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Abstract

The general objective of this study was to determine the influence of audit committee on accountability practices of commercial banks in Nairobi Kenya. This study was anchored on the agency theory and supported by stewardship theory and stakeholder theory. The study used a descriptive cross-sectional survey design. The target population of the study was on 33 CBs located in Nairobi. The study specifically targeted Audit committee members, board members, managers, employees and auditors of the CBs. The research was conducted among five banks that are listed in the NSE and five banks that are not listed in the NSE all of which are licensed by the Central Bank of Kenya. The study used purposive sampling to sample 50 respondents whereby 5 respondents were selected from each bank. The study used primary data that was collected using a semi structured questionnaire. Descriptive statistics were used to analyze the data. Descriptive statistics displayed data in percentages, mean, frequencies and standard deviation. Results were presented through graphs and tables. The researcher also conducted correlation and regression analysis to determine the relationship between the study variables. The study concluded that audit committee have a positive effect on accountability practices of commercial banks in Nairobi Kenya. From the findings discussed above the study recommends the following; first, given that the audit committee have a positive effect on accountability practices of commercial banks in Nairobi Kenya it is recommended that the commercial banks should put more emphasis on the need to engage audit committees more on issues pertaining accountability practices and governance as this would result to better performance and overall growth.

Key words: *Audit Committee, Accountability practices, Governance, Commercial Banks*

1.1 Introduction

Audit committees may either enhance or hinder organizational performance (Agoraki, Delis & Staikouras, 2010). Boven (2010) argues that public accountability practices can be understood as answers for organizational performance. This has however elicited debate on effect of audit committees on organizational performance. Bhagat and Romano (2011) aver that accountability practices have influence on organizational performance. Various studies have been done on the audit committees, accountability practices and organizational performance with results that remain inconclusive.

In China, (Käyhkö, 2011) asserts that audit committees have relationship to organizational performance. Roberts (2007) avers that accountability practices have great effect on Private sector performance in Australia. In India, Kumar and Singh (2010) consents that accountability practices have an effect on the relationship between audit committees and organizational performance. Bovens (2010) concurs that organizational performance is determined by various variables among them accountability practices and audit committees' functions.

This study was anchored on the agency theory. This aided in explaining the relationships among the variables of the study. Among them is the Agency theory (Jensen & Meckling, 1976); the stakeholder's theory (Freeman, Wicks & Parmar, 2004) and the institutional theory (Scott, 2004). The agency theory key paradigm is on organizational accountability practices and organizational performance (Roberts, 2001). The stakeholders theory (Freeman *et al*., 2004), provides insights on how organizations understand and evaluate the audit committees and how they develop accountability practices to cope with the organizational performance.

1.1.1 Role of Audit Committees

The audit committee is a corporate administration system and control instrument to combine investors and administration premiums (Ebaid, 2011). The audit committee go about as an agent of investors and are considered as a noteworthy basic leadership group (Kumar & Singh, 2010). Audit committees are expected to perform different functions, for example oversight, evaluation, monitoring, assurance services of management to mitigate agency costs (Gabrielsson, 2017). They also include employing and retrenching of management, provide and avail access to resources, grooming CEO and providing strategic road map for the organization (Kemp, 2006). Audit committee also has influence to initiate organizational change and facilitate processes that support the organizational mission (Coles, 2008). Further, the audit committee seeks to protect the owner's interest in an increasingly competitive environment while maintaining managerial professionalism and accountability practices in pursuit of good organizational performance.

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1.1.2 Audit Committee and Accountability Practices

Accountability is the pressure to justify one`s judgments to others (Cameron, 2004). Public practices are the hallmarks of modern democratic governance (Kim & Lu, 2013). Democracy remains a paper method if people with great influence can't be considered responsible to general society for their demonstrations and oversights, for their choices, approaches, and their consumptions acquired (Iman, 2014). Open accountability rehearses are the essential fundamentals of popular government (Cook, 1998). Accountability practices in the Private sector all through the world are being given genuine consideration in perspective of the way that the administration is the most elevated high-roller of open assets (Bhagat & Romano, 2010). Those in authorities accept fiduciary status with the orderly duties expecting them to render their stewardship records to those for whom the authority is held in trust (Lægreid & Verhoest, 2010). The overall population is progressively requiring public officers to be responsible by exhibiting viable utilization of public resources and assets in the conveyance of administrations and quest for government targets (Obaze, 2016).

