Finance & Management Engineering Journal of Africa | Published by: Dama Academic Scholarly & Scientific Research Society

https://damaacademia.com/fme/ November 2021 Pages: 17-34 Volume 3 | Issue 11

Examining the Relationship Between Audit committee and Corporate Governance of MMDAs in Western Region

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Abstract

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. 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. 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.

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.

2.0 LITERATURE REVIEW

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.

2.1 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).

2.2 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.

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 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
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.

Finance & Management Engineering Journal of Africa | Published by: Dama Academic Scholarly & Scientific Research Society

https://damaacademia.com/fme/ November 2021 Pages: 17-34 Volume 3 | Issue 11

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)

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.

5.0 CONCLUSION

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.

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.

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 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.

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