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EFFECT OF THE AUDIT COMMITTEE ON FINANCIAL PERFORMANCE OF DEPOSIT TAKING SACCO'S IN NYANDARUA COUNTY, KENYA

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Abstract: **The study aimed at establishing the effect audit committee on financial performance of deposit taking Sacco's in Nyandarua County, Kenya. The study was anchored on stewardship theory. The study applied descriptive survey research design. Target population for the study was composed of deposit taking SACCOs in Nyandarua County which are under SASRA regulation. There are 61 deposit taking SACCOs operating in four sub-counties of Nyandarua County. Given that the sample population is not too big; the study adopted a census of all the SACCOs. A questionnaire constructed in a five point likert scale was used as the main data collection instrument. The instrument was pilot tested to check on the suitability and the clarity of questions on the instrument. Data collected was analyzed using Statistical Package for Social Sciences (SPSS). Findings were presented in form of descriptive statistics and inferential statistics and presented in tables accompanied by relevant discussion. The study established that audit committee had a positive significant relationship with the financial performance of deposit taking SACCOs in Nyandarua County. Therefore the study concluded that audit committee has a significant relationship with financial performance. This means that audit committee dynamics directly influences the direction of financial performance of the deposit taking SACCOs in Nyandarua County.. The study recommended that SACCOs should ensure they install an audit committee to help in internal auditing of the financial operations of the SACCOs. Further, audit committee ensures efficient allocation of resources in SACCOs and thus a prerequisite in ensuring effectiveness in financial performance.**

Keywords: **Audit Committee, Corporate Governance, Nyandarua County, SACCOs.**

1. INTRODUCTION

One of the prerequisite tools for control after corporate world encountered examples of bankruptcy in dissimilar private and public organizations due to accounting frauds in addition to ineffective management and executives has been discovered to be corporate governance. Poor auditing practices, auditing procedures, accountings policies and internal control system have led to a significant number of firms fail to deliver as expected by shareholders. These examples of poor performance have clearly communicated to both shareholders and regulatory authorities that accounting and auditing practices as well as internal control system in such companies cannot be relied upon to safeguard shareholders' interests (Styhre, 2018).

The components of corporate governance include transparency, credibility and accountability, in addition to being in a position to establish effective channels that can aid in the disclosure of information in a way that fosters good corporate performance (Gadi, Elelechukwu & Yakubu, 2015). Through corporate governance the entirety of all stakeholders interests are assured and catered for regardless of whether it's the investors or the firm's clients interest. Further, corporate governance ensures the major interest of the investors which involves profit maximization is catered for. In ensuring that the worth of the firm is not distorted, it is prerequisite to have stable mechanism for corporate governance. Entirely, corporate governance aims at increasing the firm's worthiness (Haider, Khan & Iqbal, 2015).

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Corporate governance takes care of issues to do with the reconciliation or resolution of plentiful action challenges that may be in existence among the stakeholders of the firm (Becht, Bolton & Roell, 2012). The structure of corporate governance is premised on one major goal which aims at ensuring the safety and welfare of the stakeholders of the firm (Iqbal, 2016). The competitive nature within the society in which the firm exists determines how good corporate governance is. Good corporate governance is also important because it ensures the firm is able to accomplish its goals and achieve its objectives in addition to attracting investors. It stresses on proficient utilization of resources in addition to taking care of the environment and being socially responsible (Wanyoike, 2013).

The concept of good corporate governance is progressively being embraced across developing countries due to its ability to positively impact sustainable growth. It has been realized that, excellent governance generates shareholders confidence and goodwill. Organizations are now enhancing their corporate governance practices understanding that it enhances valuations and boosts the bottom line. Corporate governance is viewed to be a course of action and an arrangement employed in directing and managing the company affairs of towards enhancing business success and accountability in the corporate governance with the eventual objective of realizing long-term shareholder value, in addition to taking into account the interest of other stakeholders (Maundu, 2016).

