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Audit Committee Mechanisms and Corporate Governance Among MMDAS in the Western Region of Ghana

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Abstract

Audit committee (AC) has become a fundamental mechanism in corporate governance across the globe. Critical observation shows that there exists conflict between auditors and management of MMDAs in the Western Region as well as community members and the assemblies. This form of agency problem creates tension within the working environment of MMDAs in the region. In light of this, the study examines the impact of audit committee mechanisms and corporate governance among MMDAs in the western region of Ghana. The study utilizes the quantitative method through the cross-sectional survey design. The study employs the purposive and convenience sampling technique to sample fourteen (14) MMDAs, with 12 respondents selected from each of the 14 MMDAs in the western region. The sample size is 168. Data is analysed using SPSS version 20 and through descriptive, correlation and regression tools. The study discovers the most dominant indicator underscoring audit committee characteristics of MMDAs in the western region of Ghana is independence. Similarly, the study discovers that the most dominant indicator underscoring audit committee role/functions of MMDAs in the western region of Ghana is internal control. The study finds a positive linkage between audit committee functions and corporate governance. The study finds that corporate culture moderates positively the relationship between audit committee and corporate governance among MMDAs in western region of Ghana. It is concluded that audit committee mechanism is a vital component of corporate governance indication among MMDAs. It is recommended that audit committee needs to be strengthened in order to ensure their effective operations as well as enhances corporate governance activities.

Keywords: Internal Audit, Audit Committee Mechanisms, Public Financial Administration, Economic management, Accounting, Accountability, Transparency, Corporate Governance

1.0 INTRODUCTION

Audit committee (AC) is one of the significant indicators of good corporate governance. PWC (2016), posits that the AC is a cornerstone of good corporate governance and is in the best position to provide effective oversight of the objectivity, independence, performance of the auditor and the audit quality work. AC can be defined as a major operating committee of a firm, institution or organization that supervises and oversees timely, appropriate and relevant financial reporting and disclosure. AC comprises of independent non-executive managements, including at least one person with qualification and experience in accounting and/or finance. Due to institutional appeal of audit committee, Bhasin (2012), argues that audit committee (AC) has become a fundamental mechanism in corporate governance across the globe. The mandate of an AC is to ensure effective monitoring of reliability accounting and auditing processes and procedures of an entity in order to ensure their reliability and protection of stakeholder's interests (Agoglia et al., 2011).

Al-Baidhani (2015), indicates that audit committee functions as an arbiter of the management from whom it takes its authorities to execute its corporate governance obligations which include monitoring and overseeing the institution's financial disclosures, performance of auditors, and efficacy of internal control systems, regulatory compliance, risk assessment and control system. The AC is a vital advisory body to the management and provides adequate recommendations on regulatory, moral and ethical principles as well as general standards thus independent and competent of internal auditors, proper preparation of financial statements that the benefits paid to the institution's directors are in accordance to objectivity and proficiency (Basuony et al., 2014). In light of enhancing reliability of the institution's financial reporting, a supervisory body may entail a public institution to form an independent audit committee (Bhagat and Black, 2014). AC may pursue the expertise and consulting resources required to execute their responsibilities. These indications show the vital role of AC in corporate governance.

According to Boateng (2016), the use of audit committee across diverse countries and corporations in the world is no exception to Ghana. However, the author argues that the role of AC in Ghana is most at times influenced by political actors making corporate governance decisions and implementation very challenging. Despite this, studies have shown that corporate governance indicators go beyond corporate governance principles such as accountability, transparency but audit committee is highly vital (Oni, 2009; Adegbite, 2012; Takyi, 2015). The effectiveness of these principles is underscored by proper audit committee. The study by Klein (2010), argues that the importance of audit committee in corporate governance cannot be downplayed, since it helps prevent manipulation of accounting figures by institutions or organizations. Similarly, audit committee mechanisms provide the platform upon which external auditors are held accountable for the scope, nature and quality of work produced (Dignam, 2007).

The study by Caskey et al (2010), shows that the responsibilities of AC in any institution or organization include providing recommendation on the appointment of external auditors, proper and adequate review of financial statements of institutions or organizations, taking critical action on items and issues raised by auditors, providing a mediation role between the auditor and the management and giving recommendation on irregularities discovered on audit investigations conducted. The AC is highly responsible for the quality of financial report produced and providing critical observation on the auditing processes and procedures in an organization or corporation (Beasley et al, 2009). Further, Takyi (2015) indicates that the basic premise upon which corporate governance (CG) indicator, thus audit committee, operates is the availability of efficient and well-organized resources. Within the district assemblies, the author argues that this can work effectively through appropriate corporate culture. This clearly shows the importance of corporate culture in audit committee issues.

Solvange (2017), covers quality of behavior and process of bringing out legislation that mandates people to behave appropriately. However, the author indicates that this is a major challenge for many organizations most especially within the MMDAs in western region of Ghana. In light of this, Bhasin (2013), and Malthus (2010), report that appropriate audit committee has the propensity of influencing performance of corporate institutions. Alqatamin (2018) intimates that the selection of audit committee is very important since their impact influence the performance of an organization. The author argues that audit committee linkage with performance level is still on ambiguous level. In view of this, the study seeks to examine the impact of audit committee mechanisms and corporate governance among MMDAs in the Western Region of Ghana.

1.1 Statement of the Problem

Critical observation shows that there exists conflict between auditors and management of MMDAs in the Western Region as well as community members and the assemblies (Ghana News Agency, 2017). This form of agency problem creates tension within the working environment of MMDAs in the region. Boateng (2015), argues that most corporate governance practices especially the work of auditors and AC members are influenced by political actors, poor supervisory system in most African countries of which Ghana is no exception. Bhasin (2012), also argues that the relationship between MMDAs stakeholders is very important, however, their collaborative relationship is fraught with huge conflict of interest that most often evolved as a result of ownership-separation, control, divergent views of chief executives, objectives or position of shareholders, community's perception, and information asymmetry amongst these stakeholders.

The study by Lumumba (2015), also indicates that auditors report to stakeholders and thus their commitment is with the management who assures auditors power and opportunity to deliver their services. Hence, the auditors sometimes do not pay attention to financial irregularities committed by management to gain favor from them expecting to be re-appointed in subsequent financial years. Also, Ogbechie (2016), maintains that audit committee mechanisms are shrouded in corruption, misdemeanors and diverse abuses in most African countries of which Ghana is no exception. Despite these challenges, Gatamah (2016), argues that MMDAs can function effectively through appropriate corporate governance underscored by the work of an active audit committee. The mechanisms of an effective audit committee are underpinned by its characteristics and performance (Ogbechie, 2016).

Moreover, Lee (2010), intimates that, audit committee existence is what provides the committee the power to function. The author argues that to ensure efficiency of corporate governance in any institution, audit committee must exist. The study is carried out to examine how audit committee can be relevant for the management of MMDAs in the Western Region of Ghana. It will also help organizations to know the impact of corporate culture when audit committee is established to achieve corporate governance issues. Since little information is available regarding the moderating role of corporate culture on the relationship between audit committee and corporate governance.

The extant literature also reveals that most of the studies conducted in the area of audit committee have been focused on the independence and financial expertise of audit committee members. The existing literature also shows that most of the studies conducted in the area of corporate governance have little concentration on audit committee (Trevino, 2004; Ali, 2016; Arthur, 2016). Despite this, Herdjiono and Sari (2017), reports that audit committee effectiveness enhances corporate governance practices. Further, considering the challenges of MMDAs in Ghana coupled with the gaps reviewed, it is rather interesting to know that no researcher in Ghana have made an attempt to find out the audit committee mechanisms and corporate governance among MMDAs using a quantitative analysis. Thus, the study seeks to examine impact of audit committee mechanisms and corporate governance among MMDAs in the Western Region of Ghana, using a quantitative analysis.

Moreover, the researcher chose MMDAs in the western region as a case study because of their geographical locations which makes gathering of data readily available since the MMDAs are situated at the hub of the region. Also, having observed significant number of challenges in relation to audit committee functions among MMDAs, and in order to improve audit committee functions among MMDAs in the region and reduce the challenges, the western region is adopted as the case study. As little explicit knowledge is available concerning audit committee, this study deems it appropriate to examine impact of audit committee mechanisms and corporate governance among MMDAs in the Western Region of Ghana which will provide available knowledge for organizations regarding the essentiality of audit committee to achieve the effectiveness of institutions. Also, the study will add up to existing literature which will be relied on by researchers who wants to carry similar study in different region within Ghana and other continents.

1.2 Objectives of the Study

The main purpose of the study is to examine impact of audit committee mechanisms and corporate governance among MMDAs in the Western Region of Ghana. The specific objectives of the study are as follows;

(i) To identify AC characteristics of MMDAs in the Western Region of Ghana

(ii) To examine the relationship between audit committee and corporate governance of MMDAs in Western Region.

(iii) To examine how corporate culture moderates the relationship between AC and CG.

1.3 Research Questions

On the basis of the study objectives, the ensuing questions were investigated;

(i) What characteristics constitute AC of MMDAs in the Western Region of Ghana?

(ii) Is there a relationship between audit committee and corporate governance?

(iii) How does corporate culture moderate the relationship between AC and CG?

1.4 Significance of the Study

The study will provide understanding on the audit committee mechanisms and corporate governance among MMDAs in Ghana most especially Western Region. The results of the study will also provide support to theory and best practice standards for AC and CG among MMDAs in the Western Region of Ghana as well as other MMDAs in Ghana that any find the results valuable. The study would provide MMDAs in Ghana the information required in strengthening audit committee mechanisms in Ghana. The study will also help Municipal/District chief executives and coordinating directors of MMDAs in Ghana to corporate effectively to ensure the effective working of audit committee. Furthermore, it is anticipated that study will help fill the gaps in the literature within Ghana and other developing countries in relation to the topic under investigation. The study will also aid as reference material for other future researchers, scholars and authors to consult.