It is the privilege of residents to request and know the exercises of their elected public officers and the chosen elected officers should intentionally give record of their stewardship to people in general (Boven, 2007). Society has the privilege to expect of each public agent a record of their organization, all citizens have a privilege to choose either personally or through their delegates, with regards to the need of people in general commitment and to comprehend what utilizes it is placed in. Roberts, Wright and O'Neill (2007) gives four perspectives of accountability as: leadership accountability that deals with giving data on plans to the future time frame, performance accountability with giving data on accomplishments, exercises and financial audit for the year, methodology responsibility rehearses is giving data of mission and targets for the year and asset accountability in giving data on regulatory issues, structure and administration of an organization.

1.1.3 Audit Committee and Accountability

Tomkins (1987) views accountability practices in the private sector as the introduction of records or performance in accounting terms. However, Martinez-Gonzalez and Marti (2006) guarantee this can be troublesome in the private sector where the idea of public assets constrain the rendering of records because of the nonappearance of a standard or the revenue figure. This is the reason accountability in people in general and not revenue driven areas are given more noteworthy incentive than the private sector. Bovens, Schillemans and Goodin (2014) arranges public accountability as positioned and activity driven because of its bureaucratic nature. In regard to public authorities, they have to guarantee that the demonstration inside their announcement and give motivations to their action. Thus, the concentration in the private sector stays inside the limits of specialized accountability practices demands and centers upon audit committee and the elected authorities.

Studies directed into private sector accountability practices has concentrated extensively on various leveled accountability (Bovens, 2007). Without characterized limits, private sector responsibility rehearses can't be enough surveyed (Taylor & Rosair, 2000). An increasing body of literature has endeavored to clarify the idea of accountability in the private sector and performance and accountability, with an emphasis on viability and yields (performance), and effectiveness and results (programme).

Roberts *et al.* (2007) gives four practices of accountability practices as: accountability for consistence is accountability connected to satisfying lawful commitments. This has likewise been named legitimate (Bovens, 2007), political (Bovens, 2007) and proficient (Flack and Ryan, 2003; Bovens, 2007) accountability practices in the writing. Inside this sort of accountability practices, the terms proficient and political accountability cover extraordinarily and are connected to the activity of power along a leadership hierarchy. Accountability practices for assets are connected to the utilization of assets and authoritative assets in an approved way. This responsibility practice has been alluded to as honor (Stewart, 1984), financial (Anheier & Seibel, 2013), monetary (Flack & Ryan, 2003), regulatory (Bovens, 2007) and trustee (Connolly & Dhanani, 2009) accountability practices. Accountability practices for Procedures is worried about guaranteeing the right exercises have been embraced to meet authoritative objectives. This accountability practices has additionally been named process (Leat, 1990), open (Sinclair, 1995), activities (Goodin, 2003), adequacy (Flack & Ryan, 2003) and exercises (Connolly & Dhanani, 2009) accountability.

Some researchers nearly interface accountability and obligation. They contend that one can't be responsible to anybody, except if one additionally has obligation regarding accomplishing something (Day & Klein, 1987). Others contend that obligation is a sector or factor inside a more extensive part of accountability (Schlenker, Britt, Pennington, Murphy & Doherty, 1994 made reference to in Frink & Klimoski, 1998). Accountability has both internal and external measurements (Ebrahim, 2003). For an internal one, it is inspired by a sentiment of obligation and communicated through individual or hierarchical activities. Globally, it is a commitment which people or organizations should satisfy (Ebrahim, 2003). Accountability ought to run together with duty. There are six primary sections of the responsibility relationship.