A well and strongly established corporate governance arrangement has the potential of leading to a high financial performance (Enobakhare, 2010). It would help in promoting an organization's performance and protect the interests of the stakeholders. According to Buchana (2009) corporate governance ought to lead to improved financial performance given that managers are better monitored and agency overheads are minimized. On the other hand, poor corporate governance is an enriched ground for sleaze and poor financial performance. Bhasa (2014) established that organizations with weaker corporate governance do poorly in comparison with those with stronger corporate governance in regard to their stock returns, riskiness, profitability, and dividend payments.

Good governance knows how to develop the performance of a SACCO and ascertain its prolonged survival. There are numerous reasons for control to be at the front position of SACCO dispute of which amongst the most important ones are first of all, the remarkable growth in service providers of different types translates to a larger amount of clients and assets, in addition to a more detailed structure to manage. Secondly, there have been plentiful institutional and officially authorized changes with SACCOs building additional comprehensive networks and turning into shareholder-owned regulated financial institutions. Thirdly, institutions are sprouting, from focusing majorly on a solitary product (usually credit) to becoming more complete banking institutions that offer not simply credit, but also savings and every so often additional types of pecuniary services such as funds transfers, payment systems, remittances and insurance, consequently reinforcing the risks implicit to the SACCOs. Fourthly, the conduct of communal establishment towards SACCOs is also varying since their unusual neglect is being substituted by more sensible policies that create dogmatic and administrative frameworks supposed to support sound improvement of the industry (such as the recent introduction of SACCO Societies Regulatory Authority- SASRA in Kenya) Labie & Mersland (2011),.

In Africa, corporate governance has been treated with high propulsions owing to its centrality in influencing firms' performance. Despite external influence and pressure from developed countries on the importance of corporate governance, African countries such as Kenya have accorded this concept high proposition (Waweru & Prot, 2018). This is aimed at attracting investors in the country as well as ensuring that shareholder's value is improved to the highest degree possible. In Kenya, SACCO Society Regulatory Authority (SASRA) has been mandated to ensure that financial soundness has been attained in the Savings and Credit Cooperatives (SACCOs) subsector by setting rules and guidelines to be followed (SASRA, 2018). The licensed deposits taking SACCOs in Kenya are expected to ensure that stakeholder's interests are achieved by observing all standards and regulations by SASRA. In spite of the fact that numerous studies have been carried out on Kenyan companies, little research has been conducted on the impact of corporate governance in SACCO particularly licensed deposit taking SACCO in Nyandarua County.

Global Perspectives on Corporate Governance

Corporate governance guarantees that the interest of all people concerned in a firm is taken care of, whether is the shareholders or the clients of the firm. It further guarantees that the shareholders' main concern which is revenue maximization is taken care of. Steady system of corporate governance is fundamental since it guarantees that the organizations' worth is not disrupted. It aims at increasing the firm's worthiness (Haider, Khan & Iqbal, 2015). Corporate governance has a huge continuum which involves an amalgamation of regulations, rules as well as regulations that make it possible for an organization not only bring about competent performance but also to draw capital and income generation (Shafi, 2014)

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In regard to the impact of corporate governance and performance of pharmacological organization in Pakistan, Iqbal (2016) went ahead to establish the scopes of corporate governance in regard to board experience, CEO duality, board size, board education and board composition, while financial performance was premeditated in terms of ROS and ROA. The results of the study established that board education, board experience, and composition of board are robustly related to business performance. The investigator also established that distribution of the CEO is unconstructively connected with return on asset as well as return on sales of the firms while the board size, board experience and composition of the board positively affects performance of the pharmacological firms in Pakistan.

Kang, Miesing and Ness (2010) carried out a study to assess the effect of corporation boards on the firms performance in monetary standpoints in a new era of Sarbanes-Oxley. The study found out that CEO duality, board size, board tenure and board occupation expertise have a significant influence on the company's performance in monetary terms. Further, a study was carried by Rizwan et al., (2016) to establish the influence of corporate governance on corporate performance of listed organizations in Pakistan and found out that the board size, inside ownership, presence of independent directors, presence of audit committee and dividend payout ratio had a considerable effect on corporation's financial Performance. On the other hand, Buyuklu and Yilmaz (2016) examined corporate governance factors and their effect on performance of corporations in Turkey and concluded that organizations' performance is affected by corporate governance factors.

