I**ndependence**	Is impartiality of the internal auditor regarding parties that might have a financial concern in the ministry being audited (Barua, Rama, & Sharma, 2010). In this study, independence has been measured by the extent to which the audit committee can exercise their duties without interference, bias or compromise form any party.
County Government	Refers to any of the 47 devolved units established under the Kenyan Constitution, 2010. County Government of Kericho which is the focus of the study is one of the units.
Tenure	Is the number of years that a member of the audit committee serves in the audit committee (Cascarino& Van Esch, 2005).

CHAPTER ONE

INTRODUCTION

1.1 Overview

This chapter gives the background information of the study, statement of the problem, research objectives and assumptions of the study, significance of the study, limitations and the scope of the study, scope of the study, justification of the study as well as limitations of the study.

1.2. Background of the Study

The role of audit committees is to review compliance with laws and regulations, review laws and regulations, set agenda for meetings, evaluate evaluation compliance of policies and procedures by the Government and enhance communication with the external auditors (Barua, Rama, & Sharma, 2010). Abbott and Parker (2000) posit that audit committees are embedded in the public finance management Act, 2012 (government of Kenya,2012). Both the national and the county are required to set up an audit committee whose composition was prescribed through regulations. The primary mandate of the audit committees is to enhance, integrity, independence and effectiveness of audit functions.

An audit committee is a selected number of members of a company's board of directors whose responsibilities include helping auditors remain independent of management. Most audit committees are made up of three to five or sometimes as many as seven directors who are not a part of company management (Raghunandan and Rama, 2007). The audit committee plays a critical role in providing oversight and serving as a check and balance on a company's financial reporting system.

The committee provides independent review and oversight of a company's financial reporting processes, internal controls and independent auditors. It provides a forum separate from management in which auditors and other interested parties can candidly discuss concerns. By effectively carrying out its functions and responsibilities, the audit committee helps to ensure that management properly develops and adheres to a sound system of internal controls, that procedures are in place to objectively assess management's practices and internal controls, and that the outside auditors, through their own review, objectively assess the company's financial reporting practices. This definition is consistent with agency theory which suggests that to ensure effectiveness of audit committee, managers are encouraged to prepare financial statements adequately to specify the return generated by the companies (Pincus, 2001).

Beasley (1996) and Felo (2003) conducted a study on the effectiveness of audit committees on risk reduction among commercial banks in Europe. The findings showed that there was a positive relationship between audit committees and audit effectiveness. This was because the audit committee has the responsibility of reviewing the company's internal financial controls. Unless expressly addressed by a separate board risk, the committee should comprise of independent directors or by the board itself, firm's internal control and risk management systems. The management of the company is responsible for the identification, assessment, and monitoring of risk, for developing, operating and monitoring the system of internal control (Chang & Singh, 2000). This is essential for providing assurance to the board. Except in cases where the board or the risk committee is responsible to make a review of the effectiveness of the internal control and risk management systems. The audit committee should receive reports from the management on the effectiveness of the systems that have established and the conclusion of tests conducted by the internal and the external auditors.

An audit committee is an operating committee in the board of directors which is responsible for supervising and monitoring activities in a firm. The role of the audit committee is to is to provide oversight to the management of resources of an entity and work closely with the external auditors to ensure quality assurance. They meet frequently with managers and external auditors to examine the financial statements and communicate with internal and external auditors during the audit process and internal control. Locally and globally audit committees have been used as a tool to mitigate fraud through monitoring the process of financial reporting and corporate governance. Raghunandan *et al.* (2004) puts forth that the audit committee independence is positively related to the risk of fraud minimization as well as the reliability and correctness of the financial statements. Several studies have investigated the relationship between audit committees and audit effectiveness. Chang and Li (2008) investigated the relationship between audit committees and audit effectiveness. It was concluded that firms whose audit committees were effective in their work were able to minimize their levels of risk reduction.

Walker (2004) emphasizes that audit committee independence facilitates effective supervision on management activities, because the independent members of the audit committees are more likely to make objective decisions and need less negotiation as well as less deliberation. The independence characteristics are essential for the audit committee to fulfil its supervising responsibility. This study was necessary as it sought to to investigate fraud and the potential risks areas that may expose the firm to fraud. This will assist in countering fraud and preventing it. Thus, this study was geared towards establishing essential characteristics of the audit committees that make it effective in reducing incidences of fraud.

Audit committee comprises of a number of individuals of an organization's board of directors who are responsible for helping auditors to remain independent of management. The audit committee performs a fundamental role in ensuring check and balance of the firm's financial reporting system. The committees present an independent assessment and supervision of the firm's financial reporting process, independent auditors and internal controls systems. It provides a separate forum from the management whereby auditors and interested parties can discuss pertinent matters.

1.1.1 Audit committee characteristics

There are various characteristics exhibited by the audit committee which is critical in ensuring its effectiveness. Raghunandan and Dasaratha (2004) note that the audit committee consists of both independent and non-executive directors. To improve effectiveness in their roles, non-executive directors should be independent. They should be nonpartisan, philanthropic and should not show any interest in the implementation of their functions. This might interfere with their independence and impact negatively on their effectiveness. To improve the independence of the audit committee, there should be timely access to relevant information to allow further discussion before decisions are taken. The committee should ensure adequate communication either formally or informally with non-executive directors.

The independent and non-executive directors must be informed about the risks that face organizations and appropriate action upon the review of the board's effectiveness of internal control system. This includes regular reviews and annual assessment exercise. The other trait of audit committee is frequency of audit committee meetings which involves the number of times that the committee meets per year. The category of directors is unlikely to be sanctioned for fraud since they easily detect fraud and stop it at early stages. Their role is to eliminate any form of fraud and thus enhance the efficacy of audit committee. The frequency of audit committee meetings improves quality and effectiveness of audit committee (Raghunandan, Read& Rama, 2001).

Rezaee, Olibe and Minmier (2003) maintain that size is an important characteristic of the audit committees. It varies depending on the needs and the extent of delegation of responsibilities to the committee. The key objective is allowing the committee to perform efficiently, ensure participation of all the members. Most firms formulate policies to rotate members depending on the member's experience and knowledge. The board of directors should evaluate the performance of the audit committees to ensure that they meet the expectations of the board and that of the committee. Rotation of the members of audit committee provides an opportunity to restore and introduce new insights to audit the processes of the committee. This also enables the board members to have a clear understanding of the roles of the audit committee.

Robert (2006) argues that the audit committee expertise is an essential trait of the audit committee. An effective audit committee consists of experts with a high level of professionalism in their work. The nature of work of the audit committee is complicated and thus requires the board to have a regard to the candidates to ensure that they possess specialized skills. They should be competent and experienced in business, an in-depth understanding of internal control systems, conversant with compliance systems, independent of thought and willingness to learn. Tenure of the audit committee is a trait that defines the image and trust held by firms about the audit committee. An active audit committee maintains and upholds integrity in its functions. The audit committee should cultivate a culture of transparency and honesty through open discussions between the top management and the auditors. They should execute business with objectivity and professionalism with high regards for ethical consideration (Robert, 2002).

1.1.2. Audit effectiveness

Various scholars have defined audit effectiveness, Holtfreter (2004) defined audit effectiveness as actions that are taken to curb or discourage exposure to fraud. Audit effectiveness is the primary mechanism for preventing fraud controls. Saleh, Iskandar and Rahmat (2007) define audit effectiveness as mechanisms put in place to minimize exposure to fraud. Carcello, Hermanson and Raghunandan (2005) explain that fraud prevention is hindering a person from an activity; it is intended to protect the business and its processes against fraud. Audit effectiveness consists of major steps that are taken to prevent and minimize fraud. This involves setting-up prevention controls and designing detection controls to sense fraud. Fraud prevention involves taking an active role in the prevention of fraud and effective compliance of ethics. The committee should evaluate the management regularly and the auditors to ensure that the firm has antifraud programs to detect potential fraud and ensure thorough investigations when fraud is detected. The committee should ensure that appropriate steps are taken against the culprits of fraud (Robert, 2006).

The principal responsibility for establishing control over fraud and maintaining it lies with the management. Internal control is a process that is designed by the management to give reasonable assurance concerning the realization of reliable financial reporting, compliance with set laws and regulations and effectiveness and effectiveness of operations (Raghunandan& Rama, 2007). The internal auditor is charged with the responsibility of preventing fraud through examining and evaluating the level of adequacy and effectiveness of the internal control system. This is done in line with potential exposure to risks other areas of the firm's operations. Internal auditors have an obligation to determine whether the environment in which the organization operates promotes awareness and control. The company should set realistic organizational goals and objectives with formal policies that guide the manner in which the firm work, mechanisms for monitoring activities and safeguarding assets, active communication channels with adequate and reliable information and cost-effective controls to help in deterrence of fraud.

Musa (2006) investigated the effectiveness of audit committee in the public sector in Tanzania. The findings revealed that the size of the audit committee and the expertise were essential drivers of audit committee effectiveness. These studies limited itself to the traits of audit committee and ignored audit effectiveness which is the underlying objective of audit committee effectiveness. Ali (2010) did an assessment of the relationship between audit committees characteristics and performance of listed firms at Dar es Salaam Stock Exchange in Tanzania. The results found that audit committee experience and their independence were important traits in enhancing the performance of the audit committees. This study limited itself to listed firms at Dar es Salaam Stock Exchange while the current study focuses on the public sector.

In the local setting, a few studies have explored on the effectiveness of audit committees. A study by Waweru et al. (2008) evaluated the factors influencing the performance of audit committees in County Government of Kericho. The study found that audit committee independence and expertise were important factors in influencing the performance of the audit committees. This study limited itself to factors that affect the performance of audit committees and ignored the effectiveness of audit committee in audit effectiveness. Wakaba (6014) found that audit committee experience, committee gender diversity, the size of audit committee and some independent auditors have a significant effect on firm performance. This study laid more concentration on the audit committee characteristics and ignored audit effectiveness aspect which the current study considers being an important factor.

Fraud prevention is based on the premise that the effectiveness of audit committee oversight is an integral component of reducing the risk of fraud in a firm and ensuring that the likelihood of fraud is prevented at an early stage. To realize this goal, audit committee ensures that they understand significant fraud risks that the firm is facing by conducting fraud risk assessment and developing alternative sources of information about the status of the organization with regard to fraud risks (Rezaee et al., 2003).

1.1.3 Government in Kenya

The National Governments is comprised of the president, deputy president, cabinet secretaries and the attorney general. A County government is an organization that is charged with the responsibility for County administration. It is headed by a cabinet secretary who has the authority over one or more departments. The governments are under the cabinet and hence coordinate County functions and activities (Republic of Kenya, 2012). Cabinet secretaries are charged with the responsibility of formulating the policy and County conduct; they are individually responsible for the administration of their department. Their functions are to advise the president on the central matters of public policy and specific issues about their respective Government. The cabinet secretaries discuss policy issues that affect the management of the County. The cabinet secretaries are in charge of the Government; they give direction and control for which they are individually responsible to the National Assembly. The cabinet secretary being the head of the ministry is accountable to parliament for his department irregularities, and his resignation is independent of the entire cabinet (Public Sector, 2010).

Studies in the developing countries by Mangena and Chamisa (2008) assessed the link between audit committee effectiveness in the public sector in Botswana. The size of the audit committee and experience were found to be the critical components in audit committee effectiveness.

Ogoro and Simiyu (2015) assessed effectiveness of audit committees in public sector where they established that audit committee tenure and multiple directorships were the significant characteristics in reducing financial statement restatements. This study focused on public sectors which are just entities inside the government which the current study seeks to target.

In Kenya, County Government need to be effective in the operation of their roles in ensuring that they maintain sound financial statements that are accurate and reliable. To successfully implement their functions, audit committees should constitute the independent non-executive directors in the board, the tenancy of directors and financial expertise for the audit committee to evaluate the effectiveness if audit committees (Waweru, Kamau, & Uliana, 2008). The County Government of Kericho conducts regular audits in all the County Government through audit committees to ensure that fraud is minimized. This achieved through effective monitoring and supervision of the internal control systems.

In the last two decades, the country has undertaken reforms to enhance the effectiveness of the Audit Function. The National Treasury circular AG/3/080/6/(61) of 8th August 2000 represented the first initiative towards establishment of Ministerial Audit Committees. However, the performance of Audit Committees in such Government was not effective due to lack of independence and objectivity. In order to address the issues of oversight, governance, transparency and accountability in management of public resources, the County issued the Treasury No. 16/2005 and No. 18/2005 dated 4th October 2005 and 12th October2005 respectively (ICPAK, 2015). In the quest for stronger accountability environment, Kericho continues to develop strong accounting and auditing systems for Goverment. The County adopted International Public Sector Accounting Standards (IPSASs) in 2014. The Country restructured the public sector and adopted performance contracting, instituted vetting of State Officers, established Independent Commissions and Offices and other reforms that continue to strengthen corporate governance (ICPAK, 2015).