1.5 Scope of the Study

The study basically focuses on audit committee mechanisms among MMDAs in the Western Region of Ghana. It focuses also on the link between AC and CG among MMDAs in the Western Region and how corporate culture moderates the audit committee and corporate governance relationship.
The unit of analysis is on key managements who have knowledge on audit within the MMDAs. The geographical focus of the study is Western Region of Ghana.

1.6 Limitation of the Study

The primary constraint of the study is time. As a result, the research could not cover all MMDAs in Ghana and is limited to only MMDAs in the Western Region of Ghana. Thus, the sampling technique employed could decrease the generalizability of the findings. The study is also limited to some specific variables namely audit committee, corporate governance and corporate culture. Secondly, the reliability of the findings hinges on how honestly the respondents were in answering the various questions that were raised in the study most especially regarding corporate governance. These challenges were tackled by ensuring respondents that the information obtained is to be used solely for academic research and that their confidentiality is assured. They were encouraged not to withhold any information and also to be honest in their responses. Further, the non-availability of some members of the target group such as municipal/district chief executives and audit committee members also made it difficult.

1.7 Organization of the Study

The study consists of five chapters. Chapter one presents the background of the study, statement of the problem and objectives. It covers research questions, significance, scope of the study, limitations of the study, as well as the organization of the study. The second chapter reviews relevant literature on the concepts and existing works in the field of study. Chapter three covers the research methodology which explains how the field data is collected. It outlines the research design, population of the study, sample size and sampling technique, sources of data, data collection instrument and procedure for data analysis and presentation. Chapter four discusses and analyzes the results of the study while chapter five provides summary, recommendations and conclusion for the study.

2.0 LITERATURE REVIEW

2.1 Introduction

This chapter of the study covers the review of relevant literature underscoring the topic. This chapter provides relevant reviews in relation to corporate governance and audit committee concepts. The review starts with definition of key concepts such as corporate governance, audit committee, corporate culture etc. It reviews literature on audit committee mechanisms involving characteristics and role of audit committees. It also provides review of theory underpinning the study as well as conceptual framework explaining the linkages amongst the adopted variables.

2.2 Conceptual Review

The concept defined in the study includes corporate governance, audit committee, and corporate culture.

2.2.1 The Concept of Corporate Governance

Corporate governance (CG) has been one of the significant indicators among agencies, institutions, corporate entities, firms and governments across the globe. The concept of CG advanced from the credibility that ownership-separation of business and the firm's management within an establishment might generate considerable misuse or abuse of managerial discretion (including a probable abuse of power or conflict of interest (Tirole, 2006; Almoneef & Samontary, 2019). Becht et al. (2010) posits that the concept evolved from study by Mason in 1960 and a derivative of analogy between governance of nations or countries, states, communities, cities and the appropriate governance of firms or institutions or organizations. Despite this indication by Mason around the 1960s, some recent studies such as Farrar (2005), Ljubojevic et al (2013), and Almoneef and Samontary (2019), have indicates that the term can be conceptualized and understood in two folds or dimensions namely relationship or association and system or mechanism.

Firstly, corporate governance as an "association or relationship" is underscored by relationships existing between the organization or company and its stakeholders (such as customers, employees, creditors, competitors etc.). Secondly, corporate governance as a "mechanism or system" is underscored by its use as a monitoring, supervision and checking behavioral tool by top level management of nations and corporations (Ljubojevic et al, 2013). Despite these two projected meanings, Khoza and Adam (2015), argues that the 'relationship' aspect of corporate governance is a sub-dimension of the general 'system or mechanism' aspect. Thus, the study adopted the mechanism aspect of corporate governance. According to Farber (2005), corporate governance is projected a fashionable or trendy term, any many concepts that are fashionable is underpinned by ambiguity and highly cliché in form. This has therefore made no single definitions generally appropriate or acceptable by all scholars. The definition of corporate governance by scholars is underscored by the issue they are dealing with or investigating.

The term is posited by Solomon (2017), as a set of principles, ethics or doctrines that grips both economic and social goals coupled with person and communal goals in order to make parallel the interests of diverse stakeholders for the realization of organizational objectives and competitive advantage. Organization for Economic Co-operation and Development (OECD) (2015), also define the concept as a set of interconnections employed in managing and controlling all members or elements with an institution or companies. It is also explained as the way upon which companies or agencies are directed, managed, controlled and operated (Ghana Security and Exchange Commission, 2010). Generally, Sarkar and Sarkar (2018), indicates that corporate governance covers the institution of an apt legal, economic and institutional milieu that provides the ground upon which agencies strive to achieve long-term shareholder value and optimize human-focused growth while remaining conscious of their other critical roles and duties to diverse stakeholders and the society as a whole. It is succinct to maintain that corporate governance is a very vital and broad concept that encompasses significant organizational or institutional values or structure and processes. It provides the framework upon which organizations can be governed, managed and controlled.

Through its procedures, rules and laws, it provides a structure upon which corporate scandals, conflict of interest, and abuse of power are prevented or curtailed in order to secure non-occurrence of these issues. In doing so, it helps to address any issue of leadership crisis or role within the institutional framework. Succinctly, through appropriate corporate governance, corporate shame is removed (Ljubojevic et al, 2013), competitive advantage becomes visible (Smith et al, 2011), good performance realized (Khoza& Adam, 2015) and achievement of sustainable value or worth for shareholders (Al-Baidhani, 2015). Within the public policy standpoint, the concept ensures effective management of an organization whiles ensuring transparency and accountability regarding the exercise of power (Becht et al., 2010). The review also shows how diverse interest of stakeholders should be catered for by organizational systems, structures and frameworks.

2.2.2 Audit Committee

Audit committee performs a key role in enhancing and promoting transparency in risk management, governance and internal control systems of public sector institutions. AC is a central pillar of corporate governance committee with majority of its members appointed as independent members who are non-executive in the institution or organization to which the audit committee relates. The AC support and see to it that internal audit department is operating effectively. The AC also ensure that the director of the institution seek to the implementation of recommendations raised in both internal and external audit reports, auditor-general's report and the reports of internal monitoring units, (Internal Audit Agency Act, 2003). Al-Baidhani (2014), indicates that the audit committee act as an arbiter to the management from whom it takes its authority to carry out its corporate governance obligations. The author outline that, the obligation of the audit committee includes; monitoring and oversight of the institution's financial disclosures, quality audit activities, effectiveness of internal control systems, policies compliance, risk assessment and management systems.

Basuony et al (2014) note that, the advice and recommendations provided by the audit committee mostly composes of relevant and appropriate regulatory mechanisms, ethical principles and accounting standards; ensuring the independent and competent of internal auditors; ensuring accurately and timely preparation of financial statements; promoting fair and commensurable compensations for executives. The establishment of audit committee is aimed at improving the financial and managerial integrity and wining the investor confidence and also conforms to regulatory and legislative requirements (Bhagat & Black, 2014).

2.3 Audit Committee Mechanisms

The mechanisms of audit committee have been expounded in literature with diverse indications. Although, the mechanisms have been represented by characteristics of audit committee by some studies (Al-Baidhani, 2014), others have also attached it on role of the audit committee (Price, 2017). Despite this, the study considered both indicators as the pillars upon which audit committee mechanism hangs. Therefore, literature was reviewed regarding the two indicators.

2.3.1 Characteristics of Audit Committee

An *AC* must comprise of the professional members with the requisite knowledge and relevant expertise. Numerous characteristics of an audit committee have been anticipated as indicators of how effective an audit committee's role is in promoting corporate governance (Baxter, 2010). These characteristics include existence, size, composition/structure, independence and expertise. The characteristics of audit committee play a vital role in the financial and audit reporting activities.

Existence: Musundi (2016), asserts that the motives for the existence of AC in the public institutions are to act like an intermediary for the exchange of ideas, between both the external/internal auditors and the management or governing body. The author also asserts that, audit committee encourage the reliability and independence of internal and external audit by assuring a high level of objectivity, detection of threats and risks to the entity which provides an understanding of knowledge in assisting the management in the utmost efficient and effective way in discharging their responsibilities. Lee (2010), intimates that, audit committee existence is what provides them the power to function. The author argues that to ensure efficiency of CG in any institution, audit committee must exist. Kim (2016), asserts that the frequency of meetings of an audit committee and financial reporting on regular basis shows their existence in an organization. Audit committee must exist in an organization in order to provide their critical role in ensuring the success of an organization. Also, a dynamic audit committee indicates the commitment to the matters of interest because of the statement of reports it issues about the financial activities undertaken during the year and the effort made to ensure adequate internal control.

Size: One of the controversies in literature is the appropriate size of the AC. It is believed that a large AC can improve the performance of the committee as well as its power in the organization. However, large size can also have negative impacts on the effective of the firm, and its sub-committee's firm value (Switzer & Tang, 2009, Guo & Kumara, 2012). Although, diverse factors have been provided to underscore audit committee size most importantly the size of the firm, it is vital to indicates that significant number of studies agree on 6 persons or between 3 to 6 persons or 3 to 9 persons (Li, 2015; Lee, 2009). Monks and Minow (2011), asserts that larger audit committees are able to dedicate more time and effort to monitor the activities of the board and also detect fraudulent activities. Thus, the size of an audit committee has been found to be an effective mechanism for checking and regulating financial statement and disclosures.

Composition/ Structure: The key component to an effective AC is appointing members with high professionalism and experience important to the institution's accountabilities and transparency. The PFMA, 2016, (Act 921) entails the audit committee of a public institution to be comprised of five members and the majority of the members must be independent from the institution. The majority independent members from among executives who do not have any relation with the institution shall be appointed by the IAA and other two members shall be appointed by the chief executives (MMDCEs). According to Bhagat and Black (2014), AC members must be independent and must have at least one person who is competent in accounting and/or auditing. IAA best practice 2017 entails audit committees to be composed of a minimum of three and not more than six independent members with at least one possessing an accounting or auditing background.