1.1.4 Audit Committee, Accountability and Governance

Iqbal and Lewis (2009) view accountability practices as being essentially about decision making. They argue that a lack of proper accountability practices, compounded by inefficient systems of monitoring can result in organizational collapse. They present three dimensions of accountability practices which are pertinent to all types of organizations; 'accountability practices for whom', 'accountability practices by whom' and 'accountability practices with what resources'. In this regard, they outline accountability practices agenda for decision making which includes: the distribution of decision-making responsibilities among different participants; rules and ways for making decisions; the levels of involvement in decisions; the structure through which the target and objectives are set; the means of attaining those goals; and reviewing and overseeing performance (Iqbal & Lewis, 2009).

In addition to resolution-making, the role of accountability practices within an organization could also be linked to how accountability practices are determined in an organization and how accountability practices are discharged to different groups of stakeholders (Iqbal & Lewis, 2009). Thus, accountability practices could be seen as an integral part of accountability practices of an organization. Without adequate accountability practices and accountability practices of an organization performance cannot be attained. Therefore, the accountability practices of organizations are a key aspect of their accountability practices.

1.3 Statement of the Problem

Audit committees on organizational performance are at the heart of both conceptual and empirical research in corporate governance (Jacobs, 2002). Performance differences in organizations are often the subject of academia research and government analysis and are as a result of wide-ranging factors (Kayhko, 2011). Therefore, there is a strong positive relationship between audit committees and performance.

Several studies have been carried out both internationally and locally to provide empirical evidence on the factors which determine organizational performance. However, there are conceptual, contextual and methodological gaps. In the international front conceptual gaps are evident in Hubbard (2009) who avers that institutions need to respond to the changes for better accountability and performances. Balogun (2003) established that mismanagement, poor financial reporting are major causes of corporate collapse in Africa. Boven (2007) found out that there is a link between governments, civil society, service delivery and performance in Bangalore. According to Kayhko (2011) in China, there is a positive relationship between audit committees and firm performance.

These studies are inconclusive as they do not provide links of accountability and governance effect on the relationship between audit committees and performance of county governments of Kenya. These studies however were carried out in contexts outside Kenya in different sectors and environmental settings and the results cannot be generalized with the county governments in Kenya on audit committee effect on performance. In Kenya, Ronoh (2015) established that the audit committee functions have significant influence on performance of public sector in Kenya. The study focused on audit committee functions on SACCOs in Kenya. Okiro (2014) study on East African Community Exchange concluded that different stakeholders are major factors in compliance and performance by stock exchange firms in East Africa. Ragama (2013) considered audit committee effectiveness and efficiency in deposit taking SACCOs in Kenya. Researchers are still seeking to establish the combination of variables that are of the highest impact on organizations performance. This study therefore sought to establish the effect audit committee on accountability practices and governance in the banking sector in Kenya.

1.3 Research Objectives

The objective of this study was to determine the influence of audit committee on accountability practices of commercial banks in Nairobi Kenya.

2.1 Literature Review

2.2 Theoretical Foundation

This section covered theoretical and empirical review of literature on audit committees, accountability practices and performance.

2.2.1 Agency Theory and Audit Committee

The agency theory focuses on the relationship between the principal (shareholders) and his agent (firm management). The theory argues that in modern business enterprises there is clear separation of firm ownership and firm management, this is likely to lead to conflicts especially on areas such as the kind of risks the managers are willing to take but for which shareholders are not willing to bear, sacrificing current returns to shareholders in order to expand the business for future revenue growth and high returns on investment. The differences in priorities and the kind of risks to be taken may create disagreement between firm owners and management leading to costs associated with the resolution of these conflicts (Eisenhardt, 1989). Many managers who have more expertise and knowledge about the firm core business are more likely to use their expertise to advance their self-interest more than shareholders interest and this make firm to incur more costs related to structuring of contracts, monitoring costs of agents behaviour and business losses incurred by the firm due to selfish decision made by managers (Fama & Jensen 1983).

According to Eisenhardt (1989), conflicts between shareholders and management will arise especially in large business enterprises where share ownership is widely spread to even small shareholders with little or no resources to spare on monitoring the agents or managers behaviour. Eisenhardt asserts that situations may arise where the shareholders desires or goals are set aside by managers who are keen in pursuing their own goals and desires. This implies that there is need for the principal to spend a lot of resources in monitoring what the agent is actually doing. To avoid this kind of costs the board of management needs to create a balance between shareholders interest and management expectations so at to minimize agency conflicts and improve organizational performance.

