

Analysis Audit Committee Characteristics of MMDAs in the Western Region of Ghana

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Abstract

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. 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. 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

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.

2.0 LITERATURE REVIEW

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

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 while 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 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 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 indicate 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 assist 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.

2.4MMDAs

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.

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. $20 \times 14 = 280$). 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;

$$n = N / (1 + N (e^2))$$

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 ($12 \times 14 = 168$ 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		Sig. (2-tailed)	(2-Mean Difference	95% Confidence Interval of the Difference	
	T	Df			Lower	Upper
	Existence	116.047			167	.000
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)	(2-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.

5.0 CONCLUSION

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.

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 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.

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.

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