Regional Perspectives on Corporate Governance

To examine the effect of corporate governance on financial performance of Nigerian banks, Ene and Bello (2017) undertook a survey of the Banks in Nigeria. The research sampled ten commercial banks and retrieved data for the period between 2004 and 2013. The results of the study established that the relationship connecting banks performance and corporate governance in Nigeria was statistically considerable. The study came up with a conclusion that the suitable arrangement of the investors in a corporation is imperative to the intermittent banking quandary witnessed exclusively throughout in Nigeria (Ene & Bello, 2016).

Melkamu (2016) set out to examine corporate governance exercises and their impact on Ethiopians MFI financial performance. The findings indicated that gender multiplicity, size of the audit committee in addition to the size of the board, have diverse and considerable relationship with MFIs performance. Further, the study determined that educational qualifications, business particulars and experience of the board have beneficial relationship; and the company management experience effect of managerial roles on performance is vacillating. Based on the findings, it was suggested that audit committee and audit sizes must be small where as the board's gender diversity must accurately uphold and deliberation given to female directors.

A study was carried out in Nigeria examining the effect of corporate governance practices and the financial performance of corporations in Nigeria. Further Enobakhare et al., (2010) considered board composition as a fraction of the external board members and the size of the board as the quantity of board members. Their findings in regard to board composition were established to somewhat and positively influence corporations' financial performance. They further observed that small size was successful up to certain numbers, after which it ends up being unsuccessful. This indicates that bulky boards are not very proficient. The size of board ranges between 5 and 9 directors depending on the size of the SACCO in order to facilitate efficiency and effectiveness.

Local Perspectives on Corporate Governance

Good corporate governance shields a firm from vulnerability to future financial distress. The argument has been advanced repeatedly that the governance structure of any corporate entity affects the firm's ability to respond to external factors that have some bearing on its financial performance. It is believed that good governance generates investor goodwill and confidence. Again, poorly governed firms are expected to be less profitable. Better corporate framework benefits firms through greater access to financing, lower cost of capital, better financial performance and more favorable treatment of all stakeholders (Otieno et.al, 2015).

A research study was carried out to research about the relationship between corporate governance practices and financial performance of Saccos in Murang'a County irrespective of their uniqueness in operations. Kabaiya (2012) regressed frequency of board meetings, number of resolutions and size of the board with respect to financial performance. The researcher realized positive relationship between these variables and ROA. He recommended need for appointing BODs with diverse competencies. However, he established that insider ownership is positively related to financial performance. He argued that managers bear much responsibility to improve financial performance of a firm if they have invested directly with these firms.

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There is a positive relationship between corporate governance and the growth of the firm valuation. This was found in a study by Lishenga (2011) who investigated how corporate governance and practices of firms at the NSE change as remedial action to persistent fall in financial performance. The population of his study was all listed firms in the NSE from 1998 to 2004. He found out that the board meeting frequency increase with decline performance and finally CEO remuneration has nothing to do with a firm's performance. He concluded that companies respond to declining firm performance by changing governance structure and practices in diverse ways. The study suggested that there is no optimal governance structure that exists hence the optimal governance structure depends on different firms or market segments.

Kitetei (2009) sampled deposit taking micro finance institutions in Kenya to examine relationship between corporate governance and financial performance. The researcher used CEO duality component to study this relationship. He observed that majority of these firms at 67% had CEO and BODs chairman's position served by different personnel. The rest of deposit taking MFIs at 33% had CEO adding up as chairman of the board. He noted that the firms with two distinct roles of CEO and chairman had better performance than that with dual CEO.

On his study on the effects of corporate governance on the financial performance of Sacco's in Kenya, Wambua (2011) deduced that the directors were involved in making the internal corporate governance mechanisms. Minimizing ownership concentration influenced the SACCOs financial performance. Member of staff participation influenced the SACCOs' financial performance. The Sacco management influenced the SACCOs' financial performance. The research concluded that financial monitoring carried by the board influenced the SACCOs' performance.