Agency theory assumes that agency problems can be dealt with and avoided by putting in place clear agency contacts between the management and firm ownership that clearly outline the roles and duties of agents in firms. The shareholders will hold the management accountable to their roles and duties as stipulated in the contracts (Jensen & Meckling, 1976). The challenges facing firms in agency relationship is the problem of lack of perfect contracts and this may be occasioned by unforeseen factors within the business environment. Circumstances and situations may arise that forces managers to use their discretion in making decisions especially in allocation of firm resources which eventually lead to agency problems (Berle & Means, 1932).

2.2.2 Stewardship Theory and Accountability Practices

The stewardship theory argues that effective control by firm managers maximizes organization performance and firm profits. The theory advocates for use of audit committee members who deeply understands the needs of a company and are therefore better placed to offer technical expertise and in-depth knowledge that can move a firm forward. Managers as principal agents who run corporations make decisions that are sometimes influenced by non-financial motives. According to Maslows (1950) theory at a certain point in life human beings need recognition and self-actualization of their careers. As such managers and other firm employees may seek success in their roles in order to receive recognition from colleagues and other stakeholders in the industry. Many company directors and firm mangers seek to protect their image as expert decision makers who deliver value to shareholders. Good company managers not only succeed in building successful firms but also become effective stewards in building their own managerial careers (Fama, 1980)

According to Shleifer and Vishny (1997), managers who generate good financial returns to shareholders create a good image that enables them to increase shareholders value in the stock exchange market and thus create good future financial prospects for the firm. The stewardship theory argues that insiders are better placed to manage a company than outsiders. The theory therefore emphasizes that majority of the directors (executives) should be internal since they better understand the core business of the firm and are likely to make superior decisions that can lead to more business success. Having a company with clear and unified leadership has a higher probability of attaining organizational success due to reduction in conflict between company goals and personal objectives (Davis, Schoorman & Donaldson, 1997).

2.2.3 Stakeholders theory and Institutions

This theory is an advancement of the traditional agency theory. The theory expects audit committees to look at after not only the interest of company shareholders but also other stakeholders in society and protect them from rogue managers who may want to defraud shareholders in pursuit of their own self-interest. The firm shareholders are considered the major

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stakeholders in the entity but there are also a number of stakeholders whose interest should also be catered for. Audit committees need to look at also the interest of customers, suppliers, special interest groups, the environment and other ethical considerations (Freeman *et al*., 2004).

Over the years the role of audit committees is shifting from the traditional role of protecting shareholders interest to a broader role where more stakeholders' interest needs to be taken care of. Stakeholders' theory looks at firms and society as interdependent and therefore firms serve broader responsibilities beyond maximizing returns to the company shareholders (Donaldson & Preston 1995). The stakeholders' theory therefore seeks to equip managers with knowledge on how to carry out the shared purpose of the firm to achieve the desired company and societal goals profitability (Davis, *et al*., 1997).

2.3 Empirical Literature Review

2.3.1 Audit Committee, Accountability Practices and Organizational Governance

The audit committee is a focal component of corporate administration mechanism and structure and its proficiency and exhibitions could decide the achievement of checking and the activity of the firm (Aluchna, 2010). Because of monitoring, the audit committee ought to transform poor performance, overturn weak decision and change under-performing supervisors. In the coming years how well the audit committee can enhance their own adequacy is ending up progressively critical. The audit committee is considered by barge on literature as the review panel's capacity to play out its bearing and control jobs adequately (Petrovic, 2008); thus, to guarantee organization's thriving, truly increase the value of the firm, draw the organization nearer to its objectives or achieve corporate performance that fulfills the interests of investors/partners (Nicholson & Kiel, 2004).

In a dynamic environment, audit committees become very important for smooth functioning of organizations. Audit committee are expected to perform different roles, such as, monitoring of management to mitigate agency costs (McNulty, Roberts & Stiles, 2005), hiring and firing of management (Hendry & Kiel, 2004), grooming CEO (Vancil, 1987) and providing strategic road map for the firm (Kemp, 2006). Audit committees also have a responsibility to initiate organizational change and facilitate processes that support the organizational mission (Bart & Bontis, 2003).

