AUDIT COMMITTEE CHARACTERISTICS AND PERFORMANCE OF KILIFI COUNTY GOVERNMENT, KENYA.

PHELISTER PILI RUWAH

D53/OL/MSA/32564/2016.

A RESEARCH PROJECT SUBMITTED TO THE SCHOOL OF BUSINESS IN PARTIAL FULFILLMENT FOR THE AWARD OF THE DEGREE OF MASTER OF BUSINESS ADMINISTRATION (FINANCE OPTION) OF KENYATTA UNIVERSITY.

2022.

DECLARATION.

This project is my original work and hasn't been presented in any institution.

……………… ……………….

Signature Date

Phelister Pili Ruwah

D53/OL/MSA/32564/2016.

This project has been submitted for examination with my approval as Supervisor

……………… ……………….

Signature Date

Dr. Vincent S. Mutswenje,

Department of Accounting and finance,

School of Business,

Kenyatta University, Kenya.

DEDICATION.

I dedicate this research project to my entire family who have been of great support throughout the research period. To My beloved parents, Mr Douglas Karisa Ruwah and Mrs.Franciscar Idza Chonga thank you for ensuring that I went through formal education . To my dear husband, Hudson L. Ogega, thanks for always encouraging and supporting me throughout this course duration and to my children Takeisha Nyanchera, Jahzara Idza and Tyler Ruwa, it’s mummy’s sincere hope and wish that this study will inspire you to attain even higher levels of education.

ACKNOWLEDGEMENT.

Iam grateful to the most High God for His mercies and protection while undertaking this study. To my supervisor, Dr. Vincent Shiundu, I am greatful for your guidance and constructive criticism throughout the research proposal. Last but not least, to my colleagues, thank you so much for always encouraging me and all the support you have given me during this research writing. May you all be blessed abundantly.

TABLE OF CONTENTS.

LIST OF TABLES.

LIST OF FIGURES.

ACRONYMS AND ABBREVIATIONS.

AC: Audit Committee

ASE: Amman Stock Exchange

COK: Constitution of Kenya

FRQ: Financial Reporting quality.

ICPAK : Institute of Certified Public Accountants of Kenya

IIA: Institute of Internal Auditors.

JSE: Jordan Stock Exchange.

MCCG: Malaysian Code on Corporate Governance

NACOSTI: National Commission for Science Technology & Innovation.

NGSEC : Nigerian Security and Exchange commission

NSE: Nairobi Stock Exchange

ROA: Return on Assets

ROE: Return On Equity

SEC: Security and Exchange Commission

SPSS: Statistical Package for Social Sciences

UK : United Kingdom

USA: United States of America.

OPERATIONAL DEFINITION OF TERMS.

Audit committee: According to the Public Finance and Management Regulations, 2015 Audit Committee is a key element in the governance process which provides an independent expert assessment of the activities of top management, the quality of the risk management, financial reporting, financial management and internal audit, to the board of directors or a supervisory board or executive management.

County Government: Devolved unit of government which comprises of ministries, government agencies and departments which execute functions of the national governments for the benefit of the general public.

Performance : This incorporates the ultimate cumulative outcome of the entire firms' processes of work and undertakings.

AC Independence: Presence of non-executive members, Influence of management on audit committee, Independent objectives from those of organization

AC Diversity: Expanding the pool for recruitment of highly skilled people to

Select from. Age, gender, regional and profession diversity.

AC Experience: Audit committee members understanding of their role, their financial competence, their knowledge on how the county operates and membership to relevant professional bodies.

AC Meeting: A planned sitting of the members of the audit committee in order to consult and arrive at decisions.

ABSTRACT.

Kenya embraced the devolved governance system to promote development across the country and also to ensure service delivery is done more effectively by the government to the citizens. It is expected of county governments in Kenya to carry out their mandate and issue services with utmost accountability and openness. Audit committees of the county governments are mandated by the constitution of Kenya to see to it that the counties observe their constitutional and legal obligations to the various groups of stakeholders. With the intention of fostering better performance, county governments are mandated to establish audit committees that will enhance good governance and accountability. This project purposed to bring to light how the audit committees characteristics; (its independence, diversity of the members, experience and meetings) influenced the performance of Kilifi County Government in Kenya. The research project was embedded on the Agency theory Institutional theory, stakeholder's theory and theory of inspired confidence. Empirical evidence gathered on how the audit committees affect performance was scrutinized, measured and the research gaps identified. Evidenced by some literature reviewed, studies are limited on how the audit committees' characteristics impact county governments' performance in Kenya. This research study was founded on a conceptual framework that elaborated the connection linking the audit committee's characteristics and Kilifi County Government's performance. Descriptive cross sectional research design was utilized in the research with a target population of 76 people. Purposive sampling was employed to choose informants from the target population. Data for this research project was then gathered by use of questionnaires through drop and pick method and email where necessary. A computer Statistical Package for Social Science (SPSS) program was utilized to analyze the data. Descriptive statistics employed included frequencies, mean and standard deviation, and inferential statistics used was the multiple regression analysis in measuring the variables. The connection linking the dependent variable and the independent variables was assessed using Multiple Linear Regression analysis. Data gathered in this research was displayed by use of frequency distribution tables and bar graphs. The research established that the various characteristics of the audit committees namely; Audit committees' independence, audit committees' diversity, audit committees' member experience and audit committees' meetings were positively correlated to the performance of the county government. However, it was revealed that the audit committee independence influence on service delivery was not significant. The study arrived at the conclusion that the audit committee characteristics are an important tool for performance however its attributes are not yet fully constituted hence the committee was not very effective. It was also noted that some members of staff were not informed of the existence of the audit committee. The study recommended the county should do a sensitization on its management on the constitution and importance of the audit committee, also so that they may set the tone at the top to enable the audit committee to perform its roles effectively. The audit committees should hold some meetings with top level executives to ensure that their recommendations are implemented and finally, training for related staff like the accountants and internal auditors on the various structures of checks and balances available including the existence and role of audit committee should be done.

CHAPTER ONE.

INTRODUCTION.

1.1 Background to the Study

This research study targeted to assess how the various audit committee characteristics affected the performance of Kilifi County. According to the PFM regulations, 2015, The Audit Committee forms a key element in the governance process by providing an independent expert assessment of the activities of top management, the quality of the risk management, financial reporting, financial management and internal audit, to the board of directors or a supervisory board or executive management. Another important role is to ensure that external audit recommendations are fully addressed, that the quality of internal audit is of an appropriate standard and that line management has full regard to internal audit recommendations. If properly exercised, their role is vital in being the watchdog for the independence of internal audit and in ensuring that the information made available to the owners (the stakeholders) is reliable thereby enabling them to make judgements about the quality of the management and the future prospects for the public entity.

The audit committees' existence can be dated back to the 1990s. This may be attributed to the Cadbury Committee Report of 1992, which recommends that among the essential steps in enhancing the standards of corporate governance, all public entities should establish properly constituted audit committees, (Collier, 1996). Among the major reasons supporting formation of audit committees is increasing auditing quality and holding the board of directors accountable. Hamdan, Sarea, and Reyad (2013) explained that an audit committee is a team of people who are chosen from members of the board of directors and are entrusted with the role of ensuring the auditor remains independent. The audit committees were recognized as a constructive way of corporate governance to decrease the chances of dishonest financial reporting. According to Locatelli (2002) and Stein (2003) the committee in addition to giving impartial oversight of the accounting of a firm, it can also be helpful to put an ethical commitment at the management level of the organization.

Following the wake of corporate scandals in the USA, the roles of audit committees continues to evolve through the Sarbanes-Oxyley Act, 2002 and includes whistle blower and financial expertise disclosure requisites for audit committees. New regulations to strengthen the audit committees were also proposed by Securities and Exchange Commission and stock exchanges. Other dominant expositions and boards which necessitated the advancement for adoption of audit committees are namely; The Australian Treasury report of 2002, recommendation of the Smith Committee of 2003 and the Higgs review in UK of 2003. Corporate Governance reports in South Africa advanced by King I (1994), King II (2002) and King III (2009); also informed the need for audit committees as they strongly advocated for importance of institutionalizing audit committees.

Basing their research on agency and resource dependency theories, researchers insinuate that changes in the audit committee practices, their structure and their focus in improving and monitoring top management activities will enhance organizational performance (Madawaki, 2012; McDaniel et al., 2002). In accordance with Public Financial Management Act (2012) Regulations [Section 165], the main aim for the existence of the Audit Committees in the County Governments will be to oversee on issues of risk management, internal control systems and governance and related assurances. An emphasize for the need for audit committees possessing various characteristics like independence, possession of some members with financial expertise and frequent meetings by the audit committees has been made by commentators.

This study argues that effective audit committees will bring about increased oversight on the county operations, thus resulting in higher performance through improved service delivery by the county government of Kilifi. Hence, the intention of this study is to establish if some audit committee's characteristics would influence the performance in Kilifi County. There are several means of measuring how effective the audit committees are; this research study assumed that the audit committees' effectiveness could be influenced by its' characteristics, namely its independence, diversity of the members, experience and meetings. Preceding studies that are on the characteristics of audit committees on performance have been limited on county governments, hence the motivation for this study.

1.1.1 Audit Committee Characteristics.

The Constitution of Kenya in 2010 brought forth detailed good governance provisions that were aimed at avoiding the flaws of the previous years and also to protect the devolved units from poor governance. These provisions were to make sure that public affairs were carried out in transparency in regards to accountability in exercising of authority, segregation of authority, integrity, public finance and oversight (KPMG, 2017). The audit committees of the counties are mandated to ensure that the counties conform to their constitutional and statutory obligations to the various groups of stakeholders through Article 183 of the Kenyan constitution that deals with the county audit committees. To safeguard the interest of the stakeholders and to ensure maximum shareholder value through overseeing governors and meditation on the county's primary purpose is also within their mandate (CoK, 2010). Anchored on agency theory, a study by Zahra & Pearce (1989), noted that empirical studies have increasingly recognized that audit committees hold a crucial part to play in minimizing agency problems.

A challenge was disclosed in previous studies on developed economies that numerous members of audit committees don't have the prerequisite competencies, knowhow and expertise required in order for them to qualify as members and also to carry out their roles effectively Cascarino & Van Esch (2005). The study also disclosed an existent of management challenge whereby there is an evident unavailablilty of independent directors with the vital business proficiency and background in accounting and finance who have the will to work as members in the audit committees (Njunga ,2000).

Abboet et al..,, 2003 asserted that the audit committees' attributes are very essential to the firm's performance as suggested by a growing stream of research. The quality of an organization performance is substantially affected by the constitution and character of the audit committee (Cadbury, 1995). In order for audit committees to have positive effect on a firms' financial wellbeing, literatures on corporate governance emphasize on the essence of independence of the audit committee members, containing some in possession of financial expertise (Carcello et al., 2002; Abbott et al., 2004). Saleh, et al., (2007) in their research attempted to analyze some characteristics inherent in the audit committees in regards to the independence of the audit committee members, its size, meeting frequency, and also the expertise and knowhow which the committee members possess to keep an eye on the behavior of the management.

Gabriela (2016) did an analysis of how the firm performances of non- financial UK companies are affected by audit committee's characteristics and found that the audit committees' independence was adversely associated to the performance of the firm. Salisu and Nur Ashikin (2016) also analyzed performance of financial companies in Malasia and how audit committee attributes impact them. They discovered that the connection linking the independence of the audit committees and firms' profitability was significantly positive. Mwangi (2018) found out that the audit committee independence enabled it to better perform its duties compared to non-independent committees and among the benefits of their independence was to improve the standard of financial reporting. Inclusion of non-executive committee members ensures that there are no conflicts of interests hence ensuring shareholders‟ interests supersedes self-interests. The independence of the audit committee was assessed using the percentage of the committees' members who are non-executive. Samaha, Khlif and Hussainey (2015) stated that the audit committee ought to have at a minimum of three directors, with two thirds of the members being non-executive directors. Other empirical studies however provided prove that the audit committee independence tend to be adversely correlated with earnings' management (Bedard, Chtourou, & Courteau, 2004; Davidson, Goodwin-Stewart, & Kent, 2005).

Diversity, at its most basic level, is about expanding the pool for recruitment of highly skilled people to select from. Mwangi, (2018) observed that diversity contributes significantly to quality of financial reporting as it breeds multiple ideas originating from individuals of various points of 'view which ensure quality financial reporting is realized at the end. Organizations with diversified audit committees realize better financial reporting.

Bedard & al (2004) recognize three areas of expertise in relation to audit committees, namely; finance/ accounting experience, mastery in government operations and lastly an understanding of the specific firm. Mwangi (2018) also recommended that for the audit committee members to get a good basis to examine and analyze financial information, they should comprise of members who are knowledgeable in accounts and finance. Educational background, according to his study, is an essential trait to aid the audit committees do their duties well. The members of the audit committee with accounting and audit expertise could give a major contribution in the committees by giving important insights, justifications and recommendations, which eventually may escalate a committees' effectiveness. Empirical evidence gathered suggests that the market reaction for recruitment of a new Audit committee member who is has expertise is more positive (Davidson et al.2004; DeFond et al. 2005).

Regularity of audit committees meetings enhances quality and effectiveness of audit committees (Raghunandan, Read& Rama, 2001). Frequent meetings will indeed help the audit committees in watching over the accounting records and system of internal controls (Lisic et al., 2015). Regular meetings of not less than four times upto sextuplicate which have an approximate timespan of about 3 to 4 hours per session is the norm in the United states and Britain has been reported by several studies (Collier and Gregory, 1999; McMullen, 1996).

1.1.2 Performance

Performance is ascertaining if available resources have been utilized according to the plan to ensure efficient, effective and fair operations, Hubbart (2009). Sun, Lan& Liu, 2014 stated that performance is the output that is attained through individual or through working as a team in an organization in relation to its mandate and in carrying out its duties to achieve its goals legally yet upholding morale and good ethics, hence very important to not only the management but also to other stakeholders. Differences in performance of organizations is oftenly a topic of academic research and government analysis (Verreynne and Meyer 2008). The performance of public sector today is assessed by the efficiency of its service delivery because it defines and informs the efficiency of all other sectors of an economy. (Chandrashekhar, 2007; Bartiuseviciene & Sakalyte, 2013).

According to Ntoiti 2013, development and access to public services in Kenya has through the years been embroiled mostly by poor administration of policies evidenced through patronage, lack of democracy, poor answerability in use of public funds and lack of transparency. Kenya embraced the devolved government system to promote enhancement of livelihoods in all localities and ensure that there is an effective service delivery to all her people. The citizen service charter in Kenya stipulates the service delivery aspects of public sector performance. The service charter as per Elke, Salvador and Tomas (2007), is a public document that stipulates the fundamental details on services being offered including expected quality, cost expectations and time lines for the services and also avenues for redress. The charters raise organizational performance through making a public obligation to stick to quantifiable service delivery standards. Currently, all the government institutions are required to develop and implement service charters.

Awino (2011) postulated that an organizations' performance cannot be constructively affected by one element and that the whole board of directors together with the audit committee of an organization among others have an effect on its performance. Ogoro and Simiyu (2014) also conducted a study on effectiveness of audit committees in the public sector: a case of parastatals in Kenya. The researcher found that the most important and influential characteristics of audit committees is multiple directorships and audit committee tenure as they are statistically significant in reducing the number of financial statement restatements.

In spite of all the studies that have been done with regard to the topic no study has been done on the relationship between audit committees characteristics and performance in Kilifi County Government in Kenya. This creates a knowledge gap that exists in this field and also some of the determinants of audit committee effectiveness have been found to have conflicting findings in different contexts. It is on these grounds that the researcher would like to fill in the existing gap to ascertain the effect that the attributes of audit committee may have on the performance of Kilifi county government.