Independence: The independence of the audit committee is one of critical indicators revealed in literature as significant in any good corporate governance system. By constituting an audit committee, the majority members must be independence from the institution in order to assists the management in accomplishing its oversight obligations (Bhagat & Black, 2014). The committee delivers oversight by providing recommendations and sound advice to management on whether the institution's risk assessment and management, governance and internal control systems are well established and functioning as expected to accomplish the goals of the institution.

Expertise: The proficiency of the AC is one of the crucial indicators revealed in literature as significant in any good corporate governance. Expertise of independent members of AC in that role is also a vital feature of effective AC in oversight of the financial disclosure. Oussii and Taktak (2018) define the expertise of an audit committee as the "proportion of members with requisite knowledge in finance and auditing among the overall number of audit committee members" (p.40). Alzeban (2015) suggests that it's significant for "AC members to acquire financial knowledge and capability, specifically in auditing, accounting and finance, as this will help members to get a better understanding of the statement matters issued by internal auditors" (p. 543). Therefore, Bhagat and Black (2014), indicates that it is expected of an audit committee with higher audit expertise and practice to be accompanying with huge audit fees.

2.3.2 Role of Audit Committee

According to Kim (2016), the role of AC plays a key stone for operational governance systems. The author argues that the boards depend on their AC to deliver oversight of the audit activities effectively. The audit committee members perform their work professionally when majority members are independent and unbiased. Irrespective of their proficiency, almost all audit committees have the opportunity to enhance the reliability of financial statement. A well performed audit committee oversight is an important practice for preserving stakeholders' interest and the well-being of the capital markets (Ali, 2016). AC also reviews the internal control systems and ensures that the organization/institution complies with applicable policies and regulations. Some of the roles/functions of the audit committee are presented as follows;

AC Role in Internal Audit Function: According to Kim (2016), one of the major roles of audit committee is to provide internal audit function and maintain the independence of the auditors in order accomplish their obligations. The audit committee has a role in determining the internal audit function, reviewing internal audit report and pursues management actions on recommendations of the auditor, advices management on adequate resources, skills and capabilities needed by the auditor to execute audit plans and seek to the compliance of applicable rules and regulations. Similarly, the auditors of an institution feed the AC with the requisite information in which the AC have direct access same as the institution's management, in order to aid the AC to achieve its duties. The AC supports the internal audit function and reports on any management's anomalies and relevant financial and managerial matters to the governing body, after deliberating those matters with the auditors and other relevant parties. Also, the audit committee reviews the audit effectiveness, audit work plans, audit charters, and risk assessment reports. The correlation between the audit committee and auditors are supported by several research findings. For instance, the research findings discover by Zain et al (2006), indicates that independence and financial knowledge have an influence on the link between audit committee and internal audit. Asare et al (2008), postulates that internal auditors in a self-assessment role and reasonable assurance role are sensitive to disparities in the quality of AC. Zaman (2004), also posits that the AC can strengthen the internal audit function by making it an important resource for implementation of its responsibilities.

AC Role in Internal Control: Another critical role of audit committee is the provision of internal control in an organization. In accounting and auditing internal controls means actions implemented to attain the objective, vision and missions of an organization. Al-Baidhani (2014) notes that internal controls include processes, mechanisms, policies and regulations that are implemented by an organization to promote financial integrity and accuracy of accounting information as well as promoting financial accountability and minimize and control fraudulent activities. The audit committee review and deliver oversight on the institution's control system, keep abreast on all important issues arising from work executed by stakeholders of any governance, risk, and control assurance. The AC also supports the auditors in reporting internal control's weaknesses to the governing body of the organization, and also improves the internal control structure and process, observes and manages the institution's financial and operational controls, as well as the organization's compliance with these controls. Many research findings support the link between the audit committee and internal control. For instance; Gracia-Sanchez et al (2012) found that there is no linear relationship between internal control mechanisms and audit committee mechanisms. Krishnan, (2005) also found that AC independence and expertise are not as much to be related with the occurrence of internal control systems.

AC Role in External Audit: The AC reviews the external auditors' observations and submits its minutes and reports to the management. AC also aids the communications between the external auditors and the organization's management and attends their important meetings. The audit committee also pursues the action of the recommendations stated in the auditor-general reports and prepares annual report portraying the status of management action of recommendations contained in the auditor-general reports. The relationship between the AC and external auditors are supported by some research findings. Ghafran and O'sullivan (2013), hypothesize that an external audit professionalism and reasonable assurance is required by an organization when its audit committee size is larger, more independent and financial expertise.

AC Role in Accounting and Financial Reporting: According to PWC (2016), AC has a crucial role to perform in ensuring the integrity and transparency of corporate financial reporting. Price (2019) posits that audit committees are composed of at least one financial expert to give financial and accounting advice to management. It is important for members of the AC to have understanding on financial application and also need to ensure they are abreast with the changes in regulations and standards. This is because one of their critical roles is to understand and report on certain financial matters from financial statements to board of directors of the organization. The correlation between the audit committee and financial reporting is supported by the findings of Bolton (2014), that, there is a significant link between the organization's financial disclosures and its external auditors. However, when this relationship is compromised, it might cause a huge corporate governance problem.

Role in Risk Management: Audit committee according to Tricker and Li (2018) are responsible for understanding and reporting of financial information and for keeping appropriate accounting and corporate reporting principles, policies and control systems and procedures designed to guarantee compliance with accounting standards and regulations. These standards help to identify risk and provide measures to curtail all those risk indicators. AC is responsible to assist the management in achieving its duties and oversight obligations connecting to audit process, financial reporting, internal controls and risk management (Lee, 2009). Contesrotto and Moroney (2014) establish that there is no relationship between AC effectiveness and audit risk since audit committee play a major role in enhancing the reliability of financial statement.

2.4 Corporate Culture

According to Tricker and Mallin (2017), the importance of culture in corporate governance cannot be downplayed. Since most corporate governance codes in reality fail to capture cultural behavior of people in an organization. This means that corporate behavior is influenced by the culture of the people. Culture is defined by Tricker and Mallin (2017), as beliefs, expectations and values that people share. According to Tricker and Li (2018), culture can be compared to the human skin because as the skin has many layers, culture too has diverse layers such as national, regional, company or institution, and board room cultures. This means the national culture has the propensity of exert significant influence on corporate culture or board room culture or regional or community culture. Further Organization for Economic Cooperation and Development (OECD, 2015), posits that, culture of any nation is influenced by diverse factors namely social, economic, political heritage, geography and its religion. It advanced that culture is molded by circumstances that affect relations among persons, organizations, and countries. It is culture that defines what is right or wrong, important and acceptable. Culture reflects how people behave and it is essential to understanding corporate governance (Tricker & Li, 2018).

OECD (2015), recount that during the emergence discussion of corporate governance norms around the 1890s, many were of the view that corporate governance across the globe converge with western practices. Corporate culture coves a set of values, beliefs, assumptions and symbols that are complex in form which defines and underscores the means or ways through which an organization undertake his business activities (Sonika, 2017). It also covers a particular way or means of undertaken the functions of an organization that have developed over time being influenced by history, people, interest and actions that have become established in the organization (Kostova, 2009). This shows that corporate culture reflects the collective or the general wisdom of the people within an organization. It also provides the form on organizational operations and the kind of interactions among stakeholder which has the propensity of influencing corporate governance issues in the organization.

2.5 MMDAs

Metropolitan, Municipal and District Assemblies (MMDAs) are very important in the Ghanaian governance decentralization and local governance establishment. MMDAs in Ghana are political and administrative authorities over the metropolitan, municipal, and districts. According to Mensah (2015), a metropolitan, municipal, and district assembly is a government decentralization institution or agency as well as a public sector corporate entity that ensures effective management of the communities within which they operate or are found. Such government sector or local governance agency has diverse stakeholders such as employees, government, community members, chiefs, opinion leaders, donor partners, investors etc. with diverse interest. Boateng (2015), intimates that the MMDAs have a constitutional mandate to ensure resource mobilization for the general growth of their jurisdictions. The author indicates that the role of MMDAs is vital since they ensure the management and control of district assemblies' common fund (DACF) and other grants as well as taxes for the provision of public amenities/social infrastructure such as schools, water, electricity and health sanitation facilities within their areas.

The 1992 Constitution of the Republic of Ghana, Article 240, entails the local government service to plan, initiate, coordinate, manage and execute policies in respect of all situations affecting the people within their areas. In view of this mandate, the Local Governance Act, 2016, Act 936 defines the functions for the MMDAs as; responsible for the overall development of the district and shall ensure the preparation of development plans of the district; and of the annual and medium term budgets of the district related to its development plans, exercising political and administrative authority in the district, provide guidance, give direction to, and supervise the other administrative authorities in the district.

Also, the 1992 constitution of Ghana slate that, MMDAs in the performance of its functions, is subject to the general guidance and direction of the President on matters of national policy, and act in co-operation with the appropriate public organization, statutory body or non-governmental organizations.

2.6 Theoretical Review

In view of the purpose of the study, the researcher adopted the agency theory and the stakeholder theory.

2.6.1 Agency Theory

Through the economic theory, the agency theory was discovered. It is propounded by Alchian and Demsetz (1972) and later expounds and reviews by Jensen and Meckling (1976). The theory is conceptualized as the relationship or associations existing two categories of corporate organizational actors namely the principals (e.g. shareholders) and agents (e.g. company executives, managers) (Clarke, 2007). In view of the theory, agents are hired by the principals to perform a specific function or role. The principals provide vicarious control to agents to run the business on day-to-day basis. The corporate audit committee is the agents who work for the organization upon which they have been employed by management of the firm.

