Research Journal of Finance and Accounting
ISSN 2222-1697 (Paper) ISSN 2222-2847 (Online)
Vol.7, No.15, 2016

Audit Committee Size, Experience and Firm Financial Performance. Evidence Nairobi Securities Exchange, Kenya

Samoei Richard Kipkoech
PhD Student, Jomo Kenyatta University of Agriculture and Technology, Kenya
P.O. BOX 4842-30100 Eldoret, Kenya

Dr. Lucy Rono
Senior Lecturer , Department Of Accounting And Finance, School Of Business And Economics, Moi University

Abstract
The purpose of this paper was to establishing the effect of audit committee size and experience on firm performance among listed firms in Nairobi securities exchange, Kenya.. The study is informed by agency theory and institutional theory. The study was conducted in firms listed on the Nairobi Securities Exchange for the period ranging from 2006 to 2011. Multiple Regressions was used to test hypothesis. Research findings showed that audit committee experience and audit committee size a has a significant effect on firm performance. The presence of audit members with experience will also reduce financial misreporting and enhance quality monitoring. As such, having experienced audit committee members should be a key priority for firms. Also there is need for firms to have an audit committee that is not too small such that there is lack of expert advice and too large such that it has free riders that are prone to follow other members opinion.
Keywords: audit committee experience, audit committee size, firm performan

1.1 introductions

Financial performance has implications to organization's health and ultimately its survival. The Firms' management effectiveness and efficiency in making use of company's resources is highly reflected by high financial performance and this in turn contributes to the country's economy at large (Naser & Mokhtar, 2004). A growing stream of research suggests that audit committee characteristics are critically important to the firm performance (Abbott et al., 2003).

Corporate governance literature emphasize the need for audit committees to be comprised of members who are independent, including some of whom to possess financial expertise and for the audit committee to impact positively on firms financial health (Carcello et al., 2002; Abbott et al., 2004). The evidence in this area of research is unclear, however board and audit committee expertise has been shown to enhance firm value (Chan and Li, 2008; Bronson et al., 2009).

This study is anchored within the agency theory; the empirical studies increasingly recognize that audit committees have a central role in reducing agency problems (Zahra, Pearce 1989). Agency theory argues that the delegation of managerial responsibilities by principals (owners) and agents (managers) requires the presence of mechanisms that either align the interests of principals and agents or monitor the performance of managers to ensure that they use their delegated powers in the best interests of the principals. It has been argued that weak internal or external auditing, controlling and limited protection of minority shareholders intensify the traditional principal agent problems in transitioning economies (Dharwadkar et al.2000).

Studies carried out in developed economies such as Kenya often argue that the auditing system in it is comprehensive and is thoroughly backed by the law in order to maintain the impartiality, objectivity and independence of statutory auditing process. Unfortunately, it has been observed over the time that the auditing system in Kenya has become susceptible to various types of accounting manipulations, irregularities and leakages; therefore, harming the interests of investors and other stakeholders.

The operations of audit committees in a developing country may differ when compared to practices in developed countries. This study attempts to understand, how audit committees operate in developing countries, the size and experience and their effect on financial performance for companies listed on the Nairobi securities exchange. Corporate governance literature always argue that audit committee participates, not only in the process whereby management disseminate information to the auditors and releasing unbiased information reducing information asymmetry between insiders and outsiders; but also play an important role in ensuring that statutory auditors are not in the influence of management, therefore audit committees can be used as a mechanism to reduce agency problems faced by firms, (Jensen and Meckling, 1976), The composition and character of the audit committee play significant role in influencing quality of an organization performance Cadbury, 1995).