1.3 Statement of the Problem

County Governments are expected to provide services to the people by carrying out their roles effectively with accountability and openness. Audit committees are expected to ensure that they run their operations effectively to provide value for money. Despite the presence of Audit Committees in County governments, its effect on audit effectiveness is still a subject of debate. For instance, there have been notable reported fraud cases in various counties. This may be manifestation of ineffective audit functions. Audit committees are expected to seal the loopholes for financial frauds and mismanagement of public funds. However, the extant literature shows that the effectiveness of audit committees may be influenced by what characterises its composition, structure and terms of operation. There is no known study focusing on County Governments which has investigated the effect of audit committee characteristics on audit committee's effectiveness. Therefore, there is need to investigate the effect of various characteristics of audit committee such as expertise, number, and independence on audit effectiveness. Therefore, this study seeks to bridge this gap by investigating the effect of audit committees' characteristics on audit effectiveness in County Government in Kenya.

1.4 General Objectives of the Study

The general objective of this study is to determine the effect of audit committee characteristics on audit effectiveness in County Government of Kericho, Kenya.

1.5 Specific Objectives of the Study

The study was guided by the following specific objectives;

i. To establish the effect of frequency of audit committee meetings on audit effectiveness in County Government of Kericho,

ii. To examine the effect of financial expertise of audit committee on audit effectiveness in County Government of Kericho,

iii. To establish the effect of tenure of audit committee on audit effectiveness in County Government of Kericho.

iv. To establish the effect of independence of audit committee on the audit effectiveness in County Government of Kericho

1.6 Research Hypotheses

The study tested the following research hypotheses;

i. H_{o1}: Frequency of audit committee meetings has no significant effect on audit effectiveness in County Government of Kericho

ii. H_{02}: The financial expertise of audit committee has no significant effect on audit effectiveness in County Government of Kericho.

iii. H_{03}: Tenure of audit committee members has no significant effect on audit effectiveness in County Government of Kericho.

iv. H_{03}: Independence of audit committee members has no significant effect on audit effectiveness in County Government of Kericho.

1.7 Justification of the Study

Audit has consequently been viewed as an integral part of enhancing accountability and general performance of the public sector. Audit has evolved in many countries to take a more comprehensive view of County operations. In Kenya Counties, key reforms have been undertaken to modernize the Audit and more specifically, the Internal Audit function ensure that control mechanisms go beyond legal and regulatory compliance. This study acts as an eye opener on the attributes of the audit committees in the County Government and ways of ensuring that they are effective in their work. The findings are of help to County Government, public sector practitioners, policy makers, other private as well as public entities and Scholars.

1.8 Significance of the Study

First, the leadership of the Government will be able to establish the factors and characteristics of the audit committees that influence their performance and hence was able to formulate audit committees while considering such factors. Moreover, leadership will ensure that factors that determine effectiveness of audit committees are factored in in legislation and policy. The findings will hence inform their advocacy for such factors that further; the leadership of the Government might use the findings of this study to determine the amount of resources to commit to ensure existence of an effective audit committee.

Secondly, the study will be of value to policy makers as it highlights the factors that have a significant influence on effectiveness of audit committees in detecting fraud. The policy makers and regulators might find this piece of work useful. They may use the findings of this study to set policies and regulations that ensure that all public institutions effectively use audit committees to mitigate fraud. This will lead to improved performance and service delivery to the public.

Other entities whether public or private may apply the findings of the study to ensure that their internal audit committees are constituted while considering the factors that are determined in the study to be critical in determining effectiveness in fraud detection. Other firms will learn the importance of audit committees especially in providing meaningful and focused updates to the board of directors. This is because each committee meeting encourages open communication among the management, the auditors and the audit committee.

Researchers and academicians will benefit from the findings of this study. The study provides more knowledge on the role of audit committees, their characteristics and effectiveness in audit effectiveness. This study may also be used as a basis for further research by researchers interested in field of study or related disciplines.

1.9 Scope of the Study

The study was conducted in County Government of Kericho. County Government of Kericho is one of the 47 county governments in Kenya which came in existence after the promulgation of the new constitution 2010. The period of study was 2021 where data was collected from senior employees from the county from various departments. The study was limited to selected audit committee characteristics. This included, frequency of audit committee meetings, financial expertise of audit committee, tenure of audit committee and independence of audit committee. The dependent variable for the study was audit effectiveness.

1.10 Limitation of Study

The study was carried out in County Government of Kericho. The study just focused on public audit committee in the County Government of Kericho. The focus on Kericho County was to enable in-depth study of the phenomenon. The limitation of scope was also due to the vastness of the country and hence the findings of the study are limited to Kericho County and can be generalize with caution.

1.11 Assumption of the Study

The study assumed that all county governments had constituted an audit committee in accordance with the public finance management act and therefore it was appropriate to do an assessment of their effectiveness. The honesty, reliability and accuracy in responding to questions by the selected respondents was also an assumption that the researcher had no control over but which could have influenced the research outcome.

CHAPTER TWO

LITERATURE REVIEW

2.1 Introduction

This section covers the theoretical and empirical information from literature on topics related to the research. It reviews what scholars and authors have written in relation to audit committees and fraud minimization. This includes both global and local perspectives.

2.2 Review of related studies

There are certain factors that affect the effectiveness of audit committees in an organization. These factors include: frequency of audit, independence of audit, expertise and the role of audit committees.

2.2.1 Frequency of audit committee and audit effectiveness

Abbott *et al.* (2000) show that firms with audit committee which are composed of independent directors and which meet at least twice per year are less likely to be sanctioned for fraudulent or misleading reporting. This is because they are able to detect fraud and prevent it in its earliest stages. This highly enhances the chances of audit effectiveness and thus boosts the effectiveness of audit committees.

Byrd and Hickman (1992) found that, an active audit committee may contribute to audit committee effectiveness. This is in line with Carcello and Hermanson (2002) who argued that audit committee is essential in overseeing financial reporting. A study carried out by Song and Windram (2004) established that only 10% of audit committees that met 4 times in a year. This is not effective enough as the firm could miss the important issues that need to be discussed together. Cadbury (1995) posit that extra meetings may provide an opportunity for the firm and the external auditors to monitor the risk progress of the firm. This meeting is also important for monitoring the financial reporting and internal controls.

Steward and Munro (2007) indicate that the audit committee existence, the frequency of audit meetings and the auditors' attendance at these meetings are significantly associated with a reduction in the perceived level of audit risk. Carcello and Neal (2000) put forth that audit committees are more updated about the state of financial statement and thus can easily detect fraud before it thrives in the firm. The advantage of meeting regularly by the audit committee enables the firm to monitor and take into account the risk status of the firm which acts as a signal for immediate action by the management.

The frequency of audit committee can be defined by the diligence of audit committee members. The presence of an audit committee is not a guarantee of the effectiveness of the committee. More attention is based on the frequency of their meetings and how effective they deliberate on their decisions (Song & Windram, 2004). Literature puts more emphasis on the frequency of meeting by the audit committee, in accordance to Beasley et al. (2000) the audit committees that meet less frequently are more likely to be exposed to fraud as compared to audit committee that meets regularly. When the committee often meets it is easier and quickly to detect fraud at an early stage compared to prolonged delays for meetings. Regular meetings give the audit committee adequate time for review and monitoring of the progress to ensure that the financial statements are accurate and reliable, and the internal control system is stable and efficient (Steward & Munro, 2007).

Audit committee that meets many times is more knowledge about all the current issues of audit and are more effective, and hence, they are more likely to support the auditor and in raising important matters that will ensure the quality of financial statements and a strong internal control system. The frequency of the audit committees gives room for review and appropriate action when irregularities are detected. It gives the committee time for sufficient discussion and resolve. This improves the effectiveness of audit committee through reduction of fraud and its prevention.

Feng *et al.*, (2012), investigated the determinants of audit committee meeting frequency in Chinese listed companies using a multiple linear regression model, derived from the logarithmic. The study established that based on 912 year-firm observations, there was a negative association between audit committee meeting frequency and the proportion of shares owned by a majority shareholder. The study also found that the number of audit committee meetings were less in state-owned firms compared to privately-owned firms, implying that ownership structure has an impact on audit committee meeting frequency. Both audit committee and firm size were found to be positively related with the frequency and there was a negative relationship between the percentage of independent directors on a board and the frequency of audit committee meetings. Nevertheless, there was no significant relationship between frequency with the percentage of directors who are accounting experts on the audit committee, the CEO-Chairman duality, management ownership, board size and profitability. This study makes significant contribution towards identifying the determinants of audit committee meetings frequency. However, there is need to further this by establishing how such frequencies translate to audit effectiveness. The current study attempts to fill this gap.

The frequency of audit committee meetings and the attendance of the auditor contribute to the reduction of audit risks. The external auditor believes the availability of an audit committee is critical in minimization of substantial audit risks. Reduction of such risks is highly determined by the frequency of meetings of the audit committee and the attendance of such meetings. According to Carcello and Neal (2000) firms that have the least number of reported cases of fraud have an audit committee that meets habitually. Fraud cases can be detected and prevented earlier; this reduces the chances of fraud and its implications. This is also consistent with a study by Zaman (2002) who emphasized that frequency of audit committee had a positive correlation with audit effectiveness.

2.2.2 Independence of audit committee and audit effectiveness

Independence of directors enables the firm to achieve fair and objective functioning of the audit committees. Blue Ribbon Committee (BRC) (1999) recommended all the major U.S. stock exchanges in 1999 to embolden participating firms to constitute audit committees solely comprised of independent directors. However, according to BRC the discretionary power to appoint inside director’s lies with the company upon meeting certain criteria.

Effective audit committees improve corporate governance which acts as a mechanism to mitigate unwanted interventions, improve oversight and monitoring of executives. According to Birla (2000) independent-outside director who has no fiscal consideration with the firm is less likely to be influenced by the management. The director independence increases audit committee effectiveness. In United States (US), Beasley (1996) and Vicknair *et al.* (1993) shows that audit committee existence and independent director reduce financial fraud. Board with high level of independence is effective in supervising or managing the financial reporting matters.

In increasing the level of independence, a firm can opt to hire independent outside directors that non-executive directors. This is because they lack interest in the firm and thus are not related to the companies' daily operation rather than decision making. Most firms are willing to pay high fees to independent audit committees to ensure that it is effective in controlling the firm's financial statements.

Klein (2000) examines another interesting question if there is any degree of substitutability between the audit committee independence and the alternative corporate governance mechanism. There is a negative relationship observed between audit committee independence and alternative corporate governance mechanisms, which implies that alternative corporate governance mechanisms should mitigate the need for the firm to have an active, independent audit committee.

A study by Birla (2000) indicates that the independence of the audit committee assists the external auditor to maintain their fiduciary duties without any influence from the directors. An investigation by Vicknair *et al.* (1993) found a positive association between the audit committee independence and the quality of financial reporting. The independence of directors in the committee improves performance of the firm since they can execute their duties without fear or favor. Abbott *et al.* (2000) found that corporations with audit committees that are comprised of independent directors who meet at least twice annually are less likely to be questioned for fraudulent or misleading reports. The independence of audit committee has an effect on the company's earnings, management and investors' perception.

Klein (2002) argues that audit committee independence might be affected by a significant increase in abnormal accruals. Raghunandan and Rama (2004) maintain that effective audit committees might have an effect on shareholder perception related to the auditor especially in those cases where shareholders perceive increased threat towards the independence of the auditor. According to SEC (2002), matters pertaining the independence of the audit committee are no longer considered critical since the new stock exchange rules requires that all the members of the audit committee be independent. According to Abbott et al. (2000) firms whose audit committee is independent have the least reported cases of fraudulent financial statement and more likely to be involved in lower earnings management and earnings restatement (Agrawal & Chadha, 2005).

The audit committee independence is expected to give unbiased assessment and judgment to effectively monitor the management. In Jordan, Hamdan and Mushtaha (2011) investigated the association between the traits of the audit committee of the industrial Jordanian firms listed on Amman Stock Exchange (ASE)and the possibility of the firm getting a clean audit report. The findings for this study revealed that the independence of audit committee did not have any impact on the opinion of the external auditors. Further, the results recommend that the independent committee members may propose for a more exhaustive audit scope for the review of the audit program so as to preserve reputational capital and to avoid cases of financial misstatement (Abbott et al., 2003).

The study conducted by Otley (2010), reveals that budgetary allocation, control and task ambiguity directly affects fraud positively but in situations where the combined interaction of Variables was considered, the effects differ. According to the study, while budgetary allocation affect fraud positively negatively, in situations where budgetary control is high, allocation has a negative effect on fraud. One of the reasons for this increase in fraud when budgetary allocation increases is because of the lack of capacity of the institution to handle the increased allocation thereby having more avenues for fraud.

Brownell (2012) suggests that when budgetary allocation is high, budgetary participation and control should increase accordingly. When budgetary allocation is increased in any agency, there should be commensurate increase in control and capacity building for employees to ensure that they have the skills to apply the funds well. In the findings by Brownell (2012), increased budget allocation that does not include budgetary control leads to increased risk of fraud. However, in case where budgetary control is high, there is a meaningful negative relation between allocation and fraud.

Carolyn (2017) examined the association between budgetary allocation on fraud incidences using a sample of large US cities over 6013-14 timeframe. Within this context they examined whether the increase in budgetary allocation had any significant effect on fraud incidences. The study established that increase in budgetary allocation had a positive relationship with fraud risk. Those cities that had increased budgetary allocation reported more fraud incidences than those cities that did not have any change in budgetary allocation.

