

**EFFECT OF AUDIT COMMITTEE CHARACTERISTICS ON
BUDGETARY COMPLIANCE OF COMMERCIAL STATE
CORPORATIONS IN KENYA**

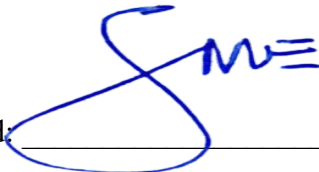
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**A RESEARCH PROJECT SUBMITTED IN PARTIAL
FULFILLMENT OF THE REQUIREMENTS FOR THE AWARD
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DECLARATION

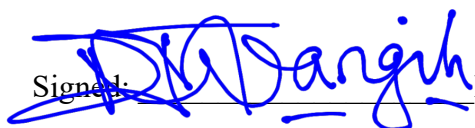
I, the undersigned, hereby declare that this is my own original work, and that it has not been submitted for review to any other organization or university but the University of Nairobi.

Signed:  Date: 20/11/2022

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D61/33969/2019

This research project has been submitted for examination with my approval as the University Supervisor.

Signed:  Date: 24 October 2022

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I am also very grateful to my family for prayers and unlimited support throughout the journey. Thank you for believing in me and unconditional Love.

DEDICATION

This research project is dedicated to God almighty who gave me the strength and the resources needed for the whole course. I also dedicate it to my wife and children for being there for me.

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LIST OF ABBREVIATIONS

AC	Audit Committee
ADF	Augmented Dickey Fuller
ANOVA	Analysis of Variance
CBK	Central Bank of Kenya
CEO	Chief Executive Officer
CSC	Commercial State Corporation
GOK	Government of Kenya
KNBS	Kenya National Bureau of Statistics
NSE	Nairobi Securities Exchange
PFM	Public Financial Management
ROA	Return on Assets
SME	Small and Medium Enterprises
SPSS	Statistical Package for Social Sciences
VIF	Variance Inflation Factors

ABSTRACT

Audit committee characteristics have been associated with numerous benefits including reducing the agency conflicts among stakeholders of a firm. An ideal audit committee would aid in guaranteeing budgetary compliance. In Kenya, it has been established that some Commercial State Corporations spend more funds than allocated by the national government and their internally generated revenues. This is in complete disregard of the PFM Act of 2012. Having an effective audit committee in place, would go a long way in ensuring budgetary compliance among the commercial state corporations. The main intention of this research was to examine audit committee characteristics influence on budgetary compliance of commercial state corporations in Kenya. Agency theory, stakeholder theory and stewardship theory were adopted to anchor the study. A descriptive research design was used in this research. The target population was the 54 commercial state corporations in Kenya. Secondary data was obtained from the Office of the Auditor General and individual CSCs annual reports for a 5 year period (2017 to 2021). Upon collection of the data, inferential as well as descriptive statistics generated included frequencies and percentages and correlation and panel linear regression respectively. The regression results produced an R square of 0.2259 which implies that 22.59% of the changes in budgetary compliance among commercial state corporations can be explained by the six selected variables for this study. The overall model was found to be statistically significant as exhibited by a p value of 0.000 which was less than 0.05. The study further revealed that audit committee independence, audit committee size and firm size had a positive and significant effect on budgetary compliance of CSCs in Kenya while financial leverage has a significant negative effect. Audit committee tenure and meetings frequency had no significant effect on budgetary compliance. This study concluded that audit committee characteristics are essential for CSCs to use in their endeavor to improve on their budgetary compliance. The study recommends that management of commercial state corporations should ensure their audit committees are independent and audit committee assumes the recommended characteristics and adequacy as this will enhance budgetary compliance. It is further recommended that policy makers should come up with sound policies to guide commercial state corporations on audit committee characteristics.

CHAPTER ONE: INTRODUCTION

1.1 Background of the Study

There are crucial instruments called Audit Committees (AC) that organizations require due to their capability to control the behavior of the firm's management and increase openness (Iyer & Samociuk, 2016). Audit committees' utilization as a corporate governance instrument has been emphasized as a way to reduce the risk of fraudulent financial reporting. An audit committee with effective characteristics is useful not just in monitoring the financial statements of an organization but also in ensuring budgetary compliance (Stein, 2013). The quality reports on finance are significantly connected with the membership of the audit committee, which in turn is highly correlated with a company's ability to stay to its budget. The effectiveness of the audit committee has both long-term and immediate effects on the company's goals. Several studies have shown that having an audit committee improves budgetary compliance (Korent, Dundek & Calopa, 2014).

The study got support from the theory of stewardship, the theory of agency, and the theory of stakeholder, all of which have sought to describe how AC features connect to budgetary compliance. These theories have been used as a foundation for previous research. Jensen and Meckling's (1976) has an agency theory called the theory of research anchor, which defines how management, in its role as agents, is supposed to serve the principle in the best interests of the firm to achieve the core goal of the organization. The theory holds that strong AC attributes provide better monitoring leading to budgetary compliance. The theory of stakeholder by Freeman (1984) is relevant to this research because it supports the agency theory, which did not show all important partner who makes economic decisions based on the results of finance these

are; staff, regulators, credit suppliers, potential investors, financial analyst etc. Donaldson and Davis (1991) theory of stewardship provides a conceptual framework to understand how successful agents that are managers of firms run their career by carrying out their responsibilities honorably, essential audit committee characteristics code compliance, as well as disclosing to all stakeholders regularly, the correct, appropriate and suitable reports.

Forming a Commercial State Corporation (CSC) in Kenya is done so with the intention of benefiting the public and, maybe, generating a profit. State corporations may establish business venture to offer services and products that may be required for growth, they may be involved in government projects with huge capital disbursement that may not be appealing to private sector despite its necessity for development in the country. In Kenya, state corporations suffer ineffectiveness difficulties that have hampered their functioning (Okech, 2017). Much of this inefficiency can be linked to the public sector's bureaucratic system, as well as frequent political interferences, several levels of management, and weak audit committee characteristics systems (Atieno, 2019). Mwangi (2018) holds that enhanced audit committee characteristics will go a long way in improving budgetary compliance among CSCs in Kenya.

1.1.1 Audit Committee Characteristics

Financial reporting, audits, internal business controls, and compliance with any relevant standards are all monitored by the audit committee, which serves as a management and control system (Amudo & Inanga, 2009). It is expected of audit committees to fulfill a variety of functions, such as providing supervision, assessment, monitoring, and assurance services to management in order to reduce agency expenses (Abbott, 2000). Initiating organizational change and facilitating processes that serve the organization's

mission are also in the hands of the audit committee (Adari, 2007). In addition, the audit committee strives, in spite of the exceedingly cutthroat nature of the market, to protect the owner's interests while simultaneously keeping the professionalism of management and the accountability processes (Beeler, Myers & Marcus, 2008).

In addition to conducting an assessment of the level of efficiency with which the auditing function of the public service is carried out, the audit committees are entrusted with conducting a complete examination of the current internal controls at public institutions (Mutai, 2011). It is very essential for state enterprises to have efficient audit committees, especially at a time when the public sector has been plagued by a number of financial scandals. After the Enron Corporation filed for bankruptcy, these committees have been attacked on a global scale for their failure to discover and put a stop to the fraudulent actions that were going place inside the corporation even after the company declared bankruptcy (Ogoro & Simiyu, 2014).