The audit committee should not only guard negative management practices that may lead to corporate failures or scandals but also ensure that organization act on opportunities that enhance the value to all owners. To understand the functions of audit committee, it should be recognized that audit committee consists of a team of professionals, who combine their capabilities and competences that collectively represent the pool of social capital for their organization that contributes towards executing the accountability practices (Carpenter & Westphal, 2001).

The extant literature has primarily focused on the characteristics of the audit committee in affecting organization performance (Daily, Dalton & Cannella, 2003). The study aims to examine the independent influence of audit committees on performance with respect to county governments in Kenya. Evidence of relationship between audit committees and performance, or lack thereof, will enable counties to make appropriate choices about audit committees to create and improve county value. Okiro (2014) asserts that accountability practices influence firm performance.

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2.4 Conceptual Framework

The audit committee's influence on overall existence and operations of an organization performance cannot be underestimated. Whether tautological or basic reasoning, the audit committee have roles to play in performance of organizations. However, most of the previous studies have studied two or three variables relationship on organizational performance. They have also done this in exclusion of accountability practices and accountability practices despite the compelling need for examining their combined influences on organizational performance. Further, literature is categorical of the postulation that no single factor can influence organizational performance. There have been propositions of testing the role of audit committee on firm performance in combination of other variables. This study took keen interest of these propositions and thus presented a comprehensive conceptual model in Figure 1

Independent Variable **Dependent Variable**

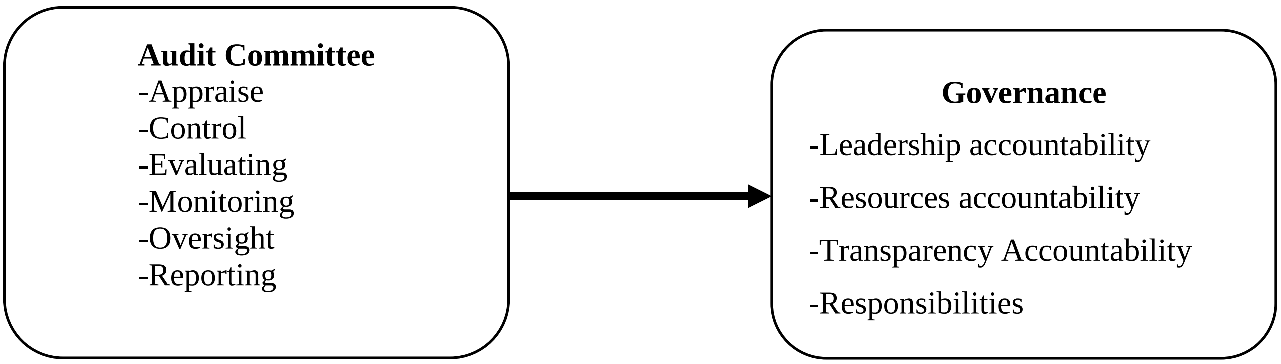

Figure 1: Conceptual Framework

3.1 Research Methodology

3.1.1 Research Design

The study used a descriptive cross-sectional survey design. Cross sectional studies are carried out once and represent a snap shot of one point in time. Cross-sectional survey was chosen to enable collection of data across a large number of organizations at one point in time. Cross sectional surveys help a researcher to establish whether significant associations among variables exist at some point in time (Nachmias & Nachmias, 2004; Cooper & Schindler, 2006).

A research design is a plan for selecting the sources and types of information to be used to answer a research question. It helps develop a structure for specifying relationships among variables. Bryk and Raudenbus (1992) argue that in cross sectional surveys either the entire population or a subset thereof is selected. This study sought to establish interrelationships between audit committees and accountability and governance of the Kenyan CBs. Other researchers (Ongore, 2011; Letting e*t al.*, 2012; Machuki, 2011; Awino, 2011) successfully used the same design for similar studies.