Previous studies in developed economies such as Kenya disclosed a challenge that many audit committee members do not possess the necessary skills, knowledge and experience to act as audit committee members and perform their duties optimally Cascarino & Van Esch (2005); it also revealed the existence of management challenge to an apparent lack of available non-executive directors (NEDs) with the required business acumen and accounting background who are willing to serve on audit committees Njunga (2000). However, very few studies have addressed or even shown how audit committee composition and character influence firm's financial performance in developing countries such as Kenya. Chang and Singh (2000)argues that assessing the relative impact of audit committee size, number of independent auditors, audit committee gender diversity and audit committee experience on performance has received scant empirical study. Furthermore, these issues have only been seldom addressed within the context of NSE firms. Therefore this research study hypothesized that;

H_{o1}: Audit committee size has no significant effect on firm performance

H_{o2}: Audit committee experience has no significant effect on firm performance

Theoretical Framework

The Agency Theory

The separation of ownership and control in modern business creates conflicts of interest between managers and stakeholders. Following this conflict was between the principal and the agent, companies are obliged to use control mechanisms to reduce agency costs and information asymmetry like the audit committees (Kalbers & al 1998). Similarly Pincus & al (1989) argues that audit committees are used primarily in situations where agency costs are high to improve the quality of information flows from the agent to the principal. According to the agency theory, to ensure the effectiveness of an audit committee, managers are encouraged to prepare financial statements adequately to specify the return generated by the companies.

Beasley (1996) and Felo & al (2003) based on the agency theory provide for the existence of a positive and significant relationship between the presence of an audit committee and the quality of financial statements. Similarly Mc Mullen (1996), based on the agency theory, finds a positive relationship between the existence of an audit committee and the reliability of financial statements. The agency theory states that the presence of an audit committee within the board of directors is sufficient to ensure the reliability of financial statements. However, Beasley (1996) concluded that the mere presence of an audit committee does not necessarily mean that this committee is effective in performing its oversight role.

The Institutional Theory

In addition to work focused on agency theory, many research on audit committees have relied on an institutional perspective (Scott 1995 and Zaman 2002). The principle of institutional theory is defined by the fact that an organization consists of cultural, social and symbolic that constitutes its broader institutional environment (DiMaggio& al 1983). The adoption and the operation of audit committees were discussed based on this perspective to the extent it suggests that the audit committee can influence and be influenced by a multiplicity of agents (Zaman2002).

Similarly Zaman (2002) states that this perspective can enhance the role of professional bodies and the promotion of regulatory audit committees. In this regard to better perform the function of monitoring and control efficiently, which some authors Klein (2002) and Bryan &al (2004) have stressed the importance of certain characteristics related to the members that form the audit committee.

Likewise, the report Vienot (1995) provides that the audit committee's main task is "to ensure the relevance and consistency of the accounting policies adopted for the consolidated financial statements and the company's social and verifies that the internal procedures for collecting and monitoring information guarantee them. In the same furrow, Spira (2003) states that the audit committee has the ultimate aim of defending the interests of investors and reduce agency problems of companies characterized by informational asymmetries. In addition, Spira (2003) showed that the audit committee is an effective body to protect the interests of shareholders and ensure the reliability of information disclosed.

Empirical Reviews

Anderson et al, (2004) argues that if the size of a team is large, individual members may be more vulnerable to the pressures and more subject to follow the others' opinion without giving another argument. In this case, the audit committee members are not likely willing to question the potential errors in the accounting reports of the internal review process, which in turn can lead to a greater chance of presenting again later. Conversely a small team will facilitate the exchange of information in the firm and a better discussion between members, to assist management to identify potential errors in financial reporting and reduce the incidence of restatement of the minimum size requirements. A large committee may suffer from the problem of free riders, From previous studies; the performance of the audit committee was determined by the number of audit committee members. These variables have been tested in previous studies conducted by (Xie *et al.*, 2003).

The results showed that the size of the audit committee and to devote more resources is more likely to oversee financial reporting and internal control systems within a firm hence high performance (Anderson et al, 2004.) and facilitate discussions between the audit committee members (DeZoort and Salterio, 2001). Empirical evidence shows that companies with greater audit committee size prefer to suspicious auditor switches (Archambeault and DeZoort, 2001) and more likely to have lower costs of debt (Anderson et. Al, 2004.). Since the exchange, the effect now requires their registrants to have at least three directors on the audit committee, hence a strong relationship between audit committee size and firm performance.

Sharma *et al.* (2009) found evidence that the number of AC meetings is negatively associated with multiple directorships, audit committee independence and an independent AC chair. They find a positive association between the higher risk of financial misreporting and AC size, institutional and managerial ownership, financial expertise and independence of the board. Hence it is argued that the number of members on the audit committee and number of meetings can potentially have a positive impact on firm performance.