1.1.3 Kilifi County Government.

In the developing countries in Africa, Counties have been introduced to enable development to reach grassroots levels and for the citizens of the country to reap great benefits from the services offered by the government (Walls, Berrone & Phan, 2012). By establishing elected county governments, giving them constitutionally mandated service delivery responsibilities, and providing them with financial resources, devolution has the potential to strengthen service delivery further in two ways: first, by reducing the gap between citizens and the state, which can bring decisions on service delivery closer to the public and enable the public to hold the officials more easily to account; and second, by providing county governments with the flexibility to deploy human and financial resources in ways that respond to local demands for service delivery. By establishing this shorter route, the expectation was that citizens would also be more able to hold officials accountable for their performance (World Bank 2003, 2012) and that county governments would provide better-quality services that are more responsive to local needs and priorities.

Promulgation of the constitution of Kenya on 27th August 2010, brought about the devolved units of government which specifically created 47 devolved governments (counties) in Kenya among them, Kilifi County government. Devolution gave rise to relinquishing of some powers such as the powers to incur expenditure and for revenue collection among others from the central government to the devolved governments. As a public sector, the county government comprises of ministries, departments and agencies all of which perform roles on account of the Kenyan government so as to better the livelihoods of its citizens. Kilifi county government is one among the forty seven counties of Kenya located at the coast region and was formed by a merger between Kilifi and Malindi Districts. Its capital city is in Kilifi whereas its largest town is Malindi. The county neighbours the County Government of Kwale to the south west, Taita Taveta county to the West, Tana River county to the North, County Government of Mombasa to the South and from the East borders the Indian Ocean. The county was selected as it was noted to be one of the counties which had already constituted an audit committee.

1.2 Statement of the Problem

Establishing the effect of the audit committees on performance of organizations has been at the core of several conceptual and empirical researches in corporate governance (Jacobs, 2002). From the effecting of the constitution of Kenya in 2010, the counties in Kenya were created in order to make sure that services are decentralized and have the ability of reaching grassroots levels which in turn is anticipated to enhance the whole government performance as they are expected to provide these services while carrying out their roles effectively with accountability and openness (CoK, 2010). There are however several challenges that have mired the county governments from meeting their constitutional and legal obligations (Mwongozo, 2017), hence deterring performance. To promote good performance of the county governments through influencing accountability mechanisms and county governance, the counties are mandated to constitute audit committees .

The Public Finance Management Act, 2012 recommended establishment of functional audit committees in all government public entities. According to the guidelines issued which provide a guide on membership and duties of the committees, an effective audit committee will bring forth an improvement in surveillance, governance, transparency and also answerability in the public service hence improving performance. Even with the Audit Committee existence in public service, the performance of the public service in developing countries is yet to be efficient or effective in service delivery to the general public. Sultana, Singh and Van der Zahn (2015) asserted that the challenges of audit committees in Kenya stem from a culture of corruption and the incapacity of institutions to execute the codes of conduct governing audit committees as the company executives enjoy an ambience of lack of counterbalances in the system to be engrossed in gross misconducts because investors are not included in the governing structure .

A lot of studies have been done to establish how the audit committees affect the performance of various types of organizations hence providing the empirical evidence for this research. However, there exists some conceptual and contextual gaps. For instance, Cheah, Kuan, Chew, Low and

Poon (2016) carried out a research on how the audit committee characteristics affects the performance of Malaysian publicly trading corporations. Results of the research showed that independent audit committees and which have frequent meetings had a huge influence on organization's performance. The research was concerned with the public listed companies but not Kilifi County Government; therefore the finding might not be applicable in the current study. Abbott, Park and Parker (2018) also did a study on the effects of the audit committee's independence and its activities on corporate fraud and their findings suggested that audit committee experience, their diversity in terms of gender, audit committee's size and the independence of the committee was found to have a remarkable influence on the performance of an organization. These authors were more concerned with the corporate fraud and not with the performance thus the verdicts were not appropriate in the present study.

Some researches on developing countries like Kenya brought to light that numerous members of the audit committee members don't have the prerequisite competencies required, the comprehension and even the prerequisite expertise hence posing a challenge for them to act and execute their roles effectively (Cascarino & Van Esch (2005). In addition, the study disclosed a presence of management challenge whereby there is an evident unavailablilty of independent directors with the vital business knowhow and background in accounting and finance who possess the will to work as members in the audit committees (Njunga ,2000). Mwangi (2018) also progated that the audit committees of non-commercial state companies in Kenya ought to be with high independence, be diverse, comprise of members with financial expertise and hold quality meetings so as to increase the standard of their financial reporting. There however is little, if any, research done on audit committee characteristics on performance of county governments. The motivation for this kind of research is the quest to analyze and bring to light the influence the various features of the audit committee may have on the performance of Kilifi County government.

1.3 Research Objectives.

1.3.1 General Objective.

The main aim of this research study was to establish the effect of audit committee characteristics on performance of Kilifi County Government in Kenya.

1.3.2 Specific Objectives.

1. To determine the effects of audit committee independence on the performance of Kilifi county Government, Kenya.
2. To examine the influence of audit committee diversity on the performance of Kilifi county Government, Kenya.
3. To establish the influence of audit committee experience on the performance of Kilifi county Government, Kenya.
4. To evaluate the effect of audit committee meetings on the performance of Kilifi county Government, Kenya.

1.4 Research Questions.

This research paper probed to gain insight on the stated below study questions in reference to the specific objectives

1. What effect does the audit committee independence have on the performance of Kilifi County government, Kenya?
2. How does audit committee diversity affect the performance of Kilifi County government, Kenya?
3. What effect does audit committee experience have on the performance of Kilifi County government, Kenya?
4. What effect does audit committee meetings have on the performance of Kilifi County government, Kenya?

1.5 Significance of the Study.

This research study targeted to explore the influence that the audit committee's characteristics may have on the performance of Kilifi County government which would provide evidence of performance in Kilifi County government. With the increase of corruption in Kenya and the public outcry for accountability in government institutions, the researcher believes that this study will give invaluable benefits to the management on the best audit committee composition to improve the organisation performance. Findings from the research may also be used by the government to review audit committee guidelines with a view to improve accountability in the public sector. Future researchers, policy makers and academicians who may wish to conduct studies on firm performance may use this research as a foundation and build on it or use it as reference for conducting other studies.

1.6 Scope of the Study.

This research concentrated on the effects of audit committee's independence, its diversity, experience and meetings on performance of Kilifi county government. The research study will be undertaken within three months from July 2020 to September 2020.

1.7 Limitations of Study.

It was anticipated that during data collection, the respondents would be hesitant to assist in the research due to the delicacy of the information required, this however did not materialize as the researcher gave an assurance of the confidentiality and purpose of the information which was strictly for academic reasons only and also acquired an introductory letter from the university. The limitation that the study encountered during data collection arose due to the corona virus disease 2019 pandemic that limited contact with people, however the researcher was able to email the questionnaires to most of the responders.

1.8 Organization of the Study

The research paper was arranged into five chapters. Chapter one was the introduction comprising of background, statement of the problem, objectives of the research, research questions, significance of the study, scope of the study and limitation of the study. Chapter two addressed the literature review which encompassed a synopsis of the theoretical and empirical literatures, and also the conceptual framework. The third chapter stipulated the methodology and the design of the research utilized so as to aid in conducting the study. These encompassed: the research design used, the population targeted, sampling procedure and size, data collection instruments and procedure, reliability and validity of the research instruments used, data collection procedures, data analysis techniques and finally ethical consideration. Chapter four included data analysis, presenting and discussing of findings. Chapter five encompassed of findings' summary, conclusions and recommendations.

CHAPTER TWO.

LITERATURE REVIEW

2.1 Introduction

The chapter covered the theoretical and empirical literature, as well as conceptual framework. It is intended to acquaint the reader with existing studies carried out in relation to audit committees' characteristics and their influence on an organization's performance. The chapters' main aim was to highlight gaps in research that would be covered by this proposed research through summarizing theoretical and empirical literature and the criticism received on the literatures. The conceptual framework was also captured for elaboration of the variables and clearly depicted the connection linking the independent and dependent research variables.

2.2 Theoretical Review

2.2.1 Agency Theory.

Champions of this theory; Jensen and Meckling (1976) suggested that separating owners and the management of a business could bring about misunderstandings among the management and stakeholders. Principals are not able to run their firms due to various reasons so they appoint agents whom they delegate decision making power to hence putting their faith in their agents to work with their best interests in heart. There however sprouts doubt and mistrust from the principals because of information asymmetry and differing motives of the principals and agents. It was in 1976, that this apparent irreconcilable state between the investors and agents was titled the principal- agent situation and was viewed as the cause for incurring agency costs (Ingley and Walt, 2013). Baccouche, 2015 postulated that in agency theory, audit committees which comprise of independent directors who have a varying comprehension and expertise in running the operations of organizations that are in unrelated industries and who hold high quality multiple directorships can be a constructive monitoring mechanism through supervision of the company's financial statements' integrity hence reducing agency conflict while improving the company stature and also the performance of the company. Jensen in 2013 also states that the biggest agency issue is incapability of the principals to monitor the agents perfectly and without additional costs. Samaha, Khalif, and Hussainey, (2015) assert that audit committees are utilized especially when agency costs are towering so as to promote how the information flows between the agents and the principals.

Within corporate governance, the composition of the audit committee is an essential tool that promotes assurance and reinforces trust in an organization. The principle –agent relationship inherent in agency theory is essential in understanding how audit committees emerged. Using the agency theory perspective, having diverse and non-executive directors in the audit committee composition brings fourth means to monitor the activities of the managers (agents) and make sure that shareholders (principals) interests are being safeguarded. Several researchers based their studies on effect of audit committees on performance on agency theory. Beasley (1996) and Felo & al (2003) asserted that the standard of financial statements and having an audit committee had a beneficial and significant association. Mc Mullen (1996), also proved that the audit committee's presence in an organization is positively correlated with its financial statements dependability. Although the aforementioned theory suggested that audit committee's presence in a firm is enough to give assurance on the financial statements dependability, Beasley (1996) observed their being in existence alone in an organization was not enough to make sure that it performs its oversight role effectively.

Dhaliwal, Naiker and Navissi (2010) insisted on essence of functional internal corporate governance operations to allow for adequate supervision of the doings of the management and control opportunistically managed earnings. One of the internal governance mechanisms is ensuring there is internal audit committee independence which enables it to oversee the undertakings of the managers and ensure that the organization complies with set financial rules. For the audit committee to effectively do it's mandate however, it depends on it's constitution and the experience of it's members. Effect of expertise from highly regarded industry also (Kibiya, Che-Ahmad & Amran, 2016), and accounting and industry experience (Cohen et al., 2014) came to be at the heart of many studies with contradicting results.

The agency theory is appropriate to the research study as it lays the foundation of analyzing the agency issue between Kilifi county government and the public. The County government may fail to carry out its mandate with the best interest of the public and hence necessitating ways that may either line up the interests of public and those entrusted to manage resources or ways of monitoring the activities of agents to make sure that they use the authority entrusted to them for the benefit of the principals. As such, agency theory tries to give an explanation on characteristics audit committee should possess to work impartially for overall success in performance of the county governments.

2.2.2 Institutional Theory

Among the most presiding theoretical theories in organization theories is the institutional theory. This theory was championed by Meyer and Rowan in 1977 and it asserts that components of the environment have an essential part in generating an isomorphic effect which brings about organization adopting certain types of technology and management anatomy in a bid to seek for their legitimacy. The institutional theory is appropriate to analyze all organisation genres as they are all institutionalized organizations (Scott, 1995); all organizations are social entities and subject to institutional processes which define what forms they can take and how they may make their operations legitimate. The institutional theory is mainly affiliated with the connection between an organisation and the external institutional environment, the social expectations effects, and how the organizations incorporated these expectations, and reflected in their organizational characteristics and practices (Martinez, 1999). The concept of institutional theory is based on the certainty that organizations consist of cultural, social and symbolic factors which comprise the wider institutional environment. The institutional theory proposition can promote the essence of professional bodies and also regulatory audit committees (Chandrasegaram, Rahimansa, Rahman, Abdullah and Mat, 2013).

Zaman 2002, stated that the adopting and the operating of audit committees as discussed on the basis of this proposition can affect and be affected by a multiplicity of agents. Various researchers Klein (2002) and Bryan &al (2004) also in relation with this perspective emphasized on the essence of some characteristics that the members who constitute the audit committee should possess in order to perform their monitoring and control function efficiently. According to, Lawrence et al

(1998), institutional theory asserts that control structures are mere symbolic displays of conformity to social expectations and that they only have minute relation to how effective actual controls are. The Vienot report (1995) also asserted on the major audit committee's responsibility is ensuring that accounting policies adopted for consolidation of financial statements are relevant and consistent hence maintaining the company's social standing and also giving assurance that the internal processes for the collection and monitoring of information are well done. Similarly, Spira (2003) proved that the audit committees are an important part for the protection of the interests of stakeholders and gives assurance of information disclosed.

Institutional theory is appropriate to this research and the best choice in that it is best suited to explain why an organization may adopt specific practices, or management structures in departments in a bid to improve its general performance. Entrusted with an oversight role, the audit committee is instrumental to help boost public finance management by adoption of the principles of institutional theory. These principles and practices can be applied to give a finer explanation of the adopted structures and operations in practice and how they can improve the general performance of public sector.

2.2.3 Stakeholders theory

Described by Fort and Schipani (2000), as essential for ensuring the conditions of the responsibilities to the various stakeholders to create value and co-ordinate the management levels among various stakeholders including stockholders, employees, customers, creditors, suppliers, competitors, even the whole society, Stakeholder Theory was identified as an alternative to Agency Theory. The theory proposes the importance of corporate governance activities is not only to benefit the shareholders but also the other relevant stakeholders. The emergence of stakeholder theory, according to Gay (2002) was promoted by the rising recognition by boards of the need to take account of the wider interest of the society. He lists the essential premises upon which the stakeholder theory rests, citing Jones and Wicks (1999) as being: that the corporation has relationships with many constituent groups (stakeholders) that affect, and are affected by its decisions; that the theory is concerned with the nature of these relationships in terms of both processes and outcomes and focuses on managerial decision making ; that the interest of all legitimate stakeholders have intrinsic value and no set of inherit value is assumed to dominate the other.

According to this theory, effective audit committee ensure better corporate governance practices in an organization, which ultimately leads to the overall welfare of many stakeholders. Dey„s (2008) conclusion is notable in this respect, he mentioned that an organization's performance and stakeholders value are positively affected by various governance mechanisms, including audit committee. DeZoort, Hermanson, Archambeault, and Reed (2002) stresses the interests of the stakeholder in defining an effective audit committee by stating that the ultimate goal of the committee is to protect all stakeholders‟ interests and welfare. This is because if the financial statements are of the highest attainable quality, then all stakeholders‟ interests will have been safeguarded. However, Jensen (2001) realized that proponents of the Stakeholder Theory had not been able to give realistic answers of the many conflicts of interest of stakeholders that businesses need to protect. He thereafter proposed a variant of Stakeholder Theory which he referred to as the "enlightened Stakeholder Theory". He proposed that a business wouldn't be able to ensure maximum shareholders' value if any stakeholder is ignored or mistreated. Braam and van Beest

(2013) also adopted stakeholders" theory in conceptually-based financial reporting quality assessment in an empirical analysis on quality differences between UK annual reports and US 10-K reports.

Basically, this theory is used to assist in understanding the groups and individuals that can affect, and can be affected by, the achievement of an organization's purpose, and those effects may be economic, regulatory, technological, social, political and managerial. This theory hence is relevant to the study since it argues that a well-functioning audit committee ensures better corporate governance practices which in turn will have an effect on the performance and ensure improved service delivery.