According to Sharifah, Syahrina and Julizaerma (2016), the board of directors is a collective body that should generally serve the best interest their shareholders and as such, it requires the mixture of executive and non-executive directors to be effective. This underlies the importance of independence of board of directors. Sharifah et al., (2016 is of the viewpoint that the non-executive directors on the board are not capable of exercising their duties effectively, unless they are independent from management and ensure they offer unbiased judgment. Independent directors are entrusted by shareholders to represent them and aid in abridging agency conflicts. Sharifah et al, (2016) further stress that the number of independent directors would not always automatically assure to enhance firm performance hence existence of independent directors on board should be monitored in order to bring positive shareholder values.

Audit Committee Independence has been recognized as one of the main factors that improve Audit Committee effectiveness. For the Audit Committee to be effective, it should comprise of non-executive directors who are not related to and are independent of management (Ika & Ghazali, 2012). Several empirical studies have supported the argument that independent members improve Audit Committee's effectiveness in oversighting financial statements. Sharma and Kuang (2014) found that AC independence leads to reduced earnings management. On the other hand, Garcia *et al.* (2012) established that the relationship between earnings management and the independence of AC is insignificant.

In the Malaysian context, Yunos (2011) established that there is a significant relationship between independent members serving on the AC and discretionary accruals. Salleh and Che Haat (2014) examine the impact of AC independence on EM for pre and post MCCG 2007. They found that AC independence in the post-revised MCCG 2007 period was more effective in limiting EM compared to pre-revised MCCG 2007 period. Recently, Al-Rassas and Kamardin (2016) found that independent AC had a significant and direct association with accruals earning management (AEM). However, Haji-Abdullah and Wan-Hussin (2015) found no significant relationship among the independence of AC and real EM.

The AC is essential to enhance the financial reporting, whilst managers engage in IM to mislead users of the financial reporting by giving an uncertainty of information. It is expected that a high percentage of independent AC members can enhance financial reporting quality, which in turn, mitigate the IM practices in the financial report. Based on the agency theory, it is claimed that Audit Committee with independent directors can improve corporate governance because they can find solutions to disagreement among internal managers (Fama & Jensen, 1983). This will help in alleviating some of the agency issues that aid to decrease financial reporting quality. With respect to agency theory and other empirical researches, the present study assumes that independent directors on AC enhance the ability of the committee to perform its functions better and have a negative influence on the impression management practices. These studies however do not link audit committee characteristics to effectiveness of audit committee directly. The current study provides further evidence on effectiveness of audit committee.

2.2.3 Expertise of committee members and audit effectiveness

The BRC (1999) suggested that all the major United States (US) stock exchanges to implement the requirement that their member firms must have an audit committee that is financially literate. Securities and Exchange Commission (SEC) underscored that financial expertise on audit committees would improve effectiveness of the audit committee in executing its financial oversight responsibilities (SEC, 1999).

It is important for companies to have at least one certified auditor (financial expertise) in the audit committee in order to monitor the financial report either it is compliance with law and regulation or not. Besides, the executive or non-executive director in the audit committee also needs to have thorough understanding regarding the financial field to enhance the effectiveness of audit committee (SEC, 2002).

With reference to Klein (2002), it is important to consider having at least one person in the audit committee who has specific expertise in the field of accounting and finance. This enhances effectiveness and effectiveness of the audit committees in terms of decision making. Krishnan (2005) puts more emphasis on the significance of accounting and finance knowledge and expertise of audit committee members in enhancing effectiveness.

The audit committee should be knowledgeable in finance and account with a relevant experience to ensure that the financial reporting systems are accurate and reliable for making financial and investment decisions. Vafeas (2003) pointed out that the breakdown of Enron and WorldCom was as a result of lack of knowledge and experience by the members of the board. Thus, the board members lacked an understanding of complex financial structures and their interpretations.

In the cases of WorldCom situation, the members of the board did not have an understanding of the accounting principles. They did not distinguish the expenditure being capitalized rather than expensed. To perform specific responsibilities and duties, the audit committee should contain a different top management with different skills and knowledge to perform their duties optimally Cascarino and Van Esch (2005) insists on the importance of having knowledgeable non-executive directors with the required business acumen and accounting background with the willingness to serve on audit committees. Krishnan and Lee (2009) indicate that a competent team of audit committee can effectively be able to criticize and advise about the credibility of financial statement and the internal control system.

Australians firms require that the audit committee should have a team of knowledgeable members who are financially literate in that they can read and comprehend the financial statements and records. At least one member of the members of the committee should be qualified and experience. This implies that the member should be a qualified accountant or a finance professional with a vast experience in finance and accounting. Some of the members of the committee should have an understanding of the industry in which the firm operates. Australian Securities Exchange Corporate Governance Council (2007) provides that the effectiveness of audit committee is characterized by strong governance which enhances monitoring and improved conservatism. Krishnan and Lee (2009) insist that experienced members of the audit committee are useful in monitoring and record fewer incidences of misreporting. Directors who are more experience exhibit a high level of audit knowledge that results in more reliable and accurate reports (DeZoort 1998). The empirical evidence a positive reaction from the market when a new member of the audit committee is appointed and especially if he or she is an expert. DeZoort (1998) opines that a qualified audit committee plays a key leadership role which translates into a good working relationship with the firm and the auditors.

Vafeas (2003) argues that 76 percent of audit committee lack auditing experience while is an integral component of audit committee effectiveness. Dezoort et al. (2001) found that audit committee experience and auditing knowledge was positively related to the firm performance and fruitful discussions about the management of the firm. Further, Braiotta (1999) put more emphasis on the importance of members of the audit committee to have adequate skills in accounting and related fields to contribute to audit committee effectiveness. Corporate such as Price Water House Coopers insists that expertise by members especially on matters of finance is a key contributor to audit committee effectiveness. This coincides with Dezoort et al. (2002) who contend that audit committee should have at least three independent members whose one of them should have a high-level experience in finance and accounting.

Puni and Anlesinya, (2019) sought to examine the influence of corporate governance mechanisms on firm performance as measured by accounting-based ratios (return on assets, return on equity and earning per share) as well as market-based measure (Tobin's Q) among listed Ghanaian companies from 2006 to 2018. These mechanisms are: board composition (board size, inside directors and outside directors), board committees (audit, remuneration and nomination), chief executive officer (CEO) duality/separation, board meetings and shareholder concentration. The study used panel regression analysis of data from 38 listed firms in Ghana from 2006 to 2018 to test how each corporate governance variable initiated by the SEC of Ghana contributed to firm performance. Secondary data were extracted from the annual reports of the listed companies. The study found that frequency of board meetings and shareholder concentration/ownership structure generally had a positive impact on financial performance. However, this study looks at frequency of board meetings as opposed to audit committee meetings. It is not clear whether the same will apply on audit committee meetings.

Oluwatamilore, Kingsley, Tumininu., Okeme and Leigh, (2021) studied the relationship between various audit committee as well as board characteristics and the market performance of listed deposit money banks in Nigeria. The independent variables selected for the study were audit committee size, gender diversity, expertise, board size and board shareholding. The dependent variable on the other side was the market performance which was measured by Tobin Q. The study used secondary panel data was gathered from twelve (12) banks listed on the Nigerian Stock Exchange from 2013 to 2017 and analyzed using fixed and random regression analysis. The study found that the relationship between audit committee size, board size and Tobin Q was negatively significant. There was a positively significant relationship between audit committee gender diversity and audit committee expertise on Tobin Q. The study showed a positive but insignificant influence of board shareholding on Tobin Q. Oluwatamilore *et al.*, (2021) posited that weakness in governance structures might lead to poor firm market performance and recommended that firms ensure that appointment criteria prioritize knowledge and competence, and regulatory bodies are also encouraged to track the compliance of listed firms with corporate governance regulations.

Yahya, Mohamad, and Noor (2020). Sought to examine the relationship between the audit committee characteristics and impression management practices in the chairman statement among Malaysian companies. The study used impression management as a proxy for financial reporting quality. Secondary data was used which was obtained from the annual financial statements of companies listed on the Main Market of Bursa Malaysia in 2017–2018. The study found that that audit committee independence has a significantly negative relationship with the level of financial reporting quality. Yahya *et al*, (2020) argues that the findings of this research supported the agency theory because as it suggests that strong internal governance monitoring mechanisms improve the FRQ and decrease the impression management. Audit committee meeting was found to have a significant positive association with the level of impression management. This result does not support the argument that increasing number of audit committee meetings results in reduced impression management and enhanced financial reporting quality.

2.2.4 Tenure of the audit committee and audit effectiveness

DeZoort (1997) argue that audit committees have an important role to play in improving audit quality. This is critical to the reputation that they build in their work and the level of trust accorded to them by institutions. An effective audit committee and auditors enhances the integrity of financial reporting. The audit committees play a fundamental role in crafting an enabling environment for improved auditing. The audit committee is mandated to provide an environment that can accommodate an open discussion in a culture of integrity, respect and transparency between management of the firm and auditors.

Audit committees are responsible for overseeing the work of the auditors. They need to be conversant with the audit strategy and that it addresses the major audit risks, and ensure that the auditors exercise appropriate professional scepticism. In addition, they should ensure that the auditor has an independent mind-set from the management and is truly objective. This will permit the audit committee to draw conclusions about the effectiveness of the audit (DeZoort, 1998).

De Zoort and Salterio (2001) argues that audit committees should inquire from the auditors on what they do to promote consistent of audit execution, whether resources are available for auditing and who is accountable for the quality of the work done. The audit committee should consider meeting the engagement quality control review partner (second partner reviewer) as part of the audit process to understand what they did to ensure quality and address any issues that may arise.

The period in which the audit committee stays in office affects the financial reporting quality because of the more period that the audit committee member remains in the position; the more the committee acquires knowledge and experience which in turn results in improved quality financial reporting. DeZoort *et al.*, (2002) insist that the composition of the audit committee affects the overall effectiveness of the committee. A survey by Heidrick and Struggles (2007) indicated that 21 percent of firms had a term-limit policy for the directors and this proportion doubled tremendously since 2000. Shareholder activists have pointed out to most firm that there should be a limit in the period which a director can serve.

The reports by Deloitte and PricewaterhouseCoopers on audit committee director tenure agree that audit committee should periodically reassess the optimal mix of its committee members taking into account their skills, diversity, experience and time commitments, tenure and rotation of its members. This view is consistent with that of Lapides and Tompkins (2007).

There is an improved focus on audit committee characteristics beyond independence and financial expertise. This is consistent with Carcello *et al.,* (2011) who insisted on the need to develop more improved measures of the audit committee characteristics. Yang and Krishnan (2005) indicated that earnings management was affected negatively as a result of prolonged tenure by audit committee members among other multiple board memberships. In contrast, Dhaliwal et al. (2010) depict that quality accruals were positively related to lower tenure and fewer board memberships of the audit committee financial experts. Also, Barua *et al.,* (2010) maintain that the extent of investment in internal auditing is greater when the Members of the audit committee have a shorter tenure. Directors who have served for a longer period are more likely to be associated with the management while they are less liable to challenge decisions by the management. Vafeas (2003) maintains that the term limits board members; it is evident that long-tenured members of the council are more associated with the management since they are more inclined to approve higher compensation to the Chief Executive Officer (CEO).

2.2.5 Size of audit committee and audit effectiveness

Anderson *et al.,* (2004) argued that the size of the audit committee will depend on the current needs and the cultural setting of the organization, and the extent to which duties and responsibilities are delegated to the audit committee by the board. Too many members might negatively affect the quality of discussion and the output of the debate. Similarly, very few members might interfere with the chair of audit committee while drawing conclusion on sufficient expertise and perspectives to make an informed decision.

The size of the audit committee is an important characteristic that is considered to be important in effective execution and discharge of duties which leads to audit effectiveness. According to Cadbury Committee (1992), a minimum of three audit committee directors was proposed by quite a number of corporate governance reports for example (New York Stock Exchange, 2002). The report argued that a large committee has more authority, organizational status and a richer base of ideas however; it might be exposed to inefficiencies, slow processes and diffusion of authority if it becomes too large. This might hinder fraud detection. A small size of audit committee in this case could be considered more manageable and hence efficient in execution of their responsibilities since their processes are short and effective.

The size of audit committees requires the firm to devote more resources to support their oversight role of internal control and financial reporting. An extensive audit committee is more likely to be effective in their roles due to different skills and insights in ensuring quality information and accuracy and reliability in financial statements. Anderson et al.

(2004) indicated that large audit committee effectively controls and protects the processes and procedures involved in accounting and finance, unlike small committees. Large committees uphold transparency on the shareholders and creditors which contributes positively to improved effectiveness of the audit committee.

According to Anderson (2004) opine that a large size of the audit committee might create an avenue for less significant discussion this might consume a lot of time making it difficult to realize cohesiveness and thus interfere with the effectiveness of audit committee. Klein (2002) indicates that too many people within the same geographical position might not work together efficiently. This is because it is very difficult to coordinate and manage such discussions this might impact negatively on the quality of reports and dilute the audit committee effectiveness. This is consistent with a study by Bryan and Tiras (2004) who indicated that size of the audit committee was a critical component towards the realization of the audit committee effectiveness. However, in his study, Wakaba (2014) opines that an increase in the audit committee leads to a decline in performance. It can also be argued that large size of audit committees assists the firm to protect and control the accounting and finance process as a result of professional advice from expertise.