Bhimani (2008), claims that, it is an essential gauge that the agents act in the best interest of the principals at all times. Contrary to this, the agent may be succumbed to egotism, individual devious behavior and self-interested decisions which belittle the interest of the principal. The main characteristic underlining the theory is the issue of ownership separation and control. The theory is shown in Figure 2.1;

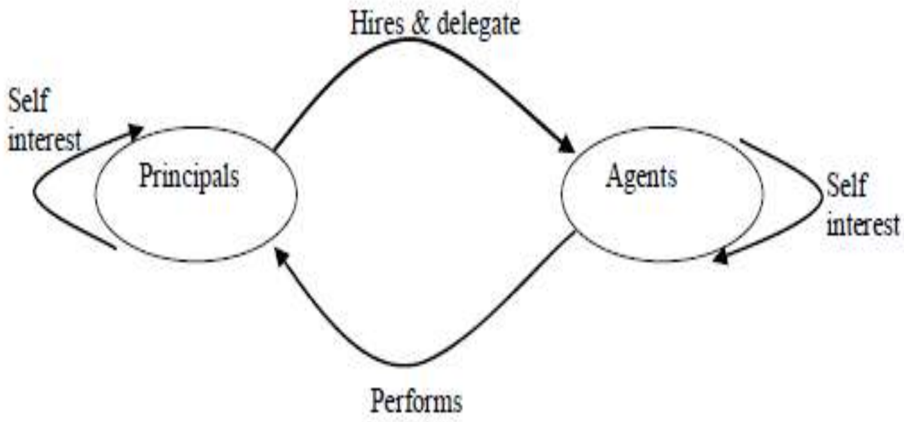

Figure 2.1: The Agency Model
(Source: Abdullah & Valentine, 2009)

Figure 2.1 present the agency theory framework. The model shows principal – agent relationship. It shows the interest of audit committee and owners or boards of the government institutions and how their interest fosters the achievement of the organizational goal. By inference, the theory is highly related to this study because; it provides the two critical dimensions upon which the MMDAs can be projected. Audit committee can be effectively monitored through principal established rules aimed at maximizing the value of the board. The theory can be employed to help understand ownership as well as the structure of audit committee amongst MMDAs. The theory can also be practical to comprehend the relationship existing among management, audit committee, board and shareholders ownership.

2.6.2 Stakeholder Theory

The second theory employed by the study is the stakeholders' theory. The theory was entrenched in the 1970 management discipline and consistently advanced by Freeman (1999). The theory is conceptualized as a set of people or individuals who are influenced by organizational success or objective attainment. In comparison to the agency theory, in which directors or agents are working wholly for the owners under penned rules, stakeholder theory deals with network of relationships existing between or among managers in serving. The theory structure is shown in figure 2.2

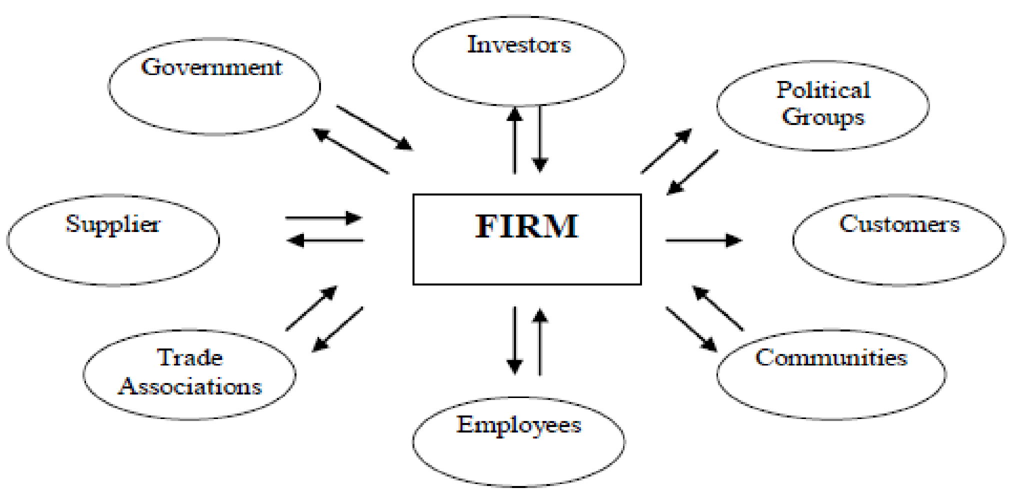

Figure 2.2: The stakeholder Theory (Source: Donaldson & Preston, 1995)

The theory is relevant to the study because, it provides information needed to understand the importance of building a strong relationship between audit committee, board of directors as well as management of firm. These people are critical actors most especially in MMDAs operations.

2.7 Empirical Review

The study by Al-Baidhani (2014), find that the link between AC and relevant stakeholder is significant for all members to achieve their business obligations. An institution's management depends on the audit committee's reports about issues connected to directing, controlling and managing the organization. The author also discovers that audit committee directly or indirectly perform a core role in CG relating to the institution's direction, control, and accountability and it is anticipated that the AC will continuously perform effectively in corporate governance in future and that the key stakeholders in the governance environment will assist the audit committee strongly. Further, Evans et al (2013), observes a strong effect of corporate culture on corporate governance as well as on firm performance. Semenov (2010), discovers that cultural factors influence corporate governance in organizations in western countries which exert effect on performance of firms.

Boateng (2015), intimates that culture plays critical role in CG as well as the formation of audit committees. The literature shows positive support for such relationship thus corporate governance and culture, however, the study by Kli (2012) and Rabadi (2009), observes a mixed finding in relation to corporate culture and corporate governance. Despite this, direct linkage of audit committee to corporate culture has rarely been reported in literature. Moreover, studies have established positive relationship between corporate governance and corporate performance (Brickly et al., 1994; Hossain et al., 2000; Ali, 2016; Boateng, 2015); most of these studies concentrated on only a single aspect of the corporate governance mechanism thus the practices or the pillars. Contrary to such discoveries, other research findings have also reported a negative relationship between the two concepts (Hutchinson, 2002; Hossain & Muttakin, 2011; Arthur, 2016). Nevertheless, other studies have also reported no relationship or association between the two concepts (Singh and Davidson, 2003; Park and Shin, 2003; Yusheng, 2017). A study by Zaman (2004) on the AC and effective CG indicate that there is no direct correlation between the adoption and application of audit committee and the attainment of corporate governance in organizations. From the literature, it is clear that all the review studies used a single aspect of the whole corporate governance mechanism without must concentration on audit committee issues.

2.8 Conceptual Framework

The conceptual framework shows the linkage between the dependent and the independent level variables. This is presented in figure 2.3;

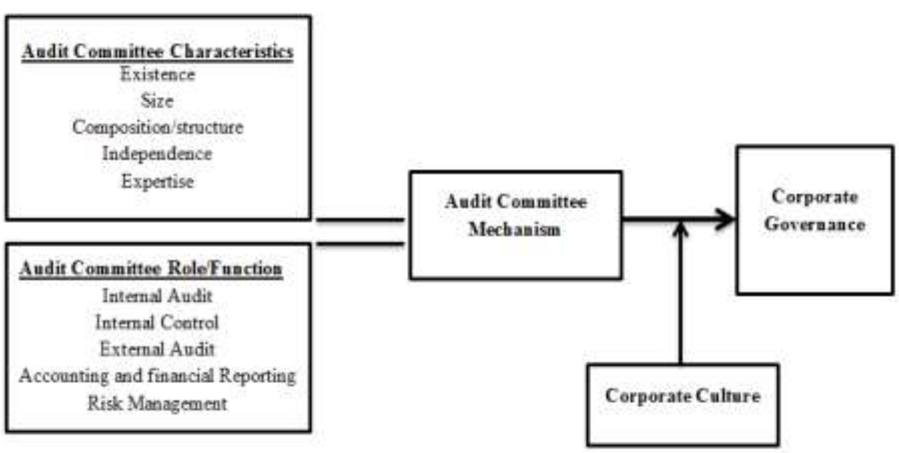

Figure 2.3 Conceptual Model
(Source: Author's own framework, 2019).

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The model shows the linkage between audit committee mechanisms (independent variable) and corporate governance (dependent variable). The framework indicates that two levels of audit committee mechanisms are being measured namely characteristics (existence, size, composition, independence and expertise) and role or function (internal audit and control, external audit, reporting of financial information and management of risk) of audit committees. Directly, the relationship shows the linkage between the mechanisms for effective performance of audit committee's function and corporate governance structures. These two variables are highly moderated by corporate culture. The framework supports the views of Al-Baidhani (2014), who report that audit committee members perform significant function in corporate governance with respect to planning, directing, controlling, and providing accountable measures in an organization. The items in the model are sourced from diverse studies including Al-Baidhani (2014), Price (2019), Takyi (2015) and Kli (2012) and Rabadi (2009).

2.9 Conclusion

The chapter revealed significant number of literatures, theory and conceptual model developed in relation to literature. The chapter began with concepts definitions including audit committee and corporate governance. Two theories underscored the study thus agency and stakeholder theories. The conceptual model also explains the linkages among the adopted variables such as audit committee and corporate governance indicators. From the empirical review, most of the studies conducted in the area of audit committee have been focused on the independence and financial expertise of audit committee members. The existing literature also shows that most of the studies conducted in the area of corporate governance have little concentration on audit committee (Trevino, 2004; Ali, 2016; Arthur, 2016). Despite this, Herdjiono and Sari (2017), reports that audit committee effectiveness enhances corporate governance practices.

3.0 METHODOLOGY

3.1 Introduction

The study seeks to examine audit committee mechanisms and its impact corporate governance among MMDAs in the Western Region of Ghana. This chapter of the study explains the methodology that was adopted for the study. It specifically focused on the research design, population, sample and sampling techniques, sources of data, data collection instrument, data collection procedures, data analysis information and ethical consideration. The chapter also provides explanation on the profile of the adopted western region of Ghana.