Audit committees in both the public and commercial sectors require certain skills to evaluate the reliability of the financial statements they review. Proxies for the efficacy of audit committees have included the proportion of independent nonexecutive directors, a financial expertise of the audit committee, the size of the audit committee, directors' length of service, audit committee meeting frequency, and directors' total number of board positions (Ogoro & Simiyu, 2014). Although numerous variables may be used to identify AC features, the present research concentrated on AC independence, AC tenure, AC size, and AC meeting frequency.

1.1.2 Budgetary Compliance

To meet the policy's purpose or provide a foundation for revision, it is necessary to create budgets that are related to the duties of policymakers and to continuously

compare actual outcomes with budgeted results (Olaoye & Ogunmakin, 2014). As per Igbinosun and Ohiokha (2012), one way to ensure budgetary compliance is to regularly review progress toward goals and make adjustments as necessary. Budgetary compliance, as defined by Swaine (2017), is the process of developing and regularly comparing budgets for executive responsibilities with actual results, with the goal of either ensuring that each action takes is consistent with the policy's goals or providing a basis for modifying the policy.

Most businesses create a budget at the start of each period to outline how they plan to meet their objectives while staying within the financial constraints imposed by upper management (Bashuna, 2013). Proper adherence to the budget aids decision-making by quantifying the degree of performance attained by each activity, allowing for the discovery of low-performing activities that may need modification or even deletion, based on the scope of the budget (Mohamed, Evans & Tirimba, 2015). Every department within the corporation must adhere to its allotted budget in order to preserve alignment with the firm's objectives, hence facilitating their achievement. Consequently, financial compliance is essential, since it permits this by coordinating and supervising the many responsibilities (Abdullahi, Abubakar, Kuwata & Muhammad, 2015).

Several ratios are utilized in measuring budgetary compliance. The most common metric for budgetary compliance is the difference between actual expenditure and budgeted expenditure (Batra & Verma, 2017). Another widely used measure of absorption rate among county governments is the ratio of final actual spending to final approved budget (Polisetty, 2016). A higher ratio would mean a corporation is spending more than budgeted and therefore control measures need to be taken. The current study

utilized the ratio of final actual spending to final approved budget as it shows the extent to which the actual spending varies from the budget.

1.1.3 Audit Committee Characteristics and Budgetary Compliance

The agency hypothesis is one line of thought that suggests the use of audit committees will improve fiscal discipline. There are a number of hypotheses that attempt to describe the connection between audit committee composition and adherence to spending plans, and this is only one of them. The owners of a company may take comfort in the fact that, so long as they treat their agents fairly and give them with sufficient incentives, their agents will operate in a way that benefits the company as a whole (Jensen & Meckling, 1976). Therefore, the director's role changes to one of overseeing management's actions, as that body has the fiduciary duty under the stewardship concept to safeguard shareholders' interests. By keeping tabs on all relevant parties, the audit committee may raise the likelihood of full disclosure, which has a positive impact on budgetary compliance.

Meckling and Jensen (1976) reveals that managers will only be mindful of their own interest and the value of shareholders will only be maximized if the governance structures is efficient to discipline improper acts. From (Donaldson & Davis, 1991) theory of stewardship executives are not the only ones that bring governance problems, regulators and investors working to attain self-actualization also bring these problems.

Audit committee improves a firm's overall efficiency which leads to a sustainable economic development and reduces the allowable financial crises.(Naimah & Hamidah, 2017).Therefore it is important for an organization to observe habits for audit committee. A well-functioning audit committee also improves compliance with budgetary requirements and fosters more confidence among shareholders and other

stakeholders (Price, 2018). Therefore, the establishment of efficient audit committees inside companies is crucial to enhancing their ability to comply with their budgets.

1.1.4 Commercial State Corporations in Kenya

Commercial State Corporations were founded in Kenya in 1987 through the State Corporation Act Cap 446. The most of the nation's corporations were established after independence in the 1960s or 1970s (Republic of Kenya, 2020). CSCs were founded largely to enable more Kenyans to engage in the economy since most institutions at the time were still ruled by European settlers, a process known as indigenization, as reported by GoK-Sessional Paper No. 10 (1965). As a result, a succession of CSCs was formed, with the total number of CSCs reaching 240 by 1995. After a series of restructurings to bring them in line with the country's development, there are 54 CSCs across the nation as of December 31, 2021.

It is impossible to overestimate the importance of state-owned firms. In Kenya, 15 percent of all income comes from state-owned corporations. State-owned firms add value by being able to supply affordable, readily available, and essential goods as well as services in vital sectors like electricity, health, and transportation. They require a significant capital investment, which the private sector cannot provide. State-owned enterprises, if well-managed, may significantly improve residents' well-being while simultaneously promoting inclusive development (Mwangi, 2018).

The primary issue with Kenyan CSCs is the weak governance mechanisms that have been established within the CSCs, as well as mishandling of finances and absence of strict regulatory oversight (GoK-Sessional Paper No. 4, 1991). This has resulted in the government being overburdened; for example, in 2016, the government paid KSH. 23.1 billion to assist Mumias Sugar Company, Uchumi Supermarket and Kenya Airways to

restructure following a string of losses (CBK, 2016). Financial management as well as governance systems which are poor makes it tough for CSCs to maintain consistent budgetary compliance, causing them to fall behind the private sector. As a consequence, the CSCs' services have been insufficient and unreliable, prompting citizens to stop believing in them.

1.2 Research Problem

Audit committee characteristics have been related with many benefits which include reducing disputes in the agency of a firm among stakeholders. An ideal audit committee would aid in guaranteeing budgetary compliance (Mgammal, Bardai & Ku Ismail, 2018). According to research by Lamport et al. (2011), budget adherence is positively correlated with the quality of an organization's audit committee. Getting to understand sound governance procedure clearly is crucial to help firms to build a good image and prevent scams. In addition to this, it has become essential for businesses to enhance their compliance with budgetary requirements, to improve the climate for investment, and to stimulate economic growth (Braga & Shastri, 2011).

There has been a rise in the amount of corporate accounting and financial scandals reported by government oversight organizations such the EACC, the Controller of Budgets, and the Office of the Auditor General (Koech & Ogollah, 2018). Further, it has been established that some CSCs spend more funds than allocated by the national government and their internally generated revenues. This is in complete disregard of the PFM Act of 2012. Having an effective AC in place, would go deeply in ensuring budgetary compliance among the corporations. The current study intends to determine if the audit committees in place are effective in ensuring compliance among CSCs in Kenya.