2.3 Theoretical Literature

This section provides a theoretical foundation that supports this study. These theories include agency theory and institutional theory.

2.3.1 Agency theory

This theory was propagated by Meckling and Jensen in 1952. Meckling and Jensen (1976) in their paper on the theory of the firm defined the agency relationship as a contract under which one or more persons that is the principal engage the other person who is the agent to perform some service on their behalf which involves delegating some decision-making authority to the agent.

The separation of ownership and control in modern business leads to conflicts of interest between managers and stakeholders. As a result of conflict between the principal and the agent, firms result to use of control techniques to mitigate agency costs and information asymmetry for example audit committees to counter fraud and improve performance of the firm. Pincuset al. (1989) argues that audit committees are implemented in cases where agency costs are very high in order to enhance the quality of information flows from the agent to the principal. With regard to the agency theory, in a bid to boost the effectiveness of the audit Committee, managers of the firm are stimulated to prepare financial statement regularly to determine the amount of return generated by the firm. This is coherent with the findings of Felo et al. (2003) whom in his study concluded that there is a positive relationship between the presence of audit committee and the quality of financial statements.

In another study conducted by Mc Mullen (1996) it was established that there exists a positive relationship between the existence of an audit committee and the reliability of the financial statement. Agency theory states that the presence of an audit committee in the board of directors is adequate to confirm the accuracy and reliability of the financial statements. This statement contradicts with the findings of Beasley (1996) who indicated that the presence of audit committee does not necessarily mean that the committee is effective in carrying out its role and that the financial statements are reliable and accurate.

In line with this study, the public sector should allocate sufficient funds to support the work of the audit committee in ensuring that they produce quality and reliable financial statements that are reliable and accurate. Felo and Krishnamurthy (2003) argue that the management should do their best to ensure that their decisions and actions will lead to maximization of the shareholders' wealth. They should demonstrate competence and professionalism in their work to enhance their integrity and trust from the stakeholders; they should avoid manipulating the financial statements to create a false impression that the firm is performing well. Similarly, the shareholders should increase the agency costs by monitoring and close supervision of the actions of the management to guarantee compliance and transparency. Klein (2002), to make sure that audit committee is active in its work, the top management, and the shareholders should work together as a team to ensure that the audit committee is effective in their work; this enables the firm to produce accurate and reliable financial statements which will significantly contribute to reduced cases of fraud.

2.3.2 Institutional theory

According to North (1991) institutional theory asserts that the institutional environment can strongly influence the development of formal structures in an organization, often more profoundly than market pressures. This theory provides that those organizations that embrace change are easy to cope with the dynamics of the external environment. This theory supports the importance of audit committee for purposes of oversight of a company's reporting processes, internal controls and independent auditors. This is because the business environment of audit is characterized by risks and uncertainties and firms have to cope with these dynamics to survive in the business environment.

Audit committee is one of the essential tools that firms adopt to cope with the dynamics in the external environment. According to institutional theory, an organization consists of cultural, social and technological settings that constitute its broader institutional environment (DiMaggio et al., 1983). The adoption and operation of audit committees highly depends on the extent to which they influence and can be influenced by a multiplicity of agents (Zaman, 2002). Going by the findings of Zaman (2002) for the audit committee to function efficiently, it has to be independent and exhibit competence and professionalism in their work.

The members of the audit committee should exhibit the traits of professionalism to effectively execute their work. Klein (2002) and Bryan et al. (2004) have emphasized on the importance of key traits related to the members that form the audit committee. These traits are namely: integrity and professionalism. These traits are important form the audit committee to perform its function of monitoring and control. Spira (2003) argues that the audit committee aims to defend the interest of its investors and reduce agency problems of companies characterized by information asymmetry.

In accordance to this study, the audit committee must exercise professional care by performing their work diligently and observing integrity in the financial statements. This is because the stakeholders' such as investors use information from the financial statements to make investment decisions. By the American Institute of Certified Public Accountants (AICPA), the firm has an obligation to prevent fraud and ensure that financial statement complies and abide by the set rules and regulations. The audit committee should conform to the cultural norms and values of the firm to create an enabling environment for them to work primarily in minimization of fraud. These arguments are consistent with institutional theory; Goodstein (1994) who did put more emphasis on the need for the firm to comply and abide by the societal norms and beliefs which are then incorporated into the organization's strategic goals and objectives. This makes it easier for an organization to conduct business without violating the set rules and regulations and thus save the firm costs of violating institutional norms. To boost their effectiveness, the audit committee should work together with the management of the business to present credible and reliable financial statements.

2.4 Conceptual Framework

The conceptual framework depicts the relationship between the independent variables and the dependent variable. The independent variables are; Frequency of audit committee, independence of audit committee, expertise of audit committee, tenure of audit committee and size of audit committee. The dependent variable is audit effectiveness. In the study, budgetary allocation was used as control variable. This is due to the fact that amount of budgetary allocation can also influence fraud incidences in Government.

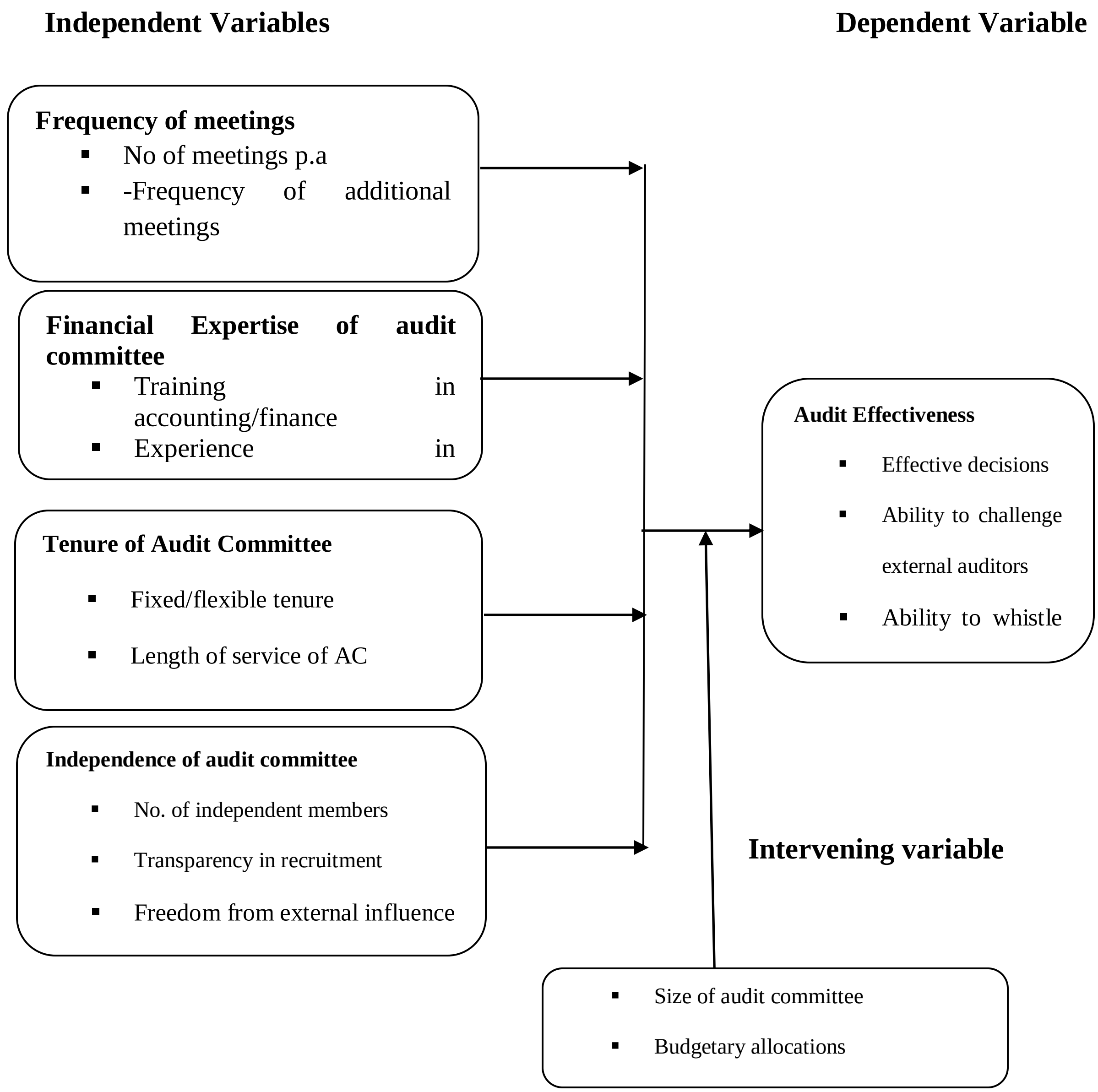

Figure 2.1 **Conceptual Framework**

Source: Author (2022)

2.5 Knowledge Gap

From the reviewed literature, studies had been done on the effectiveness of audit committee in most parts of America, Europe, and Asia (for instance Raghunandan & Dasaratha, 2004; Yang & Krishnan, 2005; Robert, 2006). More concentration has been laid on the effect of audit committee on firm performance (Bryan &Tiras, 2004), characteristics of audit committees for effectiveness (for instance Spira, 2003; Ogoro & Simiyu, 2015) and the factors influencing the performance of audit committees (Waweru *et al.,* 2008).

However, little focus had been laid on the effect of audit committee on audit effectiveness. In the African context, few studies have investigated the effect of audit committee in the public sector while most studies have ignored audit effectiveness. Extant literature on the effectiveness of audit committee characteristics on firm performance has concentrated more on the private sector such as banking industry, manufacturing firms and listed firms. Limited focus has been given to the public sector. This study therefore found it necessary to investigate the effect of audit committee characteristics on audit effectiveness in County in Kenya.

CHAPTER THREE

RESEARCH METHODOLOGY

3.1 Introduction

This chapter describes the research design that was used in this study. It provided the research design, data collection instruments and procedures, and the techniques for data analysis.

3.2 Research Design

A research design is a framework of how data was collected and analyzed in an attempt to confirm the hypothesis for the study or answer the research questions. The study adopted correlational research design to establish the relationship between the variables the selected characteristics of audit committee and audit effectiveness. This research design was deemed appropriate for studies where the objective is to establish existence of correlation between dependent and independent variables (Kothari, 2004). Nachmias and Nachmias (2008) maintain that a correlational research design is useful for collecting data that depict the relationship between variables. The importance of this design is that it provided detailed information about a phenomenon, and it can also be used for the construction of the hypothesis. Since the study focused on one county, some aspects of case study were incorporated in this study. This was very helpful in getting in-depth analysis.

3.3 Location of Study

The study area for this study was County Government of Kericho. County Government of Kericho is in South Rift Valley region, Kenya. It is one of the devolved units of government established under the new Kenyan constitution, 2010. The study was conducted in county administrative offices, targeting senior staff who comprised mostly of heads of various department. This group was deemed to have knowledge of audit committee functions and effectiveness. Kericho County was chosen for the study as concerns over financial management has been raised. Although the problem is not limited County Government of Kericho alone, it was considered useful to take a case study so as to have an indepth analysis of the phenomenon.

3.4 Target Population

The population of interest in this study was the 68 senior employees from the various departments of County Government of Kericho. They comprised of heads of various departments and sections domiciled in the County Government ministries. Population refers to an entire group of individuals, events or objects having common characteristics that can be observed and measured (Kothari, 2005). Cooper and Shindler (2004) defined a population as a well-defined collection of individuals or objects known to have similar characteristics. All individuals or objects within a certain population usually have a common, binding characteristic or trait. The target population in various departments is shown in Table 3.1.

Table 3.1

Target Population

Department	Frequency
Finance & Economic Planning	16
Education	5
Health	5
Roads and Infrastructure	5
Information, Communication and Technology	6
Land, Housing and Urban Development	6
Agriculture, Livestock and Fisheries	4
Industrialization and Enterprise Development	11
Public Service, Youth & Gender Affairs	5
County Assembly and Devolution	5
Total	68

Source: County Government of Kericho, (2021)

3.5 Sample Size and Sampling Procedures

The study carried out a census survey since the population was small. Cooper and Schindler (2005) defined a census survey as a procedure of collecting data systematically from members of a population. The whole target population participated in study since the size is small. A census survey is appropriate when the population is small since it is easy to use and understand.

3.6 Data Collection Instrument

Data was collected using a self-administered questionnaire. The questionnaire consisted mainly of closed ended-type questions. The various variables were measured using a five-point Lickert-Scale. The questionnaire contained questions requesting for demographic distribution of the respondents as well as closed ended questions measuring the study variables. There were other open-ended questions for probing purposes. The researcher encouraged the respondents.