2.2.4 Theory of Inspired confidence.

Also referred to as the theory of rational expectations, the theory was developed in the late 1920's by a Dutch professor Theodore Limperg (Hayes et al., 1999). It was developed to address both the demand and the supply for auditing services. Stakeholders of an entity require the managers to be accountable, in return for their investments. Accountability is realized through the issuance of periodic financial reports which are subjected to independent opinion of the external auditor.

Okpala (2015) asserted that with the possibility of biased information given by the top executive, bringing about an increase in probability of conflict of interest between the top leadership and outside stakeholders, an audit of this information is needed. With reference to the degree of audit assurance that auditors need to avail (the supply side), Limperg adopted a normative approach. Their capacity need to be undertaken in a way that the expectations and confidence of the members of the public is upheld (Ramamoorti (2003); Okpala (2015); Waring & Morgan (2007)). So, given the possibilities of audit technology, the auditor should do everything to meet reasonable public expectations in turn bringing an improvement in service delivery in the public sector of the economy.

Theory of inspired confidence assists in explaining how internal audit heavily relies on the trust of the members of the public on the audit committees as a watchdog for the government's activities. Thus, it will help explain the research project objective, which is effects of audit committee characteristics on performance of Kilifi County Government. With the devolution of government services and resources to the counties, there is even increased demand for accountability by the leaders and government bureaucrats entrusted with managing these resources. It is against this backdrop that the research will utilize this theory to investigate whether the audit committees characteristics will affect performance in terms of service delivery in Kilifi County Government.

2.3 Empirical Literature

2.3.1 Audit Committee independence and Performance.

The establishment and mostly the audit committees' member independence has been the center of attention for many researchers. In general, the classification of an audit committee as "independent" derives from the fact that the majority of its members are outside executives, rather than internal executives (Abbott et al., 2007). When independent managers play an active role in the audit committee, the business's accounting performance ameliorates. Oruod, (2019), carried out a study and based on statistical results obtained, discovered that the independence of the audit committee and the performance of the company were correlated positively which was in concurrence with other previous researches which reported that the independent audit committees and the performance of various companies related positively (Dey, 2008; Abdullah et al., 2008; Swamy, 2011). The study deduced that an independent audit committee is essential enabling the members to have the power to make decisions impartially and free from management influence, hence achieving their set objectives and in turn increasing the value of the company. In 2016, Salisu and Nur Ashikin assessed the influence of audit committees' characteristics on the financial performance of firms in Malaysia, a study that covered 5 years from 2007 to 2011 in the periods prior to and following the Malaysian Code on Corporate Governance (MCCG). Their study findings propounded a consequential beneficial relationship connecting audit committees independence and profitability of the companies.

Mwangi (2018), carried out a study that showed that the audit committees' independence and the standard of financial reporting of non-commercial state corporations in Kenya are adversely related. His research results further recommended that increasing the independence of the audit committees would reduce queries of transactions which in turn would improve the standard of financial reports. The finding also affirmed the adverse connection of the audit committees' independence to the ratios of transactions queried to the annual budgets of the stated corporations in Kenya. The decrease in the ratio suggested an improvement in financial reporting. All these research results asserted that increasing the audit committee's independence would promote an improvement in the standard of financial reporting.

There however exists some other studies that found no material connection of the independence of the audit committees and their effectiveness or improvement of financial statements. Wakaba (2014) sought to bring to light the connection of performance and the proportion of independent auditors and found that there was a significantly negative connection between the two. Al-Matari et al. (2012), Jermias and Gani (2014) and Ghabayn (2012) found no connection between the two variables. Chariri et al (2017) also postulated that having audit committees that are independent does not have a great effect on integrated reporting of companies listed with JSE. It was revealed through the study that for the effective role of the audit committees as pertains to overseeing preparing and presenting of integrated reporting is not automatically guaranteed by a high proportion of independent audit committees. The study also suggested that most corporations establish independent audit committees just to comply with set regulations on corporate governance and observed that the audit committees will perform their roles well if they contain members who are accounting or finance experts and who have sufficient communication through regular scheduled meetings rather than their independence.

2.3.2 Audit Committee Diversity and Performance.

Previous studies propagate that gender has a high possibility of influencing a company's decisions and state that females have different perspectives and demand different information from men (e.g. Peni &Vähämaa, 2010; Abdul, Hameed & Counsell, 2012; Alqatamin et al., 2017).Wakaba (2014) found that committee gender diversity impacts positively on performance of the firm. Dennis and Kunkel, 2004 propounded that it is advantageous for a firm to engage women in the board as women are more capable, active, rational and emotionally stable. Further, gender diversity promotes better understanding of the market since a wide array of skills are brought on board. Diversity brought by difference in gender in the constitution of the audit committee is an essential attribute as the difference in gender may bring about a difference in the attitudes and ethical consideration in carrying out of their specific roles. Bilic and Sustic (2011) discovered that women conduct their duties more ethically as compared to their male counterparts. It is in this light that the existence of females on the board is seen as essential in enhancing the ability of a business to run efficiently as they complement the male directors. Huang et al. (2011) concurs with these sentiments as they observed that women easily empathize with people and are mostly natural at establishing communications thus this makes it difficult for them to act unethically and do actions like; manipulating of earnings, delaying in financial reporting, non-disclosure of material information and misreporting in regards to income. The study established that there is a difference in audit committees that have men only and those that contain at least one female in the director function.

Mwangi (2018) in his study wanted to determine how the diversity of the audit committees; that is; members age group, tenure in the board, gender represented and the regional representation of the members in non-commercial state corporations affected their standard of financial reporting. By use of correlation analysis, the study proved that the diversity in the audit committees has an important connection with the standards of financial reports which was analyzed as a ratio of the total queried transactions to the annual budget. Due to the decrease in the queries on transactions to their annual budgets, the findings of the study proved that increasing the diversity in the audit committee composition would affect positively the standard of financial reporting.

Gunes and Atilgan (2016) conducted a study for them to compare the audit committees' functionality of the UK banks versus the Turkish banks. Their study aimed to measure and give emphasis on the audit committees' effectiveness on performance of banks utilizing several key bank performance indicators namely; return on assets (ROA), return on equity (ROE) and net interest margins in the Turkish and the UK banks between 2006-2010. For the Turkish banks, the results showed that the ROA and ROE both had an adverse connection with the board members' ages and the independence of the audit committee.

2.3.3 Audit Committee Experience and Performance.

Wakaba (2014) did a research study aimed to examine how companies publicly trading at the Nairobi Stock Exchange were influenced by various characteristics of audit committees financially and it proved that the experience of the audit committees was positively connected to the financial performance of the companies. The research also proved that the availability of experienced audit committee members reduced the occurrence of financial misreporting thereby improving the performance of the company. Probability of fraud occurring was also minimized along with cost of debt. Additionally, extensive knowledge and adeptness of audit committee members was connected with high level of monitoring and great auditing knowhow which was important to improving the performance of the firm.

In reference from the agency and the resource dependency theories, Oruod 2019 suggested making sure there are enough controls in financial reporting can greatly improve companies accomplishing their goals through having members with finance experience. A constructive correlation in the financial adeptness of the members of the audit committee and the industrial companies' profitability was hypothesized in the study and with the statistical results, this was proved. However, the results of the study were in disagreement with the resource dependency theory that suggests that the experience of the managers, mostly independent ones, can lead to an increment in resources hence influencing profitability of the organization positively. Corporate governance rules for companies in Jordan do not explicitly require them to have audit committees composed only with accounting or financial expertise hence proving the results of the study to be reasonable. Kibiya, Che-Ahmad & Amran, 2016 also noted that as guided by the code of corporate governance , 2011, increasing proportion of finance experts and ownership of shares required by NGSEC brought about an increase in the quality financial reporting in Nigeria. They also observed that having members of an audit committee all finance experts was not enough rather having an all-round industrial expertise would further propel the standard of financial reporting.

In a bid to establish the connection linking various audit committee characteristics and integrated reporting, Chariri et al (2017), found out that audit committees constituting of some members with financial knowhow affected the company's integrated reporting substantially and in a positive way. The study recommended that companies should engage audit committee members with accounting/ finance expertise as this would promote more disclosure when it comes to reporting. With good integrated reporting, both the management and stakeholders can be influenced in terms of their views on the company performance hence increase their confidence. More experienced members of the audit committees will also promote their ability to enhance monitoring of the financial reporting procedures and their publication. Odumegwu (2018) researched on how audit committees characteristics would influence the performance of non-financial companies with reference to an economic recession period. His findings showed that even though their qualification was positive with the return on assets of the chosen non-financial firms in Nigeria, the relation was statistically not significant.

2.3.4 Audit Committee meetings and Performance.

In execution of the Directive of 2006/43/EC from the Parliament of Europe and of the Council that is about the statutory audits required on annual accounts and consolidated accounts, the European Parliament Resolution of March 10, 2009 emphasizes that there is need for regular and great standard communication with and within audit committees if the recent happenings is to go by. Atieno (2017) for example, asserted that audit committees which held meetings regularly were more informed on the latest audit affairs improving their effectiveness, hence, have a high possibility of reinforcing the auditor and in bringing up crucial issues that will enhance the standard of financial statements and foster a stronger internal control system. Also, meeting more times in a year is seen to enable the audit committees to have the ability to monitor the ministries effectively and hence contribute to value for money.

Researches show that an increment in undertakings of the board and regularity of the board meetings should bring about an improvement in the operating performance and profitability of the business (de Andres & Vallelado; 2008). Sharma et al. (2009) suggested that the size of the audit committee and the meeting regularity can bring about a constructive outcome on the performance of the firm. Stewart and Menro (2007) as well proved that existence of an audit committee, their meeting regularity and having auditors attend some of their meetings have a huge constructive impact as it was associated with reducing of audit risk. Alzeban and Sawan (2015) confirmed that an audit committee that was characterized by high experience which holds meetings regularly greatly enhances the performance of the firm. The regular meeting of the audit committee enhances their calibre and effectiveness (Raghunandan, Read& Rama, 2001). Similar results were found by Sultana (2015), that regularity of audit committee meetings had a positive connection to the performance of the organization. AtTunisia, Adel and Maissa (2013), established a positive connection in audit committees' regularity of meeting and the performance of the firm.

Moreover, Ntim and Osei (2011) acknowledges that the company's regularity of meetings is proportionally related to its performance. Briefly, they verified the positive association inherent in the number of board meetings and corporate performance.Additionally, other researchers as Aljaaidi et al. (2015) discovered that regularity of the audit committees' meetings bring about improvement in the performance of the firm. Regular meetings promote the audit committee to be more successful in their oversight role in financial reporting procedures and internal controls (Goodwin-Stewart and Kent, 2006; Hoque et al., 2013). Finally, Ali (2010) suggested there was an essential association in the meeting frequency of the audit committees and the standard of financial reporting and ethics.

Several previous studies however found contrary results and concluded that there was a negative correlation between the number of meetings held and Performance (Aminul et al. 2018; Ahlulbaitulaah 2018; Awinbugri and Prince 2019). Bedard, Chtourou and Courtteau (2004) didn't notice any meaningful correlation in the audit committee meeting regularity and the standard of financial reporting .Mustafa and Meier (2006) through their research proved that the audit committees' meeting regularity was not important. Xie et al. (2018) also stated that there exists an adverse association in the regularity of meetings of the audit committee and corporate performance, as analyzed through return on asset index.

2.4 Summary of Empirical Review and Research Gap.

As evidenced by literature checked, several researchers have been done on audit committee characteristics and firm performance worldwide and recently locally, albeit most of the reviewed researches focused on companies quoted in the stock exchanges of the various countries. 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 Ogoro&Simiyu, 2015) and the factors influencing the performance of audit committees(Waweru et al., 2008). The county governments in Kenya, have received little, if any research on audit committee characteristics and their performance. This might be due to the fact that the county governments are pretty new (established in 2013 in Kenya) and some of the counties are even yet to constitute the audit committees. The study has outlined four theories (agency theory, institutional theory, stewardship theory and Theory of Inspired confidence). Literature gaps have also been identified as summarized as in below table:

Table 2.1: Empirical Evidence and Research Gaps.

Researcher	**Research Objectives**	**Key Results**	**Gaps in Research**	**Focus of this Study**
Madakawi (2012)	Characteristics of audit	Audit committee possession of	Madakawi (2012) study was	The current study was

	committees influence on financial reporting standards in Nigerian publicly trading corporations.	shares, and their financial literacy are connected and statistically significant, indicating that audit committee attributes have an effect the financial reporting standards of listed nonfinancial organizations in Nigeria	conducted on Nigerian listed companies. The study further concentrated on share ownership and financial expertise.	conducted in Kenya and focused on independence, diversity, and meetings in addressing the conceptual gap.
Wakaba (2014)	Characteristics of the audit committee influence on financial performance of	The results of the research proved that the performance of a firm is affected by various audit	Wakaba (2014) study focused on how the traits of the audit committees affected the	The current study determined the impact the audit committee characteristics

	firms that are publicly trading at the Nairobi securities exchange	committee traits, namely; audit committee's independence, committee experience, committee's gender diversity and the audit committee size.	performance of organizations that are trading publicly in the Nairobi Stock Exchange, Kenya hence the results might not apply to other organizations.	have on performance of Kilifi county government in Kenya.
Gunes and Atilgan (2016)	Comparison of the effectiveness of audit committees between the UK and Turkish banks	The results showed there was an adverse connection in the performance of the Turkish banks analyzed through ROA	Gunes and Atilgan (2016) study focused on the effect of how the audit committees effectiveness on bank	Current study was focused on the influence of various characteristics of audit committees on the performance of

		and ROE and the age of the members of the committee and the number of independent directors. Net interest Margin was also negatively connected to the independence of members of board from directors and experience in years of member in the audit committee but it had positive relationship with	performance in the UK and Turkish banks and not on the audit committee characteristics.	Kilifi county government in Kenya.

		educational level of members.		
Zábojníková (2016)	Impact of various characteristics of the audit committee on profitability of the firm.	The study established that the characteristics of audit committees have an influence on the financial performance of companies that are listed in the London Stock Exchange and that there exists a meaningful connection between the audit committee size, regularity of meetings and their financial	This study was conducted on non-financial firms in the UK that are listed on the London Stock Exchange and the results may not apply to all industries.	This study focused on Kilifi County Government, Kenya.

		expertise however, the independence of the Audit committee was discovered to be adversely connected to firm performance.		
Mwangi, (2018)	Audit Committee Characteristics influence on standard of Financial Reporting of Non-Commercial State Companies in Kenya.	Findings showed that the audit committees' independence, audit committees' diversity, audit committees' financial competence and audit committees' meetings	The research was only on corporations that are non commercial in nature in Kenya and not necessarily on county governments.	This study focused effects of the audit committee characteristics on the performance of Kilifi County Government, Kenya.

		decreased queries on transactions of the annual budgets of noncommercial state companies in Kenya.		
Oroud (2019)	Audit committee characteristics and its association with the profitability of industrial firms that are listed on the Amman Stock Exchange (ASE)	Results revealed that the audit committee attributes had a big influence on profitability of the industry companies listed on the ASE in Jordan.	This research was focused effects on financial performance of industrial companies publicly trading on the Amman Stock Exchange	This study focused on effects on performance of Kilifi County Government, Kenya.