2. STATEMENT OF THE PROBLEM

Deposit-taking SACCOs are important in mobilizing savings amongst the low income households who have narrow admittance to conventional commercial banks. They embody a key element of the financial system and make available services to a huge number of low income households in Kenya. However, most of them are plagued by a number of challenges such as; constant wrangles, corruption and mismanagement resulting in poor service delivery and becoming bankrupt. Based on SASRA 2016/2017 SACCOs performance report, only 69 out of 175 licensed SACCOs were able to maintain and comply with the prescribed institutional capital to total assets ratio of 8%. The reports noted that loans remained the key assets for DT-SACCOs comprising 73.42% of the total asset base. The total non-performing loans to gross loans increased to 5.23% from 5.12% in the previous years. This reflects not so good performance in the SACCOs bringing into question their management efficiency. The introduction of corporate governance practices in the Sacco sector by SASRA in Kenya was aimed at providing a mechanism to improve investor confidence and trust in management and promote economic development of the country.

According to the cytonn corporate governance index report (2017), poor corporate governance robbed firms investors of kshs. 264 billion in the year 2016 besides some firms delivering a negative return of 5.1% (Kangethe, 2017). In the same way, effectiveness of corporate governance structures has not been attained which is attributed to the stiff competition among deposit taking SACCOs. However, efficiency of the corporate governance structures and practices on Sacco's operating in the highly competitive environment in Kenya has not been empirically investigated. This study sought to fill this gap by examining the influence of corporate governance on financial performance of deposit taking SACCOs in Nyandarua County Kenya.

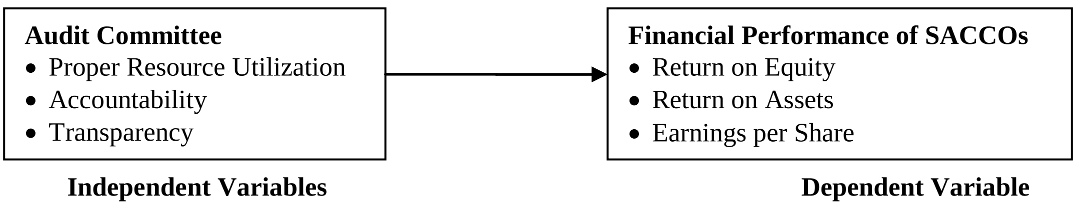
3. OBJECTIVES OF THE STUDY

The study sought to examine the effect of the audit committee on financial performance of deposit taking SACCOs in Nyandarua County, Kenya.

4. RESEARCH QUESTION

What is the effect of audit committee on the financial performance of deposit taking SACCOs in Nyandarua County, Kenya?

5. CONCEPTUAL FRAMEWORK



6. THEORETICAL REVIEW

Stewardship Theory

The Theory was developed by Donaldson and Davis in 1991. The Theory was developed as a new standpoint to be aware of the customary relationships between ownership and management of the company. It holds that there is no conflict of interest existing between managers and owners, and that the goals of governance is precisely, to find the mechanisms and structure that facilitate the most effective coordination between the two parties (Donaldson, 1990). The theory takes managers as stewards with behaviors which are aligned with the aims of their heads.

According to Davis et al. (1997), at instances where a steward is faced with objectives that are inconsistent with those of the shareholder, steward will have to make decision that will favor interest of the group. This decision will improve performance of the organization which will largely satisfy the whole assembly. Steward's actions " are based on the belief that stakeholders will be satisfied and their needs be their own needs be met by pursuing organization objectives. Motivation level from operating work environment normally determines the steward's performance. Managers are considered as being motivated by a need to achieve, to gain intrinsic satisfaction through successfully performing inherently challenging work, to exercise responsibility and authority, and thus to gain recognition from peers and bosses. Therefore, there are non-financial motivators for managers, (Donaldson, 2008).

The principal can save on monitoring and bonding cost and incentives because the steward is motivated and can be trusted (Davis et al. 1997). If the shareholders attempts to introduce controls, this will be counterproductive to the stewards because their objectives are already aligned to those of the organization. A steward protects and maximizes shareholders' wealth through firm performance, since, by doing so, the steward's utility functions are maximized. Risk averse principals will take agency control while risk neutral principals will prefer stewardship control.