Globally, there exist empirical studies in this area but they exhibit conceptual, contextual and methodological research gaps. Researchers Nkundabanyanga, Kaawaase, Nalukenge, and Bananuka (2018) looked at the internal audit function of Ugandan state businesses, as well as the efficacy of audit committees and accountability. The study has a conceptual flaw since it did not investigate the ways in which audit committee characteristic might increase budgetary compliance; this is the subject of the research that is being conducted now. Zraiq and Fadzil (2018) study the connection between successful companies and the presence of audit committees in Jordanian organizations. The research suffers from a lack of background information since it focused on companies in Jordan, which function in a different social and economic setting than CSCs in Kenya. Ashari and Krismiaji looked at how the makeup of the audit committee affected the bottom lines of firms trading on the Indonesian Stock Exchange that were engaged in manufacturing. Monthly meetings, the number and skill of the audit committee, and how often they meet are all important aspects. The research presents a theoretical gap as some characteristics of AC such as audit committee tenure were not taken into account. Further, the study was did not relate AC characteristics with budgetary compliance.

Locally, numerous studies have extensively studied the influence of audit committee characteristics across fields. Among firms on the list of Securities Exchange in Kenya, the quality of financial reporting was studied by Jerubet, Chepng'eno, and Tenai. Due to the study's exclusive emphasis on publicly traded companies, there is an omission of important background information. The study also presents a conceptual gap as the influence of AC on other variables such as budgetary compliance was not established. Mwangi (2018) looked examined how different characteristics of audit committees correlated with the reliability of financial reports at state-owned companies in Kenya.

Theoretical gaps are presented in this study as there was no consideration of budgetary compliance. Okiro (2018) attempted to discover how Kenyan county government's performance is affected by the county audit committees. The research presents a conceptual gap as budgetary compliance was not considered.

The difficulties in performance that are experienced by commercial state enterprises in Kenya served as inspiration for the present research. It is believed that a process with strong audit committee characteristic would boost budgetary compliance, which will subsequently transfer to improved performance. Despite the fact that there have been earlier researches in this field, those studies did not explore the influence of audit committee characteristic on budgetary compliance among CSC in Kenya. As a result, there is a conceptual vacuum. The following research topic was investigated in this project in order to fill up this information gap: What influence does audit committee characteristic have on budgetary compliance of commercial state corporations in the country?

1.3 Research Objective

The aim of the research was to find out the consequences of audit committee characteristics on budgetary compliance of state corporations in Kenya.

1.4 Value of the Study

The conclusions of this study will contribute to already existing conceptual and experimental literature on audit committee characteristics and budgetary compliance. The results will aid in developing theory as they will help understand the limitations and importance of current theories to the figures of the study. Subsequent studies may also be executed on the basis of further research recommendations.

The conclusions of the research might be relevant to the policy makers like the government. The research will serve as government guide on its role in policy making and how AC affects budgetary compliance. This would help the government identify areas of improvement. It will also be of help in evaluating how the various CSCs are doing in terms of AC and budgetary compliance and develop policies to guide on the same.

The conclusions will also aid CSCs management in understanding the correlation between the two variables, the research is expected to be beneficial by giving them insight on the significance of AC. Managers are likely to have a concrete plan to enhance their AC. The statistics can be used by the firms to increase their mode of deliver and strengthen their position.

CHAPTER TWO: LITERATURE REVIEW

2.1 Introduction

This section presents a broad investigation of the conceptual foundations of audit committee make-up and fiscal accountability. In addition, it provides a summary of earlier empirical research, draws attention to knowledge gaps, and wraps up with a theoretical framework and assumptions that suggest the predicted connection between the parameters that were researched.

2.2 Theoretical Framework

This part covers the concepts upon which the research of audit committee characteristics and budgetary compliance is based. The research examined stewardship, stakeholder and agency theories.

2.2.1 Agency Theory

This is the working assumption behind the current investigation. Jensen and Meckling's agency theory (1976) holds that if one person takes action on behalf of another, that person is functioning as an agent. The issue with the traditional principal-agent setup is that principals often have little say over the actions their agents are allowed to do. This is a problem since principals want to be able to control what their agents do (Moenga, 2015). It's possible that a combination of these three factors opportunism, sunk costs, and disguised truths will make the issues that crop up as a direct result of the principal-agent relationship much more difficult to solve (Njau, 2016). Concealed information is obtained when agents have knowledge that the principle does not have and when the agents have the option to keep the information secret from the principle. This happens when agents know information that the principle does not have. All other circumstances being the same, this is the only condition that matters. The agent is able to "shirk," or

lessen their level of effort, which is to the detriment of the principal when hidden information is used since it has the unintended consequence of enabling the agent to "shirk." The agency theory has implications for the reasons why firms may see increases in productivity and a competitive advantage when they use best practice frameworks. This is due to the norm that requires certain elements to be included in audit committees in order to assure that agent conduct is oriented toward the principal interests (Aimone & Butera, 2016).

Despite this, agency theory is not without flaws. The agency theory fails to account for many of the complexities and challenges that agents confront in carrying out the principal's tasks and assignments. The agency theory proposes expensive and economically inefficient mechanisms of control. This is so because measures taken to safeguard shareholders' interests might impede the implementation of strategic decisions, constrain company operations, alter investment plans, and give little weight to the concerns of other stakeholders, according to (Segrestin & Hatchuel, 2011).

The ideal fiduciary obligations of management as the agent include acting in the principals' best interests and providing them with accurate and timely financial reporting, therefore agency theory is well-suited to this investigation. The link between AC characteristics and monetary conformity is the primary focus of this investigation, and the authors feel that agency theory provides a robust theoretical framework for this investigation.

2.2.2 Stakeholder Theory

Freeman (1984) came up with the theory with the intention of being utilized as a management tool. However, since then it has progressed into a firm theory with a lot of explanatory power. Stakeholder theory is a management and ethics paradigm that

places a premium on upholding moral and ethical standards while making decisions for corporations, nonprofits, and government agencies. According to stakeholder theory, an organization's strategy should be primarily determined by the interests of its many stakeholders.

The source of criticism for this theory, as by which benefits go to a firm's stakeholders is from single-valued objective assumptions. According to Jensen (2016), there are other ways to measure how an organization performs other than the benefits stakeholders receive. The aspects include communication from top administration to lower-level employees, the working environment, and relationships among employees in the company.

Stakeholder theory offers support to the agency theory thus can be applied to this research; the agency theory omitted important stakeholders who make economic decisions depending on financial results which are regulators, creditors, staff, financial analysts, as well as prospective investors, among others. It sets up a theoretical basis to help understand how several individuals and entities need correct information inside and outside a firm to comply with code of AC characteristics and legal requirements, it may be assured. The study is required to offer hypothetical justifications for all of the practical goals, guaranteeing complete compliance with the audit committee characteristics code and ensuring that the outcome of the performance supplied to stakeholders are right, appropriate, and precisely depict the firm's situation.

2.2.3 Stewardship Theory

The stewardship theory was pioneered by Donaldson and Davis (1991). It appears as a serious counterpoint to agency theory. From this theory a manager's primary aim, is to make the most of the company's production, because his/her passion for success and

achievement is content whenever there is effective performance by the firm. The theory opposes the agency theory by disagreeing that managerial opportunism is insignificant. The main difference in the two theories is that, stewardship theory replaces the absence of confidence that agency theory relates to with reverence for authority and the desire of managers to behave ethically. From the stewardship theory, managers in firms from the public are demoralized from working against the interests of shareholders by their concern for their self-interest, to reduce agency costs (Donaldson & Davis, 1991). Muth and Donaldson (1998), aboard that dominates in the inside of a firm is successful since they understand organization processes like how to access data and technical skills. Shareholders agents who get compensation incentives are to work for the good of all stakeholders. True stewards and executives follow audit committee characteristics code, regulatory commands, and revealing the quality of real incomes to stakeholders (Chen et al., 2016).