Similarly Pincus show that firms with larger audit committees are expected to devote greater resources to monitor the process of "reporting" accounting and finance. In the same furrow, Anderson & al (2004) found that large size audit committees can protect and control the process of accounting and finance with respect to small committees by introducing greater transparency with respect shareholders and creditors which has a positive impact on the financial performance of the company

Consistent with this argument, a study of Anderson *et al.* (2004) showed that the cost of debt is reduced while increasing audit committee experience; shown to improve the performance of the company to reduce debt. Xieet.al. (2003) found that the number of negative audit meetings related to discretionary accruals (DAC) The topic of audit committee financial expertise has been widely discussed by accounting researchers. Questions were also raised by public investors whether the exchange requirements of financial reporting and financial expertise of audit committee members have been well addressed (SEC, 2002). Raghunandan *et al.* (2001) find that committees comprised of at least one member having an accounting or finance background are more likely to have longer meetings with the chief internal auditor; provide private access to the chief internal auditor; and review internal audit proposals and results of internal auditing. Likewise, the financial expertise of audit committee may also affect audit services

Abbott *et al.* (2003) document that audit committee financial expertise is significantly, positively associated with audit fees. Information content of audit committee financial expertise has already been documented. Defond *et al.* (2005) claim that a positive market reaction to the appointment of financial experts assigned to audit committees is found however, there is no reaction to non-financial experts assigned to audit committees. Davidson *et al.* (2004) show significant positive stock price reaction when new members of audit committees have financial expertise.

Archambeault *et al.* (2008) find that there is a predicted positive relation between short-term incentive compensation (short-term stock option grants) for audit committee members and likelihood of restatement. The presence of audit committee financial expertise could help the company from fraud prevention and therefore improve firm performance.

In Australia, the ACGPR explicitly requires that the AC include members who are all financially literate in that they are able to read and understand financial statements and at least one member should have relevant experience and education qualifications (i.e. qualified accountant or another finance professional with experience of financial and accounting matters) and that some members should have an understanding of the firm's industry (Australian Securities Exchange Corporate Governance Council 2007). Recent research confirms that accounting expertise within boards that are characterized by strong governance contributes to greater monitoring by the AC and leads to enhanced conservatism (Krishnan and Visvanathan 2008).

The literature separates managerial experience from governance experience i.e. serving on other ACs or boards. Having experienced members on the AC contributes to significantly less misreporting and more effective monitoring (Raghunandan and Rama 2007). Greater independent director experience and greater audit knowledge results in more reliable reports (DeZoort 1998). The empirical evidence indicates that markets react more positively to the appointment of a new AC member who is an expert (Davidson *et al.*2004; DeFond *et al.* 2005). Within the AC, the chair fulfils a key leadership role and hence should be the most qualified person on the AC. Where the AC chair has sufficient auditing background, it is very likely that the AC chair and the CFO will form a good working relationship. Although it is recognized that the chair of AC should have experience, Vafeas (2003) finds contrary evidence that 76% of AC chair's do not have any auditing experience. While experience arguably contributes to AC effectiveness, when AC members have multiple directorships they can be overstretched and will not fulfill their fiduciary duties effectively. Consequently AC effectiveness is negatively impacted the more directorships AC members hold (Vafeas 2003).

The study by Bedard & al (2004) states that there are three aspects to the expertise of the members of audit committees namely: financial expertise, the expertise of government and finally the specific expertise in of the firm. Similarly, Dezoort & al (2001) have found that the amount of experience of audit committee members as well as their knowledge of auditing is positively associated with the likelihood that members support the listener in the discussion of the managerial firm.

Braiotta (1999) provides that members of the audit committee must have some skills in accounting and related fields. Likewise Price Waterhouse indicates that the expertise of the members of the Audit Committee in the field of accounting and finance is a key element of the effectiveness of this committee. Similarly Dezoort& al

(2002) require that audit committees consist of at least three independent members whose one of them has a high level of expertise in accounting and finance

Research Methodology

This study adopted an explanatory design. Quantitative data relating to audit committee size, gender diversity, number of independent directors and audit committee experience of Kenyan firms listed in the stock exchange was collected over the past six (8) years from 2006 to 2013 annual reports . Out of the 60 listed companies, the study comprised those that have been consistently trading for the study period (that is from 2008 – 2013). This was to eliminate the problem of missing data which will violate the precision and completeness principle. This study utilized secondary data and data was collected by use of content analysis which was obtained from the annual financial statements reports of listed firms, annual investors' reports, magazine and articles related to the financial performance of listed firms.