3.2 Research Approach and Method

Creswell (2013), intimates that an effective design is guided by an appropriate research approach and method. For the purpose of the study, the descriptive research approach is employed. The study is descriptive in nature upon which insightful explanations are provided for the phenomenon under study thus audit committee and corporate performance. Further, with regards to the method the quantitative research method is employed. It must be noted that the method of quantification was employed because of the following; First quantitative research method quantifies observations to enable the study to describe and explain the topic under study (Creswell, 2013). Secondly, quantitative method put premium on measuring data objectively, employing questionnaire to collect data and undertaking data analysis numerically (Goran, 2011). Thirdly, quantitative method mobilizes data numerically and provides quantitative generalization of findings among a group of people (Malhotra (2007). Basically, the motive regarding the application of quantitative research method is to ascertain result numerically and for the study to be in a position to test relationship between audit committee mechanisms or characteristics and corporate governance. It also helps in testing the moderation role of corporate culture on AC-corporate governance linkage.

3.3 Research Design

Considering the descriptive approach and quantitative method employed, the study adopt cross sectional survey design. The cross-sectional survey design provides the researcher the opportunity to gather data from a larger respondent group within a specific period. Hence, all data from the study collected after a specific time frame is a rejected data as indicate by Creswell (2013). It also helps in obtaining data from knowledgeable people working at MMDAs in the Western Region in areas such as chief executives, accountants, auditors and audit committee members.

3.4 Population of the Study

Best and Khan (1993) defines a population as a "group of individuals that have one or more characteristics in common that are of interest to the researcher". In the views of Cooper and Schindler (2003), population represents the sum of elements or subjects in a study present within a specific geographical setting. Thus, the study population encompasses all key management within MMDAs in the Western Region of Ghana. However, the study targeted some selected key management and AC members among the 14 MMDAs in the western region. The key management of the target population comprises of chief executives, coordinating directors, accountants, internal auditors, budget Officers and audit committee members within the (14) MMDAs in the western region.

A total population of the key management constitutes 280 of all the fourteen (14) MMDAs in the western region and out of the 280 total population, 20 key managements from each assembly is targeted (i.e. 20*14 = 280). The justification for using top level respondents is because of their in-depth knowledge with regards to audit committee characteristics and roles as well as corporate performance issues. Likewise, these population are targeted because of they helped to obtain more insightful information to support the study as varied views is acquired and compared with regards to audit committee characteristics and roles as well as corporate governance issues of which it is difficult to assess using any management.

3.5 Sample and Sampling Technique

The study adopts the purposive and convenience sampling techniques for efficient data collection. The application of purposive sampling technique enables the study to effectively identify the right caliber of respondents who can provide the study with relevant data. Also, the application of convenience sampling technique enables the study to select respondents who are committed, easily accessible and readily available. Based on the target population of 280 key management identified and used in the study, the respondents are selected using the Slovin's sample size calculator. A minimum sample size of 164 respondents is required, however, the study used 168 sample sizes to reduce outliers and get a precise mean. The below statistical model known as the Slovin's formula is used to determine the sample size at a 95 percent (%) confidence level with 5 percent (%) margin of error;

$n = N / (1+N (e^{\hat{}2}))$

Where n = sampling frame/population size

e = error of margin/level of precision

1 = a constant

Out of the total sample size of 168, 12 respondents are sampled from each of the fourteen (14) MMDAs in the western region (12*14 = 168 respondents). The sample size falls within the acceptable indication by Goran (2011), that for the purpose of quantitative analysis at least 30 to 50 respondents are good for analytical purposes. The sample size is presented in the figure 3.1 below;

Figure 3.1: Sample Size Determinations

MMDAs in Western Region	Sample Size
Ahanta West Municipal	12
Amenfi Central District	12
WassaAmenfi East Municipal	12
Amenfi West Municipal	12
Sekondi Takoradi Metropolitan	12
Wassa East District	12
Tarkwa Nsuaem Municipal	12
Shama District	12
EffiaKwesimintsim Municipal	12
Prestea-Huni Valley Municipal	12

Nzema East Municipal	12
Ellembele District	12
Jomoro Municipal	12
Mpohor District	12
TOTAL	168

(Source: Field Data, 2019)

3.6 Sources of Data

The study made use of both primary and secondary data. The primary data is collected through the application of questionnaire. The questionnaire is developed and design based on the nature of the topic and the study's main and specific objectives. Britton and Garmo (2002), indicates that secondary data consist of data not gathered from original or primary sources. Secondary data is also source from articles, publications, books and library collections.

3.7 Data Collection Instrument

The study employs the questionnaire to gather data for analysis. The questionnaire is developed taking into consideration the topic and objectives of the study as well as the theoretical, empirical and conceptual literature reviewed in the study. The questionnaire is in the form of Likert scale and indicators ranging from 1 to 5 (strongly disagree to strongly agree). Similarly, other sections also had an open ended. The questionnaire has five sections, the first section covers demographics information of respondents, the second section covers audit committee mechanisms, the third covers corporate culture and the fourth cover corporate governance. The data for the questionnaires are gathered from studies from Bhasin (2013), Al-Baidhani (2014); Takyi (2015), Alqatamin (2018), Gatamah (2016), and Ogbechie (2016). SPSS was used to analyze and test the validity and reliability of the data collected from the field. With regards to validity, 100% case of validity was obtained. The Cronbach alpha is used to determine the reliability. An overall alpha value of 0.76-0.82 is obtained. This indicates an acceptable alpha level.

3.8 Data Collection Procedure

The major instrument used in collecting field data for the purpose of the study was questionnaire. The researcher acquired primary data through the administration of the questionnaires. This consisted structured closed ended questions to receive respondents' feedback relating to the subject matter under study. The questionnaire consisted of four (4) different sections. Section 1 contains the demographics of the respondents, including the respondent's age, gender, and location among others, section 2 audit mechanism items, section 3 corporate culture items, and section 4 corporate governance items

3.9 Ethical Considerations

The researcher seeks approval from the selected MMDAs before the study was conducted. The study respected and followed some ethical principles as noted by Yin (2005). Oral consent was taken from each respondent before the filling of the questionnaire. The respondents were also briefed on topic and the objectives of the study. The confidentiality of the respondents was adequately respected and any information gathered from the respondents was highly secured from any third party.

3.10 Data Analysis

Data collected from the quantitative technique was analyzed, coded and entered into the Statistical Package for Social Sciences (SPSS) software for analysis. The study employed numerical analysis including inferential and factor analysis. Specifically, reliability test, descriptive statistics, T-test statistics, correlation test, and regression analysis were run. The analysis was undertaken based on the objectives and the research questions of the study.

3.11 Profile of Organization (Western Region)

Ghana comprises of 16 regions of which the western region is one of the regions with the largest land mass. It can boast of many resources such as Cocoa, Gold, Oil, etc. Geographically the western region of Ghana map indicates that the region is quite large with its two largest cities being Takoradi and Sekondi.

The western region has 14 MMDAs, however the region used to have 22 MMDAs until it was divided into western north and western region in 2018. The MMDAs in the region include Sekondi Takoradi Metropolitan Assembly, Shama District Assembly, Tarkwa-Nsuaem Municipal Assembly, Wassa Amenfi East Municipal Assembly, Wassa Amenfi West Municipal Assembly, Wassa Amenfi Central District Assembly, Jomoro Municipal Assembly, Ahanta West Municipal Assembly, Ellembele District Assembly, Mpohor District Assembly, Wassa East District Assembly, Nzema East Municipal Assembly, and Prestea-Huni Valley District.

4.0 DATA ANALYSIS & DISCUSSION

The aim of the study is to examine audit committee mechanisms and its impact on corporate governance among MMDAs in the Western Region of Ghana. The chapter present the result obtained from analysis of data. The analysis is carried out based on information obtain from respondents of the study. The analysis and presentation followed directly the objectives of the study. The chapter also discusses the findings based on inferences drawn from each discovery made based on the topic and objectives of the study. The chapter covers response rate, reliability, demographic result and result in line with the posited objectives.

4.1 Response Rate

The study administered 170 questionnaires to 14 MMDAs in the Western Region of Ghana. The study distributed 170 questionnaire and 168 filled questionnaires were obtained which none being defective. Upon data management all the questionnaire were fit for data analysis. The response rate is fixed at 98.8 (168/170). This is an acceptable indicator for any meaningful analysis.

4.2 Reliability Test

The internal consistency of every data is very significant. In light of this, a pilot test was carried using 2 MMDAs in the western north region. This led to some few amendments to the design questionnaire. Despite this, the main study is carried out and reliability of the scale is checked. The study employs the Cronbach's alpha for testing the reliability. The researcher used SPSS version 20 to compute the coefficients with regards to each of the latent variables for the study. The variables include audit committee characteristics [existence, size, composition or structure, independence, expertise], audit committee role [internal audit, internal control, external audit, financial reporting, and risk management], corporate culture and corporate governance systems. The result from the data is presented in Table 4.1.;

Table 4.1: Reliability Test

Variables	Items	Alpha
Audit Committee Characteristics		
Existence	3	.739 **
Size	3	.712 **
Composition/structure	3	.716 **
Independence	3	.714 **
Expertise	3	.705 **
Audit Committee Characteristics		
Internal Audit	3	.709 **
Internal Control	3	.747 **
External Audit	3	.717 **
Accounting and financial Reporting	3	.710 **
Risk Management	3	.709 **
Corporate Culture	5	.730 **
Corporate Governance	10	.737**
Overall Scale	45	0.743**

(Source: Field Data, 2019)

According to Corolyne et al. (2015), a coefficient value obtain through the Cronbach's formula should be +0.70. This according to the author is an acceptable indicator. From the table, it is clear that all the variables employed obtain a coefficient value of above 0.7. The overall coefficient for the whole scale was 0.743 indicating an acceptable coefficient value. This therefore shows that the adopted measures were consistent.