Scholars critiquing stewardship theory like Pastoriza and Ario (2018), argue that it is oversimplified and impractical because people are inclined to become administrators owing to situational and psychological reasons. Not all managers are affected by these factors as the question comes up: What will happen to the organization's goal if the manager's psychological features and the management theory of the company doesn't align? Additionally, this proclaims that becoming administrator emanates simply from a rational procedure, but it is not clear which fundamental procedure make a person to choose. The inquiry is how one can know if he has a steward's nature or not. It's important to find out the inner force that motivates a person to overlook his own self-interest and resolve inter-motivational conflict within himself (Daodu, Nakpodia & Adegbite, 2017).

This theory is pertinent to the study as it complements stakeholder theory, which includes all important stakeholders other than management who makes economic decisions from the financial outcomes these are, shareholders, regulators, creditors, staff, financial analysts, potential investors, among others. It proposes conceptual background to help understand how successful stewards, who are manage firms, manage their professions via performing their responsibilities with the highest self-respect, this is what any company needs agreement with audit committee characteristics guidelines, and the revelation of right, suitable and valuable reports to anyone who is interested regularly without placing any stakeholder at a loss. The theory links AC characteristics with budgetary compliance.

2.3 Determinants of Budgetary Compliance

Budgetary compliance is determined by a number of factors. Almost everyone, whether in the public or private sector, is affected by these variables. Corporate governance, business size, and leverage are all examples of internal forces.

2.3.1 Audit Committee Characteristics

Some theories describe the theoretical link between audit committee characteristics and budgetary compliance, like the agency theory, which forecasts that AC systems have a positive effect on budgetary compliance. If agents are properly managed and provided with enough incentives, company owners have a better chance of feeling secure in the knowledge that their agents will behave in a manner that is in the owners' best interests (Jensen & Meckling, 1976). According to the stewardship hypothesis, the board of directors has a fiduciary obligation to look out for shareholders' best interests by keeping an eye on how management is doing their jobs. Consistent stakeholder

oversight raises the possibility of full transparency, which has a beneficial effect on the audit committee's capacity to ensure fiscal responsibility.

Audit committee improves a firm's overall efficiency thus increasing economic development while minimizing their vulnerability to financial setbacks (Naimah & Hamidah, 2017). Therefore, it is important for every entity to observe best practices for audit committee. A well-functioning audit committee also improves compliance with budgetary requirements and fosters more confidence among shareholders and other stakeholders (Price, 2018). Therefore, for companies to improve their compliance with their budgets, it is vital for them to establish and maintain strong audit committees.

2.3.2 Firm Size

The size of a company directly correlates to the magnitude of the savings it achieves via economies of scale. Companies of a larger size are more likely to come under scrutiny from the general population. This suggests that larger organizations, as opposed to smaller ones, are more inclined to adhere to budgetary compliance in order to escape public attention. Inefficiency may occur in large organizations of any size due to a lack of oversight over both tactical and strategic endeavors (Burca & Batrinca, 2015).

The market is more easily influenced by larger corporations. Furthermore, they might broaden the scope of their investing strategies. Rapid expansion also increases the likelihood of organizational waste. The size of an organization has a major bearing on the amount of cash flow that is readily accessible for investment. When reaching this judgment, it is important to take into account the company's employees, its physical assets, and its yearly income (Almajali et al., 2012).

2.3.3 Financial Leverage

Based on the sort of debt and in what manner finance managers utilize finances, financial leverage can be beneficial or cause financial distress. As per Salazar, Soto and Mosqueda, (2012) prudent usage and deployment of borrowed funds results in enhanced compliance. Essentially, debt financing is anticipated to have an effect on a company's working capital amounts that in turn affects the degree of compliance with budgetary allocations (Eckbo, 2008).

The trade-off hypothesis includes the fact that the use of debt has tax benefits for a business. This is one of two pairs of conclusions; other study has shown that higher leverage causes share values to fluctuate more when sensitive information is involved; a company's ultimate fate depends on issues that are kept secret from the general public (Nyamboga, Omwario & Muriuki, 2014).

2.4 Empirical Review

The purpose, methods, and conclusions of studies conducted both locally and abroad that indicate a connection between audit committee traits and budgetary compliance are examined.

2.4.1 Global Studies

Internal auditing, audit committee performance, and the transparency of state-owned companies in Uganda were all examined by Bananuka, Nkundabanyanga, Nalukenge, and Kaawaase (2018). The research was random, and the findings were analyzed using a correlation technique. This information was collected from 52 different government departments and organizations in Uganda. The results of this study make obvious the need of internal audits in making statutory businesses accountable for their deeds. It was also discovered via this study that having frequent AC meetings improved the

committee's ability to do its job. Despite this, the research revealed that the presence of a competent audit committee greatly boosted accountability even in environments without a dedicated internal audit function. While prior research has focused only on state-owned enterprises in Uganda, the aim of this research is to explore how AC characteristics could improve financial performance.

Zraiq and Fadzil (2018) look at how audit committees in Jordanian businesses affect bottom lines. As mentioned in the section that gave an overview of the method, OLS regression was done to examine the level of correlation between the explanatory factors and the response variables. This particular analysis took into consideration a total of 228 different manufacturers and service providers. Although the findings and conclusions point to a good correlation between audit committee's size and ROA, this correlation was not found to be statistically significant. However, there is a progressive and statistically substantial association in the size of the AC and EPS. In addition, the statistics show a solid and good correlation between AC meetings and ROI. Along the same lines, the frequency with which the AC convenes is positively correlated with profits per share. Companies in Jordan have a different social and economic environment than CSCs in Kenya, hence there is a context gap in the study.

Ashari and Krismiaji (2019) conducted research on the AC compositions and the financial performances of publicly traded Indonesian manufacturing companies Return on assets (ROA) is a popular performance indicator used to evaluate businesses. A total of 660 companies with a listing on the Indonesian Stock Exchange were surveyed for this study, however only 466 had fiscal years ending on December 31, 2016 or 2017. The analysis concludes that the audit committee's strengths all contribute to the company's success. Auditor quality, financial leverage, and business size are also

included as independent factors in this analysis. A company's financial performance may be improved by employing competent auditors and using financial leverage. Nevertheless, the scale of a corporation has a negative influence on its bottom line. This research was carried out among publicly traded companies in Indonesia. The character of their business and the social and economic context in which they operate is distinct from that of CSCs in Kenya, which are the primary subject of the present investigation.