3.6.1 Validity of the instrument

Research validity in surveys relates to the extent to which the survey measures right elements under study or how well an instrument measures what it is intended to measure. Reliability alone is not enough, measures need to be reliable, as well as, valid. To ensure validity of the research instrument, the constructs in the questionnaire were constructed based on the extensive literature review. The questionnaire was subjected to panel of experts in finance and corporate governance. Their inputs were incorporated in the construction of the constructs as well as guidance from the supervisors.

3.6.2 Reliability of the instrument

Before the actual survey, the questionnaire was piloted using a sample of 10 employees comprising of heads of various departments in Bomet County Government and tested for reliability. Bomet county government was chosen as its population is homogeneous to County Government of Kericho and operate in similar environments. Reliability of an instrument refers to whether or not you get the same answer by using an instrument to measure something more than once. It was necessary to establish degree to which research method could produce stable and consistent results. A specific measure is considered to be reliable if its application on the same object of measurement number of times produces the same results.

According to Sorooshian (2010) reliability is a measure of the degree to which a research instrument yields consistent results or data after repeated trials. In this study the test-retest method was used in order to assess the dependability of data collected using the same instrument. Cronbach Alpha coefficient is used to compute the tests of reliability. The items with Cronbach Alpha coefficient of 0.7 and above will be used in the study.

Table 3.2

Reliability Summary

Variable	No. of Items	Cronbach's Alpha
Frequency of audit committee meetings	4	0.761
Financial Expertise of audit committee	4	0.890
Tenure of audit committee	4	0.789
Independent audit committee	4	0.846
Audit effectiveness	6	0.793
Overall		0.803

Source: Pilot Study, 2021

3.7 Data Collection Procedures

Data collection method is the approach adopted by the researcher to collect data in relation to the study (Kothari, 2004). Data was collected from employees of county government using self-administered questionnaires. The researcher will help of research assistant dropped the questionnaires to the respondents and collected after two to three weeks. High response was achieved through reminders. To call for any clarification they needed to assist in filling in the questionnaires.

3.8 Data Analysis and Presentation

After gathering that data, it was prepared for analysis. This involved cleaning, sorting and coding and then run Strata data analysis and statistical software. This ensured that the collected data was presented in a more logical manner that provided a solid base to generate conclusion with regard to specific variables under investigation. Tables and charts were used for visual representation of the major findings. Descriptive statistics that was used entailed mean score analysis, minimum, maximum and standard. To find answers to the research hypothesis in determining the effect of audit committee characteristics on audit effectiveness, the study adopted Pearson's correlation and regression analysis. The regression model is specified in equation 1.

$Y = \alpha + b_1X_1 + b_2X_2 + b_3X_3 + b_4X_4 + e$………………………………………. Eq 1

Where,

Y= Audit effectiveness (AE, dependent variable)

α = constant

b_1, b_2, b_3 and b_4=coefficients

X_1= Frequency of audit committee meetings

X_2= Expertise of audit committee

X_3 = Tenure of audit committee

X_3= Independence of audit committee

e = error term

3.9 Ethical Considerations

University of Kabianga Board of Graduate Studies had issue clearance letter to the researcher to collect data and the same letter was used to apply for permit from National Commission of Science, Technology and Innovation (NACOSTI). Ethical standards pertaining the respondents and conduct of research was adhered to throughout the research process. No respondent was coerced or lured to participate in the research. Their consent was sought by revealing the purpose of the study, what the study entails, and foreseen benefits. Their identity was protected by using codes instead of names in the research instrument. The researcher will assure the respondents on the confidentiality of the study and confirmed that information provided was purely for academic purposes only.

CHAPTER FOUR

RESULTS AND DISCUSSION

4.1. Introduction

This chapter presents the results and discussion of the findings from obtained and analysed data. The subsections under this chapter include, the study's response rate, demographic information of the respondents, descriptive statistics, inferential statistics which include correlation analysis, analysis of variance and regression analysis.

4.2 Response Rate

The target population of the study was 68 officers (Chief Executive Officers, board members, internal auditors and accountants) working in the county Government of Kericho. Therefore, through census technique questionnaires were administered to all the 68 respondents. Out of the administered questionnaires, 57 were completed and returned to the researcher which translated to a response rate of 84%. According to Mugenda and Mugenda, (2003) a response rate of above 80% is considered enough for a study. In a study where the researcher is interested in utilizing correlation and regression analysis, Field (2017) suggests that a threshold of at least 30 cases. With complete responses from 57 cases, the data is considered adequate for the analysis technique chosen. The response rate is summarized in the Table 4.1

Table 4.1

Response Rate

Questionnaires	No. of Questionnaires	Percentage (%)
Returned Questionnaires	57	85
Unreturned Questionnaires	11	15
Total	68	100

Source: Field Data (2021)

4.3 Demographic Information of the Respondents

The study sought for personal information in regards to gender, age, work experience, level of education and job description. This was to ensure that the participants were a good representation of the population.

4.3.1 Gender

The study assessed the gender composition of the participants. The results are outlined in Table 4.2.

Table.4.2

Distribution of respondents by gender

		Frequency	Percent
Valid	Female	26	46%
	Male	31	54%
	Total	57	100.0

Source: Field Data, (2021)

Table.4.2 indicates that majority of the respondents were male 31 (54%) compared to their female counterparts were 26 (46%). This implies that the participants of the study were fairly evenly distributed in gender. This is a preliminary indication of existence of gender parity in the participating departments in county government of Kericho. However, the most significant implication regarding this study is the fact that, the study is likely to be free of any gender biased responses.

4.3.2 Distribution of respondents by departments

The study sought to classify the respondents per department they work. This information was considered important as it communicates the level of their understanding of the concepts under study. The findings are outlined in Table 4.3

Table 4.3

Distribution of respondents by Departments

	Department	Frequency	Percent
Valid	Finance & Economic Planning	16	28.1%
	Education	5	8.8%
	Health	3	5.3%
	Roads and Infrastructure	2	3.5%
	Information, Communication and Technology	6	10.5%
	Land, Housing and Urban Development	6	10.5%
	Agriculture, Livestock and Fisheries	2	3.5%
	Industrialization and Enterprise Development	11	19.3%
	Public Service, Youth & Gender Affairs	3	5.3%
	County Assembly and Devolution	3	5.3%
	Total	57	100.0%

Source: Field Data, (2021)

Table 4.3 indicates that majority of the respondents 16(28.1%) were drawn from Finance and Economic planning department followed by industrialization and enterprise development 11(19.3%). These two departments accounted for nearly half of the sample. It is worth noting that these two departments house accounts, internal audit procurement and trade which are key focus of audit committee. The rest if the departments were evenly distributed. Since audit risks are prone to occur in any department within the county governments, having responses from diverse departments was an important element of the study.

4.3.3 Work Experience

The also sought to profile the respondents as per their work experience in the organization. The findings are outlined in Table 4.4

Table 4.4

Distribution of respondents by Work Experience

	Experience (Years)	Freq (n)	Percent
Valid	Less than 2 Years	6	11%
	Between 2 and 4 Years	13	23%
	Between 5 and 6 Years	21	37%
	Above 6 Years	17	30%
	Total	57	100%

Source: Field Data, (2021)

The findings in Table 4.4 indicates there was representation from both the experienced and fairly new employees in the study. However, majority 38 (67%) of the respondents had worked for the county government for either 5-6 years (37%) or over 6 years (30%). Only 6(11%) had worked for less than 2 years while 13(23%) had worked for a period of between 2 and 4 years. These findings imply that majority of the respondents had been with the county government long enough to understand the operations of the audit committee which was the subject of the study.

4.3.4 Level of Education

The respondents were requested to indicate their highest level of education. The findings are shown in Table 4.5.

Table 4.5

Distribution of respondents by Level of Education

		Frequency	Percent
Valid	Primary	0	0%
	Secondary	0	0%
	Diploma	2	4%
	Degree	49	86%
	Masters	6	10%
	PhD	0	0%
	Total	57	100.0

Source: Field Data, (2021)

Table 4.5 indicate that 96% of the respondents were holders of either degree or master's degree. Only a meagre 4% had diploma qualification and none at all possessed qualifications lower than diploma. This means that the county employs academically qualified employees at middle and managerial levels. It also follows that, the respondents had high capacity to grasp the requirements of the research instrument.

4.4 Descriptive Statistics

This section provides the findings of the descriptive statistics relating to the study variables. Findings were analysed descriptively and presented using frequency tables with mean and standard deviation.

4.4.1 Frequency of audit committee meetings

The study sought to establish the level of agreement by the respondents on their view on level of financial expertise of the audit committee using a five-point-likert scale. The findings are tabulated in Table 4.6

Table 4.6

Frequency of audit committee meetings

Statement	N	Min	Max	Mean	SDEV
The audit committee meet very often during the year	57	1	5	2.79	1.03
The audit committee meetings meet the standard required number of meetings	57	1	5	3.01	0.98
The additional meetings held by audit committee are necessary and useful	57	1	5	3.92	1.32

Source: Field Data, (2021)

The findings in Table 4.6 indicate that respondents had varied views concerning the various indicators of frequency of audit committee meetings with a minimum score of 1 (strongly disagree) and maximum of 5 (strongly disagree). The average score of whether the audit committee met very frequently during the year was 2.79(standard deviation 1.03), implying that the respondents were almost indifferent on this item. Almost similar observation was made on whether the audit committee met for the standard recommended number of four times in a quarter. The most intriguing result is that the audit committee held additional meetings with an average of 3.92(Std Dev. 1.32) on a scale of 5. It is instructive to note that the findings on this variable is normally distributed across the respondents rendering itself useful for further inferential statistics.

4.4.2 Financial expertise of audit committee

The respondents' view on the Financial Expertise of audit committee assessed using a Likert scale. The findings are tabulated in Table 4.7

Table 4.7

Financial Expertise of audit committee

Statements	N	Min	Max	Mean	Std. Dev
The members of audit committee have relevant training in Accounting and Finance	57	1.00	5.00	3.90	0.98
The audit committee members possess professional qualifications in accounting and/or Finance	57	1.00	5.00	3.76	1.12
The audit committee members have adequate experience audit functions	57	2.00	5.00	4.14	0.74
Financial expertise affects the effectiveness of audit committee	57	2.00	5.00	4.29	0.91

Source: Field Data, (2021)

The findings indicate generally that, the audit committee constituted of members who either have background in financial matters or have experience in such matters. When asked whether the audit committee had professional qualifications in the relevant field, the mean was 3.76 (std deviation 1.12) implying above average level of agreement. There was almost absolute consensus that the audit committee members had experience in financial matters with a mean of 4.14(std deviation 0.74) on a scale of 5. There was an outlier question which sought to establish the respondents view on whether financial expertise affects effectiveness of audit committee. This question elicited either agree or strongly disagree responses with a mean of 4.29 (standard deviation 0.91) on a scale of 5 on the likert scale.

4.4.3 Tenure of audit committee

The extent to which Tenure of audit committee influenced audit effectiveness was assessed using a Likert scale. The findings are tabulated in Table 4.8

Table 4.8

Tenure of audit committee

Statement on Tenure of audit committee	N	Min	Max	Mean	Std. Dev
The members of audit committee have a fixed tenue of office	57	1.00	5.00	3.09	0.98
The audit committee members generally serve for a period of more than three years	57	1.00	5.00	3.632	1.12
The audit committee serving for a long period is generally ineffective	57	2.00	5.00	4.776	0.16
The audit committee serving for a long period is generally effective	57	1.00	4.00	2.81	0.93
Valid N (listwise)	57				

Source: Field Data, (2021)

The distribution of the responses on the respondents' views on tenure of audit committee indicates that the audit committee members had varied tenues with some serving the statutory 3-year and some first term. This is shown by the neutral response on the question about whether the members of audit committee have a fixed tenue of office (mean 3.08). On whether the audit committee members generally serve for a period of more than three years, the mean was 3.63, a little above the neutral point tending towards agreement in the scale of 5. The respondents were asked two more questions in order to determine the effect of tenure of audit committee had effect on audit effectiveness. The study established that audit committee serving for longer period was generally ineffective compared to an audit committee serving on a shorter term as may be seen on the findings on question 3 and four in Table 4.8. This may be due to familiarity which may be associated with deterioration of independence.

4.4.4 Independence of audit committee

The study sought to assess the independence of audit committee. The findings are outlined in Table 4.9

Table 4.9:

Independence of audit committee

Statements	N	Min	Max	Mean	Std. Deviation
The audit committee has a good representation of independent audit committee members	57	1.00	5.00	3.37	1.09
The audit committee members are recruited using fair and transparent ways.	57	1.00	5.00	4.01	1.04
The audit committee work independently and have never been compromised	57	1.00	5.00	4.06	1.13
The MCAs and other Officers in the county do not influence the selection of audit committee me	57	1.00	5.00	4.03	1.141
The chairman of the Audit committee is independent from county officers	57	1.00	5.00	3.76	1.06
Valid N (list wise)	57				

Source: Field Data, (2021)

Table 4.9 suggests that the audit committee members are fairly independent. However, respondents held a neutral view on whether the audit committee comprised mainly of independent audit committee members (mean 3. 37 and std deviation of 1.09). Majority of respondents were of the opinion that audit committee members were recruited fair and transparent manner with a mean of 4.01(std dev 1.04) on a scale of 5. Fairness and objectivity in recruitment process is a key ingredient for independence. Similar observation was made on whether the audit committee work independently and have never been compromised (mean 4.06 and std deviation of 1.13). Either, the respondents did not believe that the decisions of audit committee were influenced by the legislative arm represented by the MCAs (mean 4.03). The chairman of the board was also observed to be fairly independent. The correlation between independence and effectiveness of audit committee is presented in the subsequent section.