7. EMPIRICAL REVIEW

Audit Committee

An audit committee is a sub-committee of the BOD, which oversees and ensures a firm's corporate governance, corporate responsibility, and promotion of efficacy in audits. The existence of an audit committee will enhance accountability and transparency, thereby exposing transactions that are not bona fide to the members of the SACCO (Chau & Leung, 2009). The audit committee will also enhance protection of stakeholders' interests, protect the SACCO against political interference, and ensure proper resource utilization (Abdullah & Valentine, 2009). However, the existence of an audit committee may increase competition among the directors, as well as increase bureaucracy, which will curtail the operations of the SACCO. SACCOs with audit committees are expected to be financially sustainable since accountability is enhanced and managers are put in check (Chau & Leung, 2009).

Audit committee members with financial expertise are positively associated with firms' timeliness in the remediation of material weaknesses. Firms with larger audit committees are more likely to remediate material weaknesses in a timely manner. If audit committee quality is associated with the quality of internal controls, it seems reasonable to believe that a more effective audit committee will ensure timelier remediation of material weaknesses in order to maintain the effectiveness of internal controls WeeGoh (2009).

SACCOs globally continue to perform poorly financially due to poor management and fraud. The key governance characteristics such as independence of boards and audit committees, and the provision of audit services by internal auditors are important factors that affect performance USAID (2011). Audit reporting is valuable in providing oversight of a firm's operations and financial reporting. However, the quality of the audit reports and who the internal audit function reports to are as important. Nair and Kloeppinger (2012) established that poor management and corporate governance in SACCOs continue to hamper their performance and growth.

Internal audit committees have an essential role to play in ensuring the integrity and transparency of corporate reporting and such practices also apply to SACCOS. In a longitudinal study conducted in the Australia, Ghalib (2009) indicated that having a clearly written charter helps the audit committee and others to understand its role and responsibilities, and is an essential starting point. In other words, having clear membership and selection criteria is a key element of effectiveness, as the audit committee will only be as good as its members. Audit committee members are usually board members and so they will already have qualities relevant to the SACCO management. However, for the specific audit committee work,

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additional skills and attributes are required, such as independence from management, appropriate financial expertise or knowledge, sufficient time and energy for the additional work, and a questioning attitude. SACCOs audit committees can identify and select a set of practices as the most effective and efficient in its particular circumstances. Audit committees are established by boards to help discharge their responsibilities in the area of financial reporting, internal control and risk management (Ghalib, 2009).

In Kenya, SACCOS which ensure that there is appropriate number of members on the audit committee allows the committee to function efficiently, encourages all members to participate and provides for diversity of experience and knowledge (Nyambura, 2016). Omondi (2012) further noted that for effective financial performance of SACCOS, audit committee members should possess a wide range of knowledge, skills and personal attributes including sound judgment, integrity and high ethical standards; strong interpersonal skills and the ability and willingness to challenge and probe.

Specifically, audit committee members must have expertise, or access to expertise, that goes beyond mere familiarity with financial statements. They must be able to understand the rules, and, more importantly, the principles that underpin the preparation of financial statements. That is, they must be prepared to invest the time necessary to understand why critical accounting policies are chosen, how they are applied and satisfy themselves that the end result fairly reflects their understanding (Omondi, 2012).

Financial Performance

Corporate governance gives a perspective of the interface amongst those persons and groups, which present resources to the corporation, and make contribution to the firm's performance. Researchers such as Grier et.al, (2014) have argued that governance structure of any firm affects its ability to respond to external factors that have some bearing on financial performance. Therefore, well-governed firms perform better compared to poorly governed firms. Good governance will breed shareholder benevolence and assurance. Spoel et.al, (2013) also presses that improved corporate governance structure benefits corporations through superior access to financing, reduced cost of capital and better firm performance.

On the other hand, weak corporate governance leads to corruption, poor firm performance, and risky financing patterns that would lead to economic crises. Good corporate governance would entail better supervision of managers and reduced agency costs are reduced this would ultimately lead to better firm performance in terms of stock returns, profitability, riskiness and dividend payments. The composition of the board has a direct effect on the financial performance of a firm. Cua et al, (2013) found that firms with a higher number of external directors are expected to pursue that have low financial advantage with a higher market value for equity.