The objective of the research that Rahman, Meah, and Chaudhory (2019) conducted was to investigate the influence that audit features have on the financial results of Korean businesses. Company performance is measured in terms of ROA, EPS, and PM, with audit characteristics represented by the external audit's quality, the audit committee meetings and how often they occur, and the size of the AC. To examine the impact of audit features on company performance, we used a sample size of 503 firm years from manufacturing businesses listed on the Dhaka Stock Exchange between 2013 and 2017. In this inquiry, we do multivariate regression analysis making use of the pooled OLS methodology. In multivariate analysis, the time dummy and lag models are also assessed to ensure that their dependability is not compromised. According to the results of the multivariate model, the size and effectiveness of the audit committee are significant independent predictors of business success. This research indicates that the frequency with which the AC convenes is related to financial outcomes for companies inversely. Korea's social-economic environment is differs from that of the study's location, Kenya.

Kyere and Ausloos (2021) sought to undertake an empirical research to discover whether or not there's a link in features of a successful AC and the performance of non-financial firms financially on the list of London Stock Exchange in the United

Kingdom. The conceptual model is built around the notions of agency and stewardship. Using cross-sectional regression methods, we examine the relationships between two measures of financial performance (ROA and Tobin's Q) and five audit committee characteristic processes. Empirical research conducted in 2014 on 252 businesses trading on the London Stock Exchange found that audit committee characteristic and methods were associated with positive, negative, or no change in financial performance. This research was carried out among firms that were listed in United Kingdom who operate differently and whose social-economic environment is differs from that of CSCs in Kenya, which are the focus of the current study.

2.4.2 Local Studies

For companies trading on Kenya's Nairobi Securities Exchange, Jerubet, Chepng'eno, and Tenai analyzed the impact of AC features on financial reporting quality. The agency theory was used as a theoretical framework for the investigation. In this investigation, an explanatory research strategy was used. Only 46 firms were selected from a survey of all firms since they were active in the NSE in 2014. This research relied on secondary data gathered through the use of a document analysis guide. Descriptive as well as inferential statistical methods were utilized in data analysis. It was found that the AC size and the people who served on it had a important influence on the reliability of the company's financial reporting. Financial reporting accuracy was shown to be significantly affected by the audit committee's independence. This study did not concentrate on the influence of AC on other parameters like adherence to the budget, which would be the major focus of the subsequent research.

Mwangi (2018) investigated the qualities of audit committees as well as the impact they have on the standard of financial reporting at the country's non-commercial state firms.

Following his investigation, he came to the realization that audit committees had a great influence on the trustworthiness of financial statements. The purpose of the study was to know the magnitude of the frequency of audit committee meetings, the independence, diversity, and financial skill of AC members, and the trustworthiness of financial statements are all related to one another. This study used a descriptive research strategy, and its sample size was calculated by surveying non-profit organizations in all 50 states. In addition, descriptive and inferential techniques of analysis were applied to the research outcomes in this study. Attendance at audit committee meetings was shown to have a statistically significant link with accurate financial reporting, according to the findings. Nevertheless, the emphasis of the earlier research was on financial reporting, but the scope of the current research will be restricted to budgetary compliance because of the context in which it is being carried out.

Okiro (2018) attempted to determine how the Kenyan county governments's performance is affected by the county audit committees. In this investigation, a strategy called purposive judgment sampling is used to choose participants. The county audit committees are the best possible investigative unit since they were hand-picked to be representative of Kenya's 47 counties. The purpose of applying regression analysis and Pearson's Product Moment Correlation analysis was to evaluate hypotheses. He computed the study's descriptive statistics using the most salient features of the variables of interest. The research found that county governments' levels of performance were significantly correlated with the quality of their audit committees. The study leaves a conceptual void since adherence to the budget was not taken into consideration.

Nyaga, Kiragu, and Riro (2018) studied the correlation between an impartial internal inventory and its efficiency in Kirinyaga county in Kenya. Study participants were selected at random from a census sample of 46 workers in the Directorate of Internal Audit in the County, and the study design was descriptive. According to the regression analysis, the internal audit's effectiveness was well and meaningfully impacted by the independence of the internal audit. Researchers found that better report interpretation may occur under the following conditions: more autonomy for the internal audit department; unlimited access to audit data; authority to choose the audit's scope; and the lack of real auditing. The previous research was on a directorate that was housed inside a devolved body of government, but the current study is concentrating on Kenyan community service centers.

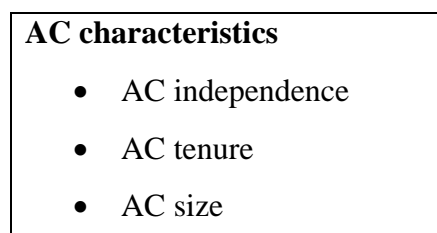
Kariuki and Oluoch (2020) concentrated their study on the characteristics of audit committees and how such characteristics impact the quality of financial reporting at NSE-listed businesses. Specifically, the researchers looked at how audit committees influence the quality of financial reporting. The census method was employed for the research, and each of the 62 firms that were found were treated as their own individual unit of analysis throughout the process. Secondary data were compiled from 2014-2018 annual reports of firms still active in their respective industries. This research used a descriptive methodology since it best fit the study's needs. This kind of research provides an explanation for the features of a certain situation, occurrence, or the like. From the outcomes of this study, increasing the audit committee size at the Nairobi Securities Exchange improved the reliability of financial reports. These results are grounded on an exhaustive analysis of the data we have. The quality of the financial reports submitted for the NSE listing was enhanced by the fact that the auditing firm was fairly evenly split between men and women. There was minimal correlation among

the frequency of Nairobi Securities Exchange AC meetings and the quality of the accompanying financial reports. The quality of the financial reports filed with the Nairobi Securities Exchange benefited from the fact that the audit committee was autonomously run. There is a gap in our knowledge of the effect of AC on budgetary compliance since it was not investigated here.

2.5 Conceptual Framework

Displayed in figure below is the anticipated link between the parameters. The analyst variable was AC characteristics given by audit committee independence, audit committee tenure, audit committee size and audit committee meeting frequency. Theoretically, AC that meets more often is likely to monitor management better leading to enhanced budgetary compliance. A more independent AC is expected to reduce the conflicts in the agency resulting in enhanced budgetary compliance and a large AC is likely to have better mechanism of monitoring management decisions leading to enhanced budgetary compliance. The control variables are firm size and leverage. The response variable was budgetary compliance given by the ratio of actual expenditure to budgeted expenditure.