Data Analysis

Multiple Regressions was used because of its ability to use multiple independent variables to estimate their effect on a single dependent variable. This would predict a single dependent variable from any number of independent variables entered into regression equations. Blalock (1999) states that "if there are a large number of interval-scale variables that are interrelated, it will be possible to predict any particular variable from any combination of the others'. The study thus used the technique to examine the effect of audit committee characteristics on financial performance. The hypothesis was tested at 0.05 level of significance (95 confidence level)

The regression model which assumed linearity, normality, constant and independence was

$Y= \beta_0+ \beta_{1it}X_{1it}+ \beta_{2\ it}\ X_{2it} +\beta_{\ 3it}X_{3it}+ \beta_{4it}X_{4it} + \beta_{5it}\ X_{5it} + \beta_{6it}X_{6it} +\varepsilon$

Y = The dependent variable (firm performance measured as return on assets

$\beta_0 =$ Constant

β_1, β_2, was the regression coefficients in Y by each variable of X

$X_1 =$ Audit committee experience

$X_2 =$ Audit committee size

X_3-$X_6 =$ Control variables such as Board size, Firm size, Board tenure, CEO duality

ε = Error

Findings and discussions

This sections presents results of this study based on the formulated objectives and hypotheses as presented in chapter one. Hypotheses are also tested with the study accepting or failing to accept them depending on the p values and t test value.

Descriptive statistics

Study findings in table 1 illustrated the results in all the sectors. Results in table 1 revealed that the audit committee experience for all sectors was 11 years (mean = 11.997). The audit committee was composed of an average of 13 members.The average board size for firms in NSE is 9 members with 14% CEO duality. The average ratio for firm size among all listed firms in NSE was 6.5566 and CEO tenure was 2 years (mean = 2.7108).

Table 1 Descriptive statistics

	Min	Max	Mean	Std. Deviation	Skewness	Kurtosis
Audit committee experience	40.18	69.27	11.997	6.27248	-0.067	-0.497
Audit committee size	8	14	13.4704	2.47717	0.908	1.039
board size	3	16	9.2587	2.8598	-0.102	-0.582
CEO duality	0	1	0.1439	0.35156	2.04	2.178
Firm size	0	8.89	6.5566	1.25838	-1.426	4.17
board tenure	1	6	2.7108	0.93681	0.221	0.987

Correlation results

Correlation analysis is a technique of assessing the relationship between variables: audit committee experience, audit committee size, board size, CEO duality, firm size, board tenure and firm performance. Thus, the study analyzed the relationships that are inherent among the independent and dependent variables. The results regarding this were summarized and presented in Table 2. From the results, audit committee experience had positive significant effect relationship with firm performance ($r = 0.310$ which is significant at $\alpha = 0.01$). Audit committee size was however, negatively correlated to firm performance (r -0.193significant at $\alpha = 0.01$). Firm size was also shown to be negatively correlated to firm performance ($r = 0.136$, significant at $\alpha = 0.05$). CEO duality was negatively correlated to firm performance ($r= -0.205$ significant at $\alpha = 0.05$). Furthermore, board tenure was positively related to firm performance as shown by correlation coefficient value of 0.391 (significant at $\alpha = 0.01$).