4.5 Inferential Statistics

To assess the relationship between the dependent variable (audit effectiveness) and the predictors (characteristics of audit committee), the study carried out correlation analysis, Analysis of variance and regression analysis.

4.5.1 Correlation analysis

Correlation analysis was carried out to assess the strength of linear relationship between the audit committee characteristics and audit effectiveness.

Table 4.10

Correlation analysis

	Audit Effectiveness	Frequency of meetings	Financial Expertise	Tenure	Independence
Audit Effectiveness	1.00				
Frequency of meetings	0.221	1.00			
Financial Expertise	0.712**	0.312*	1.00		
Tenure	-0.601**	0.213*	0.107	1.00	
Independence	0.502**	0.097	-0.111	-0.192*	1.00
N=	57				

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

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

Source: Field Data, (2021)

The findings from Table 4.11 demonstrates that board characteristics had a moderate significant relationship with audit effectiveness in County government of Kericho. Correlation results in Table 4.10 indicates that there is no significant correlation between frequency of meetings and audit effectiveness (r=0.22; p>0.05). However, financial expertise, tenure of audit committee and independence of audit committee had significant correlation with audit effectiveness (r=0.712; p<0.05, r=-0,601; p<0.05 and r= 0.501; p<0.05 respectively. These findings are consistent with the findings of Puni and Anlesinya (2019) who found the various elements of corporate governance to be positively related to financial performance. Although the Puni and Anlesinya's study was based on entire board, the consistency of results with the current study reveals that the same applies for the audit committee. These findings were further exemplified by Oluwatamilore *et al.*, (2021) which posited that weakness in governance structures might lead to ineffectiveness and ultimately poor firm market performance and recommended that institutions should ensure that appointment criteria must prioritize knowledge and competence.

4.5.2 Regression model

The multiple regression analysis was conducted in order to determine the predictive power of the independent variables on the dependent variable. The findings of the regression model are presented in Table 4.12

Table 4.12

Summary of regression model

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin - Watson	F Change
1	0.898[a]	0.806	0.771	0.361	2.08	0.000

a. Predictors: (Constant), Frequency of meetings, financial expertise, Tenure and Independence

b. Dependent Variable: Audit effectiveness

Source: Field Data, (2021)

The result in Table 4.12 shows that there exists a strong relationship between audit committee characteristics and audit effectiveness in county Government of Kericho. The results show that nearly 80.6% of the variations in audit effectiveness depends on the frequency of meetings, financial expertise, tenure of audit committee and independence of the board. This is shown by R square = 0.806; $p<0.05$. The results imply that other factors not captured by this model accounts for 19.4% of the variations in the audit effectiveness.

4.6. Testing of the Hypothesis

This section presents the findings relating to hypothesis testing as well as the findings and discussion of each objective.

4.6.1 Frequency of audit committee meetings and audit effectiveness

The first objective of the study sought to establish the relationship between frequency of audit committee meeting and audit effectiveness. In order to achieve this objective, the following hypothesis was tested;

$H0_1$: There is no significant relationship between frequency of audit committee meetings and audit effectiveness.

The results of hypothesis testing are presented in Table 4.13. These results indicate that frequency of audit committee meetings has no significant effect on audit effectiveness. This is shown by beta value of 0.381 which is not significant at 95% level of confidence ($p>0.05$)

Table 4.13

Regression coefficient

Model 1			Unstandardized Coefficients B	Std. Error	Std'zed Coef B	T	Sig.
1	(Constant)		1.332	0.232		5.736	0.000
	Frequency of meetings		0.381	0.379	0.068	1.007	0.315
	Financial Expertise		0.904	0.105	0.529	8.581	0.000
	Tenure		-0.165	0.063	-0.176	-2.664	0.010
	Independence		0.158	0.036	0.173	4,283	0.000
	R	0.898					
	R-Squared	0.806					
	Adjusted R-Squared	0.771					
	F- Change	0.000					
	N	57					
	a. Dependent Variable: audit effectiveness						

Source: Field Data, (2021)

Although for most boards, there is recommended number of meetings per year, there is always room for additional meetings as need may arise. It was not clear hitherto whether such additional meetings had any significant effect on audit effectiveness. The findings of this study failed to reject the stated hypothesis that Ho1: There is no significant relationship between frequency of audit committee meetings and audit effectiveness, hence implying the alternative hypothesis is not supported. According to Song &Windram, (2004) the presence of an audit committee is not a guarantee of its effectiveness and insists that, the ability of the board to deliberate and reach quality decisions should be a guiding factor rather than frequency of meetings. Feng *et al* (2012) found that the number of meetings depends on the size and complexity of the organization. Yahya *et al,* (2020) found that there is a significant positive association with the level of impression management. This result does not support the argument that increasing number of audit committee meetings results in reduced impression management and enhanced financial reporting quality

4.6.2. Financial expertise and audit effectiveness

The second objective of the study was to ascertain the relationship between financial expertise and audit effectiveness in the County Government of Kericho. To achieve this objective, the study tested the hypothesis that stated;

$H0_2$: There is no significant relationship between financial expertise of audit committee and audit effectiveness.

The findings (presented in Table 4.13) show that the unstandardized coefficient between financial expertise and audit effectiveness is B=0.904, ($t=8.581$; $p<0.05$). This means that there exists a significant positive relationship between expertise of audit committee and audit effectiveness. The null hypothesis was hence rejected implying that the alternative hypothesis is supported. The implication of this finding is that, for effectiveness in audit committee to be achieved, the board should have financial expertise in its membership portfolio. This can also be achieved by capacity building and having experienced members in the board.

These findings concur with Klein (2002), who affirms that it is important to consider having at least one person in the audit committee who has specific expertise in the field of accounting and finance. This enhances effectiveness and effectiveness of the audit committees in terms of decision making (Klein 2002). Krishnan (2005) puts more emphasis on the significance of accounting and finance knowledge and expertise of audit committee members in enhancing effectiveness. The originality of the current study regarding the role of financial expertise is the fact that there was no evidence adduced from public sector, specifically county governments. Oluwatamilore *et al.*, (2021) also established that financial expertise and competence of board members significantly and positively impacted on firm performance in banking sector. This position, seems to suggest that whichever way you look at it, and regardless of sector, financial expertise in a significant ingredient of effective board membership. In fact, Oluwatamilore *et al.*, (2021) alludes that weakness in governance structures might lead to poor firm market performance and recommended that firms ensure that appointment criteria prioritize knowledge and competence, and regulatory bodies are also encouraged to track the compliance of listed firms with corporate governance regulations. The current study has provided further evidence that similar emphasis should be made regarding public sector and county governments in particular.

4.6.3. Tenure of audit committee and audit effectiveness

The third objective of the study was to ascertain the relationship between tenure of audit committee and audit effectiveness in the County Government of Kericho. To achieve this objective, the study tested the hypothesis that stated;

$H0_3$: There is no significant relationship between tenure of audit committee and audit effectiveness.

The findings (presented in Table 4.13) show that the unstandardized coefficient between tenure of audit committee and audit effectiveness is B=-0.165, (std error = 0.063; t=-2.664; $p<0.05$). This means that there exists a significant *negative* relationship between tenure of audit committee and audit effectiveness. The null hypothesis was hence rejected implying that the alternative hypothesis is supported. The implication of this finding is that, every unit increase in the tenure of audit committee member leads to a reduction of 0.165 units in effectiveness of audit committee. This finding complements aptly the findings of the descriptive statistics where the respondents were asked two more questions in order to determine the effect of tenure of audit committee had effect on audit effectiveness. The study established that audit committee serving for longer period was generally ineffective compared to an audit committee serving on a shorter term.

4.6.4. Independence of audit committee and audit effectiveness

The fourth objective of the study was to ascertain the relationship between Independence and audit effectiveness in the County Government of Kericho. To achieve this objective, the study tested the hypothesis that stated;

$H0_4$: There is no significant relationship between Independence of audit committee and audit effectiveness.

The findings (presented in Table 4.13) show that the unstandardized coefficient between Independence and audit effectiveness is B=0.158, (t=4.283; SE= 0.036; $p<0.05$). This means that there exists a significant positive relationship between independence of audit committee and audit effectiveness. The null hypothesis was hence rejected implying that the alternative hypothesis is supported. The implication of this finding is that, for effectiveness in audit committee to be achieved, the board should have independent.

The implication of this finding is that, every unit increase in the Independence of audit committee member leads to increase in audit effectiveness by of 0.158 units. According to Birla (2000) the independence of the audit committee may aid the external auditor to maintain their fiduciary duties without any influence from the management. Vicknair *et al.* (1993) found a positive association between the audit committee independence and the quality of financial reporting. Abbott *et al.* (2000) found that corporations with audit committees that comprising of independent directors who meet at least twice annually are less likely to be more effective. The independence of audit committee has also been found to have an effect on the company's earnings, management and investors' perception. The independence of directors in the committee improves performance of the firm since they can execute their duties without fear or favour (Abbot *et al.* 2000). However, Sharifah *et al,* (2016) further stress that the number of independent directors would not always automatically assure enhanced firm performance and that existence of independent directors on board should be monitored in order to bring positive shareholder values. Yahya et al. (2020) found that that audit committee independence has a significantly negative relationship with the level of financial reporting quality and argues that the findings of this research supported the agency theory because as it suggests that strong internal governance monitoring mechanisms improve the FRQ and decrease the impression management.

The study formulated a regression model ($Y = \beta 0 + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + \beta_4 X_4 + \mathcal{E}$) that determined the relationship between audit committee characteristics and audit effectiveness in County Government of Kericho. Therefore, the regression model is as follows;

$Y = 1.332 + 0.381X_1 + 0.904X_2 - 0.165X_3 + 0.158X_4$

Y = Audit effectiveness

X_1= Frequency of audit committee meetings

X_2= Expertise of audit committee

X_3 = Tenure of audit committee

X_3= Independence of audit committee

4.6 Summary of the Hypothesis

The results of hypothesis testing are summarized in table 4.14.

Table 4.14

Summary of hypothesis testing

Hypothesis	Results	Conclusion
Ho_1: There is no significant relationship between frequency of audit committee meetings and audit effectiveness	Frequency of audit committee meetings has no significant effect on audit effectiveness. This is shown by beta value of 0.381 which is not significant at 95% level of confidence ($p>0.05$)	Ho_1: Accepted
Ho_2: There is no significant relationship between financial expertise of audit committee and audit effectiveness	There exists a significant positive relationship between expertise of audit committee and audit effectiveness; B=0.904, ($t=8.581$; $p<0.05$).	Ho_2: Rejected
Ho_3: There is no significant relationship between tenure of audit committee and audit effectiveness	There exists a significant *negative* relationship between tenure of audit committee and audit effectiveness; B=-0.165, (std error = 0.063; $t=-2.664$; $p<0.05$).	Ho_3: Rejected
Ho_3: There is no significant relationship between independence of audit committee and audit effectiveness	There exists a significant positive relationship between independence of audit committee and audit effectiveness; B=0.158, ($t=4.283$; SE= 0.036; $p<0.05$).	$Ho_{4:}$ Rejected

CHAPTER FIVE

SUMMARY, CONCLUSION AND RECOMMENDATIONS

5.1 Introduction

This chapter presents summary of the study findings, conclusions, recommendations as per the study objectives. The chapter also identifies and makes suggestions further studies based on the scope and limitations in the current study.

5.2 Summary

The summary section summarizes all the study findings that were obtained after data analysis with respect to study objectives. The study overall objective of the study was to determine the relationship between audit committee characteristics and Audit Effectiveness in the County Government of Kericho, Kenya. The specific objectives covered included assessing the relationship between frequency of audit committee meetings, financial expertise of audit committee, tenure of audit committee independence and audit effectiveness selected County Government of Kericho, Kenya. The summary of the findings has been presented as per the objectives.

5.2.1 Relationship between frequency of audit committee and audit effectiveness

The first objective of the study was to assess the relationship between Frequency of Audit Committee and Audit Effectiveness on selected County Government of Kericho, Kenya. The findings Frequency of audit committee meetings has no significant effect on audit effectiveness. This is shown by beta value of 0.381 which is not significant at 95% level of confidence ($p>0.05$). Although for most boards, there is recommended number of meetings per year, there is always room for additional meetings as need may arise. It was not clear hitherto whether such additional meetings had any significant effect on audit effectiveness.

5.2.2 Relationship between financial expertise and audit effectiveness

The second objective of the study was to ascertain the relationship between financial expertise and audit effectiveness in the County Government of Kericho. The findings show that there exists a significant positive relationship between expertise of audit committee and audit effectiveness ($B=0.904$; $t=8.581$; $p<0.05$). The null hypothesis was hence rejected implying that the alternative hypothesis is supported.