Source: Researcher (2020)

2.5 Conceptual Framework.

Cooper and Schindler (2011), stated that researchers hypothesize the relation present in the independent and dependent variables. The dependent variable is performance (service delivery) .The independent variables are audit committee independence, audit committee diversity, audit committee experience and audit committee meetings. This conceptual framework has outlined the independent variables, the dependent variable and intervening variables together with their indicators as discussed in the literature review and elaborated in figure 1 below:

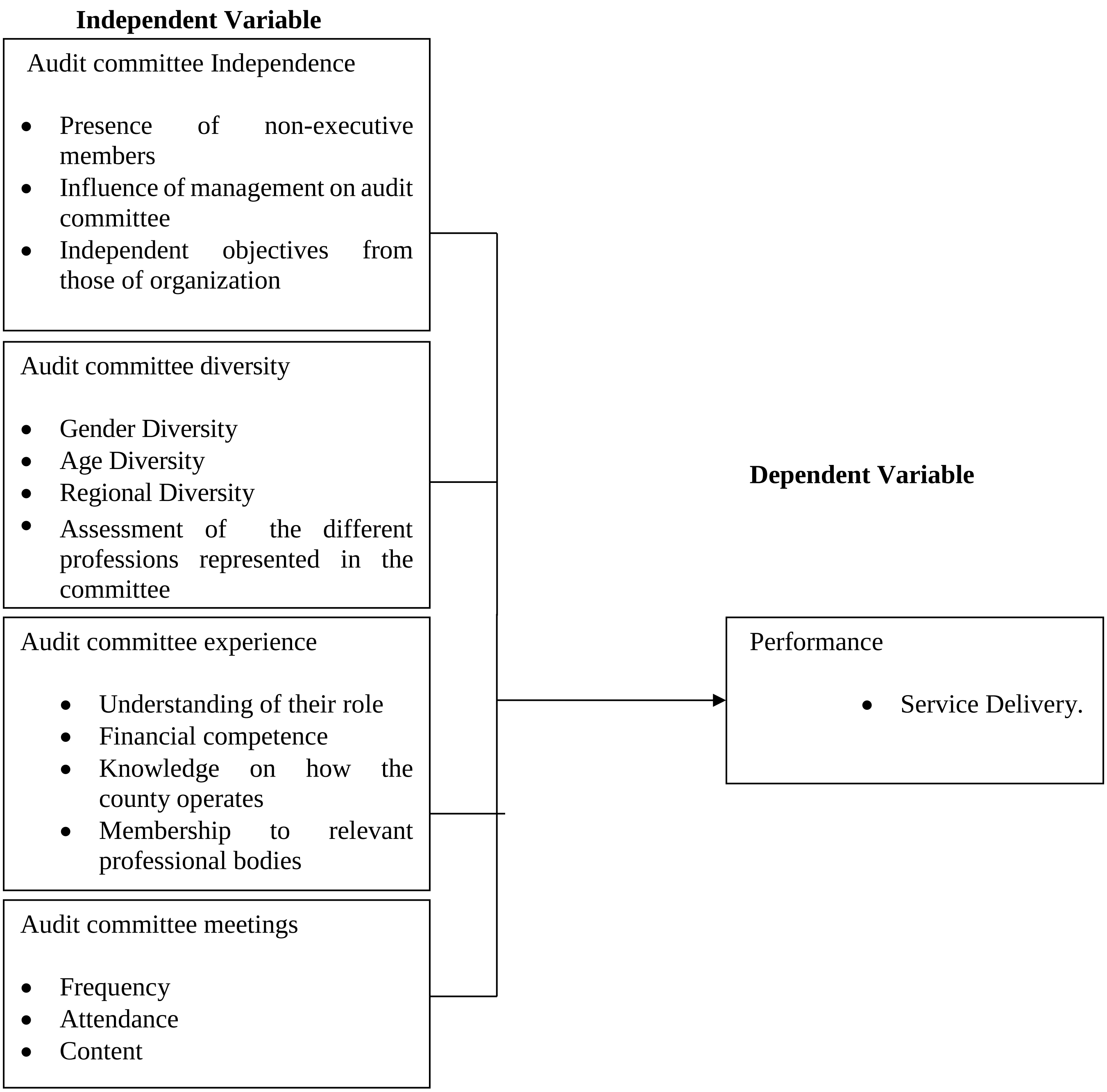


Figure 1: Conceptual Framework.

Source: Researcher (2020)

CHAPTER THREE.

RESEARCH METHODOLOGY.

3.1 Introduction

Chapter three was on research methodology and basically encompassed the research design, the target population, determination of the sampling size and the various sources of data for this research were also analyzed. Methods of collecting the data and the instruments employed to collect the data were also be covered in this chapter.

3.2 Research Design.

Cooper and Schindler (2013) described research design as how the research study is designed. Descriptive cross-sectional research design has been adopted for this research as it allows observation without affecting normal behavior. Mugenda and Mugenda (2003) propounded that this research design was best suited for facts determination/gathering as it incorporates interpretation, comparisons, proper analysis, relationships and identification of trends.

3.3 Target Population.

Kombo and Tromp (2011) propounded that a target population is a class of people, things or objects where a sample is selected and measured. Also, Cooper and Schindler (2008) considers a target group as an overall set of individuals that a researcher will seek information that will be representative of the whole population. The target population is 76 employees of the county treasury and chief officers of various departments. The targeted population is as presented in table 3.1 below:

Table 3. 1: Target Population

Class	**Population**
Chief officers	18
Accountants	47
Internal Auditors	11
Total	76

Source (Kilifi County payroll, 2020).

From the above results, the target population of this study was therefore be 76 respondents.

3.4 Sampling Design.

The act of choosing a sample from a finite population while ensuring the that the selected sample gives an accurate representation of the whole targeted population is what is termed as sampling Borg and Gall, (1996). Mugenda and Mugenda, (2003), stated that a sample of more than ten percent to thirty percent from the whole targeted population was an efficient sample size for a noticeable small population. This research employed a purposive sampling approach so as to give the researcher autonomy to select the concerned staff from the county treasury and the chief officers. Therefore the sample was 23 staff at Kilifi County Government were selected as displayed by table 3.2 below.

Table 3.2 Sample size

Class	Target Population	Sample size.
Chief Officers	18	4
Accountants	47	11
Internal Auditors	11	8
Total	**76**	**23**

Source: Researcher (2020)

3.5 Data Collection Instruments.

The research utilized Primary data sources obtained from the administration of semi structured questionnaires. Dawson (2002) suggested that questionnaires are the best and easiest instruments of data collection to use in terms of their construction, administration and also collection from respondents. He went further to suggest that with questionnaires, one is able to effectively extract the required information, the attitudes of the respondents, their believes and their feelings in regards to the given subject of the study hence they are preferred in social sciences. The questionnaires was subdivided into three sections. Section (A) will possessed the Biodata of the respondents (B) captured information on the various audit committee characteristics and (C) captured information on how the various audit committee's features influence the performance of Kilifi County as per study objective.

3.5.1 Reliability

The projects reliability was also tested through pilot testing. Pilot testing means finding out if your survey, key informant interview guide, or observation form will work in the "real world" by trying it out first on a few people, (Meriam & Tisdell, 2016) .Cooper and Schindler (2011) concur that the purpose of pilot test is to check weaknesses in design and implementation and to provide proxy for data collection of a probability sample. As such, a pilot survey was administered up front to establish whether the actual data collected would help to meet the project research objectives. Through the well-designed questionnaires to 5 respondents in the neighbouring Kwale county government, the survey done through the pilot study helped to enhance the questionnaires and their responses were not included in the final sample for the actual survey.

This study also employed the Cronbachs' coefficient to check on internal consistency also referred to us the data reliability and also average correlation (Osborn and Waters, 2012). With reference to the thumb rule that the acceptable alpha should be at least 0.70 or more. Whereas the researcher employed the cronbach's coefficient to determine the average correlation in the measuring tools, the Statistical Package for Social Science software was employed for verification of the reliability of data collected.

Table 3.3 Cronbach's Alpha

Cronbach's Alpha	Cronbach's Alpha Based on Standardized Items	N of Items
.859	.776	23

Source: Study Data (2020)

The cronbach alpha was found to be 0.859 which equates to the data being reliable with reference to the thumb rule that the acceptable alpha should be at least 0.70 or more as per table 3.3 above.

3.5.2 Validity

Mutai 2003, stated that the extent to which findings derived from analyzing of data is a true reflection of the real situation under the study is what is referred to as the validity. With validity having been proven, all conclusions drawn from such type of data is correct and important (Mugenda & Mugenda, 2003). The researcher also sought for the adept perception and affirmation from the supervisor to give assurance on the instruments' validity.

3.6 Data Collection Procedures

First, the researcher obtained an introductory letter from Kenyatta University to the county secretary Kilifi County for permission to carry out a study in the county. To ensure that the answerers had enough time to fill in the questionnaires, drop and collect later technique of data collection was used for this research. Some questionnaires were emailed to some responders.

3.7. Operationalization and Measurement of research variables

Table 3.3 contains the variable, type of variable, its Operationalization, measurement and measurement scale and the analysis that will be done on the variable.

Table 3. 3 : Operationalization and Measurement of Variables.

Variables	Type	Operationalization	Measurement.	Measurement Scale
Audit committee Independence	Independent	• Presence of non-executive members, Influence of management on audit committee, Independent objectives from those of organization	• Presence of non-executive members • Influence of management on audit committee • Independent objectives from those of organization	Nominal scale
Audit committee diversity	Independent	Expanding the pool for recruitment of highly skilled people to Select from	• Gender Diversity • Age Diversity • Regional Diversity	Nominal scale

Audit committee experience	Independent	• Audit committee members understanding of their role, their financial competence, their knowledge on how the county operates and membership to relevant professional bodies.	• Assessment of the different professions represented in the committee. • Financial competence Knowledge on how the county operates	Nominal scale
Audit committee meetings	Independent	• a planned sitting of members in order to cosult and arrive at decisions.	• Frequency • Attendance • Content	Nominal scale

Performance	Dependent	ultimate cumulative outcome of the entire firm's processes of work and undertakings.	Service delivery	Ordinal Scale

Source: (researcher, 2020).

3.8 Diagnostic Tests.

Due to the fact that the research utilized multiple regression equations, the data was first checked on adherence to assumptions of linear regression through various tests including; normality test, multicollinearity and heteroscedasticity. Tests of normality are of essence as most of the statistical analysis such as regression, correlation, and t-tests are based on the assumption of normal distribution of data (Ghasemi & Zahediasl, 2012). Although there are various methods for normality testing but for small sample size (*n* <50), Shapiro–Wilk test was used as it has more power to detect the non-normality and this is the most popular and widely used method The test rejects the hypothesis of normality when the p-value is less than or equal to 0.05. Failing the normality test allows you to state with 95% confidence the data does not fit the normal distribution. Passing the normality test only allows you to state no significant departure from normality was found.

The identification of multicollinearity in a model is important and was tested by examining the tolerance and the variance inflation factor (VIF) diagnostic factors. The variance inflation factor (VIF) was used to measures the multicollinearity among the variables in a regression model. One of the assumptions made about residuals/errors in linear regression is that the errors have the same but unknown variance. This is known as constant variance or homoscedasticity. When this assumption is violated, the problem is known as heteroscedasticity. A significance test is carried out to detect heteroscedasticity. If the computed value of t is more than the tabulated value, then the researcher assumes that heteroscedasticity is present in the data. Otherwise, heteroscedasticity is not present in the data.

3.9 Data Analysis and Presentation.

After gathering of raw data, the questionnaires were examined to ensure completeness before being classified. Coding and checking for errors and omissions will be done on the data (Kothari, 2007). Tabulating, coding and processing of the responses deduced from the questionnaires was done by use of Statistical Package for Social Science (SPSS) program for analysis. Descriptive statistics utilized were frequencies, mean and standard deviation and inferential statistics employed was regression analysis. Presentation of the data collected for this research was done through frequency distribution tables and bar graphs.

Moreover, the association of the dependent variable (A) and the independent variables (B) was measured by use of a multiple linear regression model as noted below.

$A= \alpha + \beta_1B_1 + \beta_2B_2 + \beta_3B_{3+} \beta_4B_4 + \varepsilon$

where:

A = Performance

B_1 = audit committee's independence

B_2 = Audit committee's diversity

B_3 = Audit committee members experience

B_4 = Audit committee's meetings.

α = Constant

ε = Error term

βi (i=1,2,3,4) = Coefficients for the independent variables B_1, B_2, B_3 and B_4.

3.10 Ethical Consideration

The researcher conducted the research with ethical consideration. Approval for data collection from NACOSTI and the Kenyatta University Graduate School was obtained. Confidentiality was upheld on all data gathered and the researcher committed in writing that the data gathered was only to be used for academic purposes only. The questionnaires were also be coded to avoid identification of respondents. Besides these, all secondary sources that are being used in this study have been acknowledges through citation.

CHAPTER FOUR.

DATA ANALYSIS, INTERPRETATION AND DISCUSSION.

4.1 Introduction.

Chapter four is constituted with the results of the data analyzed. It purposed to establish the audit committee characteristics in Kilifi County government and their impact on the performance of the organization as per the objectives of this research. The chapter includes the response rate of the respondents, the composition of the respondents in terms of demographic distribution, gender distribution, their educational level and duration they have worked for Kilifi County Government. It also includes the results of the descriptive and analytical tests that were carried out on the data and a discussion of the results. The results are displayed in bar graphs and frequency tables for the descriptive analysis. Correlation and inferential statistics have also been computed for examination of the connection linking the independent variables and the dependent variable.

4.2 Response Rate

23 questionnaires were administered and all of the 23 samples targeted were responsive, giving a response rate of 100%. Data was analyzed in reference to the objectives of the research.

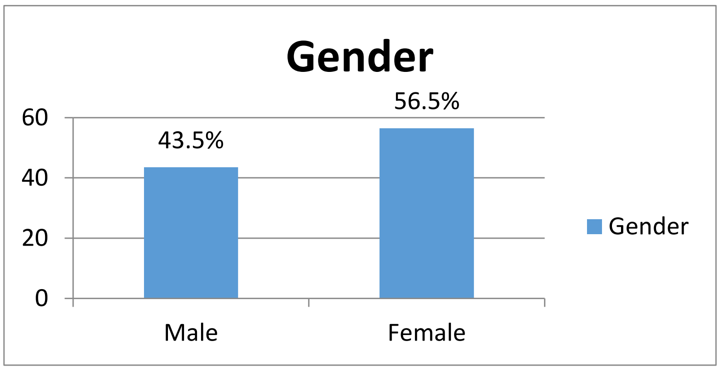
4.3 Demographic Information

In a bid to get demographic particulars about the respondents, this section covered gender distribution, education level distribution and duration the responders have worked for Kilifi County Government.

4.3.1 Gender distribution

The research targeted to disclose the gender distribution of the responders and as shown by the chart below 56.5% of the responders were female whereas 43.5% of the responders were male.

Figure 2: Gender distribution.

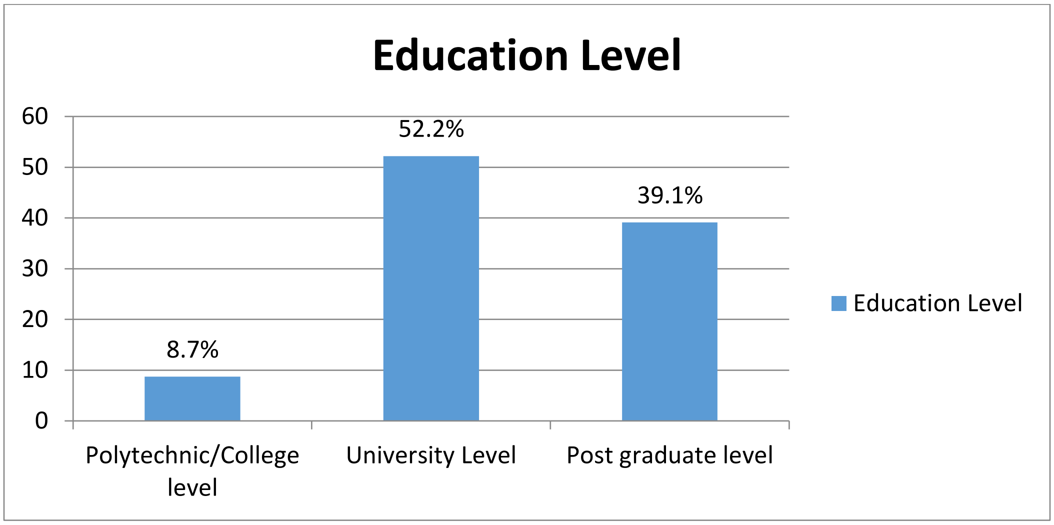


Source: Study Data (2020).