3.1.2 Population of the Study

The target population of the study was on 33 CBs located in Nairobi. The study specifically targeted Audit committee members, board members, managers, employees and auditors of the CBs. The research was conducted among five banks that are listed in the NSE and five banks that are not listed in the NSE all of which are licensed by the Central Bank of Kenya namely; CFC Stanbic Bank Ltd., Diamond Trust Bank Kenya Ltd., Housing Finance Ltd, Equity Bank Ltd., Co-operative Bank of Kenya Ltd., Bank of Baroda (K) Ltd., Commercial Bank of Africa Ltd., Development bank of Kenya Ltd., Eco Bank Ltd. and I & M Bank Ltd. The above banks were purposefully selected from the 33 commercial banks in order to provide important information required to answer the research question. Newbert (2008) argues that staff at management levels in an organization is deemed to be in a position to understand an organization's internal operations. CBs Audit committee were chosen for the study because they provided reliable and valid unique area in terms of CBs stakeholders and board services and unpredictability of accountability practices which affect governance in the CBs. The questionnaire is attached as Appendix II.

3.1.3 Sampling Criteria

The sampling techniques chosen by the researcher was purposive sampling technique. Purposive sampling is also known as judgmental sampling and is used when the researcher uses their own judgment in choosing members of population to participate in the study (Saunders, Lewis & Thornhill, 2012). A sample of 50 respondents (five from each commercial bank (10 x 5= 50) were selected from the 10 commercial banks mentioned above for the study. The five individuals were purposefully selected from each bank for the study.

Purposive sampling concentrates on particular characteristics of a population that are of importance to the researcher. The researcher considered purposive technique because the study aimed at determining the role of audit committees in promoting accountability and governance in commercial banks. It was important therefore for the researcher to use the banks listed in the NSE and banks that are not listed in the NSE to get a broader view. This sampling design was adopted because according to Patton (1990) one may learn a great deal more by focusing in depth on understanding a small number of carefully selected sample than by gathering standardized information from a large, statistically representative sample of the population.

3.1.4 Data Collection

Primary and secondary data was collected because the two sources of data are meant to reinforce each other (Stiles & Taylor, 2001). The data was largely quantitative in nature. Primary data was collected using a semi structured questionnaire. The questionnaire comprised of closed ended questionnaires as well as a few open-ended ones guided by the concepts of the study and research objectives.

3.1.5 Data Analysis

Descriptive (mean scores, standard deviations, coefficients of variance, skewness and kurtosis percentages) and inferential statistics were used. These helped to describe the characteristics of the variables of this study and to find out the underlying features of the relationships between audit committees, accountability practices and governance of CBs of Kenya.

Ntim and Soobaroyen (2013) contend that descriptive statistics provide the basic features of the data collected. Inferential statistical technique to be used includes Pearson's product moment coefficient correlation (r), simple linear regression analysis and multiple linear regression analysis. Simple linear regression analysis was used to determine the independent effect of the dependent variable, audit committees and accountability and governance of CBs of Kenya. The researcher used multiple linear regression to establish the nature of the relationship between audit committees and, accountability and governance of CBs and also to test the relationships. The correlation matrix was constructed to investigate the relationship between the study variables.

4.1 Results and Findings

4.2 Response Rate

The number of questionnaires that were administered was 50. All the questionnaires were properly filled and returned. This represented an overall successful response rate of 100%. This can be explained by the fact that the questionnaires were self-administered.

Reliability

Reliability of the questionnaire was tested using Cronbach Alpha. The research instrument was reliable as the alpha for the variables was above 0.7. Table 1 shows the reliability results.

Table 1: Reliability

Variable	No of Items	α =Alpha	Comment
Audit Committee	8	0.781	Reliable
Accountability Practices and Governance Structures	8	0.747	Reliable

4.3 Descriptive Statistics

Audit Committee of the CBs

The study sought to establish the influence of audit committees on accountability practices and governance structures of the CBs. Results in Table 2 illustrates that 62% of the respondents agreed that the CBs have sufficient audit committee to carry out planned mandate in the CBs, 88% affirmed that the CBs audit committee have adequate oversight roles on CBs internal control systems, 66% posited that the CBs audit committee monitors the operations of the entire the CBs while 62% pointed out that the CBs audit committee promote evaluation of internal control mechanisms of CBs for better governance. Results also revealed that 82% of the respondents agreed that the audit committee ensures that the CB's accomplishes good governance structures for effectiveness and efficiencies, 62% reiterated that the CBs audit committee are involved in the monitoring and evaluating governance structures, 64% posited that the CBs audit committee are involved in the monitoring governance structures while 68% affirmed that the CBs audit committee are involved in the monitoring and evaluation of CBs management structures. On a five-point scale, the average mean of the responses was 3.8 which means that majority of the respondents were agreeing to the statements in the questionnaire.