Table 2 Correlation results

	Firm performance	Audit committee experience	Audit committee size	board size	CEO duality	Firm size	Board tenure
Firm performance	1						
Audit committee experience	.310**	1					
Audit committee size	-.193**	.165**	1				
Board size	-0.098	0.067	0.048	1			
CEO duality	-0.205*	0.017	0.062	-.399**	1		
Firm size	-.136*	-0.063	0.003	.121*	-0.054	1	
Board tenure	.391**	.173**	-0.092	0.008	-0.033	-0.003	1

*** Correlation is significant at the 0.01 level (2-tailed).*
** Correlation is significant at the 0.05 level (2-tailed).*

Testing hypothesis

Also, audit committee experience, committee gender, number of independent auditors and audit committee size explained 45.3% variation of firm performance. This showed that considering the independent variables, there is a probability of firm performance (R squared = 0.453). The Durbin Watson value of 1.743 was within the thumb rule of 2 thus no autocorrelation. Study results in table 3 revealed that F value 57.86, with p value = 0.000 significant at 0.05, this implies that the joint prediction of audit committee experience, committee gender, number of independent auditors and audit committee size is significant. This shows that the model can be used in future to predict firm performance. The study rejected all the two hypotheses and interested that audit committee experience showed a positive and significant effect on firm performance (β= 0.331, $\rho<0.05$. however, audit committee size showed a negative and significant effect on firm performance (β= -0.213, $\rho<0.05$). the finding coincide with Abbott et al. (2003) findings that audit committee financial expertise is positively and significantly associated with firm performance Anderson et al. (2004) showed that an increase in audit committee experience leads to reduction in the cost of debt, in so doing the firm performance is improved Archambeault et al. (2008) echoes that the presence of audit committee financial expertise reduces the chances of fraud in a company thereby improving firm performance. However, tour findings on audit committee size disagrees with Sharma et al. (2009) that the number of members on the audit committee can potentially have a positive impact on firm performance. Nevertheless, Anderson et al, (2004) states that large size audit committees can protect and control the process of accounting and finance compared to small committees because of greater transparency with respect to shareholders and creditors leading to improved firm performance

Table 3 Multiple Regression Analysis

	Unstandardized Coefficients	Standardized Coefficients	Collinearity Statistics				
	B	Std. Error	Beta	T	Sig.	Tolerance	VIF
(Constant)	-9.894	2.048		-4.831	0.000		
Audit committee experience	0.259	0.035	0.331	7.351	0.000	0.968	1.033
Audit committee size	-0.419	0.096	-0.213	-4.366	0.000	0.824	1.214
Board size	-0.287	0.098	-0.172	-2.928	0.004	0.825	1.212
CEO duality	-2.272	0.791	-0.168	-2.874	0.004	0.84	1.191
Firm size	-0.407	0.215	-0.102	-1.895	0.059	0.979	1.022
Board tenure	1.968	0.273	0.386	7.206	0.000	0.998	1.002
R Square	0.453						
Adjusted R Square	0.446						
Durbin-Watson	1.743						
F	57.86						
Sig.	0.0000						

a Dependent Variable: firm performance

Conclusion And Recommendations

The results of the study have shown that the presence of audit members with experience reduces the chances of financial misreporting which in turn improves firm performance. The chances of fraud are also reduced as well as the cost of debt. Further, vast wealth of experience of audit members is associated with quality monitoring and greater audit knowledge which is instrumental to improved firm performance. Finally, With increased size of the audit committee, firm performance is expected to decline because of the problem of free riders and the pressure to follow other members' opinion without considering your argument. However, it can also be argued that large size audit committees can protect and control the process of accounting and finance since there is increased expert advice with increased size of the audit committee.

It is therefore utmost necessary for firms to re-elect audit committee members that have served for more than 9 years to the board because of their vast experience. having experienced audit committee members should be a key priority for firms.there is need for firms to have an audit committee that is not too small such that there is lack of expert advice and too large such that it has free riders that are prone to follow other members opinion. The size of the audit committee should also be in a way that the process of accounting and finance are protected and firm performance is increased.

This study recommends that another study be done to augment finding in this study; it therefore recommends a study be done on more number of firms rather than including only firms in the NSE for the sake of generalizing the results of the study. Moreover, including moderator factors can also be made in the research models of the new research by other scholars in future.This study included only four factors, there could be some o her relevant factors that may be perceived important but were excluded from this study. Future researches, therefore, may consider more factors, like audit committee meetings, audit committee financial expertise and other variables such as audit committee composition that can influence firm performance.

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

Abbott, L. J., (2004), Audit committee characteristics and restatements, Auditing: *A Journal of Practice & Theory* 23, 69-87.