4.3.2 Education level.

The research purposed to determine the level of education of the responders and according to the results, 52.2 % of the respondents had reached the university level, 39.1 of the respondents were at a post graduate level and only 8.7% of the respondents were at polytechnic/ college level as shown in figure 3 below.

Figure 3: Distribution according to education level.

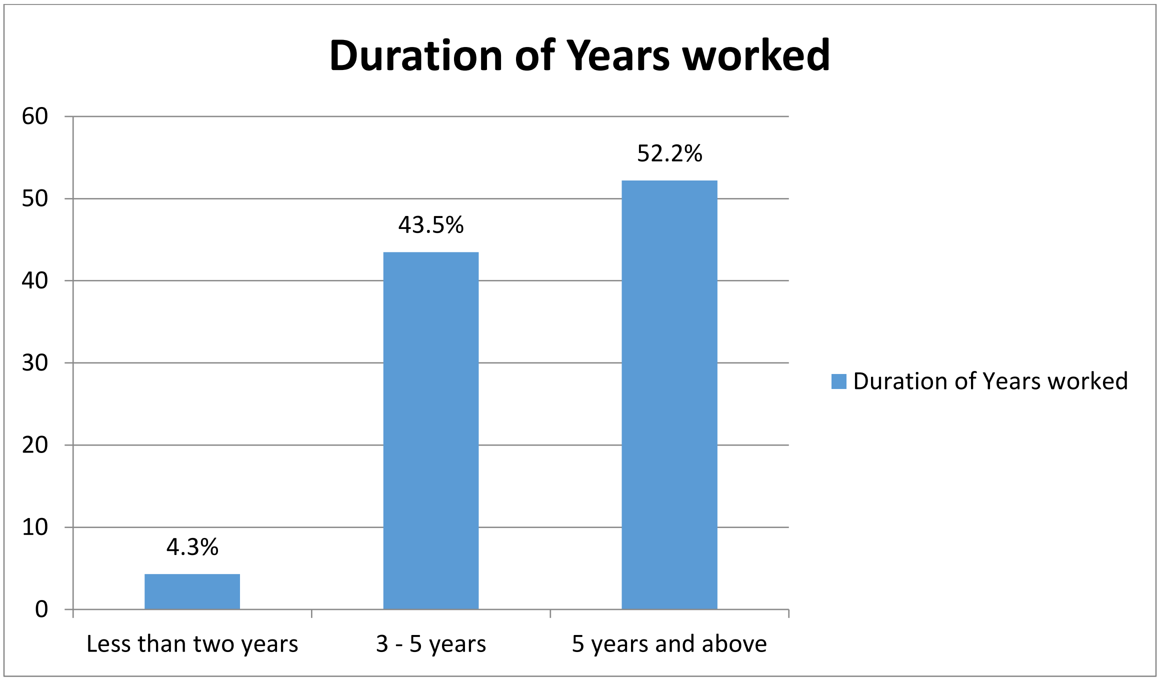


Source: Study Data (2020).

4.3.3 Duration of work.

The research also established the duration that the responders had worked for the organization and Figure 4 revealed that most of the responders, 52.2% had worked for a period of over 5 years at Kilifi County Government, while 43.5% of the responders had been with the county for a period between 3 to 5 years and 4.3% of the responders had been in the county for not more than 2 years.

Figure 4: Distribution according to number of years worked.



Source: Study Data (2020).

4.4 Descriptive statistics.

The responders were to give responses to some structured questions on the extent they agreed to them on a rate of I-V with I representing strongly disagree, II representing disagree, III neutral, IV agree and V strongly agree. The results of the responders were then tabulated and average and standard deviation of the various research variables computed.

4.4.1 Audit Committee Independence.

As per below table it was found that the respondents were somewhat in agreement in regards to the audit committee having nonexecutive members in its composition at an average of 3.87 and a standard deviation at 1.424. With reference to the audit committee having clear objectives than those of the organisation, the responders agreed at an average of 3.74 and with standard deviation at 1.389. The respondents however disagreed with the insinuation that the audit committee is free from management response scoring an average of 2.22 and standard deviation at 1.413. With regards to whether the audit committee had an unrestricted access to internal auditors, the responders agreed at an average score of 3.48 and with the standard deviation at 1.082. The responders agreed about audit committee consistently demonstrating an independence of mind and objectivity with an average score of 3.3 and the standard deviation at 1.295. Lastly, the responders agreed about the audit committee giving independent opinions and acting free from any conflicts of interest with an average of 3.26 and the standard deviation at 1.214.

One study by (Carcello and Neal (1999), found that in regards to the going concern opinion received on a company from auditors, the chances of financial distress of the company are most likely to be lower when the percentage of nonexecutive members in the composition of the audit committees is high. This actually narrates that the audit committees' independence can be of assistance to the external auditor while undertaking their fiduciary duties with minimal interference from management. The researchers also carried another study about the audit committees in which they recommended about the independence of audit committee from the management influence can boost improvement of the firm's performance through the positive association inherent in audit committees' independence and the standard of financial reporting.

Table 4.1 :Audit Committee Independence.

Variable	N	Mean	Std. Deviation

	Valid		
Our audit committee has nonexecutive members	23	3.87	1.424
The board has a clear set of objectives that are independent of those of the organisation	23	3.74	1.389
Audit committee is free from management influence	23	2.22	1.413
Our audit committee has unrestricted access to internal audit unit and management	23	3.48	1.082
Our audit committee has consistently demonstrated an independence of mind and objectivity	23	3.3	1.295
The audit committee gives independent opinions and act freely from any conflicts of interest	23	3.26	1.214

Source: Study Data (2020).

4.4.2 Audit committee diversity.

The responses received revealed that the audit committee was diverse in regards to age, regional representation and it also consisted of members from different professions. The respondents strongly concurred to the insinuation that the audit committee is comprised of members of different age groups at a mean of 4.48 and a standard deviation of 1.261. For the aspect of the audit committee having a diversified regional representation, the responders concurred with the responses averaging at a score of 3.7 and the standard deviation at 1.063. However, at a mean of

1.96 on gender diversity, it shows that the respondents disagreed with the audit committee being properly diverse in terms of gender. The respondents also strongly agreed on the audit committee being constituted with members of different professions.

The results in this research are in harmony to the findings of Mwangi (2018), whom in his research wanted to determine how the diversity of the audit committees; that is; members age group, tenure in the board, gender represented and the regional representation of the members in non commercial state corporations affected their standard of reporting finances and came to a conclusion that due to the decrease in the queries on transactions to their annual budgets, the results of the research proved that increase in the diversity of the members of the audit committee had a positive influence on the calibre of financial reporting.

Table 4.2: Audit Committee Diversity.

Variable	N	Mean	Std. Deviation
	Valid		
The audit committee comprises of members with different age groups	23	4.04	1.261
The audit committee has a diversified regional representation	23	3.7	1.063
The audit committee has both male and female members	23	1.96	1.065

The audit committee comprises of members of different professions	23	4.48	0.947

Source: Study Data (2020).

4.4.3 Audit Committee experience.

The answerers as per table 4.4 below strongly agreed that the audit committee has a great understanding of its role, obligation and responsibilities at an average of 4.22 and with a standard deviation at 1.166. In regards to the audit committee members possessing knowledge in accounts and financial matters, the responders agreed at an average of 3.7 with a standard deviation of 0.876. At an average score of 3.65 and with the standard deviation at 1.191 the answerers agreed that the audit committee demonstrates a good comprehension of the organization's statutory and legal objectives and roles. The responders agreed that the audit committee demonstrates an all-round comprehension of the organizations risk management and compliance disposition and the related internal control structure with a mean scoring of 3.22 and with a standard deviation of 0.951. In respect to the audit committee members having enough expertise to enable it to carry out its duties effectively, the responders agreed at an average of 3.87 and with a standard deviation at 1.254. The responders also agreed that the audit committee members ought to be registered members to relevant professional bodies with responses averaging at 3.17 and with standard deviation at 1.302.

In line with these findings of this Wakaba (2014) in his research found that having experienced audit committee members reduced the probabilities of financial misreporting hence sequentially improving the performance of the firm. Kibiya, Che-Ahmad & Amran, 2016 also noted that audit committee members with finance experience was not enough rather an all round industrial expertise would further enhance the standard of financial reporting.

Table 4.3*: Audit Committee Experience.*

Variable	N Valid	Mean	Std. Deviation
The audit committee has a great understanding of it's role, obligations and responsibilities	23	4.22	1.166
The audit committee members possess knowledge in Accounting and finance matters	23	3.7	0.876
The audit committee demonstrates a good comprehension of the organization's statutory and legal objectives and roles	23	3.65	1.191
The committee demonstrates understands the organization's risk management, compliance arrangements and internal control framework	23	3.22	0.951
The committee members have sufficient expertise to enable it to discharge its duties effectively	23	3.87	1.254
Members of the audit committee ought to be registered members of relevant professional bodies.	23	3.17	1.302

Source: Study Data (2020).

4.4.4 Audit committee meetings.

Table 4.5 below displays the responses in regards to audit committee meetings. The respondents agreed that the audit committee holds meetings frequently averaging at 3.43 with a standard deviation at 0.778. Most responders concurred on the insinuation of audit committee meetings held being adequate with the responses averaging at 3.09 with a standard deviation at 0.848. Responders were in agreement that the agenda of meetings held are relevant scoring a mean of 3.74 with a standard deviation of 1.01. Scoring a mean score of 3.96 and a standard deviation at 1.022, responders agreed that the meetings are well attended with majority of the members present at each meeting. Alzeban and Sawan (2015) also confirmed that audit committees' that are characterized by high experienced members and regular meetings bring about better performance to the firm.

Table 4.4: Audit Committee Meetings.

Variable	N	Mean	Std. Deviation
	Valid		
Our audit committee holds meetings frequently	23	3.43	0.788
Number of meetings convened by the audit committee are adequate	23	3.09	0.848
Our audit committee have a relevant agenda during their meetings	23	3.74	1.01

Meetings are well attended with majority of the members present at each meeting.	23	3.96	1.022

Source: Study Data (2020).

4.4.5 Audit Committee Characteristics on Performance.

The outcomes of the analysis as per table 4.6 revealed that the audit committee's independence, audit committee's diversity, the audit committee members experience and the audit committee meetings had a notable association with the performance of the organization. With responses averaging at of 3.96 and the standard deviation at 0.638, the responders agreed that audit committee independence influenced service delivery by the organization. Through the unstructured section of the questionnaires it was revealed that most of the responders felt the impact of their independence was very minimal and suggested that the audit committee was not fully independent and noted that that they were appointed by the organization they oversee and received monetary rewards in form of allowances.

Respondents agreed that audit committee's diversity influences service delivery by the organization with their responses averaging at a score of 4.3 with a standard deviation at 0.703. Although the gender representation was low at a mean of 1.96, it was noted that the audit committee members' diversity did have a big effect on the performance of the county government of Kilifi. Through the unstructured section of the questionnaires it was noted that the respondents felt that with an increment in diversity, there is an increment in pool of expertise and knowledge base hence the audit committee brought in a wide array of ideas that helped to improve the performance of the county.

The responders strongly concurred that the experience of the audit committee members influenced service delivery by the organization scoring an average of 4.48 with the standard deviation at 0.665. It was noted through the unstructured questionnaire that the audit committee members experience was important as it helped them to understand their mandate and the roles that they were expected to carry out and also it enabled them to give useful insights for the improvement of performance of Kilifi County Government. However, experience of the audit committee members was noted to not have necessarily come from the county government background so did not fully relate to the organizations environment hence they ought to go an extra mile of understanding how the county government works and the risks inherent in its environment. The expertise of the audit committee members was also noted to help in strengthening the internal audit function which is one of its mandate and in turn helped to improve performance.

Also, the responders strongly agreed that the audit committee meetings influenced service delivery at an average of 4.57 and with the standard deviation of 0.662. According to the data collected from the unstructured section of the questionnaires, it was through the meetings that the audit committees are able to effectively deliberate on issues. However, the need for meetings between the audit committees and the management was emphasized majorly because in as much as the committee will issue its recommendations, the management must buy in to them as they are the implementers. Abboet et al…, 2003 also asserted that audit committees characteristics were very crucial to the firm's performance as suggested by a growing stream of research. The quality of an organization performance was substantially affected by the constitution and features of the audit committee (Cadbury, 1995). (Madawaki, 2012; McDaniel et al., 2002) in concurrence to the findings of this study noted that various researchers having based their researches on agency and resource dependency theories insinuated that changes in the audit committee practices, their structure and their focus in improving and monitoring top management activities enhance organizational performance.

Table 4.5: Audit Committee Characteristics And Performance.

Variable	N	Mean	Std. Deviation
	Valid		
Audit committee independence has influenced service delivery by your organisation	23	3.96	0.638
Audit committee diversity has influenced service delivery by your organization	23	4.3	0.703
Audit committee members experience has influenced service delivery by your organization	23	4.48	0.665
Audit committee meetings has an influence on service delivery by your organization	23	4.57	0.662

Source: Study Data (2020).

4.5 Diagnostic Test Results

4.5.1 Normality Test

One of the assumptions of linear regression is that the data should be normally distributed. Therefore to test the normality of the dependent variable Shapiro- Wilk test was conducted especially because the sample size was below 50. Shapiro–Wilk test was used as it has more power to detect the non-normality and is the most popular and widely used method. The test rejects the hypothesis of normality when the p-value is less than or equal to 0.05. Failing the normality test allows you to state with 95% confidence the data does not fit the normal distribution. Passing the normality test only allows you to state no significant departure from normality was found.

Table 4.6: Normality Test.

		Shapiro-Wilk		
		Statistic	Df	Sig.
SERVICEDELIVERY	Audit Independence	.928	23	.584
	Audit Diversity	.905	23	.505
	Audit Experience	.771	23	.903
	Audit Meetings	.750	23	.816

Source: Study Data (2020).

As per the table above the data gathered are normally distributed across all variables hence the null hypothesis is accepted. With the p value denoted by sig and the p value of audit committee Independence at 0.584, Audit committee Diversity at 0.505, Audit committee Experience at 0.903 and Audit committee Meetings at 0.816 all the variables are greater than the p value 0.05 hence the data is normally distributed.

4.5.2 Multicollinearity.

In multiple regression, the variance inflation factor (VIF) is used as an indicator of multicollinearity. Variance inflation factor (VIF) is a factor by which the variance of the given partial regression coefficient increases due to given variable's extent of correlation with other predictors in the model (Dennis, 2011). Cited by Keraro (2014) it was argued that even though there is no formal criterion for determining the bottom line of the tolerance value or VIF, tolerance values that are less than 0.1 and VIF greater than 10 roughly indicates significant multicollinearity. As 100 a rule of thumb, lower levels of variance inflation factor (VIF) are desirable as higher levels of VIF are known to affect adversely the results associated with multiple regression analysis. This study adopted a VIF value of 4.0 as the threshold. Audit committee Independence had a VIF of 2.447, Audit Committee Diversity 1.655, Audit Committee Experience 1.849 and Audit Committee Meetings, 2.189. These results show that the VIF values of the independent variables were within the threshold of 4.0 as illustrated by table 4.8 below. The results imply that there is no case of multicollinearity between dependent and independent variables and the study used linear regression model.