Table 2: Audit Committee of the CBs

Statement	Strongly Disagree	Disagree	Neutral	Agree	Strongly Agree	Mean
The CBs has had sufficient audit committee to carry out planned mandate in the CBs.	4.0%	6.0%	28.0%	36.0%	26.0%	3.7
The CBs audit committee has had adequate oversight roles on CBs internal control systems.	2.0%	4.0%	6.0%	32.0%	56.0%	4.4
The CBs audit committee monitors the operations of the entire the CBs.	0.0%	4.0%	30.0%	56.0%	10.0%	3.7
The CBs audit committee will promote evaluation of internal control mechanisms of CBs for better governance.	6.0%	2.0%	30.0%	58.0%	4.0%	3.5
The audit committee ensures that the CB's accomplishes good governance structures for effectiveness and efficiencies.	2.0%	0.0%	16.0%	30.0%	52.0%	4.3
The CBs audit committee will be involved in the monitoring and evaluating governance structures.	12.0%	2.0%	26.0%	50.0%	10.0%	3.4
The CBs audit committee will be involved in the monitoring governance structures.	14.0%	16.0%	6.0%	18.0%	46.0%	3.7
The CBs audit committee will be involved in the monitoring and evaluation of CBs management structures.	16.0%	16.0%	0.0%	20.0%	48.0%	3.7
Average						**3.8**

Accountability Practices and Governance Structures of the CBs

The study sought to establish the status of accountability practices and governance structures of the CBs. Results in Table 3 illustrates that 80% of the respondents agreed that the appointments of CBs audit committee members have always considered a mix of skills required in the stewardship and the governance structures of the CBs, 76% posited that the CB's audit committee appointment process is on consideration of governance structures and not on political, 78% posited that all CBs stakeholders are involved in the appointments of the CBs audit committee members while 72% pointed out that they are familiar with what is in the CB's by-laws and governing policies that are geared towards governance structures. Results also revealed that 84% of the respondents agreed that there have been clear guidelines on the operations of the CBs audit committee in line to CBs governance structures, 70% reiterated that the responsibilities of the CBs audit committee have been clearly defined to enable good governance structures, 86% posited that the CBs audit committee has been composed of balanced gender to allow good governance structures while 90% affirmed that the CBs audit committee is important for the effective and efficient governance structures of the CBs. On a five-point scale, the average mean of the responses was 4.1 which means that majority of the respondents were agreeing to the statements in the questionnaire.

Table 3: Accountability Practices and Governance Structures of the CBs

Statement	Strongly Disagree	Disagree	Neutral	Agree	Strongly Agree	Mean
The appointments of CBs audit committee members have always considered a mix of skills required in the stewardship and the governance structures of the CBs.	0.0%	0.0%	20.0%	46.0%	34.0%	4.1
The CB's audit committee appointment process is on consideration of governance structures and not on political.	0.0%	0.0%	24.0%	30.0%	46.0%	4.2
All CBs stakeholders are involved in the appointments of the CBs audit committee members.	0.0%	0.0%	22.0%	40.0%	38.0%	4.2
I am familiar with what is in the CB's by-laws and governing policies that are geared towards governance structures.	2.0%	0.0%	26.0%	42.0%	30.0%	4.0
There have been clear guidelines on the operations of the CBs audit committee in line to CBs governance structures.	4.0%	0.0%	12.0%	26.0%	58.0%	4.3
Responsibilities of the CBs audit committee have been clearly defined to enable good governance structures.	0.0%	0.0%	30.0%	40.0%	30.0%	4.0
The CBs audit committee has been composed of balanced gender to allow good governance structures.	0.0%	2.0%	12.0%	52.0%	34.0%	4.2
The CBs audit committee is important for the effective and efficient governance structures of the CBs.	2.0%	2.0%	6.0%	64.0%	26.0%	4.1
Average						**4.1**

4.4 Inferential Statistics

Inferential analysis was conducted to generate correlation results, model of fitness, and analysis of the variance and regression coefficients. The results presented in the Table 4 shows that audit committee of the CBs and accountability practices and governance structures of the CBs have a positive and significant association (r=0.716, p=0.000). This implies that audit committee of the CBs enhance accountability practices and governance structures of the CBs.