Abbott, L. J., S. Parker, & Peters, G. F. (2002), *Audit committee characteristics and financial misstatement: A study of the efficacy of certain blue ribbon committee recommendations: A Journal of Practice & Theory* 19 (1), 31–47

Abbott, L., G. & Raghunandan K. (2003b). Audit committee characteristics and the relative magnitude of non-audit service purchases. *Contemporary Accounting Research*. 14, 31–47

Abbott, L.J., Parker, S., & Peters, G.F., (2004). Audit committee characteristics and restatements. Auditing: *A Journal of Practice & Theory* 23 (1), 69–87

Adams, Renée, & Daniel Ferreira. (2009). Women in the boardroom and their impact on governance and performance. *Journal of Financial Economics* 94 (2): 291–309.

Al-Thuneibat, A. (2006). The Auditing*: The Light of International Auditing Standards and Local Laws and Regulations*: *Theory and Application*. First Edition, University of Jordan.

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.

Archambeault S, F Todd DeZoort, & Dana R H (2008). Audit Committee Incentive Compensation and Accounting Restatements. *Contemporary Accounting Research.* 25, (1).

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.

Arens, A. A.; Elder, R. J. & Beasley, M. S. (2009). *Auditing and Assurance Services: An Integrated Approach*. 13th ed., New Jersey: Prentice Hall.

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

Bear, S., Rahman, N., & Post, C., (2010). The impact of board diversity and gender composition on corporate social responsibility and firm reputation. *Journal of Business Ethics*, 97 (2): 207-221.

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.M & Courteau, L (2004), the effect of audit committee expertise, independence, and activity on aggressive earnings management. Auditing: *A Journal of Practice & Theory* (23), 13–35.

Beretta, S. & Bozzolan, S. (2004).A framework for the analysis of firm risk communication. *The International Journal of Accounting,* 39 (3), 265-288.

Bernardi, R. A. & Threadgill, V. H., (2010). Women directors and corporate social responsibility, *Electronic Journal of Business Ethics and Organizational Studies,* 15 (2): 15-21

Bernardi, R. A., & Guptill, S. T., (2008). Social desirability response bias, gender and factors influencing organizational commitment: *An international study, Journal of Business Ethics,* 81 (4): 797-809.

Bernardi, R. A., Bean, D. F & Weippert, K. M., (2002). Signaling gender diversity through annual report pictures: A research note on image management. Accounting, *Auditing and Accountability Journal,* 15 (4): 609-616.

Bernardi, R. A., Bean, D. F & Weippert, K. M., (2005). Minority membership on boards of directors: A case for requiring pictures of boards in annual reports, *Critical Perspectives on Accounting, 16* (8): 1019-1033.

Bernardi, R. A., Bosco, S. M & Columb, V., (2009). Does female representation of boards of directors associate with the 'most ethical companies' list? *Corporate Reputation Review,* 25 (3): 270-280.

Bernardi, R. A., Bosco, S. M., & Vassill, K. M., (2006). Does female representation of boards of directors associate with Fortune's "100 best companies to work for" list? *Business and Society,* 45 (2): 235-248.

Blalock, Hubert M. (1999). *Causal influences in Non experimental Research*. Chapel Hill: University of North Carolina Press

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

Braiotta, L. (2004). *The Audit Committee Handbook,* 4th edition. New York: Wiley.

Bronson, S.N., Carcello, J.F., Hollingsworth, C.W. & Neal, T.L. (2009). Are fully independent audit committees really necessary?, *Journal of Accounting and Public Policy*, 28(4) : 265–280.

Bryan, D., M.H. Liu et. S.L. Tiras, (2004). *The Influence of Independent and Effective Audit Committeeson Earnings Quality*,

Burgess, Z. & Tharenou, P. (2002) Women Board Directors: Characteristics of the Few', *Journal of Business Ethics*, (21), 39-49.

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.

Capital Markets Authority (2002): *guidelines on corporate Governance in Public listed Companies in Kenya*, Kenya Gazette Notice No. 369, 122-128.

Carcello Joseph V, Carl W Hollingsworth, & Terry L Neal. (2006). Audit Committee Financial Experts: A Closer Examination Using Firm Designations. *Accounting Horizons*. 20 (4). 351.