Independent variables



Dependent variable

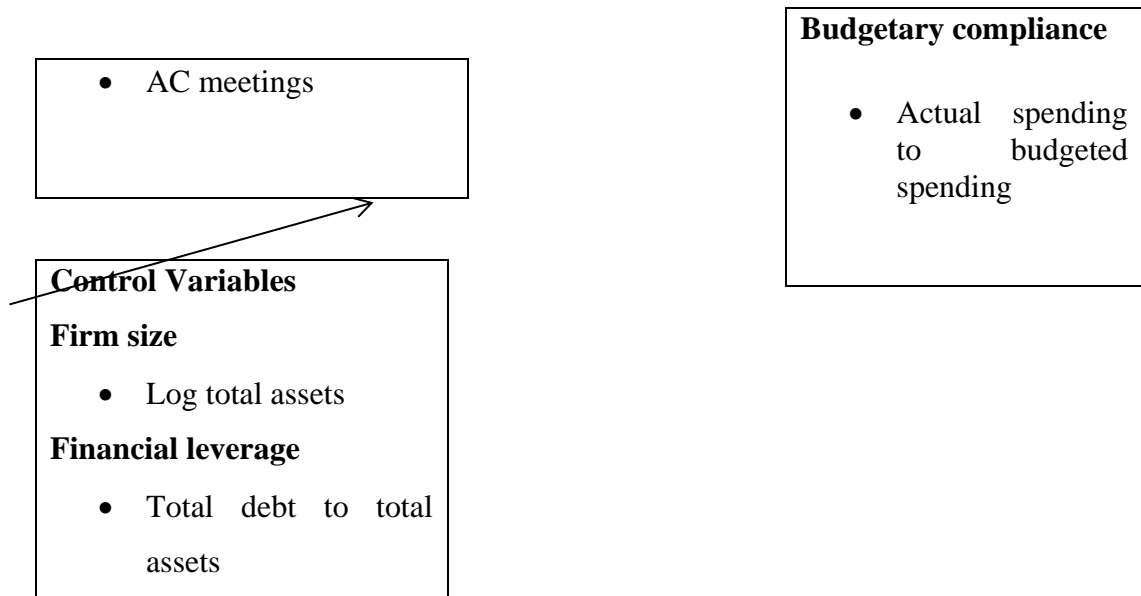


Figure 2.1: Conceptual Model

Source: Researcher (2022)

2.6 Summary of the Literature Review

Various models were proposed to characterize the theoretical relationship of the audit committee and budgetary compliance. Agency, stakeholder, and stewardship theories are among the theories discussed. This segment too covers the primary factors of budgetary compliance. On audit committee characteristics and budgetary compliance, both local and foreign researches have been conducted. In this segment, the results linked to them have been described. Simply the fact that earlier researchers had achieved some degree of consensus was sufficient basis for doing more study. This void was exploited in the recently conducted research.

The preceding section's empirical experiments indicated the existence presence of conceptual, methodological, as well as contextual gaps. Differences in the operationalization of audit committee characteristic revealed conceptual gaps. Methodological shortcomings in empirical studies were exposed by the lack of agreement on standard research practices. Variations in study settings exposed a

number of contextual holes, which were uncovered during an examination of empirical studies. The great majority of empirical study on the topic was conducted in developed nations, and studies that were conducted in a local environment were not focused on CSCs. These gaps have indicated that there are still some unknown regions in the study on audit committee characteristics and the ties between budgetary compliance, and there is no empirical agreement regarding these linkages. However, these gaps have also highlighted that there is a need for more research. The goal of the study was to make a contribution in this area.

CHAPTER THREE: RESEARCH METHODOLOGY

3.1 Introduction

This section details the steps followed to reach the research's overarching goal: learning if and how audit committee characteristics influence CSCs' adherence to spending limits in Kenya. The research emphasizes the design, data collection, as well as analysis specifically.

3.2 Research Design

The purpose of the descriptive research was to examine the connection of AC characteristics and sound financial management in state-owned businesses. This design was suitable since the investigator is particularly keen with the nature of the phenomenon (Khan, 2008). It was also effective for defining the phenomena' interconnections. This design also accurately and validly reflected the variables, providing enough replies to the questions in the research (Cooper & Schindler, 2014).

3.3 Population

All of the studies taken from a group of things of interest that have been defined in an inquiry make up a population (Burns & Burns, 2008). The research population was the 54 commercial state corporations as at 31st December 2021 (Appendix II).

3.4 Data Collection

This inquiry depended heavily on secondary figures, which was gotten from the yearly reported financials of the commercial state entities from 2017 to 2021 and entered into data gathering forms. Both the financial publications of the Auditor General's Office and the reports of the various CSCs served as the basis for these reports, which were compiled. The age of the CSC, the total assets, the number of annual AC meetings, the

number of independent directors, the overall number of directors, the combined number of years in office, and the total amount spent each year are all examples of data points gathered.

3.5 Data Analysis

The analysis of the data was done using Stata version 16, which was utilized. The results were presented in a quantitative manner using tables and graphs. When producing measures of central tendency and dispersion for each parameter, the gathered descriptive statistics were coupled with the standard deviation, and these two statistics were put to use in the process of combining the collected descriptive data. Both correlation and regression played a role in the construction of inferential statistics. The relationship between dependent and independent parameters was determined linearly by a panel regression.

3.6.1 Diagnostic Tests

The diagnostic tests to be performed are outlined in Table 3.1

Table 3.1: Diagnostic Tests

Assumption	Description	Test	Interpretation	Treatment
Normality	To verify normal distribution, the test is conducted	Shapiro–Wilk test	If p values are above 0.05, the variables are normally distributed	application of square roots or logs to non-normality
Linearity Test	There is linearity when there is a linear link between the variables.	ANOVA test	A linear relationship exists where the alpha values are < 0.05	Use of the reciprocal method

Multicollinearity	The phenomenon known as multicollinearity occurs when there is a connection between many variables, which then leads to the standard errors distorting the regression analysis.	VIF Test	Multicollinearity exist where the VIF > 10	Eliminate highly correlated variables.
Heteroscedasticity	to determine whether the model's or the errors' variance is different for each observation	Breusch-Pagan test	Heteroscedasticity exist where the p-value p<0.05)	Use Natural log of variables
Autocorrelation	To determine the value of a single variable by considering other variables that are connected to it.	Breusch-Godfrey test.	If p-values are lower than 0.05, autocorrelation is present.	Hildreth-Lu Procedure
Stationarity test	In order to evaluate whether or not a time series variable has a unit root and whether or not it is stationary	ADF test	If p values are below 0.05, unit roots exist.	Use Natural log of variables
Hausman specification test	To differentiate between fixed-effects and random-effects models and identify the optimal one	Hausman test	Use fixed effects model if p value is less than 0.05 and random effects if otherwise	Use natural log of variables

3.6.2 Analytical Model

This equation was used:

$$Y = \beta_0 + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + \beta_4 X_4 + \beta_5 X_5 + \beta_6 X_6 + \varepsilon$$

Where: Y = Budgetary compliance measured as the ratio of actual spending to budgeted spending

β_0 = y intercept of the regression equation.

$\beta_1, \beta_2, \beta_3, \beta_4, \beta_5, \beta_6$ = are the regression coefficients

X_1 = AC independence as assessed by the independent directors in the AC

proportion to total AC members

X_2 = AC tenure as measured by average number of years the AC members have been in office

X_3 = AC size as measured by the number of directors in the AC

X_4 = AC meetings as measured by the number of AC meetings held in an year

X_5 = Firm size as measured by total assets natural logarithm

X_6 = Financial leverage measured as the ratio of total debt to total assets

ε =error term

3.6.3 Tests of Significance

The relevance of the overall model as well as the variable was determined via the use of parametric tests. To determine whether the model was useful, the F-test was used and the analysis of variance (ANOVA), but to get if any given variable was statistically significant, the t-test was used.