Table 4: Correlation Matrix

Variable		Accountability Practices and Governance Structures	Audit Committee
Accountability Practices and Governance Structures	Pearson Correlation	1	
	Sig. (2-tailed)		
Audit Committee	Pearson Correlation	0.716	1
	Sig. (2-tailed)	0.000	

4.5 Regression Analysis

Results in Table 5 above show that audit committee of the CBs were found to be satisfactory variables in explaining accountability practices and governance structures of the CBs. This is supported by coefficient of determination also known as the R square of 0.502. This means that audit committee of the CBs explain 50.2% of the variations in the accountability practices and governance structures of the CBs. This results further means that the model applied to link the relationship of the variables was satisfactory.

Table 5: Model Fitness

R	R Square	Adjusted R Square	Std. Error of the Estimate
0.716	0.513	0.502	0.1965

The F-statistic in the linear model output display is the test statistic for testing the statistical significance of the model. The F-statistic values in the ANOVA display are for assessing the significance of the variables in the model (Cooper & Schindler, 2008). Results in Table 6 indicate that the overall model was statistically significant as supported by an F statistic of 50.469 and a p value of 0.000. Further, the results imply that audit committee of the CBs are good predictors of accountability practices and governance structures of the CBs.

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Table 6: Analysis of Variance

Indicator	Sum of Squares	Df	Mean Square	F	Sig.
Regression	1.949	1	1.949	50.469	0.000
Residual	1.854	48	0.039		
Total	3.803	49			

Regression coefficients results in Table 7 show that that there is a positive and significant relationship between audit committee of the CBs and accountability practices and governance structures of the CBs as supported by beta coefficients of 0.350. This implies that better audit committee of the CBs by a unit would enhance accountability practices and governance structures of the CBs by 0.350 units.

Table 7: Regression of Coefficients

Variable	B	Std. Error	T	Sig.
(Constant)	2.820	0.19	14.83	0.000
Audit Committee	0.350	0.049	7.104	0.000

The regression model too the form

$Y = \beta_0 + \beta_1 X_1 + \mathcal{E}$

Y = Governance

X_1 = Audit committee

β_0 β_1 coefficients

$\mathcal{E}1$ = Error term

Hence, the final model was.

Accountability Practices and Governance Structures = 2.820+ 0.350 Audit Committee of the CBs

5.1 Conclusions

The study concluded that audit committee have a positive effect on accountability practices of commercial banks in Nairobi Kenya. This was supported by the findings that CBs audit committee members have always considered a mix of skills required in the stewardship and the governance structures, CB's audit committee appointment process is on consideration of governance structures and not on political, all CBs stakeholders are involved in the appointments of the CBs audit committee members and that they are familiar with what is in the CB's by-laws and governing policies that are geared towards governance structures.

The conclusion was also supported by the findings that there have been clear guidelines on the operations of the CBs audit committee in line to CBs governance structures, the CBs audit committee have been clearly defined to enable good governance structures, the CBs audit committee has been composed of balanced gender to allow good governance structures and that the CBs audit committee is important for the effective and efficient governance structures of the CBs.

6.1 Recommendations

From the findings discussed above the study recommends the following; first, given that the audit committee have a positive effect on accountability practices of commercial banks in Nairobi Kenya it is recommended that the commercial banks should put more emphasis on the need to engage audit committees more on issues pertaining accountability practices and governance as this would result to better performance and overall growth. This study suggests that a similar study should be conducted but focus on other financial institutions such as SACCOs for comparison purposes. The study also suggests that a study showing the effect of specific aspects of audit committees should be conducted. This would help to single out the aspects that have greater effect that others and thus it would be easier to prioritize the stronger aspects.

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