Boards increase the frequency of their meetings especially after a period of low performance. Corporate governance influences on how a firm relates with its stakeholders and the respect it has among its peers. This will affect the financial performance of the firm. Erhardt et al (2009) on his study of board composition and financial performance argued that board diversity has an effect on financial performance since firm's draws its board from a relatively large pool of expertise. This expertise will thus enable the board to make sound decisions, reduced conflicts, and better organizational policies that will ultimately lead to increased financial performance

In their study, Bhagat and Bolton (2008) looked at the effects of corporate governance on the performance of U.S. companies with Return on Equity being a performance measure. They found out that firms with good corporate had enhanced return on equity, increased shareholders value, and better prospects for the firms owing to increased confidence drawn from the enhanced shareholders value. Mugo et. al., (2011) found out that enhanced corporate governance instilled confidence and enhanced market positions owing to the increased dividends on the members resulting from the enhanced R.O.A and boost the firm's profiles and confidence from the membership and forced the peers to take care for the same.

Mugenyi (2010) measured and compared performance indicators with growth of firms‟ asset bases, financial profitability, increases in revenue, improvement of product quality, employee turnover and retention rates and organizational processes. The study found a positive relation between the corporate governance standards and ratings and the organizational value owing to the performance posted by the sampled firms.

Corporate governance helps in defining the relation between the company and its general environment, the social and political systems in which it operates. Brown and Caylor (2014) posit that better corporate framework benefit firms through greater access to financing, lower cost of capital, better performance and more favorable treatment of all stakeholders. Corporate governance should lead to better performance since managers are better supervised and agency costs are decreased. Brown and Caylor (2014) found that firms with weaker corporate governance perform poorly compared to those with stronger corporate governance in terms of stock returns, profitability, riskiness and dividend payments.

A well-functioning corporate governance system helps a firm attract investment, raise funds and strengthen the foundation for firm financial performance (Parker, 2009). Claessens et al. (2010) note that better corporate framework benefits firms through greater access to financing, lower cost of capital, better financial performance and more favorable treatment of all stakeholders. In relating corporate governance and financial performance, Nam (2012) found that corporate governance should lead to better performance since managers are better supervised and agency costs are decreased. Schilling (2010) in a study of 242 of Europe's largest listed corporations deduced that companies with stronger corporate governance performance are on average also highly valued.

8. RESEARCH METHODOLOGY

For the purpose of this study, the researcher applied a descriptive research design. A descriptive study is concerned with establishing the rate of recurrence with which something occurs or the association between variables. The study population was composed of deposit taking SACCOs in Nyandarua County which are under SASRA regulation. There are 61 deposit taking SACCOs operating in four sub-counties of Nyandarua County. Given that the sample population is not too big, the study adopted a census where all the SACCOs were included in the study. Primary methods of data collection were used in the study. The study employed the use of questionnaires as the main tools for collecting data. A questionnaire is a research instrument which consists of a series of questions designed to assist the researcher in getting information from the respondent (Mugenda & Mugenda, 2010). The questionnaire contained structured questions. Questionnaires helped the researcher to collect large amount of data in large areas within a short time thus saving time for the study. The questionnaire composed of short structured closed ended statement constructed on a 5 point Likert scale. The instrument was pilot tested where Cronbach alpha (α) was used to test the reliability of the instrument. , data was processed and analyzed by using descriptive statistics and inferential statistics. Tabulation of data was used to enable a meaningful description of the distribution of scores with the use of frequencies and percentages, means and standard deviation presented in tables. Inferential statistics was done to establish the relationships between variables and the strength of prediction. This was done using correlation, simple linear regression analysis and multiple regression analysis.

9. FINDINGS AND DISCUSSIONS

A total of 61 questionnaires were distributed to the respondents for data collection. Out of the 61 distributed questionnaires, 42 of them were returned. They were properly filled and therefore they were deemed fit for data analysis. This formed a response rate of 68.9%. A response rate below 51% is considered inadequate in social sciences (Pinsonneault & Kraemer, 1993). Babbie (1990) suggested that a response rate of 60% is good; 70% is very good. Therefore the response rate of this study was considered as good for data analysis

9.1. Descriptive Statistics Results

9.1.1 Descriptive Statistics on Audit Committee

The study also established the views of the respondents regarding audit committee by computing the percentages, mean and standard deviations of their responses. The findings from the analysis were as presented in table 1.