Table 4.7: **Multi collinearity**

Model		Collinearity Statistics	
		Tolerance	VIF
1	(Constant)		
	Auditindepence	.409	2.447
	Auditdiversity	.574	1.655
	Auditexperience	.506	1.849
	Auditmeeetings	.414	2.189

Source: Study Data (2020).

4.5.3 Heteroscedasticity.

Among the assumptions of linear regression is that the data is heteroscedasticity. Heteroscedasticity is a systematic change in the spread of the residuals over the range of measured values. Heteroscedasticity is a problem because ordinary least squares (OLS) regression assumes that all residuals are drawn from a population that has a constant variance (homoscedasticity). The study employed the Levine test to assess heteroscedasticity. This test tests whether the variances of samples are approximately equal (heteroscedasticity). If the sig >0.05 levenes's test is non-significant so equal variances are assumed. If the resulting *p*-value of Levene's test is less than some significance level (typically 0.05), the obtained differences in sample variances are unlikely to have occurred based on random sampling from a population with equal variances. Thus, the null hypothesis of equal variances is rejected and it is concluded that there is a difference between the variances in the population.

Table 4.8*: Levene's Test*..

	Levine statistic	Df1	Df2	Sig
Auditindepence	2.447	2	23	.309
Auditdiversity	1.655	2	23	.574
Auditexperience	1.849	2	23	.506
Auditmeeetings	2.189	2	23	.414

Source: Study Data (2020)

The test statistics are 2.447 and the corresponding p-value is .309***,** t statistic of 1.655 with a p-value of 0.574 , t statistic of 1.849 with a p value of 0.506 and a t statistic of 2.189 with a p value of 0.414 for audit committee independence, audit committee diversity, audit committee experience and audit committee meetings respectively . Since this p-value is not less than .05, we fail to reject the null hypothesis. This means we do not have sufficient evidence to say that the variance in the audit committee characteristics is significantly different.

4.6 Correlation Analysis.

Correlation analysis was done for this research to establish the relationship inherent between the independent variables; the audit committee's independence, the audit committee's diversity, the experience of the audit committee members and the audit committee meetings and the dependent variable, performance.

Table 4.9 : Correlation.

Variable		Auditindependence	Auditdiversity	Auditexperience	Auditmeeetings	Performance
Auditindependence	Pearson Correlation	1	.566**	.705**	.727**	.205
	Sig. (2-tailed)		.005	.000	.000	.347
	N	23	23	23	23	23
Auditdiversity	Pearson Correlation	.566**	1	.840**	.721**	.566**
	Sig. (2-tailed)	.005		.000	.000	.005
	N	23	23	23	23	23
Auditexperience	Pearson Correlation	.705**	.840**	1	.773**	.474*
	Sig. (2-tailed)	.000	.000		.000	.022
	N	23	23	23	23	23

Auditmeeetings	Pearson Correlation	.727**	.721**	.773**	1	.525*
	Sig. (2-tailed)	.000	.000	.000		.010
	N	23	23	23	23	23
Performance	Pearson Correlation	.205	.566**	.474*	.525*	1
	Sig. (2-tailed)	.034	.005	.022	.010	
	N	23	23	23	23	23

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

Source: Study Data (2020).

Results from the correlation analysis evidenced a presence of positive correlation among all the features of the audit committee tested in this study and the performance of Kilifi county government although how strong the correlation was differed. The connection between audit committee independence and performance of the organization was weak at only 0.205 but significant at 0.0324($p<0.05$)These results concurred with those of Chariri et al, 2017 who also postulated that the audit committees' independence did not have a great effect on the integrated reporting of companies listed with JSE. Their study revealed for the effective role of the audit committees as pertains to overseeing preparing and presenting of integrated reporting it is not automatically guaranteed by a high proportion of independent audit committees and that most corporations establish independent audit committees just to comply with set regulations on corporate governance.Contrary to this, according to Sharma et al..2009, having independent members may impact the level of monitoring on the corporations operations negatively. This according to them may be brought about by completely separating the audit committees from management which in turn may mean the audit committee members will not easily notice issues inherent in the industry and will likely to concur with the auditors requiring minimum meditation and contemplations and hence less meetings.

Audit committee diversity was strongly correlated with performance of the organization with the Pearson correlation coefficient at 0.566 and also was also highly significant as the significant level was 0.005($p<0.01$) .In concurrence to this study findings, Mwangi (2018) in his study using correlation analysis to determine how the diversity of the audit committees; that is; members age group, tenure in the board, gender represented and the regional representation of the members in non-commercial state companies affected their standard of financial reporting, the research proved that the diversity in the audit committees had an important relationship with the standards of financial reports which was assessed as a ratio of the total queried transactions to the annual budget.

It was established that the audit committee members' experience had a medium connection with the performance of the organisation with the Pearson correlation of 0.474 and was significant in predicting performance with a p value of 0.022($p<0.05$) Oruod (2019) also hypothesized a constructive association found in the experience in finance of the audit committee members' and the profitability of the industrial companies which he proved through statistical results obtained. However, Odumegwu (2018) researched on how audit committees characteristics would influence the performance of non-financial companies with reference to an economic recession period and found t that even though their qualification was positive with the return on assets of the chosen non-financial firms in Nigeria, the relation was statistically not significant.

The audit committee's meetings were also found to have a strong and positive relationship with the performance of Kilifi County Government with a Pearson correlation coefficient of 0.525 and was of importance in predicting the dependent variable with a p value of 0.010 ($p=0.01$). Stewart and Menro (2007) as well proved that the audit committee's presence, the meeting frequencies and having auditors attend their meetings had a huge constructive impact as it was associated with reducing of audit risk. Other studies however found contrary results and concluded that there was a negative correlation between the number of meetings held and Performance (Aminul et al. 2018; Ahlulbaitulaah 2018; Awinbugri and Prince 2019).

4.7 Regression Analysis.

The research employed regression analysis to assess the connection between the dependent variable (A), service delivery, an indicator of performance and the independent variables(B) ; audit committee's independence, audit committee's diversity, audit committee members experience and audit committee's meetings.

4.7.1 Model Summary.

The model summary table presented how strong the connection between the model and the dependent variable was. R is the multiple correlation coefficient which reveals the linear correlation between the observed values and model-predicted values of the dependent variable.

Table 4.10: Model Summary.

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.654[a]	.428	.301	.68119

a. *Predictors: (Constant), Auditmeeetings, Auditdiversity, Auditindepence, Auditexperience*

Source: Study Data (2020).

The adjusted R square from the model summary is 30.1 % which implies that that the various audit committee characteristics contributes to the performance of Kilifi County Government by 30.1% whereas 69.1% of performance can be explained by other aspects other than the variables in this research study. Awino (2011) also postulated that the performance of a firm cannot be constructively influenced by one element and that the audit committee of the firm among others have an effect on its performance.

4.7.2 Anova.

Analysis of Variance (ANOVA) for this study provides information on extent of variability of the regression analysis model and creates a foundation for testing its importance. According to the Anova results, the model's p value was 0.032 which is less than the alpha of 0.05 hence proved that this model was statistically important and could be utilized in the future to predict improvement in the organization's performance. With a statistically significant f- value of 3.371, it proves that the multiple correlation or the R squared value from the model summary is equal to zero. The results depict that the audit committee characteristics were statistically and significantly important in predicting the performance of Kilifi County Government in Kenya hence the regression model was a perfect fit of the data.

Table 4.11: Anova.

Model		Sum of Squares	Df	Mean Square	F	Sig.
	Regression	6.256	4	1.564	3.371	.032[b]
1	Residual	8.352	18	.464		
	Total	14.609	22			

A. Dependent Variable: Perfomance.
B. Predictors: (Constant), Auditmeeetings, Auditdiversity, Auditindepence, Auditexperience

Source: Study Data (2020).

4.7.3 Coefficients.

Regression coefficients represented an average deviation in the dependent variable for each unit of deviation in the independent variable whilst holding other factors within the model constant.

Table 4.12: Coefficients.

Model	Unstandardized Coefficients		Standardized Coefficients	T	Sig.
	B	Std. Error	Beta		
(Constant)	1.886	.746		2.527	.021
Auditindepence	.334	.142	.420	2.352	.149
Auditdiversity	.423	.198	.406	2.136	.024
Auditexperience	.231	.0112	.033	2.062	.034
Auditmeeetings	.559	.281	.512	1.989	.012

a. Dependent Variable: PERFOMANCE

Source: Study Data (2020).

The resulting regression analysis model was;

$A=1.886+0.334b_1+0.423b_2+0.231b_3+0.559b_4$

Where A is the performance of the Kilifi County Government, and b1, b2, b3, and b4 were the independent variables, audit committee's independence, audit committee's diversity, audit committee members experience and audit committee's meetings respectively.

The results suggested that when all of the coefficients of this model were kept constant, performance of Kilifi county Government would be 1.886 at the intercept.

A unit increment in audit committee independence brought about an increment in performance of the organization by 0.334 however the effect was statistically insignificant having a p value of 0.149 which was more than the common p value 0.05. Chariri et al (2017) in his research also established that the audit committee independence did not have a big influence on integrated reporting of companies listed with JSE and that for the effective role of the audit committees as pertains to overseeing preparing and presenting of integrated reporting was not automatically guaranteed by a high proportion of independent audit committees. They also suggested that most corporations establish independent audit committees just to comply with set regulations on corporate governance and observed that the audit committees will perform their roles well if they contain members who are accounting or finance experts and who have sufficient communication through regular scheduled meetings rather than their independence.

Also, in concurrence to these findings, Plumlee and Yohn (2010) also found no connection in the decrease in financial statement restatement and the independence of the committees rather they noted that the mere existence of independent committees can bring about a decrease in financial statement restatements and not necessarily their independence. They opined that the audit committees may be perceived as independent yet their independence may have been eroded through their affiliation with the management hence their interest changed as they mainly depend on the financial rewards that accrue from the relations at the cost of their working effectively.

A unit increase in audit committee diversity brings about an increase in performance of the organisation by 0.423 and their relationship is statistically important as it has a p value of 0.024; which is less than common p value of 0.05. Mwangi (2018), in his study to determine how the audit committee diversity of noncommercial state corporations affected their standard of financial reporting, due to decreased transaction queries to their annual budgets, the research findings proved that an increment in the audit committee members diversity positively influenced the standard of financial reporting.

Expertise of the audit committee members had a statistical significant relationship with the performance of the organization with a p value of $p=0.032$. An increase in a unit of audit committee members experience brings about an increase in performance of the organization by 0.31. Wakaba (2014) in his research also found that having experienced audit committee members with reduced the chances of financial misreporting, chances of fraud and the cost of debt which consequentially enhances firm performance.

A strong positive statistical relationship was also established between the audit committee meetings and the performance of the organisation with its p value of 0.012, also an increment in a unit of audit committee meetings affects the performance of the organization by 0.559. In concurrence with De Andres & Vallelado , 2008 that researches showed that an increment in the activity of the board and the regularity of board meetings resulted in improved operating performance and profitability of the business , the results of this research also proved that meetings of the audit committee meetings were of essence to improve the performance of the organization.

CHAPTER FIVE.

SUMMARY, CONCLUSION AND RECOMMENDATIONS.

5.1 Introduction.

Chapter five comprises of a summary of the results giving a conclusion of the research and recommendations based on results. Findings in this chapter were summarized sequentially as per the specific questions the research study wanted to address which sought to find out the effects of various audit committee's characteristics; audit committee independence , diversity of the audit committee, audit committee members experience and audit committee's meetings on the dependent variable that is performance of Kilifi County government.

5.2 Summary of Findings.

This research study was undertaken to determine how various audit committee's characteristics affect the performance of Kilifi County. Descriptive design of research was employed whilst being guided by the research objectives. The study targeted 76 employees of Kilifi County Treasury consisting of the accountants, internal auditors and the chief officers. Data was gathered from a sample of 23 people with a response rate of 100%. Questionnaires were issued to the respondents and they were given time to fill and return them. Statistics used were cross sectional descriptive study and inferential statistics.

First from the demographic results, it was found that 56.5% of the responders were female while 43.5% of the responders were male. 52.2 % of the respondents had reached the university level, 39.1 of the respondents were at a post graduate level and only 8.7% of the respondents were at polytechnic/ college level. It was also noted that 52.2% of the responders had worked for a period of over 5 years at Kilifi County Government, while 43.5% of the responders had been in the county for a duration between 3 to 5 years and 4.3% of the responders had been in the county for not more than 2 years.

Research results revealed that the responders concurred to the supposition that the audit committee had nonexecutive members in its composition and that the committee had clear objectives than those of the organisation. The respondents however disagreed that the audit committee was free from management response with a mean of 2.22. The study also established that the audit committee had an unrestricted access to internal auditors and they consistently demonstrate an independence of mind and objectivity. The respondents agreed that the audit committee gave independent opinions and act free from any conflicts of interest. Through the unstructured questions, the respondents asserted that since the audit committee were appointed by the organization and relied on the organization for their financial facilitation, the committee was not fully independent. In regards to audit committee independence influence on performance, it was revealed that the audit committee independence influences service delivery by the organization. The correlation of the audit committee's independence and the performance of the county government was found to be weak but significant. However, according to the regression coefficient in as much an increment of a unit of the audit committee independence could lead to an increment in performance of the organization by 0.334, the effect was statistically insignificant.

The researcher noted that the audit committee of Kilifi County Government was diverse in regards to age, regional representation and it also consists of members from different professions. The study revealed that the audit committee's composition consisted of members of different age groups and they were diversified in terms of regional representation. However, with a mean score of 1.96 on gender diversity, it revealed that the audit committee was not diverse in terms of gender. The respondents also strongly concurred on the audit committee's constitution comprising of members with different professions. The research established that audit committee diversity influences service delivery by the organization .Audit committee diversity was strongly correlated with performance of the organization also very important in predicting the performance of the county government.

In reference to the experience of the audit committee members, the responders strongly agreed that the audit committee had a great understanding of its role, obligation and responsibilities and that they have knowledge in accounting and finance matters. With an average of 3.65 the answerers concurred that the audit committee demonstrated good knowledge of the organization's statutory and legal objectives and roles. It was noted that the audit committee demonstrated an all-round comprehension of the organizations risk management and compliance set up and the related internal control structures in place also the audit committee members had sufficient expertise which enabled it to discharge its duties effectively. Members of the audit committee ought to be registered members of relevant professional bodies was among the findings of this study. The respondents strongly agreed that the audit committee experience had influence on service delivery by the organization. Expertise of the audit committee members had a medium connection with the performance of the organisation and was significant in predicting performance and regression coefficient also proved that the audit committee members experience had a statistical important connection with the performance of the organization.

The researcher unveiled that the audit committee's meetings were held frequently and that the audit committee meetings held are somehow adequate. The agenda of meetings held were found to be relevant and that the meetings were well attended with majority of the members present at each meeting. Also, the study established that the audit committee meetings affected service delivery as they had a big positive connection with the performance of Kilifi County Government and was very significant in predicting the dependent variable. According to the regression coefficient findings, the meetings held by the audit committee also brought about a strong positive statistical association with the performance of the organisation.

The resulting regression analysis model from the regression analysis was; $A=1.886+0.334b_1+0.423b_2+0.231b_3+0.559b_4$. This results suggested that when all of the coefficients of this model were kept constant, performance of Kilifi county Government would be 1.886 at the intercept. It was evident through the study that the audit committee characteristics are essential to help improve the performance of Kilifi County Government although there is still more to be done to ensure that the composition is efficient for it to carry out its roles effectively.