4.3 Background Information of Sampled Respondents

This part of the study contains the demographic data on the sampled respondents used in the study. The result on the data from the demographic characteristics of the respondents is shown in Table 4.2. It covers the issue of age of the respondent, respondent educational level, the respondent gender, marital status of the respondent, position of the respondent in the district, and number of years the respondent has worked in the district. The table below presents the results;

Table 4.2: Background of Respondents

Indication		Frequency	Percent
Gender	Male	130	77.4
	Female	38	22.6
	Sub-Total	168	100.0
Age	21-30 years	54	32.1
	31 to 40 years	80	47.6
	41 to 50 years	33	18.5
	51-60 years	3	1.8
	Sub-Total	168	100.0
Educational Level	SHS	-	-
	Diploma	-	-
	HND	57	33.9
	Bachelor's	83	49.4
	Masters	28	16.7
	Sub-Total	168	100.0
Length of Service	1-5 years	-	-
	6-10 years	32	19.0
	10-15 years	58	34.5
	15-20 years	43	25.6
	21+	35	20.8
	Sub-Total	168	100.0

(Source: Field Data, 2019)

The study obtains respondents from 14 MMDAs from the western region of Ghana. The background information of selected respondents includes gender, age, education, and years of experience. The overall respondents employ by the researcher are 168. The result shows that majority of the respondents are males representing 130(77.4%) whilst 38(22.6%) are females. By implication, the selected respondents among the 14 MMDAs in the region are dominated by males. The result discloses that out of the 168 respondents, 54(32.1%) are between the ages of 21-30 years, follows by 31-40 years (38, 22.6%), and the least are those between the ages of 51-60 years (3, 1.8%). By implication, the result clearly shows that majority of the respondents have practical knowledge to understand the questions posed to them.

The result also shows that most of the respondents hold tertiary level of education representing from Higher National Diploma (HND) through to master's degree. This result concurs with Price (2019), that audit committees are composed of at least one financial expert to give financial and accounting advice to management. Further, the result shows majority working with the organization for 10-15 years representing 34.5%, followed by 6-10 years representing 19.0% and the least represented is 21+ years indicated as 20.5%. This specifies that most of the respondents are presumed experienced and exposed in the governance structures in line with the audit committees' functions.

4.4 Audit Committee Characteristics and Roles/Functions

The first objective of the study is to determine audit committee characteristics and roles/functions of MMDAs in the Western Region of Ghana. The result is present in two aspects; thus, audit committee characteristics as well as role or functions of audit committee which constitute the mechanisms of AC. The study employs descriptive statistics and T -test in order to achieve the first posits objective of the study.

Table 4.3: Descriptive Statistics Result of Audit Committee Characteristics (ACC)

ACC	N	Minimum	Maximum	Mean	SD
Existence	168	15.00	21.00	17.47	1.95
Size	168	15.00	21.00	19.77	1.62
Composition	168	13.00	21.00	19.34	1.82
Independence	168	14.00	21.00	20.14	1.59
Expertise	168	15.00	21.00	18.59	1.92
Overall Mean			19.06		

(Source: Field Data, 2019)

The result from table 4.3 shows the descriptive statistics result regarding audit committee characteristics of MMDAs in the western region of Ghana. The number observed is 168 showing the size of respondents who attended to the questionnaire. The minimum value obtain is 15 across all indicators and 21 as maximum value across all indicators. In order to properly evaluate ACC the composite mean (overall mean) is compared to the individual item mean. Using the scale employ by the study (strongly disagree = 1 to strongly agree = 7), any value [= or >] is regard as an acceptable indicator and any indicator below or [<] is a rejected indicator. The result shows that the overall mean is [M = 19.06]. The highest mean is independence [Mean = 20.14, SD = 1.59] and the lowest is existence [Mean = 17.47, SD = 1.95].

Comparatively, out of the five characteristics examine, three (3) are accepted whilst two are rejected. The acceptable indicators include size, composition and independence. This clearly shows that despite the existence and expertise of audit committee of MMDAs in the western region is questionable as well as problematic, their size is well defined, composition well-structured and are independence in terms of executing of their mandate. This is in line agreement with the study conducted by Bhagat & Black (2014), that by constituting an AC, the majority members must be independence from the entity in order to assists the management in accomplishing its oversight obligations. This finding is in line with the IAA best practice 2017 which entails AC to be composed of a minimum of three and not more than six independent members with at least one possessing an accounting or auditing background.

Table 4.4: T-test Result on Audit Committee Characteristics (ACC)

	Test Value = 0					
	T	Df	Sig. (2-tailed)	Mean Difference	95% Confidence Interval of the Difference	
					Lower	Upper
Existence	116.047	167	.000	17.47024	17.1730	17.7675
Size	157.291	167	.000	19.77381	19.5256	20.0220
Composition	137.423	167	.000	19.34524	19.0673	19.6232
Independence	164.128	167	.000	20.14286	19.9006	20.3852
Expertise	125.041	167	.000	18.59524	18.3016	18.8888

(Source: Field Data, 2019) (Confidence Level: 95%)

In order to assess the significant of ACC of MMDAs in the western region of Ghana, the study employ the T-test. From the result showing in table 4.4 specifies that all the adopted ACC level indicators (existence, size, composition, independence and expertise] are significant presented as; Existence: [df = 167, t = 116.047, sig = 0.000, $p < 0.05$]; Size: [df = 167, t = 157.291, sig = 0.000, $p < 0.05$]; Composition: [df = 167, t = 137.423, sig = 0.000, $p < 0.05$]; Independence: [df = 167, t = 164.128, sig = 0.000, $p < 0.05$]; and Expertise: [df = 167, t = 125.041 sig = 0.000, $p < 0.05$].

Despite this, the mean difference result shows that the most dominant indicator underscoring audit committee characteristics of MMDAs in the western region of Ghana is independence. This is followed by size, composition, expertise and the least were existence. By implication, it is clear that although independence of audit committee is of critical issue to MMDAs in the western region of Ghana, the issue of their existence is challenging. Although, existence was found to be significant, it was very weak. This questions the working and executing functions of the audit committee in MMDAs in the western region of Ghana.

By implication, the result of the findings indicates that most of the AC among the 14 MMDAs in the western region did not meet regularly, though their independence, size, composition and expertise were effective. The finding is in congruence with the studies by Kim (2016), that the frequency of meetings of an audit committee and financial reporting on regular basis shows their existence in an organization. The findings clearly support the study by Zaman (2004), who indicates that existence, independence, size and composition and expertise are vital audit committee characteristics for any corporate organization.

Table 4.5: Descriptive Statistics Result of Audit Committee Role/ Functions

AC Role/Functions	N	Minimum	Maximum	Mean	SD
Internal Audit	168	10.00	21.00	15.85	2.26
Internal Control	168	9.00	21.00	17.00	2.16
External Audit	168	7.00	21.00	9.75	3.08
Accounting Financial Reporting	168	7.00	21.00	14.64	3.13
Risk Management	168	9.00	20.00	15.20	2.14
Overall Mean				14.48	

(Source: Field Data, 2019)

The result from table 4.5 shows the descriptive statistics result regarding audit committee role/functions of MMDAs in the western region of Ghana. The number observed is 168 showing the size of respondents who attended to the questionnaire. The minimum value obtain is [7 to 10] across all indicators and [20 to 21] as maximum value across all indicators. In order to properly evaluate audit committee role/functions the composite mean (overall mean) is compared to the individual item means. Using the scale employed by the study (strongly disagree = 1 to strongly agree = 7), any value [= or >] is regarded as an acceptable indicator and any indicator below or [<] is a rejected indicator. The result shows that the overall mean [M = 14.48]. The highest mean was internal control [Mean = 17.00, SD = 2.16] and the lowest was external audit [Mean = 9.75, SD = 3.08].

Comparatively, out of the five roles or functions examine four (4) are accepted whilst one is rejected. The acceptable functions or roles include internal audit, internal control, accounting and financial reporting and risk management and the rejected indicator is external audit. By implication, all the audit committee among the 14 MMDAs in the western region studied do not play a major role in the selection and changing of external auditors but rather receives and acts on pressing issues affecting the institution presented by the external auditors. It should be well-known that while audit committees are often responsible for appointing the external auditors, this discretion is not always the case among MMDAs in the western region.

The finding suggests that audit committee role or functions in MMDAs in the western region is very crucial and important. It is clear that their roles are well defined including provision of right internal audit function, internal control mechanism, accounting and reporting of financial statements as well as effective management of risk in the MMDAs. These roles or function is very important towards the functioning of audit committee in the region and it supports the studies by Al-Baidhani (2014), Kim (2016), Kishnan (2005), Price (2019) and Tricker and Li (2018).

Table 4.6: T-test Result on Audit Committee Role/Functions

	Test Value = 0				
	T	Df	Sig. (2-tailed)	Mean Difference	95% Confidence Interval of the Difference

					Lower	Upper
Internal Audit	90.858	167	.000	15.85714	15.5126	16.2017
Internal Control	101.927	167	.000	17.00595	16.6766	17.3353
External Audit	41.046	167	.000	9.75595	9.2867	10.2252
Accounting Financial Reporting	60.584	167	.000	14.64881	14.1714	15.1262
Risk Management	91.819	167	.000	15.20833	14.8813	15.5353

(Confidence Level: 95%)

In order to assess the significant of audit committee role/functions of MMDAs in the western region of Ghana, the study employed the T-test. The result in table 4.6 specifies that all the adopted audit committee role/functions level indicators (internal audit, internal control, external audit, accounting and financial reporting and risk management] are significant presented as; Internal audit: [df = 167, t = 90.858, sig = 0.000, $p < 0.05$]; Internal control [df = 167, t = 101.927, sig = 0.000, $p < 0.05$]; external audit: [df = 167, t = 41.046, sig = 0.000, $p < 0.05$]; accounting financial reporting: [df = 167, t = 60.584, sig = 0.000, $p < 0.05$]; and risk management: [df = 167, t = 91.819, sig = 0.000, $p < 0.05$].