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

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.

Carter, David A., Frank D'Souza, Betty J. Simkins, & W. Gary Simpson. (2008). *The diversity of corporate board committees and financial performance*. 19 (3), 365–384

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

Chan, K. C., & Li, J. (2008), Audit committee and firm value: Evidence on outside top executives as expert-independent directors, Corporate Governance: *An International Review* 16, 16-31.

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

Conyon. M. & He, L., (2004). CEO compensation, incentives, and governance in new enterprise firms. *Journal of Derivative Accounting*, 1: 47-60

Cooper, D.R & Schindler, P.S. (2003). *Business Research Methods*. New York: McGraw-Hill.

Core, J., R. Holthausen, & Larcker, D. (1999), Corporate governance, chief executive officer compensation, and firm performance, *Journal of Financial Economics* 51, 371-406.

Crutchley C. E., Marlin R.H. Jensen & Beverly B. Marshall. (2007). Climate for Scandal: Corporate Environments that Contribute to Accounting Fraud. *Financial Review*, 42 (1), 53-73.

Davidson III Wallace N, Biao Xie, & Weihong Xu. (2004). Market Reaction to Voluntary Announcements of Audit Committee Appointments: The Effect of Financial Expertise *Journal of Accounting and Public Policy*. 23, (4) 279.

Defond Mark L, Rebecca N Hann, & Xuesong Hu. (2005). Does the Market Value Financial Expertise on Audit Committees of Boards of Directors? *Journal of Accounting Research*. 43, (2) 153.

Dennis M.R., Adrianne Dennis Kunkel Palmerston North (2004). Perceptions of Men, Women, and CEOs: the Effects of Gender Identity", *Social Behavior and Personality,* 32 (2) 155-173.

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, F.T. (1998). An Analysis of Experience Effects on Audit Committee Members' Oversight Judgments, *Accounting, Organization and Society*, 23(1), 1-22.

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, 38–75

Dharwadkar, R., George, G. & Brandes, P. (2000). 'Privatization in emerging economies: an agency theory perspective'. *Academy of Management Review*, 25, 650–69.

Dimaggio, J. et W. Powel, (1983). The Iron Cage Revisited: Institutional Isomorphism and Collective Rationality in Organizational Fields, *American Sociological Review*, 45, (1), 140-160.

Felo, A.J., Krishnamurthy S & Solieri, (2003). *Audit Committee Characteristics and the Perceived Quality of Financial Reporting: An Empirical Analysis*, document de travail.

Finance Committee on Corporate Governance (FCCG) (1999) *Report on Corporate Governance*, Malaysia:

Ministry of Finance.

Ganguly, A. (2001). Provisions of Audit Committee in Companies Act Listing Agreement:

Giacomino, D. E., M. D. Akers, & J. Wall, (2009), Testing the financial literacy and expertise of audit committee members, *CPA Journal* 79, 66-71.

Harrast S. A, Lori M. O. (2007). Can Audit Committee Prevent Management Fraud? *The Accounting Journal.* 77, (1) 24

Houthoofd, N. (2006). Competitive and performance implications of business definitions. *SAM Advanced Management Journal,* 71(3), 45-56.

Huang, J. J., Y. Shen, & Q. Sun. (2011). Nonnegotiable shares, controlling shareholders, and dividend payments in China. *Journal of Corporate Finance* 17 (1):122-133.

Hussainey, K. & Elzahar, H. (2012). Determinants of narrative risk disclosures in UK interim reports. *Journal of Risk Finance,* 13 (2), 133-147.

Iswatia, S., & Anshoria, M. (2007). The Influence of Intellectual Capital to Financial Performance at Insurance Companies in Jakarta Stock Exchange (JSE), *Proceedings of the 13th Asia Pacific Management Conference*, Melbourne, Australia.

Ittonen, K., Miettinen, J., & Vahamaa, S., (2007), Does female representation in audit committees affect audit fees?

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

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

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

Kothari, C. R. (2004). *Research Methodology: Methods and Techniques* (2nd Ed.). New Delhi: New Age International limited.