CHAPTER FOUR: DATA ANALYSIS RESULTS AND FINDINGS

4.1 Introduction

This section presents descriptive statistics, outcomes and interpretations of various tests namely; test of normality, Multicollinearity, heteroskedasticity tests, autocorrelation and stationarity test. The chapter also presents the results of Pearson correlation and regression analysis.

4.2 Descriptive Statistics

This part presents the descriptive findings from the collected figures. The descriptive results include mean and sd for each of the research parameters. The analyzed figures were gotten from the auditor general's office reports and individual CSCs annual reports for 5 years (2017 to 2022). The number of observations is 270 (54*5) as 54 CSCs provided complete data for the 5 year period. The outcomes are as shown in Table 4.1

Table 4.1: Descriptive Results

	Obs	Minimum	Maximum	Mean	Std. Deviation
Budgetary compliance	270	.5714	.9444	.874677	.0661341
AC Independence	270	.0000	1.0000	.880696	.1056913
AC tenure	270	1.0000	4.0000	2.840741	.8668875
AC Size	270	1.0000	9.0000	3.814815	1.0396252
AC meetings	270	4.0000	48.0000	8.037037	7.1285670
Firm size	270	7.4176	11.7045	9.607891	.9673154
Leverage	270	.0246	1.4193	.468143	.2370017
Valid N (listwise)	270				

Source: Research Findings (2022)

4.3 Diagnostic Tests

Diagnostic tests done by the researcher to ensure the assumptions of Classic Linear Regression Model (CLRM) are not violated and to obtain suitable models for

examining in the consequence that the CLRM hypotheses are infringed. Consequently, the pre and post approximation analysis were carried out before processing regression model. This tests were namely; normality, Multicollinearity, heteroskedasticity, autocorrelation and stationarity. The study refrained from factitious regression results by getting these analysis.

4.3.1 Normality Test

The normality of data can be tested using various methods. The following methods are often used include the Shapiro–Wilk test and Kolmogorov–Smirnov test. The Shapiro–Wilk test is best for small sample sizes ($n < 50$ samples), while it can also be used on more extensive samples selections, whereas the Kolmogorov–Smirnov test is best for $n < 50$ samples. As a result, the study used the Kolmogorov–Smirnov test as the numerical method of determining normality. Null hypothesis for these tests states that the data was obtained from a normally distributed population. The hypothesis is rejected when P-value is less than 0.05, and the figures are said to be not normally distributed. If any violation of the assumption of normality was detected, necessary correction measures were applied.

Table 4.2: Test for Normality

	Kolmogorov-Smirnov	P-value
Budgetary compliance	3.589	0.201
AC Independence	6.305	0.303
AC tenure	4.429	0.405
AC Size	2.764	0.416
AC meetings	3.154	0.328
Firm size	4.240	0.401
Leverage	4.146	0.302

Source: Research Findings (2022)

From Table 4.2 results, all the study variables have a p value more than 0.05 and therefore were normally distributed.s

4.3.2 Multicollinearity Test

Multicollinearity occurs when the independent variables in a regression model are significantly linked. Multicollinearity was assessed using the VIF and tolerance indices. When the VIF value is higher than ten and the tolerance score is less than 0.2, multicollinearity is present, and the assumption is broken (Sheather, 2009). The VIF values are less than 10, indicating no problem with multicollinearity.

Table 4.3: Multicollinearity

Variable	Collinearity Statistics	
	Tolerance	VIF
AC Independence	0.587	1.704
AC tenure	0.782	1.279
AC Size	0.535	1.869
AC meetings	0.601	1.664
Firm size	0.598	1.672
Leverage	0.621	1.610

Source: Research Findings (2022)

4.3.3 Heteroskedasticity Test

The residual variance from the model must be constant and unrelated to the independent variable in linear regression models calculated using the Ordinary Least Squares (OLS) method(s). Homoskedasticity refers to constant variance, whereas heteroscedasticity refers to non-constant variance (Field, 2009). The study used the Breusch-Pagan/Cook-Weisberg test to determine if the variation was heteroskedastic. The hypothesis implies constant variance, indicating that the data is homoscedastic (Field, 2009). The outcomes are as shown in the table below.

Table 4.4: Heteroskedasticity Results

Breusch-Pagan / Cook-Weisberg test for heteroscedasticity		
chi2(1)	=	0.8212
Prob > chi2	=	0.6139

Source: Research Findings (2022)

Table above reveals that the hypothesis was accepted since the p-value was 0.6139, which was important to ($p > 0.05$). As a result, the dataset had homoskedastic variances. Since the P-values of Breusch-Pagan's test for homogeneity of variances were more than 0.05. The test therefore confirmed homogeneity of variance. The data can therefore be used to conduct panel regression analysis.

4.3.4 Autocorrelation Test

Serial correlation, also known as autocorrelation, makes the standard errors of coefficients appear to be less than in linear panel data models, resulting in higher R-squared and erroneous hypothesis testing. Autocorrelation was verified via Durbin-Watson test. If the Durbin-Watson test results in a value of 2, the error terms of regression variables are uncorrelated (from to 3). The figure will be better if is nearer to 2 is. The outcomes are presented in the table below.

Table 4.5: Test of Autocorrelation

Durbin Watson Statistic
1.923

Source: Research Findings (2022)

The Durbin-Watson value was 1.923, according to the findings in Table 4.5. The fact that the Durbin-Watson statistic was near to 2 demonstrates that the error terms of regression variables are uncorrelated.

4.3.5 Stationarity Test

The research variables were subjected to a group data unit-root test to establish if the data was stationary. This test was Levin-Lin Chu unit root test. At a standard statistical significance level of 5%, the test was compared to their corresponding p-values. The null hypothesis for this test states that every group has a unit root while the alternative hypothesis states that at least one panel is stationary. The table below shows Levin-Lin Chu unit root test outcomes.

Table 4.6: Levin-Lin Chu unit-root test

Levin-Lin Chu unit-root test			
Variable	Statistic	p value	Comment
Budgetary compliance	7.3722	0.0000	Stationary
AC Independence	6.3976	0.0000	Stationary
AC tenure	7.2146	0.0000	Stationary
AC Size	7.1921	0.0000	Stationary
AC meetings	6.5718	0.0000	Stationary
Firm size	5.8452	0.0000	Stationary
Leverage	6.9572	0.0000	Stationary

Source: Research Findings (2022)

As demonstrated by the above table this test concludes that the figures are stationary at a statistical significance level of 5% as the p-values all fall below 0.05.

4.3.6 Hausman Test

When using panel data, it is necessary to establish if a fixed or random effect model is more desirable. For the purpose of choosing the best panel regression model, the Hausman specification test was used. In essence, a Hausman specification test determines if the unique errors have a relationship to the regressors, with the null hypothesis being that they do not (random effect is preferred). Fixed effects were utilized when the P-value was significant (below 0.05), while random effects were used otherwise. The outcomes of the Hausman test are shown in the table below.

Table 4.7: Hausman Test Results

chi2(6)	P-Value
0.03	0.9999

Null Hypothesis: The appropriate model is Random Effects

Source: Research Findings (2022)

4.4 Correlation Results

To determine the degree and path of link of each predictor variable and the response variable, correlation analysis was carried out. The correlation findings in the table below shows correlation nature among the research variables in relation to greatness and path.