5.3 Conclusion.

Derived from the research results, the researcher drew a conclusion that in as much as the audit committee characteristics are an important tool for improving performance, there are various other factors that make it not so effective in its roles hence having a lesser influence on the performance of Kilifi County Government. The audit committee's independence contributes albeit to a small percentage to the performance of the county government yet the relationship was statistically significant. This might be attributed to the fact that the audit committees are not fully independent as they are employed by the organization and also receive allowances/ financial rewards from the organization as per the observation of most respondents.

Diversity plays a big role in ensuring audit committee perform their roles successfully and in turn positively influence the performance of the county. Evidence by the positive statistically important relationship found, having members of different age groups, from different regions and also a presentation of different professions within the committee has brought a greater array of skills and knowledge base to aid the county performance. This in line with Mwangi (2018) in his study who determined that the diversity of the audit committees; that is; members age group, tenure in the board, gender represented and the regional representation of the members affected their financial reporting.

The audit committee members' expertise is among factors that help improve the performance of the county government majorly because experienced audit committee members understand their roles and have appropriate expertise to carry their responsibilities well. However because the county government operates in a different field with different risk exposure contrary to what the members of the audit committee have exposure to, the members of the audit committee ought to gain more insight on the operations of the organization before they can effectively execute their roles.

The researcher established that audit committee meetings were essential to the performance of the county government. It is through the meetings that the committee members are able to deliberate on pertinent issues that may mire or/and improve service delivery. In as much as the audit committee members are committed to the meetings, it was found that they lack management support hence the implementation of their recommendations is not done. Finally, it was also noticed that the audit committee existence is not known by some of the critical staff especially the accountants.

5.4 Recommendations.

Kilifi county Government should conduct a sensitization on its management in order for them to gain an understanding and appreciate the composition and essence of having the audit committee and also so that they may support the committee’s operations to enable it to perform its roles effectively. The audit committees should hold meetings with top level executives to ensure that their recommendations are implemented and finally, training for related staff like the accountants and internal auditors on the various structures of checks and balances available including the existence and role of audit committee should be done.

5.5 Contribution to Practice and Policy.

The management of the county government could utilize the findings made through the research to make suitable options regarding the characteristics of the audit committees especially on their independence, composition in terms of their diversity, their experiences and also meetings held. It is apparent from the study the importance of the audit committee characteristics in its execution of duties to enhance the performance of the county government trough improved service delivery. Through the research findings, the county government can gain an insight on the operations of its audit committee and give the board needed support and environment to enable it to carry out her duties effectively. The county government of Kilifi could do a sensitization on its management on the constitution and importance of the audit committee, also so that they may set the tone at the top to enable the audit committee to perform its roles effectively. The audit committees should hold some meetings with top level executives to ensure that their recommendations are implemented and finally, training for related staff like the accountants and internal auditors on the various structures of checks and balances available including the existence and role of audit committee should be done.

The policy setters such as the Public Sector Accounting and standards Board and the legislators in enacting laws and regulations may use the research findings when developing new accounting standards and oversight requirements to develop standards and regulations that take into consideration the need for audit committee as a measure to improve public service delivery. Regulators in finance, accounting and auditing such as Icpak and IIA and other oversight agencies like the Parliamentary Public Accounts and Investment Committees may use the findings from the research when conducting their oversight role to ensure that the public sector audit committees composition and characteristics are sufficient to enable them carry out their mandate effectively for the betterment of the organization and a country as a whole. The auditor general may also use findings from this study to understand how the audit committee characteristics affect the performance of the organization hence give more reports that add value to the public sector.

5.7 Suggestions for Further Studies.

In light of this research study other research studies can be conducted on the current audit committee characteristics on performance from other counties other than Kilifi County as as to expound on this research and improve on its applicability and increase the knowledge on the research study. Other studies that could be carried out would be on other variables that would affect the effectiveness of the audit committee other than its characteristics or how the characteristics of the audit committees could affect performance of any other public institution from the county governments.

REFERENCES.

Abbott L J, Young P., & Susan P., (2000). The Effects of Audit Committee Activity and Independence on Corporate Fraud. Managerial Finance: 26 (11), 55-68.

Abbott L, G. Peters & K. Raghunandan. (2003a). The association between audit committee characteristics and audit fees. A Journal of Practice and Theory. 19 (1), 31–47

Abbott L. J., Parker S., Peters G. F., & Rama D. V., (2007). Corporate governance, audit quality, and the Sarbanes Oxley Act: Evidence from internal audit outsourcing, The Accounting Review, 82 (4), pp. 803-835.

Abbott, L. J., Park, Y., & Parker, S. (2015). The effects of audit committee activity and Independence on Corporate Fraud. Managerial Finance: 26 (11), 55-68.

Abdul Hameed, M., & S. Counsell. (2012). Assessing the influence of Environmental and CEO Characteristics for Adoption of Information Technology in Organizations. Journal of Technology Management & Innovation, 7(1), 64-84. https://doi.org/10.4067/S0718-27242012000100005

Adel B and Maissa T (2013) Interaction between audit committee and internal audit: Evidence from Tunisia. The IUP Journal of Corporate Governance 12: 59-80.

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

Aljaaidi KS, Bagulaidah GS, Ismail NA, Fadzil FH (2015) An empirical investigation of determinants associated with audit report lag in Jordan. Jordan Journal of Business Administration 11: 963-980.

Al-Matari, E. M., Al-Swidi, A. K., Fadzil, F. H., & Al-Matari, Y. A. (2012). The Impact of board characteristics on Firm Performance: Evidence from Nonfinancial Listed Companies in Kuwaiti Stock Exchange. International Journal of Accounting and Financial Reporting, 2(2), 310–332.

Alqatamin, R., Z. Ali, & T. Arun. (2017). The effect of CEOs' characteristics on forwardlooking information. Journal of Applied Accounting Research. https://doi.org/10.1108/JAAR-03-2016-0027

Alzeban A (2015) Influence of audit committees on internal audit conformance with internal audit standards. Managerial Auditing Journal 30: 539-559.

Anderson, R.C., Mansi S.A & Reeb D.M., (2004). "Board characteristics, accounting report integrity and the cost of debt", Journal of accounting and economics, (37), 315-342.

Andreas G. Koutoupis1 and Michail Bekiaris (2019) : Audit Committees impact on Company Performance: The Greek & Italian Experience.

Archambeault, D., DeZoort, F.D., (2001). Auditor opinion shopping and the audit committee: an analysis of suspicious auditor switches. International Journal of Auditing 5 (1), 33–52.

Atieno, L. V (2017). Effect of audit committee characteristics on fraud detection in state ministries in kenya. (Msc project, KCA university)

Audi, E. (2020) *Audit Committees & Enhanced Accountability at the County*. ICPAK Conference: Financial Reporting & Management Conference for County Governments.

Awinbugri, Armstrong Ephraim, and Gyimah Prince. 2019. The impact of audit committees' meetings and audit fees on the financial performance of listed banks in Ghana. International Journal of Research and Innovation in Social Science 3: 341–46.

Awino, Z.B. (2011). Strategic management: An empirical investigation of selected strategy variables on Firms‟ performance: A study of supply chain management in large private manufacturing firms in Kenya. Prime Journals, 1(1), 9-18.

Baccouche, S. (2015). Directors' multiple directorships and their appointment to board committees: Evidence from France. International Review of Management and Business Research, 4(1), 332-335.

- Badhabi Hussein & ISMAIL Ku Nor (2016). *Audit committee characteristics and firm performance in Oman*. Conference: 2nd International research Conference on Economics, Business and Social Sciences.

Bartiuseviciene, I., & Sakalyte, E. (2013). Organizational Assessment: Effectiveness versus Efficiency. Social Transformations in Contemporary Society.

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.

Bedard, J., Chtourou, S., & Courteau, L. (2004). The effect of audit committee expertise, independence, and activity on aggressive earnings management. Auditing: A Journal of Practice & Theory. 23(2), 13-35.

Blumberg, B. Cooper, D. R. & Schindler, P. (2011). *Business Research Models*. McGraw-Hill Education.

Borg, W.R.& Gall, M.D (1989). Education Research: An introduction. (4th ed). New York: Longman.

Boyd, B. (2015). CEO Duality and Firm Performance: A Contingency Model. Strategic Management Journal, 16(4), 301-312.

Braiotta, Gazzaway, Colson and Ramamoorti . (2010). The Audit Committee Handbook . John Wiley & Sons, Incorporated.

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.

Cadbury, A (1995) The Company Chairman (2nd Ed), NJ: Prentice Hall, ISBN 0-13-434150-3 Capital Markets (securities) Public offers, listings and Disclosure) Regulations (2002): Legal Notice No. 60 of 3rd May 2002, Government printers.

Carcello, J. V., & T. L. Neal. (1999). Audit committee characteristics and auditor reporting. The Accounting Review 75 (4): 453-467.

Carcello, J.V., Hermanson, D.R., Neal, T.L & Riley, R., (2002a). Disclosures in Audit Committee Charters and Reports. Accounting Horizons 16 (4), 291–304.

Carcello, J.V., Hermanson, D.R., Neal, T.L., & Riley, R., (2002b). Board characteristics and audit fees. Contemporary Accounting Research 19 (3), 365–384.

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

Chandrashekhar, R. (2007) Additional Secretary, e-Governance, Government of India.

Chan K.C., & Li J., (2008). Audit committee and firm value: evidence on outside top executives as expert-independent directors, Corporate Governance, 16(1), pp. 16-31.

Chariri. A and Januarti.I. Audit Committee Characteristics and Integrated Reporting:Empirical Study of Companies Listed on the Johannesburg Stock Exchange. Volume XX, Issue 4B, 2017, pp. 305-318

Cheah, S. S., Kuan, T. C., Chew, S. C., Low, X. Y., & Poon, Z. H. (2016). *Audit Committee Characteristics and Firm Performance of Public Listed Companies in Malaysia* (Doctoral dissertation, UTAR).

Cohen, J. R. & Simnett, R. (2014). CSR and assurance services: A research agenda. Auditing: A Journal of Practice & Theory, 34(1), 59-74.

Cohen, J. R. Krishnamoorthy, G. & Wright, A. (2004). The corporate governance mosaic and financial reporting quality.

Collier, P. and Gregory, P. 1999. Audit Committee Activity and Agency Costs. Journal of Accounting and Public Policy, 18(4–5), 311–332.

Cooper, D. & Schindler, P. (2013). Business Research Methods, (12thEd.): New Delhi- India: McGraw-Hill Publishing, Co. Ltd.

Copeland, D. (2015). Business strategy orientation, information systems orientation and strategic alignment. Information Systems Research, 8 (2), 125–150

Davidson, R., Goodwin-Stewart, J., & Kent, P. (2005). Internal governance structures and earnings management. Accounting and Finance, 45(2), 241–267.

Dawson C. (2002), *Practical Research Methods. A user friendly guide to Mastering Research Techniques & Methods*. How to read books.

De Andres P., & Vallelado E., (2008). Corporate governance in banking: The role of the board of directors, Journal of Banking & Finance, 32 (12), pp. 2570–2580.

Dechow, P. M., Ge, W., & Schrand, C. (2010). Understanding earnings quality: A review of the proxies, their determinants and their consequences. 50(2010), 344-401.

Denyer, J.C. (1980), Office Management, 5th ed., Pitman Publishing, Great Britain.

Dey, A. (2008). Corporate Governance and Agency Conflicts. Journal of Accounting

DeZoort F. T., S. Salterio, (2001). The effects of corporate governance experience and audit knowledge on audit committee members' judgments, Auditing: A Journal of Practice & Theory 20, 31-47.

DeZoort, FT 1998, 'An Analysis of Experience effects on Audit Committee Members' Oversight Judgments', Accounting, Organizations and Society, vol. 23, no. 1, pp. 1-21.

DeZoort F.T., Hermanson D.R., Archambeault D.S. & Reed S.A., (2002). Audit committee effectiveness: a synthesis of the empirical audit committee literature, Journal of Accounting Literature, 21, pp. 38-75.

Dhaliwal, D. A. N. Naiker, V. I. C. & Navissi, F. (2010). 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

Elke Loffler, Salvador Parrado and Tomas Zmeskal (2007). Improving Customer Orientation through service charters.A handbook for improving quality of public services. Governance International.

European Parliament Resolution (2009). Implementation of Directive 2006/43/EC on Statutory Audits of Annual Accounts and Consolidated Accounts.

Finkelstein, S. & Hambrick, D. (2015). Strategic Leadership: Top executives and their effects on organizations. West Publishing.

Fort, T. L., & Schipani, C. A. (2000). Corporate Governance in a Global Environment: The Search for the Best of all Worlds. Vanderbilt Journal of Transnational Law, 33, 829-840.

Gabriela, Z. (2016). *The audit committee characteristics and firm performance*: Evidence from the United Kingdom. 201400130@fep.up.pt / gabriela.zabojnikova@gmail.com

Gerrit S and Mohammad J. A (2010), Monitoring effects of the internal Audit Function: Agency Theory versus other explanatory variables. International Journal of Auditing. Blackwell Publishing Ltd .

Ghasemi, A. & Zahediasl, S. (2012). Normality tests for statistical analysis: a guide for non-statisticians. International Journal of Endocrinology and Metabolism, 10(2), 486-489.

Goodwin-Stewart, J. and Kent, P. (2006). Relation between External Audit Fees, Audit Committee Characteristics and Internal Audit. Accounting and Finance, 46, p387–404.

Gunes, N. & Atilgan, M. S. (2016). Comparison of the Effectiveness of Audit Committees in the UK and Turkish Banks. International Journal of Financial Research, 7(2), 18.

Hamdan, A. M., Sarea, A. M., &Reyad, S. M. R. (2013). The impact of audit committee characteristics on the performance: Evidence from Jordan. *International Management Review*, *9*(1), 32-42.

Hanousek, S. & Svejnar, R. (2014). Managerial Control, Performance and Executive Compensation". Academy of Management Journal 30 (4): 51-70.

Hayes, R. Schilder, A. Dassen, R. & Wallage, P. (1999). *Principles of auditing: An international perspective.* Guilford Press.

Huang, H. W. Yan, Y. C., Fornaro, J. M., & Elshahat, A. (2011). Market reactions to audit committee director's gender: Evidence from US-traded foreign firms. International Journal of Banking and Finance, 8(1), 4.

Hubbard, G. (2009). Measuring organizational performance: Beyond the Triple Bottom Line. Business Strategy and Environment, 19,177-191.

ICPAK, (2015) A Survey Report on the Effectiveness of Audit Committees in Kenya's Public Sector, Nairobi: ICPAK.

Ingley, J. & Walt, E. (2012). Were the Good Old Days That Good? Changes in Managerial Stock Ownership since the Great Depression. Journal of Environmental Study. 54 (4): 435-69.

Jensen, M. (2013). The Modern Industrial Revolution, Exit, and the Failure of Internal Control Systems. The Journal of Finance, 48(3), 831-880.

Jensen, Michael C., and William H. Meckling. (1976): Theory of the Firm: Managerial Behavior,Agency Costs and Ownership Structure. Journal of financial economics 3(4), 305-360.

Jermias, J., & Gani, L. (2014). The impact of board capital and board characteristics on firm performance. The British Accounting Review, 46(2), 135-153.

Kalbers L.P., Fogarty T.J (1998), Organizational and Economic Explanations of Audit Committee Oversight", Journal of Managerial Issues, (10), 129-151,.