Table 1: Descriptive Statistics on Audit Committee

	SA (%)	A (%)	N (%)	D (%)	SD (%)	Mean	Std. Dev
Board members with accounting and finance skills contribute the more in board meetings	35.7	33.3	19.0	11.9	0.0	3.93	1.022
Presence of audit committee in SACCOs helps to ensure there is accountability and transparency in SACCOs	45.2	47.6	4.8	2.4	0.0	4.36	.692
Our SACCO has been financially sustainable due to the presence of audit committee members in the board	16.7	54.8	11.9	14.3	2.4	3.69	1.000
Audit Committee in our SACCO helps to detect fraud thus preventing losses	23.8	38.1	28.6	9.5	0.0	3.76	.932
Audit reporting helps in providing oversight of our SACCO's operations and financial reporting	31.0	47.6	16.7	4.8	0.0	4.05	.825

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Audit members in our SACCO have knowledge, skills, integrity and high ethical standard in carrying out their roles	21.4	52.4	11.9	9.5	4.8	3.76	1.055
To enhance transparency in financial reporting in the SACCO, the audit committee members follow the accounting principles	31.0	47.6	19.0	2.4	0.0	4.07	.778
Valid N (listwise)	42						

Table 4.4 indicated that 35.7% and 33.3% of the respondents agreed and strongly agreed respectively that board members with accounting and finance skills contribute the more in board meetings. The registered mean was 3.93 while the registered standard deviation was 1.022. On whether the presence of audit committee in SACCOs helps to ensure there is accountability and transparency in SACCOs, the study found out that majority of the respondents comprising of 92.8% strongly and/or greed registering a mean of 4.36 and a standard deviation of 0.692. The study went ahead to establish respondents views on whether their SACCO has been financially sustainable due to the presence of audit committee members in the board.

Results indicated that 71.5% of the respondents agreed registering a mean of 3.69 and a standard deviation of 1.000. In addition, respondents agreed that audit Committee in their SACCO helps to detect fraud thus preventing losses. This statement presented a mean of 3.76 and a standard deviation of 0.932 where 61.9% of the respondents strongly and/or agreed. Additionally, the respondents agreed (M=4.05, SD= 0.825) that audit reporting helps in providing oversight of their SACCO's operations and financial reporting. 47.6% of the respondents agreed while 31.0% of them strongly agreed.

Moreover, 52.4% of the respondents agreed while 21.4% of them strongly agreed that audit members in their SACCO have knowledge, skills, integrity and high ethical standard in carrying out their roles. This aspect had a mean of 3.76 and a standard deviation of 1.055. Finally, the respondents agreed that to enhance transparency in financial reporting in the SACCO, the audit committee members follow the accounting principles. Having a mean of 4.07 and standard deviation of 0.778, 78.6 % of the respondents strongly and/or agreed with the statement. Whereas respondents showed greater cohesion in their views regarding several items with standard deviation values less than one, greater deviations were still seen in some items having standard deviation values greater than one for some item.

9.1.2 Descriptive Statistics on Financial Performance

Descriptive statistics regarding financial performance of SACCOs were established. This aided in depicting the views of the respondents regarding financial performance of SACCOs in Nyandarua County. The findings from the analysis were as presented in table 2.

Table 2: Descriptive Statistics on Financial Performance

	SA (%)	A (%)	N (%)	D (%)	SD (%)	Mean	Std. Dev
Our SACCO has continually posted growth in equity returns over the years	50.0	38.1	4.8	7.1	0.0	4.31	.869
The SACCO makes sufficient returns to make dividend payments to equity members every year	28.6	47.6	16.7	2.4	4.8	3.93	.997
The growth in revenue has always enhanced the shareholders' value in the SACCO	40.5	35.7	16.7	4.8	2.4	4.07	.997
The SACCO has been registering positive returns on assets	28.6	38.1	26.2	7.1	0.0	3.88	.916
The SACCO has been able to reduce the level of non-performing assets hence enhancing return on assets	16.7	57.1	19.0	2.4	4.8	3.79	.925
The value of SACCO share has been steadily rising	33.3	33.3	26.2	4.8	2.4	3.90	1.008
The earnings per share in the SACCO has more than doubled over the years	16.7	45.2	16.7	16.7	4.8	3.52	1.110
Valid N (listwise)	42						