Despite this, the mean difference result shows that the most dominant indicator underscoring audit committee role/functions of MMDAs in the western region of Ghana is internal control. This is followed by internal audit, risk management and accounting and financial reporting and the least is external audit. The finding suggests that internal control is the most significant function performs by audit committees of MMDAs in the western region of Ghana. This is coupled with internal audit function.

By implication, the result clearly shows that issues within the internal management of the MMDAs are wholly within the purview of audit committee members. Through this, appropriate risk management strategies are developed to curb such risk coupled with proper financial and accounting reporting. Many research findings support the link between the audit and internal control. For instance, Gracia-Sanchez et al (2012), found that there is no linear relationship between internal control mechanisms and audit committee mechanisms. Krishnan (2005), also found that AC independence and expertise are not as much to be related with the occurrence of internal control systems.

The findings concur with the assertion by Al-Baidhani (2014), that AC review and deliver oversight on the institution's control system, keep abreast on all important issues arising from work executed by stakeholders of any governance, risk and control assurance. This also confirms the indication by Kim (2016), the role of audit committee forms the cornerstone for effective corporate governance. The author argues that management relies on their audit committees to perform effective oversight of the annual auditing process.

4.5 Audit Committee and Corporate Governance

The second study objective is to determine the relationship between audit committee and corporate governance of MMDAs in the western region of Ghana. The study employed descriptive statistics, correlation and regression tools to achieve this objective. The descriptive is employed in assessing the level of corporate governance whilst correlation and regression were employed to test the relationship.

Table 4.7: Descriptive Statistics Result of Corporate Governance

Corporate Governance Items	N	Mean	SD
C1: In my organization, there has been an improvement in the relationship amongst audit committee, management, board, and auditors.	168	5.71	.95
C2: In my organization, formal and transparent arrangement on financial reporting and internal controls has improved.	168	5.51	.79
C3: In my organization, there has been improvement in integrity of financial statements.	168	5.30	.70
C4: In my organization, formal structures for developing policies on board, management and auditors remuneration has improved.	168	4.50	.68

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C5: In my organization, regular dialogue based on mutual understanding amongst members has improved.	168	5.70	1.07
C6: In my organization, roles of shareholders, management, audit committee etc are clearly defined and followed.	168	5.50	.84
C7: In my organization, non-executive directors are part of the development of proposals on strategy and financial policies.	168	4.83	.98
C8: In my organization, the role of board has improved considerably in recent times.	168	5.13	.68
C9: In my organization, the diverse expertise of audit committee has improved the work function of the committee.	168	5.44	.74
C10: In my organization, corporate governance is highly functional and formidable.	168	5.58	.91
Overall Mean		5.31	

(Source: Field Data, 2019)

The result from table 4.7 shows the descriptive statistics result regarding corporate governance of MMDAs in the western region of Ghana. The number observed is 168 showing the size of respondents who attended to the questionnaire. In order to properly evaluate corporate governance, the composite mean (overall mean) is compared to the individual item means. Using the scale employed by the study (strongly disagree = 1 to strongly agree = 7), any value [= or >] is regarded as an acceptable indicator and any indicator below or [<] is a rejected indicator. The result shows that the overall mean [M = 5.31]. The highest mean was C1 [Mean = 5.71, SD = .95] and the lowest was C4 [Mean = 4.50, SD = .68].

Comparatively, out of the ten (10) items examined six (6) were accepted whilst four (4) were rejected. The result shows moderate level of corporate governance practice among MMDAs in the western region of Ghana.

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Table 4.8: Correlation Matrix on Relationship between Audit Committee and Corporate Governance

		Corporate Governance	Existence	Size	Composition	Independence	Expertise	Internal Audit	Internal Control	External Audit	Accounting Financial Reporting	Risk Mgt.
Pearson Correlation	Corporate Governance	-	-.116	.309	.169	.233	.218	.099	.164	-.102	.384	.527
	Existence	-.116	-	.201	.243	.189	.237	.448	.171	.489	-.239	-.168
	Size	.309	.201	-	.522	.542	.365	.332	.469	.021	.063	-.016
	Composition	.169	.243	.522	-	.561	.535	.195	.447	.114	-.044	.023
	Independence	.233	.189	.542	.561	-	.490	.245	.550	-.014	-.010	-.021
	Expertise	.218	.237	.365	.535	.490	-	.290	.473	.299	.051	.220
	Internal Audit	.099	.448	.332	.195	.245	.290	-	.503	.445	.053	.067
	Internal Control	.164	.171	.469	.447	.550	.473	.503	-	.246	.231	.087
	External Audit	-.102	.489	.021	.114	-.014	.299	.445	.246	-	.010	-.022
	Accounting/Financial Reporting	.384	-.239	.063	-.044	-.010	.051	.053	.231	.010	-	.604
	Risk Management	.527	-.168	-.016	.023	-.021	.220	.067	.087	-.022	.604	-
Sig. (1-tailed)	Corporate Governance	.	.067	.000	.014	.001	.002	.100	.017	.094	.000	.000
	Existence	.067	.	.004	.001	.007	.001	.000	.013	.000	.001	.015
	Size	.000	.004	.	.000	.000	.000	.000	.000	.393	.209	.421
	Composition	.014	.001	.000	.	.000	.000	.006	.000	.070	.287	.385
	Independence	.001	.007	.000	.000	.	.000	.001	.000	.430	.447	.393
	Expertise	.002	.001	.000	.000	.000	.	.000	.000	.000	.257	.002
	Internal Audit	.100	.000	.000	.006	.001	.000	.	.000	.000	.248	.196
	Internal Control	.017	.013	.000	.000	.000	.000	.000	.	.001	.001	.130
	External Audit	.094	.000	.393	.070	.430	.000	.000	.001	.	.447	.388
	Accounting/Financial Reporting	.000	.001	.209	.287	.447	.257	.248	.001	.447	.	.000
	Risk Management	.000	.015	.421	.385	.393	.002	.196	.130	.388	.000	.
N	Corporate Governance	168	168	168	168	168	168	168	168	168	168	168
	Existence	168	168	168	168	168	168	168	168	168	168	168
	Size	168	168	168	168	168	168	168	168	168	168	168

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Composition	168	168	168	168	168	168	168	168	168	168	168
Independence	168	168	168	168	168	168	168	168	168	168	168
Expertise	168	168	168	168	168	168	168	168	168	168	168
Internal Audit	168	168	168	168	168	168	168	168	168	168	168
Internal Control	168	168	168	168	168	168	168	168	168	168	168
External Audit	168	168	168	168	168	168	168	168	168	168	168
Accounting/Financial Reporting	168	168	168	168	168	168	168	168	168	168	168
Risk Management	168	168	168	168	168	168	168	168	168	168	168

(Source: Field Data, 2019)

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Table 4.8 shows the correlation matric results regarding the dependent variable (corporate governance) and levels of the independent level variables (audit committee indicators). The result of the number of 168 observed shows a positive relationship between the entire AC indicators and CG at $p < 0.05$. Size, composition, independence, expertise, internal control, accounting and financial reporting and risk management correlated positively with corporate governance indicated as [Size: r =.309(.000), composition: r =.169 (.014), independence: r =.233 (.001), expertise: r =.218(.002), internal control: r =.164 (.017), accounting and financial reporting: r =.384(.000) and risk management: r =.527 (.000)]. These findings are in consonance with the studies by Baxter (2010), that characteristics of audit committee have been anticipated as indicators of how effective an audit committee's role is in promoting corporate governance. Similarly, Ali (2016), posits that "a well performed audit committee oversight is an important practice for preserving stakeholders' interest.

However, existence, internal audit and external audit failed to correlates significantly with corporate governance. This shows a positive linkage of most of the items of audit committee characteristics and role/functions and corporate governance. By implication, the AC of the various MMDAs does not play the role of appointing both internal and external auditors and also determining their functions although the AC is in existence. The correlation between the AC and auditors are supported by several research findings. For instance, Zain et al (2006), indicates that independence and financial knowledge have an influence on the link between AC and internal audit or external audit.

Similarly, Asare et al (2008), found that internal auditors/external auditors in a self-assessment role and reasonable assurance role are sensitive to disparities in the quality of audit committee. However, the result is in variance with the findings by Ghafran and O'sullivan (2013), that an external audit professionalism and reasonable assurance is required by an organization when its AC size is larger, more independent and financial expertise.

On the individual items levels, the result shows that existence of audit committee correlated positively with all indicators at $p < 0.05$, whiles size correlated positively with all indicators with the exception of external audit at $p < 0.05$. The result support the studies by Lee (2010), that AC existence is what provides them the power to function. Also, Kim (2016), asserts that the frequency of meetings of an audit committee and financial reporting on regular basis shows their existence in an organization. On the contrary, large size of an audit committee can have negative impacts on the effective of the firm and its sub-committees' firm value.

Moreover, composition also had a positive relationship with all other indicators except external audit at $p < 0.05$. In addition, independence had a statistical linkage with all other variables with the exception of external audit at $p < 0.05$. In whole, it is succinct to expound that the work of audit committee is very important in terms of characteristics and role which propels corporate governance efficiency at MMDAs in the western region of Ghana. This finding is in line with the IAA best practice 2017 which entails AC to be composed of a minimum of three and not more than six independent members with at least one possessing an accounting or auditing background. However, if they exist, their independence, size and composition well are structured and adhere to audit committee mechanisms within the work of the MMDAs.

The finding is congruence with the studies by Takyi (2015) and Kim (2016), that the role of audit committee forms the keystone for effective corporate governance. The author argues that management relies on their audit committee to offer effective oversight of the annual auditing process.