Krippendorff, K. (2004a). *Content analysis: An introduction to its methodology* (2nd ed.). Thousand Oaks: Sage.

Krippendorff, K. (2004b). Reliability in content analysis: Some common misconceptions and recommendations. *Human Communication Research,* 30(3), 411-433.

Krishnan, G., & G. Visvanathan, (2008), Does the sox definition of an accounting expert matter? The association between audit committee directors' accounting expertise and accounting conservatism, 827-857.

Li Carmen A, & Bob W. (2004). Between Glass Ceilings: Female Non-executive Directors in UK Quoted Companies. *International Journal of Disclosure and Governance.* 4 (1); 355-372.

Linsley, P. M. & Shrives, P. J. (2006). Risk reporting: A study of risk Disclosures in the annual reports of UK companies. *The British Accounting Review,* 38 (4), 387-404.

Mahobbot, A. M. (2005) Corporate risk reporting practices in annual reports of Japanese companies. *Japanese Journal of Accounting,* 16 (1), 113-133

Maingat, M & Zeghal, D. (2000). *A survey of audit committees in Canada*, paper presented at the 23rd EAA Annual Congress, 29-31 March, 2000, Munich

Mangena, M & Chamisa, E (2008). 'Corporate governance and incidences of listing suspension by the JSE Securities Exchange of South Africa: An empirical analysis', *International Journal of Accounting*, 43, 28-44.

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

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..

Naser, K. & Mokhtar, M. Z. (2004). Determinants of Corporate Performance of Malaysian Companies, Paper presented at the Fourth Asia Pacific Interdisciplinary, *Research in Accounting Conference,*\.

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

Okeahalam, C. C. (2004), "Corporate governance and disclosure in Africa: issues and Challenges", *Journal of Financial Regulation and Compliance*, 12, 359-370.

Oso W.Y & Onen D (2005). *A General Guide to Writing Research Proposal and Report*: A Handbook for Beginning Researchers. Kisumu, Kenya: Option Press and Publishers.

Owens-Jackson Lisa A, Diana Robinson, Sandra Waller Shelton. (2009). The Association Between Audit Committee Characteristics, *the Contracting Process and Fraudulent Financial Reporting.*

Panneerselvam R., (2004), *Research methodology*; Prentice Hall of India, PP (2-3)

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

Raghunandan K & Dasaratha V R.(2004). Audit Committee Composition and Shareholder Actions: Evidence from Voting on Auditor Ratification. *Auditing*. 22, (2) 253.

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

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

Rezaee, Z., Olibe, K. O. & Minmier, G. (2003), ‘Improving corporate governance: the role of audit committee disclosures’, *Managerial Auditing Journal,* Vol. 18, No. 6/7, pp. 530–37.

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

Robert K. H (2002). *Making Audit Committees More E*ffective – Chief Accountant, Tulane Corporate Law Institute, New Orleans

Robert K. H. (2002). *Critical Accounting and Critical Disclosures* –Chief Accountant, before the Financial Executives International – San Diego Chapter, Annual SEC Update, San Diego, California

Robert K. Herdman (2002). *Moving Toward the Globalization of Accounting Standards* –Chief Accountant, at the Schmalenbach Institute for Business Administration Conference (Schmalenbach-Tagung), Cologne, Germany

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

Sarbanes-Oxley Act, (2002), *Public company accounting reform and investor protection* (US Congress, Washington).

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., V. Naiker, & B. Lee, (2009), *Determinants of audit committee meeting*

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.

Tettamanzi, P., & Corno, F. (2006). External Auditing vs Statutory Committee Auditing: The Italian Evidence, *International Journal of Auditing*, 14(1): 25-40

Vafeas, N. (2001). On audit committee appointments. *Auditing: A Journal of Practice and Theory* (March): 197-207

Vafeas, N., (1999), Board meeting frequency and firm performance, *Journal of Financial Economics* 53, 113-142.

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

Vicknair, D., Hickman, K. & Carnes, K.C. (1993). “A Note on audit Committee Independence”, *Accounting Horizon,* 7(1), 53-57..

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

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

Wood, J.T. (2003). *Gendered lives: Gender, Communication and Culture* (5th ed.), Belmont, CA, Wadsworth.

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.

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.