Kallamu B.S., & Saat N.A.M., (2015). Audit committee attributes and firm performance: evidence from Malaysian finance companies, Asian Review of Accounting, 23(3), pp. 206-231.

Keraro, V. N. (2014). Role of Governance in the Strategic Management of Counties in Kenya. Unpublished PhD Thesis, Juja: Jomo Kenyatta University of Agriculture and Technology.

Kibiya, M. U. Che-Ahmad, A. & Amran, N. A. (2016). Audit Committee Independence, Financial Expertise, Share Ownership and Financial Reporting Quality: Further Evidence from Nigeria. International Journal of Economics and Financial Issues, 6(7).

Klein (2002). Audit Committee, Board of Director Characteristics, and Earnings Management.Journal of Accounting &Economics. 33, (3) 375.

Kombo, D. K. & Tromp, D.L.A. (2009) Proposal and Thesis Writing: An Introduction. Nairobi:. Paulines Publications Africa.

KPMG International. 2017. Devolution of Healthcare Services in Kenya: Lessons Learnt from Other Countries. Accessed July 17, 2018, from https://www.kpmg.com/Africa/en/IssuesAndInsights/Articles-Publications/Pages/

Lary, AM and Taylor, DW 2012, ‘Governance characteristics and role effectiveness of audit committees’, Managerial Auditing Journal, vol. 27, no. 4, pp. 336-354.

Lawrence P. Kalbers and Timothy J. Fogarty Journal of Managerial Issues Vol. 10, No.2 (summer 1998), pp. 129-150.

Lisic, L.L., Neal, T.L., Zhang, I.X. and Zhang, Y. 2015. CEO Power, Internal Control Quality, and Audit Committee Effectiveness in Substance Versus in Form. Contemporary Accounting Research, 33(3), 1199–1237.

McMullen, D.A. 1996. Audit Committee Performance: An Investigation of the Consequences With Audit Committees. Auditing A Journal of Practice and Theory, 15(1), 87–103

Meriam, S., & Tisdell, E. (2016). Qualitative Research, A Guide to Design and Implementation. New York: John Wiley & Sons. Retrieved from https://library.sacredheart.edu/c.php?g=29803&p=185902

Meyer, K. & Rowan, N. (1977). The Agency Theory. In T. Clarke, & D. Branson, the SAGE Handbook of Corporate Governance (pp. 407-408). SAGE Publishers.

Mohammed B.A, Flayyih H.H, Mohammed Y.N &Abbood H.Q 2019. The effect of Audit Characteristics and Firm financial Performance: An empirical study on Listed Companies in Iraq Stock Exchange.

Mugenda, O. M., & Mugenda, A.G. (2003), Research Methods Quantitative and Qualitative Approaches. Nairobi: Applied Research and Training Service Press.

Mugenda, O. M., & Mugenda, A. G. (2012). Research Methods Dictionary. Nairobi: Arts Press.

Murya, G. (2010). Audit committee characteristics and restatements. A Journal of Practice and Theory 23 (1): 69-87.

Mustafa S T & Heidi H Meier. (2006). Audit Committees and Misappropriation of Assets: Publicly Held Companies in the United States. Canadian Accounting Perspectives. 5, (2): 17- 33..

Mutai, K. (2003) Training of Teachers before being promoted to be Education Administrators. . Nairobi: Nation Media Group.

Mwangi, A. K. (2018). Effect of Audit Committee Characteristics on Quality of Financial Reporting among Non-Commercial State Corporations in Kenya (Doctoral dissertation, JKUAT).

Mwongozo (2017). http://www.scac.go.ke/index.php/2015-02-16-09-34-58/mwongozo Accessed on 3 June 2017

Njunga, A. (2000). Modern good corporate governance practice: putting directors on the spotlight, IA Adviser, October: 8–9

Ntoiti, L. (2013). The County; Understanding Devolution and Governance in Kenya. Centre for Leadership, Education and Development International. Nairobi, Kenya

Odumegwu A Chukwuemek (2018). Effect of audit committee characteristics on performance of non-financial firms: evidence from a recessed economy (Ojukwu University, Nigeria)

Ogoro, O. G.,&Nanjala, S. C. (2015).Effectiveness of audit committees in the public sector: A Case of Parastatals in Kenya, Research Journal of Finance and Accounting, 6(4): 2222-2847 (Paper) ISSN 2222-2847 Vol.6, No.4, 2015.

Okpala , K. E. (2015). Stamatis Generic Model and Audit Quality in Nigeria. The Journal of Social Sciences Research, 94-101.

Oroud Yazan (2019) The Effect of Audit Committee Characteristics on the Profitability: Panel Data Evidence. International Journal of Economics and Finance; Vol. 11, No. 4; 2019.

Osborne, J., & Waters, E. (2012). Four assumptions of multiple regression that researchers should always test. Practical Assessment, Research and Evaluation, 8(2). Retrieved from http://PAREonline.net/getvn.asp?v=8&n=2

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

Plumlee, M., and Yohn, T. L. (2010), "An analysis of the underlying causes attributed to restatements", Accounting Horizons, Vol. 24 No.1, pp. 41-64.

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

Rahman, Md. M., Meah, M.R., & Chaudhory, N.U., (2019). The impact of audit characteritics on firm performance: An empirical study from emerging economy , Online ISSN, 16(1). pp.59-69.

Rustam, S., Rashid, K., & Zaman, K. (2013). The relationship between Audit Committees, compensation incentives and corporate audit fees in Pakistan. Economic Modelling, 31, 697–716.

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

Salisu, K. B. & Nur Ashikin, M. S. (2016). Audit committee attributes and firm performance: Evidence from Malaysian finance companies. Asian Review of Accounting 23(3), 206-231

Scott, R., (1995). "Institutions and Organizations", California : Sage Publications.

Securities and Exchange Commission, 2002. Edison Schools settles SEC enforcement action. Washington, DC: SEC. <http://www.sec.gov/news/press/2002-67.htm>.

Sharma, V. D., &Kuang, C. (2014). Voluntary Audit Committee Characteristics, Incentives, and Aggressive Earnings Management: Evidence from New Zealand. *International Journal of Auditing*, *18*(1), 76-89.

Sharma, V.D., Naiker, V & Lee, B., (2009). Determinants of audit committee meeting frequency: evidence from a voluntary governance system. Accounting Horizons 23 (3), 245–263.

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

Sultana, N., Singh, H., & Van der Zahn, J. L. M. (2015). Audit committee characteristics and audit report lag. *International Journal of Auditing*, *19*(2), 72-87.

Sultana N (2015) Audit committee characteristics and accounting conservatism. International Journal of Auditing 19: 88-102.

Stewart, J. and Munro, L. (2007). The Impact of Audit Committee Existence and Audit Committee Meeting Frequency on the External Audit: Perceptions of Australian Auditors. International Journal of Auditing, 11, p51–69.

The Kenya Constitution (2010). Commission on Revenue Allocation. 2010. Revenue Division among County Governments. Nairobi, Kenya: Government Printers.

Turnbull, S. (2014). The Planned And Unintended Emotions Generated by a Corporate change program. Advances in Developing Human Resources, 4 (7), 22-38.

Van Beest, F. Braam, G., & Boelens, S. (2009). Quality of Financial Reporting: measuring qualitative characteristics. Nijmegen Center for Economics (NiCE). Working Paper, 09-108.

Viénot R., (1995). “Le conseil d’administration des societies cotées”, CNPF: Editions Techniques Professionnelles, Juillet.

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

Walls, L., Berrone, P. & Phan, P. (2012). Corporate governance and environmental performance, is there really a link? Strategic Management Journal. 13, (4), 885–913.

Waring , C. G., & Morgan , S. L. (2007). Public Sector Performance Auditing in Developing Countries . PACC , 323-358.

Wild, J. J., 1994, Managerial accountability to shareholders: Audit committees and the explanatory power of earnings for returns, The British Accounting Review 26, 353-374.

Wild, J. J., 1996, The audit committee and earnings quality, Journal of Accounting, Auditing &

World Bank. 2003. World Development Report 2004: Making Services Work for Poor People. Washington, DC.

World Bank. World Bank. 2012. "Devolution without Disruption: Pathways to a Successful New Kenya." Report No. 72297, World Bank, Washington, DC.

World Bank. (2015). Devolution Without Disruption: Pathways to a Successful New Kenya. Nairobi, Kenya: World Bank and Australian AID.

Xie, B., Davidson, W., & DaDalt, P.J., (2003). Earnings management and corporate governance: the role of the board and the audit committee. Journal of Corporate Finance, 9, 295-316.

Xie, B., Davidson, W.N., & DaDalt, P.J. (2003) Earnings Management and Corporate Governance: The Role of Board and The Audit Committee , Journal of Corporate Finance", 9, 295-316

Zábojníková, G. (2016). The Audit Committee Characteristics and Firm Performance: Evidence from the UK.

Zahra, S.A., & Pearce, J.A.,(1989). "Boards of directors and corporate Financial Performance: A Review and Interactive Model", Journal of Management, 15, (2) . 291-334.

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: Introduction Letter

Phelister Pili Ruwah

P.O BOX 71- 80109

Date:

Dear Respondent,

This is Phelister Pili Ruwah, a graduate student at Kenyatta University. For my final project, Iam checking on the effects the audit committee characteristics may have on performance of Kilifi County Government. Iam writing to kindly request for your assistance by participating in this research study through filling in the attached questionnaires.

There isn't any reward for responding nor is there any known risk. So as to make sure that all the information will remain confidential, kindly do not include your name. Information that will be gathered will only be used for this academic exercise. Upon your acceptance to be part of this research, please give answers of all the questions as truthfully as you can and return the filled questionnaires promptly. Thank you in advance for choosing to assist me in my educational endeavors.

Phelister Pili Ruwah

0711571671Email; phelisterruwah@gmail.com

Appendix II: Research Questionnaire

INTRODUCTION

This study seeks to determine the effects that Audit Committee Characteristics may have on performance of Kilifi County, Kenya. You are required to answer the questions as accurately and truthfully as possible and wherever you don't understand a concept, you are free to inquire. Your responses will greatly help in the research.

SECTION A: GENERAL AND DEMOGRAPHIC DATA .

1. What gender do you identify with?

   Male [ ]

   Female [ ]

2. Kindly show the peak level of education you have achieved

   a. Polytechnic / College level [ ]

   b. University level [ ]

   c. Post graduate level [ ]

3. Cumulatively, for what duration have you been employed at Kilifi County Government?

   a.) two years and below [ ]

   b.) between three and five years [ ]

   c.) Above five years [ ]

SECTION B. AUDIT COMMITTEEE CHARACTERISTICS.

This section purposes to establish the various characteristics of the audit committee in Kilifi County, Kenya.

4. Audit committee independence

Kindly mark to what degree you concur with the following assertions. Tick as appropriate as I= Strongly Disagree, II=Disagree, III=Neutral, IV=Agree, V=Strongly Agree.

S/NO		1	2	3	4	5
1	Our audit committee has non-executive members.					
2	The board has a clear set of objectives that are independent of those of the organisation					
3	Audit committee is free from management influence					
4	Our audit committee has an unrestricted access to the internal audit unit and management					
5	Our audit committee has consistently demonstrated an independence of mind and objectivity					
6	The audit committee gives independent opinions and act freely from any conflicts of interest					

5. Audit committee diversity

Kindly show to what degree you concur with the following statements. Mark the most suitable with I= Strongly Disagree, II=Disagree, III=Neutral, IV=Agree, V=Strongly Agree.

S/NO	STATEMENT	I	II	III	IV	V
1	The audit committee comprises of members from diverse age groups					
2	The audit committee is diversified in respect to representing of different regions					
3	The audit committee consists of both male and female members					
4	The audit committee comprises of members of different professions					

6.Audit committee members experience

Kindly show your level of agreement with the assertions. Tick as appropriate as I= Strongly Disagree, II=Disagree, III=Neutral, IV=Agree, V=Strongly Agree.

S/NO	STATEMENT	I	II	III	IV	V
1	The audit committee have a great of understanding of the it's role, obligations, and responsibilities					

2	The audit committee members are knowledgeable in Accounting and finance matters					
3	The audit committee demonstrates a good comprehension of the organization's statutory and legal objectives and roles?					
4	The audit committee demonstrates an all-round comprehension of the firm's risk management and compliance arrangements and the related internal control framework?					
5	The audit committee members have sufficient expertise which enables it to effectively execute its roles					
6	The members of the audit committee should be registered members of relevant professional bodies.					

7. Audit committee meetings.

Kindly mark to what degree you concur with the following statements. Mark as appropriate as I= Strongly Disagree, II=Disagree, III=Neutral, IV=Agree, V=Strongly Agree.

S/NO	STATEMENT	I	II	III	IV	V
1	Our audit committee hold meetings frequently					

2	The meeting regularity held by the audit committee are adequate					
3	Our audit committee have relevant agenda during their meetings					
4	Meetings are well attended with majority of the members present at each meeting..					

SECTION C: AUDIT COMMITTEE CHARACTERISTICS AND PERFORMANCE OF KILIFI COUNTY GOVERNMENT.

This section purposes to determine the effects of audit committee characteristics on performance of Kilifi County, Kenya.

8. Please show to what level you agree with the statement. Mark as appropriate as I= Strongly Disagree, II=Disagree, III=Neutral, IV=Agree, V=Strongly Agree.

S/NO	**STATEMENT**	**I**	**11**	**111**	**1V**	**V**
1	audit committee independence influences service delivery by your organization					
2	audit committee diversity in your institution has an influence on delivery of services by your organization					

3	audit committee experience in your organisation has an influence on service delivery by your organisation					
4	audit committee meetings of your organisation have an influence on service delivery by your organisation?					

9. In your opinion, how has the audit committee independence affected the service delivery of your organisation? ____

____

10. In your opinion, how has audit committee diversity affected the service delivery of your organisation? ____

____ __

11. In your opinion, how has audit committee experience affected service delivery of your organisation? ____

12. What are your thoughts on how the audit committee meetings have influenced service delivery of your institution?

____

____

Iam greatful for the assistance you have given me for this research.

Appendix III: Research authorization letter from Graduate school.

KENYATTA UNIVERSITY
GRADUATE SCHOOL

E-mail: dean-graduate@ku.ac.ke
Website: www.ku.ac.ke

P.O. Box 43844, 00100
NAIROBI, KENYA
Tel. 8710901 Ext. 57530

Our Ref: D53/MSA/OL/32564/2016

DATE: 30th November, 2020

Director General,
National Commission for Science, Technology
and Innovation
P.O. Box 30623-00100
NAIROBI

Dear Sir/Madam,

RE: RESEARCH AUTHORIZATION FOR PHELISTER PILI RUWAH REG. NO. D53/ MSA/OL/32564/2016

I write to introduce Ms. Phelister Pili Ruwah who is a Postgraduate Student of this University. She is registered for MBA degree programme in the Department of Accounting and Finance.

Ms. Ruwah intends to conduct research for a MBA Project Proposal entitled, "Audit Committee Characteristics and Performance of Kilifi County Government, Kenya".

Any assistance given will be highly appreciated.

Yours faithfully,

PROF. ELISHIBA KIMANI
DEAN, GRADUATE SCHOOL

EK/enj

Appendix IV: Nacosti Research permit.

REPUBLIC OF KENYA

NATIONAL COMMISSION FOR SCIENCE,TECHNOLOGY & INNOVATION

Ref No: **731666**

Date of Issue: **06/January/2021**

RESEARCH LICENSE

This is to Certify that Ms.. PHELISTER PILI RUWAH of Kenyatta University, has been licensed to conduct research in Kilifi on the topic: Audit Committee characteristics and performance of Kilifi County Government, Kenya. for the period ending : 06/January/2022.

License No: **NACOSTI/P/21/8337**

731666

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.