Table 4.9: Coefficient of Regression Result

Model		Unstandardized Coefficients		Standardized Coefficients	T-test	Sig.
		B	Std. Error	Beta		
1	(Constant)	12.162	5.828		2.087	.039
	Existence	-.210	.218	-.077	-.961	.338
	Size	.925	.266	.284*	3.483	.001
	Composition	-.039	.248	-.013	-.159	.874
	Independence	.527	.298	.158*	1.768	.009
	Expertise	.028	.236	.010	.120	.904

Internal Audit	.105	.197	.044	.531	.596
Internal Control	.277	.226	.112*	1.223	.023
External Audit	-.090	.139	-.052	-.648	.518
Accounting/Financial Reporting	.147	.144	.187*	1.025	.007
Risk Management	1.173	.206	.474*	5.683	.000

Dependent Variable: Corporate Governance
(Source: Field Data, 2019)

The regression result on AC indicators and CG of MMDAs in the western region of Ghana is presented in table 4.9. The result shows that the size predict corporate governance positively indicate as [β = .284, t = 3.484, p < 0.05]. The result also shows that independence predict corporate governance positively indicated as [β = .158, t = 1.768, p < 0.05]. Further, internal control predicts corporate governance positively indicate as [β = .112, t = 1.223, p < 0.05].

Similarly, accounting and financial reporting predict corporate governance positively indicates as [β = .187, t = 1.025, p < 0.05]. Also, risk management predict corporate governance positively indicate as [β = .474, t = 5.683, p < 0.05]. However, other variables such as existence, composition, internal audit, external audit, expertise etc. failed to predict corporate governance. The result suggests that size, independence as audit committee characteristics exert significant effect on corporate governance activities at the MMDAs in the western region of Ghana. The result is in consistent with the studies by Baxter (2010), that numerous characteristics of an AC are anticipated as indicators of how effective an audit committee's role is in promoting corporate governance.

In addition, audit committee role or function such as accounting and financial reporting, risk management and internal control exert significant effects on corporate governance operations or activities of MMDAs in the western region of Ghana. This is congruence with the study by Price (2019), who indicated significant role of audit committee exert significant effects on corporate governance.

Table 4.10: Overall Regression Coefficients Result on AC and CG

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	27.686	5.545		4.993	.000
	Audit Committee	.152	.033	.338*	4.620	.000

a. Dependent Variable: Corporate Governance (CG)
(Source: Field Data, 2019)

The overall regression result on audit committee (AC) and corporate governance (CG) of MMDAs in the western region of Ghana is presented in table 4.10. The result shows that, audit committee predict corporate governance positively indicate as [β = .338, t = 4.620, p < 0.05]. By implication, the result clearly shows that audit committee role or functions and their characteristics influence corporate governance operations of MMDAs in the western region of Ghana. This indicates that the work of audit committee at MMDAs cannot be downplayed. Their role has the propensity of bringing effective and efficient corporate governance practices by leading to transparency, accountability and fairness. It has the propensity of influencing the contracts proceedings, contract executions and proper application of corporate governance principles and guidelines of Ghana. This supports the study by Al-Baidhani (2014), who discovers that AC performs a major role in CG regarding the institution's direction, control, and accountability.

4.6 Moderation Role of Corporate Culture (CC)

The third objective of the study was to examine how corporate culture moderates the relationship between audit committee and corporate governance. The objective is achieved through the utilization of regression tool. The result is presented in table 4.11.

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Table 4.11 Regression Coefficient Result on Moderation Role of Corporate Culture

Model		Unstandardized Coefficients		Standardized Coefficients	T	Sig.
		B	Std. Error	Beta		
1	(Constant)	27.686	5.545		4.993	.000
	Audit Committee	.152	.033	.338	4.620	.000
2	(Constant)	16.276	4.692		3.469	.001
	Audit Committee	.984	.127	.181	7.774	.000
	MOD (CC*AC)	.135	.113	.578*	9.187	.000

a. Dependent Variable: Corporate Governance

(Source: Field Data, 2019)

The moderation regression result on audit committee (AC), corporate culture and corporate governance (CG) of MMDAs in the western region of Ghana is presented in table 4.11. The result is presented in two models that model 1 and model 2. The model 1 result shows that, audit committee predict corporate governance positively indicated as [$\beta = .338$, $t = 4.620$, $p < 0.05$].

Similarly, the model 2 result shows that corporate culture moderates positively the relationship between audit committee and corporate governance of MMDAs in western region of Ghana. This shows that corporate culture cannot be jeopardize in corporate governance and audit committee operations. There is clear indication that the culture of MMDAs influences their activities and operations thereby exerting significant effect on corporate governance. It is therefore vital that culture of MMDAs is taken into account in structuring audit committee in order to ensure efficiency in operation at the regional level. This supports the studies such as Evans et al (2013), who observes a strong effect of corporate culture on corporate governance as well as on firm performance. Similarly, Semenov (2010), discovers that cultural factors influence corporate governance in organizations in western countries which exert effect on performance of firms. Boateng (2015), also intimate that culture plays critical role in corporate governance as well as the formation of audit committees.

5.0 CONCLUSION

The purpose of the study is to examine audit committee mechanisms and corporate governance among MMDAs in the Western Region of Ghana. In order to achieve the purpose of the study four objectives and questions are slated. The chapter presents the summary of findings from the data analysis and result obtained from chapter four of the study. The chapter also draws conclusion based on inferences drawn from the findings of the study. The chapter ends by providing critical recommendations based on the findings of the study. It also provides future research recommendations.

5.1 Findings

Audit committee mechanisms provide the platform upon which external auditors are held accountable for the scope, nature and quality of work produced. The study revealed that responsibilities of audit committee in any institution include; proper and adequate review of financial statements of institutions, taking critical action on items and issues raised by auditors, providing a mediation role between the auditors and the management, and providing advice on findings discovered on internal and external audit investigations conducted. In light of this, the summary of findings is presented as follows; The first objective of the study is to determine audit committee mechanisms and roles/functions of MMDAs in the Western Region of Ghana. The study found that despite the existence and expertise of audit committee of MMDAs in western region is questionable as well as problematic, their size is well defined, composition well-structured and are independence in terms of executing their mandate.

The study discovers the most dominant indicator underscoring audit committee mechanisms of MMDAs in the western region of Ghana is independence. This is followed by size, composition, expertise and the least were existence. Also, the study discovers that the most dominant indicator underscoring audit committee role/functions of MMDAs in the western region of Ghana is internal control. This is followed by internal audit, risk management and accounting and financial reporting and the least is external audit.

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The second objective of the study is to determine the relationship between audit committee and corporate governance of MMDAs in the western region of Ghana. The study finds a positive linkage of most of the items of audit committee characteristics, role/ functions and corporate governance. It discovers that size, independence as audit committee characteristics exert significant effect on corporate governance activities at the MMDAs in the western region of Ghana.

Likewise, audit committee role or function such as accounting and financial reporting, risk management and internal control exert significant effects on corporate governance operations or activities of MMDAs in the western region of Ghana.

The third objective of the study is to examine how corporate culture moderates the relationship between audit committee and corporate governance. The study finds that corporate culture moderates positively the relationship between audit committee and corporate governance of MMDAs in western region of Ghana.

5.2 Conclusion

The positive linkage between audit committee characteristics as well as roles/functions and corporate governance shows that critical functioning of audit committee within the assemblies. This provides the information that their roles/functions and how they are formed cannot be threatened since it has greater effect on the operations of the MMDAs and the general efficiency of corporate governance practices. It is vital to expound that audit committee mechanisms are a vital component of corporate governance indication among MMDAs since it exerts significant effects on it.

Similarly, the culture of MMDAs cannot be overlooked since corporate governance drives on such cultures. It is vital that positive cultural attitudes are inculcated and adhered to in order to improve corporate governance among MMDAs in the western region.

Despite these, audit committee functions are not without challenges, although the challenges are enormous, it is vital that critical actions are taken by boards, management and relevant stakeholders in order curtail such challenges since their effect on efficiency corporate governance is questionable.

5.3 Recommendations

On the basis of the study findings made, the researcher recommends that, audit committee mechanisms are well established most especially their existence and composition in order to ensure effective operations of the committee among the MMDAs most especially in the western region of Ghana. The MMDAs have to ensure that they establish quality audit committee where members will have the required skills and experience to help improve their effectiveness. Moreover, members of AC have to regularly schedule meetings and have active involvement in the organization.

It is important to note that the audit committee role/function is very important for the fulfillment of work commitment of other stakeholders within MMDAs. The study therefore recommends that the audit committee role/function is strengthened in order to ensure efficiency in corporate governance. This can be implemented by way of MMDAs having a clearly written charter in order to help the AC and other stakeholders to understand its role and responsibilities. Also, continuing development and education of AC members is to help them keep current issues. Training programs, guidance and other support tools are essential to ensure the audit committee maintains knowledge of relevant development in accounting and corporate reporting.

The moderate level of corporate governance discovered shows that corporate governance practices, principles and functions are well defined and implemented in order to reduce it low effects on operations of MMDAs.

The study recommends that corporate culture is given significant amount of attention in order to moderate its effects on corporate governance. Also, audit committee should play a broader role in the future and the board/management in the corporate governance do well to support the committee strongly in order propel their functioning. In improving corporate culture, management has to recognize and reward top performers. Management has to focus on coaching and should be aware of proper protocols regarding coaching their staff to ensure improve the corporate culture. Establishing and disseminating a code of ethics by management and encouraging its compliance can be implemented.

5.4 Future Research Recommendations

On the findings of the study, the following future research recommendations are provided; Future researchers can increase the sample size and cover other regions of Ghana. Future studies can focus on examining the mediation role of corporate culture in the linkage between corporate governance and audit committee. Future studies can adopt qualitative investigation in order to ascertain in-depth information regarding the work of audit committee among MMDAs in other regions of Ghana. Future studies can examine how audit committee mechanisms propel corporate governance principles.

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