5.2.3 Relationship between tenure of audit committee and audit effectiveness

The third objective of the study was to determine the relationship between tenure of audit committee and audit effectiveness in County Government of Kericho. The study findings revealed that, there exists a significant *negative* relationship between tenure of audit committee and audit effectiveness; $B=-0.165$, (std error = 0.063; $t=-2.664$; $p<0.05$).

5.2.4 Relationship between independence of audit committee and audit effectiveness

The fourth and last objective of the study was to determine the relationship between independence of audit committee and audit effectiveness in County Government of Kericho. The study findings revealed that, there exists a significant positive relationship between independence of audit committee and audit effectiveness; $B=0.158$, ($t=4.283$; $SE= 0.036$; $p<0.05$).

5.3 Conclusions

5.3.1 Relationship between frequency of audit committee and audit effectiveness

The study found that frequency of audit committee meetings has no significant effect on audit effectiveness. This finding leads to conclusion that the effectiveness of audit committee is not determined by how frequent the board meets, but rather the effectiveness of meeting outcome and subsequent implementation of their recommendations.

5.3.2 Relationship between financial expertise and audit effectiveness

The found that audit effectiveness is significantly influenced by financial expertise of the audit committee. This finding leads to the conclusion that, for effectiveness in audit committee to be achieved, the board should have financial expertise in its membership portfolio. This can also be achieved by capacity building and having experienced members in the board.

5.3.3 Relationship between tenure of audit committee and audit effectiveness

Regarding the relationship between tenure of audit committee and audit effectiveness, the study established that there exists a significant negative relationship between the two variables. This finding was well complemented the findings of the descriptive statistics where the respondents were asked two more questions in order to determine the effect of tenure of audit committee had effect on audit effectiveness. The study established that audit committee serving for longer period was generally ineffective compared to an audit committee serving on a shorter term

5.4 Recommendations

The study gives recommendations on the three objectives based the research findings.

5.4.1 Relationship between frequency of audit committee and audit effectiveness

In relation to the conclusion that effectiveness of audit committee is not determined by how frequent the board meets, it is recommended that the board should prepare an almanac and follow it. Additional meetings should be restricted to the extent that the circumstances justify. It is also recommended that future studies should apply cross-sectional research design with more organizations in order to model the optimum number of board meetings for effectiveness. Feng et al. (2012) suggests that the size, risk prevalence and complexity of the organization have a bearing on the number of audit committee meetings to be held.

5.4.2 Relationship between financial expertise and audit effectiveness

In line with the conclusion that financial expertise has significant positive effect on audit effectiveness, it is recommended that board committees should have a diverse blend which must necessarily incorporate at least one member with background in finance.

5.4.3 Relationship between tenure of audit committee and audit effectiveness

According to the study findings, tenure of audit committee was the second highest factor that contributes to Audit Effectiveness in County Governments. Therefore, the study recommends the county governments and similar institutions should encourage managerial ownership, ownership concentration and institutional ownership. This is because they have a strong positive influence on the quality which is associated with audit effectiveness.

5.5 Suggestions for Further Research

The study suggest that similar study can carried on the relationship between audit characteristics and audit Effectiveness on other sectors of economy such as banking, insurance and manufacturing. The findings of this study can further be validated by conducting a similar study using longitudinal or cross-sectional survey design involving many firms with different audit committee features. There are other several audit committee characteristics which were beyond the scope of this study such as women representation in the board that can be investigated by future researchers. On the same note, similar study can be replicated in different countries in order to ascertain whether the findings illustrated in the South Rift counties are replicable in other counties.

REFERENCES

Abbott, L. & S. Parker, (2000). Auditor selection and audit committee characteristics, Auditing: *A Journal of Practice & Theory*, 19, 47-67.

Agrawal, A., &Chadha, S. (2005). Corporate governance and accounting scandals, *Journal of Law and Economics*, 48(2), 371–406.

Ali, F. (2010). An assessment of the relationship between audit committee's characteristics and performance of listed firms at Dar es Salaam Stock Exchange in Tanzania, *Journal of Financial Economics* 53, 113-142.

Anderson, R.C., Mansi S. A. &Reeb, D.M., (6004). Board characteristics, accounting report integrity and the cost of debt, *Journal of Accounting and Economics*, (37), 315-342.

Ashton, R. H., & Brown P. R. (1980). Descriptive modelling of auditors' internal control judgments: replication and extension, *Journal of Accounting Research*, Spring, 269-277.

Australian Securities Exchange Corporate Governance Council, (2007). *Corporate governance principles and recommendations* (Australian Securities Exchange, Sydney).

Baber, W.R., Fairfield, P.M., & Haggard J.M. (1991). The effect of concern about reported income on discretionary spending decisions: the case of research and development, *The Accounting Review*, 66(4), 818-829.

Barua, A., Rama, D. & Sharma, V. (2010). Audit Committee Characteristics and Investment in Internal Auditing, *Journal of Accounting and Public Policy*, 29, 501-513.

Beasley, M.S., (1996). An Empirical analysis of the relation between the board of director composition and financial statement fraud, *The Accounting Review*, (71), 433- 465.

Birla, K. M. (2000). Report of the Committee Appointed by the SEBI on Corporate Governance. *Security and Exchange Board of India* (SEBI).

Blue Ribbon Committee (1999). Report on improving the effectiveness of corporate audit committees. *Business Lawyer*, 54, 1067-1096.

Braiotta, L. (1999). *The audit committee handbook*, Edition. New York: John Wiley & Sons, Inc

Brownell, P. (2012). Task Uncertainty and Its Interaction with Budgetary Participation and Budget Emphasis: Some Methodological Issues and Empirical Investigation. *Accounting, Organization & Society Review*, 16(8), 693-703.

Bryan, D. &Tiras, S. L. (2004). The Influence of Independent and Effective Audit Committees on Earnings Quality, *Journal of Accounting & Economics*,1(2):1-4

Byrd, W., & Hickman, A. (1992). Do Outside Directors Monitor Managers, *Journal of Financial Economics,* 32, 195-221.

Cadbury Committee (1992). The financial aspects of corporate governance. Retrieved 6012, from http://www.ecgi.org/codes/documents/cadbury.pdf

Cadbury, A. (1995). Committee on the financial aspects of corporate governance: *Compliance with the code of best practice*, London: Gee Publishing.

Capital Market Authority (2006). The code of corporate governance in the Kingdom of Saudi Arabia retrieved April 4, 6016, from http://www.cma.org.sa/cma_cms/upload_sec_content/dwfile277/governance_151 16006.pdf.

Carcello, J. V., Hermanson, D. R. &Raghunandan, K. (2005). Factors associated with U.S. public companies' investment in internal auditing, *Accounting Horizons*,19(2): 69-84.

Carcello, V., Hermanson, R., Neal, L., & Riley, A. (2002). Board characteristics and audit fees, *Contemporary Accounting Research*, 19(3), 365-384

Carolyne, M. T. (2017). An examination of the effects of budgetary control on performance: Evidence from the cities. AAA 2008 *MAS Meeting Paper*.

Cascarino, R. & Van Esch, S. (2005). *Internal Auditing*: an Integrated Approach. Cape Town: Juta

Chang, S.J., & Singh, H. (2000). Corporate and Industry Effects on Business Unit Competitive Position. *Strategic Management Journal*, 21(7), 739-752.

Cooper, D. R., & Schindler, P. S. (2005). *Business research methods*. London: Mcgraw Hill.

Deloitte (6010). *Audit committee brief* (June). Nairobi: Deloitte Development LLC.

DeZoort, F. T. &Salterio, S. (2001). The effects of corporate governance experience and audit knowledge on audit committee members' judgments. Auditing: *A Journal of Practice& Theory*, 60(2), 31-47

DeZoort, F. T. (1998).An analysis of experience effects on audit committee members' oversight judgments, *Accounting, Organizations and Society*, 23(1), 1-21.

DeZoort, F.T. (1997). An investigation of audit committees' oversight responsibilities, Abacus, 2, 608-227.

Dezoort, F.T. (1998). An Analysis of experience effects on audit committee members' oversight judgments, *Accounting, Organization and Society*, 23(1), 1-22.

Dhaliwal, D. Naiker, V. &Navissi, F. (6010). The Association between Accruals Quality and the Characteristics of Accounting Experts and Mix of Expertise on Audit Committees, *Contemporary Accounting Research*, 27(3), 787-827.

Dimaggio, J. & Powel, W. (1983). The iron cage revisited: institutional isomorphism and collective rationality in organizational fields, *American Sociological Review*, 45, (1):140-160.

Ettenson, R., Shanteau, J. &Krogstad, J. (1987). Expert judgment: is more information better, *Psychological Reports*, 227-238.

Felo, A.J.,&Krishnamurthy, S.S. (2003).Audit committee characteristics and the perceived quality of financial reporting, an empirical analysis, document de travail.

Feng, Y., Simon, Ga., Wanli, L. &, Huaili, L., (2012). Determinants of audit committee meeting frequency: evidence from Chinese listed companies, *Managerial Auditing Journal, 27* (4): 425 - 444

Field, A. (2017). *Discovering Statistics Using IBM SPSS Statistics*, 5th Ed, SAGE publications Ltd

GAO (General Accounting Office) (1991). Audit committees: legislation needed to strengthen bank oversight. *Report to the US Congressional Committees.*

Goodstein, J. D. (1994). Institutional pressures and strategic responsiveness: Employer involvement in work-family issues, *Academy of Management Journal*, 37(2), 350-380.

Government of Kenya. (2012). Public Finance Management Act 2012.

Greene, W. H. (6008). *Econometric analysis* (6th ed.). Upper Saddle River: Prentice Hall.

Hamdan, A., &Mushtaha, S. (2011). The Relationship between audit committee characteristics and type of auditor's report: an empirical study on the public shareholding industrial companies listed at Amman Bourse, *The Arabian Journal of Accounting*, 14(1), 109–163.

Heidrick& Struggles, (2007). 10th Annual Corporate Board Effectiveness Study 6006-6007, Chicago, IL.

Holtfreter, K. (2004). Fraud in US organizations: An examination of control mechanisms, *Journal of Financial Crime*, 12(1): 88-95

Hsiao, C., (2003). *Analysis of panel data* (2nd ed.). Cambridge: Cambridge University Press.

Institute of Certified Public Accountants of Kenya. (2015). A survey report on the effectiveness of audit committees in Kenya's public sector. Nairobi: ICPAK.

Jensen, M.C. &Meckling, W.H. (1976). Theory of the firm: managerial behaviour agency costs and ownership structure, *Journal of Financial Economics*, 3, 305-360.

Klein (2002). Audit committee, board of director characteristics, and earnings management, *Journal of Accounting &Economics*, 33, (3) 375.

Kothari, C. R. (2005). *Research methodology*: methods & techniques. New Delhi: New Age International (P) Ltd

Krishnan, J., & Lee, J.(2009). Audit committee financial expertise, litigation risk and corporate governance. Auditing: *A Journal of Practice and Theory*, 28(1), 241–261.

Lapides, P.D. &Tompkins, J.G. (6007). 21st Century governance and audit committee principles, corporate governance center, Kennesaw State University.

Mangena, M. &Chamisa, E (2008). Effectiveness of audit committee in Botswana in the public sector, an empirical analysis, *International Journal of Accounting*, 43, 28-44.

McMullen, D. A. (1996). Audit committee performance: an investigation of the consequences associated with audit committees, auditing: *A Journal of Practice and Theory*, 15 (1): 87- 103.

Messier, W. F. (1983). The effect of experience and firm type on materiality/disclosure judgments, *Journal of Accounting Research*,21, 611-618.

Mugenda, O. M., & Mugenda, A. G. (2003). Research methods: quantitative and qualitative approaches. Nairobi: ACTS Press.

Musa, A. (2006). Effectiveness of audit committee in the public sector in Tanzania. *JournalofManagement*,15(2), 291-334.

New York Stock Exchange and National Association of Securities Dealers (1999). Report and Recommendations of the Blue Ribbon Committee on Improving the Effectiveness of Corporate Audit Committees.New York: NYSE.

New York Stock Exchange (2002). Corporate Accountability and Listing Standards Committee Report. New York: NYSE.

North, D. (1990). Institutions, institutional change and economic performance, Cambridge: *Cambridge University Press*.

North, D. (1991). Institutions, institutional change and economic performance, *Cambridge University Press*, Cambridge

Ogoro, G. O., &Simiyu, C. N. (2015). Effectiveness of Audit Committees in the Public Sector: A Case ofPublic sector in Kenya. *Research Journal of Finance and Accounting*, 6(4), 56 – 65.

Ogoro, O. G., &Nanjala, S. C. (2015). Effectiveness of audit committees in the public sector: A Case of Public sector in Kenya, *Research Journal of Finance and Accounting*, 6(4): 2222-2847

Oluwatamilore O., Kingsley A. A., Tumininu., Okeme, F. and Leigh, A (2021). Audit committee attributes, board attributes and market performance of listed deposit money banks in Nigeria. *Banks and Bank Systems, 16*(1), 168-181. doi:10.21511/bbs.16(1).2021.15

Ombati, C. (2016). Nicholas Muraguri grilled over fraud claims at health ministry. The Standard, November 3.

Oso, W.Y., &Onen, D. (2005). A general guide to writing research proposal and report: a Handbook for Beginning Researchers, Kisumu, Kenya: Option Press and Publishers.