Descriptive statistics analyses on financial performance were established. Results from the findings indicated that 88.1% of the respondents strongly and/or agreed that their SACCO has continually posted growth in equity returns over the years. A mean of 4.31 and a standard deviation of 0.869 were registered. The study went further to establish whether the SACCO makes sufficient returns to make dividend payments to equity members every year. The findings indicated that 47.6% of the respondents agreed while 28.6% of them strongly agreed registering a mean of 3.93 and a standard deviation of 0.997. Also, a mean of 4.07 and a standard deviation of 0.997 were registered where 76.2% of the respondents strongly and/or agreed that the growth in revenue has always enhanced the shareholders' value in the SACCO.

In addition, respondents agreed (M=3.88, SD=0.916) that the SACCO had been registering positive returns on assets. 38.1% and 28.6% of the respondents agreed and strongly agreed. On whether the SACCO had been able to reduce the level of non-performing assets hence enhancing return on assets, majority of the respondents comprising of 73.8% strongly and/or agreed recording a mean of 3.79 and a standard deviation of 0.925. Further, it was established that respondents agreed that the value of SACCO share had been steadily rising. 66.6% of the respondents strongly and /or agreed with a mean of 3.90 and a standard deviation of 1.008. Finally, respondents were in agreement that the earnings per share in the SACCO had more than doubled over the years. The results established that 45.3% of the respondents agreed while 16.7% of them strongly agreed. This had a mean of 3.52 and a standard deviation of 1.110.

9.2 Correlation Analysis

The study utilized Pearson correlation coefficient to examine the relationship between the independent variable and the dependent variable. Pearson product moment correlation coefficient was used to indicate the relationships. Findings from the analysis were as presented hereafter.

Relationship between Audit Committee and Financial Performance

The two variables audit committee and financial performance were correlated. Finding from the analysis were as indicated in table 3.

Table 3: Correlations between Audit Committee and Financial Performance

		Audit Committee
Financial Performance	Pearson Correlation	.402**
	Sig. (2-tailed)	.008
	N	42

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

Findings depicted a relatively weak but positive significant (r=.402, p=.008) relationship between audit committee and the financial performance of deposit taking SACCOs in Nyandarua County. This demonstrated the importance of audit committee on the financial performance of the deposit taking SACCOs in Nyandarua County. In essence, for desirable financial performance of Savings and Credit Cooperatives to be achieved, audit committee need to be incorporated in their businesses. This study agreed with the study carried out by Omondi (2012) which found that for effective financial performance of SACCOS, audit committee members should possess a wide range of knowledge, skills and personal attributes including sound judgment, integrity and high ethical standards; strong interpersonal skills and the ability and willingness to challenge and probe. They must be able to understand the rules, and, more importantly, the principles that underpin the preparation of financial statements.

10. CONCLUSIONS AND RECOMMENDATIONS

10.1 Conclusions of the Study

It was established that audit committee has a significant relationship with financial performance. This means that audit committee dynamics directly influences the direction of financial performance of the deposit taking SACCOs in Nyandarua County. For desirable financial performance of Savings and Credit Cooperatives to be achieved, audit committee need to be incorporated in their businesses. It was noted that audit committee is necessary in determining and detecting fraud. Hence, it plays a significant role in ensuring efficient allocation of financial resources thus enhancing the financial performance of the SACCOs.

10.2 Recommendations of the Study

The study recommended that SACCOs should ensure they install an audit committee to help in internal auditing of the financial operations of the SACCOs. The study showed that audit committee plays a significant role in avoiding fraud in financial utilization. Further, audit committee ensures efficient allocation of resources in SACCOs and thus a prerequisite in ensuring effectiveness in financial performance. Therefore there needs to be an independent audit committee that would be responsible for all audit queries and report. Audit reports also pray an important role in making financial decisions.

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