Otley, D. (2010). Performance management: a framework for management control systems research. *Management Accounting Research*, 10, 363-382.

Pincus, K. M. &Rusbarsky J. Wong, (1989). Voluntary formation of corporate audit committees among NASDAQ firms, *Journal of Accounting & Public Policy*, 8,239-265.

Pincus, K. M. &Rusbarsky J. Wong, (2001). Voluntary formation of corporate audit committees among NASDAQ firms, *Journal of Accounting & Public Policy*, (8), 239-265.

PricewaterhouseCoopers (2000). Audit Committee Effectiveness: What Works Best, 2ndedition, the institute of internal auditors' research foundation, Altamonte Springs, FL.

Public Sector Review Committee (2010). Report: public sector review (The Savage Report), Queensland County Printer, Brisbane

Public Sector. (2010). Economic recovery strategy for wealth creation and employment, Nairobi, *County Printer*

Puni, A. and Anlesinya, A. (2019). Corporate governance mechanisms and firm performance in a developing country. *International Journal of Law and Management*, 62 (2)147-169.

Raghunandan, K. & Rama, D. V. (2007). Determinants of audit committee diligence, *Accounting Horizons*, 21, 265-279.

Raghunandan, K. &Dasaratha, R. (2004). Audit Committee composition and shareholder actions: Evidence from Voting on Auditor Ratification, *Auditing*, 22, (2) 253.

Raghunandan, K., Read, W.J., & Rama, D.V. (2001). Audit committee characteristics, ‘‘gray’’ directors, and interaction with internal auditing, *Accounting Horizons* 15 (2), 105–118

Republic of Kenya (2012). The cabinet: Kenyan Government, County Printer

Rezaee, Z., Olibe, K. O. &Minmier, G. (2003). Improving corporate governance: the role of audit committee disclosures, Managerial *Auditing Journal*, 18, 6/7, pp. 530–37.

Robert K. H (2006). Making audit committees more effective chief accountant, Tulane Corporate Law Institute, New Orleans

Robert, K. H. (2002). Improving Standard Setting to Advance the Interests of Investors – Chief Accountant, at the 22nd Annual Ray Garrett Jr. Corporate & Securities Law Institute, Northwestern University, Chicago, Illinois

Saleh, N., Iskandar, T. &Rahmat, M. (2007). Audit Committee Characteristics and Audit Effectiveness: Evidence from Malaysia, *Asian Review of Accounting*, 15, (2), 147-163.

Securities & Exchange Commission (SEC, 1999). AMEX Rulemaking: Order approving proposed rule change amending the audit committee requirements and notice of filing and order granting accelerated approval of amendments 1(2): Available at: http://www.sec.gov/rules/sro/am9938o.htm

Securities and Exchange Commission (SEC) (2002). Disclosure required by sections 406 and 407 of the Sarbanes-Oxley Act of 6002. Full text of the document canbefoundonhttp://www.sec.gov/rules/final/33-8177.htm

Sharifah, F,S.F. Syahrina, A.A.H. and Julizaerma M.K. (2016), Board Independence and Firm Performance *Procedia Economics and Finance 37* 460 – 465

Spira, L., (2003). Audit Committees: Corporate Governance: An International Review, 11, 188.

The Presidency. (2016). The cabinet secretaries. Retrieved from: http://www.president.go.ke/the-presidency/the-executive-cabinet/

Vafeas, N., (2003). Length of board tenure and outside director independence, *Journal of Business Finance & Accounting* 30, 1043-1064.

Vicknair, D., Hickman, K.,&Cames, K. (1993).A note on audit committee independence: evidence from NYSE on grey area directors, *Accounting Horizon*, 7, 53-57.

Wakaba, R. (2014). Effect of audit committee characteristics on financial performance of companies listed at the Nairobi securities exchange, Unpublished MBA Project, University of Nairobi

Walker, R. G. (2004). Gaps in guidelines on audit committees, Abacus, 40(2):157- 192.

Waweru, N., Kamau, R. &Uliana, E. (2008). Factors influencing the performance of Audit Committees in a Developing Country, Management Accounting Section (MAS) Meeting Paper

Wooldridge J.M., (2001). Econometric Analysis of Cross, Section and Panel Data, The MIT Press

Yahya, M. A., Mohamad, N.M., and Noor A.Z. (2020). The influence of audit committee characteristics on impression management in chairman statement: Evidence from Malaysia, *Cognitive Business Management, 7*(1)

Yang, J., &Krishnan, J. (2005). Audit committees and quarterly earnings management, *International Journal of Auditing*, 9(3), 601-219.

Zaman M., (2002). Globalization of corporate governance: an alternative framework for conceptualizing innovation and effects, Critical Perspectives on Accounting Conference, City University of New York, April.

APPENDICES

APPENDIX I: QUESTIONNAIRE

Introduction

This questionnaire is intended for MBA research entitled ***Effect of Audit Committee Characteristics on Audit Effectiveness in County Government of Kericho Departments*.** This is purely for academic purposes and all information you provide shall be treated with utmost confidentiality. Please feel free to fill it and should you need any clarification do not hesitate to inform the researcher.

SECTION A BIO DATA OF RESPONDENT

1. Gender Male ☐ Female ☐ (*tick appropriate)*
2. Department/Ministry …………………….
3. Experience/Years of service to the County

   (0-2) Years ☐

   (2-4) Years ☐

   (4-6) Years ☐

   (Over 6) Years ☐

4. Highest Education Level *(tick appropriate)*

   Basic (primary) ☐

   Secondary ☐

   Diploma ☐

   Degree ☐

   Masters ☐

   PhD ☐

SECTION B: AUDIT COMMITTEE CHARACTERICTICS

B1: Frequency of Audit Committee Meetings

Instructions: The following are statements about audit committee meetings in your organization. Indicate the level of your agreement to each statement where; -

KEY: 1= Strongly Disagree and 5= Strongly Agree.

Statement	1	2	3	4	5
5. The audit committee meet very often during the year					
6. The audit committee meetings meet the standard required number of meetings					
7. The additional meetings held by audit committee are necessary and useful					
8. Audit committee frequency of meetings influence positively the effectiveness					

B2: Financial Expertise of Audit Committee

Instructions: The following are statements about financial expertise of audit committees in your organization. Indicate the level of your agreement to each statement where **1= Strongly Disagree and 5= Strongly Agree.**

Statement	1	2	3	4	5
9. The members of audit committee have relevant training in Accounting and Finance					
10. The audit committee members possess professional qualifications in accounting and/or Finance					
11. The audit committee members have adequate experience audit functions					

12. Financial expertise affects the effectiveness of audit committee					

B3: Tenure of Audit Committee

Instructions: The following are statements about tenure of audit committees in your organization. Indicate the level of your agreement to each statement where 1= Strongly Disagree and 5= Strongly Agree.

Statement	**1**	**2**	**3**	**4**	**5**
13. The members of audit committee have a fixed tenue of office					
14. The audit committee members generally serve for a period of more than three years					
15. The audit committee serving for a long period is generally ineffective					
16. The audit committee serving for a long period is generally effective					

B4: Independence of audit committee

Instructions: The following are statements about independence of audit committees in your organization. Indicate the level of your agreement to each statement where; -

KEY: 1= Strongly Disagree and 5= Strongly Agree.

.Statement	**1**	**2**	**3**	**4**	**5**
17. The audit committee has a good representation of independent audit committee members					
18. The audit committee members are recruited using fair and transparent ways.					
19. The audit committee work independently and have never been compromised					
20. The MCAs and other Officers in the county					

do not influence the selection of audit committee me					
21. The chairman of the Audit committee is independent from county officers					

C: AUDIT EFFECTIVENESS

Instructions

The following statements relates to effectiveness of audit committee in your organization.

Please indicate the level of your agreement with each of the statements where; -

KEY: 1= Strongly Disagree and 5= Strongly Agree.

Statement	**1**	**2**	**3**	**4**	**5**
22. The audit committee is courageous in making tough decisions					
23. The audit committee has a balanced, ethical approach to whistle blowing					
24. The audit committee has ability to challenge external auditors					
25. The audit committee is effective in oversighting key risk areas both financial and non-financial					
26. The audit committee participates in preparation of the almanac and agenda of meetings					
27. Generally, the audit committee is very effective					

28. In your own opinion to what extent do you think

(a) effectiveness of audit committee is affected by budgetary allocation

……………………………………………….

(b) effectiveness of audit committee is affected by its size

……………………………………………………………………………………

29. Any other comments you wish to make about your audit committee

………………………………………………………………………………………

………………………………………………………………………………………

………………………………………………………………………………………

30. What other considerations do you think can enhance effectiveness of audit committee

………………………………………………………………………………………

………………………………………………………………………………………

………………………………………………………………………………………

Thank for participating in this study!

APPENDIX II: CLEARANCE LETTER FROM UNIVERSITY OF KABIANGA

UNIVERSITY OF KABIANGA
ISO 9001:2015 CERTIFIED
OFFICE OF THE DIRECTOR, BOARD OF GRADUATE STUDIES

REF: MBA/A/021/17 **Date: 15TH JULY, 2021**

Erick Kipkoech Kirui,
Accounting & Finance,
University of Kabianga,
P.O Box 2030- 20200,
KERICHO.

Dear Mr. Kirui,

RE: CLEARANCE TO COMMENCE FIELD WORK

I am glad to inform you that the Board of Graduate Studies during its meeting on 19th May 2021 approved your research proposal entitled **"Effect of Audit Committee Characteristics on Audit Effectiveness in County Governments: A Case Study of Kericho Government Departments.**

I am also acknowledging receipt of your corrected proposal via email and hard copies. You are now free to commence your field work on condition that you obtain a research permit from NACOSTI.

Please note that, you are expected to publish at least one (1) paper in a peer reviewed journal before final examination (oral defense) of your Masters thesis.

Thank you.

Yours Sincerely,

UNIVERSITY OF KABIANGA
15 JUL 2021
BOARD OF GRADUATE STUDIES

Prof. J. K. Kibett
DIRECTOR, BOARD OF GRADUATE STUDIES.

cc 1. Dean, SBE
2. HOD, Accounting & Finance
3. Supervisors

APPENDIX III: CLEARANCE LETTER FROM NACOSTI

REPUBLIC OF KENYA

NATIONAL COMMISSION FOR SCIENCE,TECHNOLOGY & INNOVATION

Ref No: **107436**

Date of Issue: **14/October/2021**

RESEARCH LICENSE

This is to Certify that Mr.. Erick Kirui Kipkoech of University of Kabianga, has been licensed to conduct research in Kericho on the topic: EFFECT OF AUDIT COMMITTEE CHARACTERISTICS ON AUDIT EFFECTIVENESS IN COUNTY GOVERNMENTS: A CASE STUDY OF KERICHO COUNTY GOVERNMENT for the period ending : 14/October/2022.

License No: **NACOSTI/P/21/13368**

107436

Applicant Identification Number

Director General
NATIONAL COMMISSION FOR
SCIENCE,TECHNOLOGY &
INNOVATION

Verification QR Code

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

APPENDIX IV: CLEARANCE FROM THE COUNTY GOVERNMENT

REPUBLIC OF KENYA

COUNTY GOVERNMENT OF KERICHO
OFFICE OF THE GOVERNOR

P.O. BOX 112 – 20200
KERICHO
Ref: KEC/CS/F&EP/VOL.VII (30)

E-mail: info@kericho.go.ke
DATE: 8th November, 2021

TO WHOM IT MAY CONCERN

Mr. Eric Kipkoech Kirui
Accounting and Finance
University of Kabianga
P O Box 2030 20200
KERICHO

REF NO: 107436

RE: AUTHORIZATION TO CARRY OUT ACADEMIC RESEARCH IN KERICHO COUNTY - MR ERIC KIPKOECH KIRUI – NACOSTI/P/21/13368

The above named person who is a student at Kabianga University has been granted permission to conduct his research at respective departments of the County Government of Kericho.

His area of study is titled "Effect of Audit Committee Characteristics of Audit Effectiveness in County Governments: a case study of Kericho County Government for the period ending: **14th October, 2022.**

Kindly accord him any necessary assistance.

COUNTY SECRETARY
THE COUNTY GOVERNMENT OF KERICHO
08 NOV 2021
P.O. Box 112-20200,
KERICHO KENYA

Mr. Joel K. Bett
COUNTY SECRETARY AND HEAD OF COUNTY PUBLIC SERVICE

APPENDIX V: LIST OF MINISTRIES IN COUNTY GOVERNMENT

1. Ministry of Finance & National Treasury
2. Ministry of Education
3. Ministry of Health
4. Ministry of roads and Infrastructure
5. Ministry of Information, Communication and Technology
6. Ministry of Environment and Natural Resource
7. Ministry of Land, Housing and Urban Development
8. Ministry of Sports, Culture and the Arts
9. Ministry of Agriculture, Livestock and Fisheries
10. Ministry of Industrialization and Enterprise Development
11. Ministry of Public Service, Youth & Gender Affairs
12. Ministry of Tourism
13. Ministry of Mining
14. Ministry of Water & Irrigation

Source: The county government (2016).