Table 4.8: Correlation Results

		Budgetary compliance	Independence	AC tenure	AC size	AC meetings	Firm size	Leverage
Budgetary compliance	Pearson Correlation	1						
	Sig. (2-tailed)							
Independence	Pearson Correlation	.165*	1					
	Sig. (2-tailed)	.023						
AC tenure	Pearson Correlation	.053	-.076	1				
	Sig. (2-tailed)	.468	.298					
AC size	Pearson Correlation	.157*	.433**	-.001	1			
	Sig. (2-tailed)	.031	.000	.991				
AC meetings	Pearson Correlation	.007	.162*	.089	.152*	1		
	Sig. (2-tailed)	.921	.025	.222	.037			
Firm size	Pearson Correlation	.144*	.079	.049	-.061	.111	1	
	Sig. (2-tailed)	.043	.281	.498	.406	.127		
Leverage	Pearson Correlation	-.484**	.088	.106	.076	-.013	.124	1
	Sig. (2-tailed)	.000	.229	.147	.301	.854	.089	

*. Correlation is significant at the 0.05 level (2-tailed).

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

c. Listwise N=270

Source: Research Findings (2022)

The correlation outcomes disclose AC independence has a weak positive as well as significant link with budgetary compliance (value of r is 0.165) at 5 percent significance level. AC size also has a weak positive as well as significant link with budgetary compliance (value of r is 0.157) at 5 percent significance level. Both AC tenure and AC meetings do not have a significant effect on budgetary compliance. The outcomes disclose that leverage and budgetary compliance have a negative as well as significant correlation (value of r is -0.484) at 5 % significance level. The positive relationship between size of the firm and budgetary compliance was and a significant (r value of 0.144) at a significance level of 5%.

4.5 Regression Results

To know the degree to which budgetary compliance is described by the chosen variables, regression analysis was used. In the table below the regression's findings were displayed. Through the conclusions as epitomized by the altered R^2 , the studied independent variables explained variations of 0.2259 in budgetary compliance among CSCs in Kenya. This suggests that other factors account for 77.41% of the variability in budgetary compliance among CSCs in Kenya, while the six variables account for 22.59% of those variations. The significance level of the data was 0.000, according to Table 4.9's ANOVA results, which proposes that the model is the best choice for drawing conclusions about the variables.

Table 4.9: Regression Results

Firm efficiency	Coef.	Std. Err.	P>t
AC Independence	0.3010*	0.0241	0.0000
AC tenure	0.0033	0.0031	0.8340
AC Size	0.2073*	0.0162	0.0010
AC meetings	0.0021	0.0021	0.6490
Firm size	0.2074*	0.0163	0.0010
Leverage	-0.4171*	0.0282	0.0000
_cons	0.2243*	0.0952	0.0000
Model Summary			
R-squared	0.2259		
Wald chi2(6)	12.79		
Prob > chi2	0.0000		

* p<0.05

Source: Research Findings (2022)

The coefficient of regression model was as below;

$$Y = 0.2243 + 0.3010X_1 + 0.2073X_2 + 0.2074X_3 - 0.4171X_4$$

Where:

Y = Budgetary compliance X₁ = AC independence; X₂=AC size; X₃= Firm size; X₄ = Financial leverage

4.6 Discussion of Research Findings

This research aimed to demonstrate how the attributes of AC affect budgetary compliance of CSCs in Kenya. The research used a descriptive plan while the 54 CSCs in Kenya were the population. Statistics were collected from all the 54 CSCs. The research depend on secondary data which was gotten from Office of the Auditor General and individual CSCs annual reports. The precise characteristics of AC taken into consideration were; independence, tenure, size and meetings. The control variables were firm size and leverage. Descriptive and inferential statistics were used in the analysis of data. The outcomes are elaborated in this part.

The correlation outcomes disclose AC independence has a weak positive as well as significant link with budgetary compliance. AC size also has a weak positive as well as significant link with budgetary compliance. Both AC tenure and AC meetings have no significant effect on budgetary compliance. The outcomes disclose that leverage and budgetary compliance have a negative as well as significant correlation. The relationship of size of a firm and budgetary compliance was good and significant.

Multivariate regression outcomes revealed that the R-squared was 0.2259 suggesting that 22.59% of changes in budgetary compliance of CSCs in Kenya are due to the six variables selected for this study. This means that variables not considered explain 77.41% of changes in budgetary compliance of CSCs in Kenya. The overall model was statistically significant and had a p value of 0.000 that is below the 0.05 significance level. This suggests that the overall model had the required goodness of fit.

The multivariate regression analysis further revealed that individually, both AC independence and AC size had a good effect on budgetary compliance of CSCs in Kenya as shown by (β value is 0.3010, p value is 0.0000) and (β value is 0.2073, p value is 0.0010) correspondingly. AC tenure and AC meetings unveiled a good influence though not statistically significant on budgetary compliance of CSCs in Kenya. The control variable firm size displayed a positive and significant budgetary compliance of CSCs in Kenya influence as shown by (β value is 0.2074, p value is 0.0010) while leverage displayed a bad and noteworthy budgetary compliance influence as shown by ($\beta=0.4171$, $p=0.0000$).

These outcomes agree with Zraiq and Fadzil (2018) who look at how audit committees in Jordanian businesses affect bottom lines. As mentioned in the section that gave an overview of the method, OLS regression was done to examine the extent of correlation

between the explanatory factors and the response variables. This particular analysis took into consideration a total of 228 different manufacturers and service providers. Although the findings and conclusions point to a correlation between the size of the AC and ROA that is positive, this correlation was not found to be statistically significant. However, there is a relationship between the size of the AC and EPS that is positive and statistically significant. In addition, the statistics show a solid and good correlation between AC meetings and ROI. Along the same lines, the frequency with which the AC convenes is positively correlated with profits per share.

The results also concur with Kyere and Ausloos (2021) who sought to undertake an empirical research to discover whether or not a link exist among the features of a successful AC and the financial performance of firms that non-financial that are on the list of the London Stock Exchange in the United Kingdom. The conceptual model is built around the notions of agency and stewardship. Using cross-sectional regression methods, we examine the relationships between two measures (return on assets and Tobin's Q) of financial performance and five audit committee characteristic processes. Empirical research conducted in 2014 on 252 businesses trading on the London Stock Exchange found that audit committee characteristic and methods were associated with positive, negative, or no change in financial performance.

CHAPTER FIVE: SUMMARY, CONCLUSION AND RECOMMENDATIONS

5.1 Introduction

This part includes an outlines of statistical data, conclusions collected from these data, research contributions, and policy proposals for each research hypothesis. The chapter also discusses the study's limitations and potential research prospects.

5.2 Summary of Findings

The study aimed at examining how AC credit impact budgetary compliance of Kenyan CSCs. The parameters chosen for this analysis are; AC independence, AC tenure, AC size, AC meetings, firm size and leverage. A descriptive study plan was chosen to conclude the study. The data gathered was secondary data from office of the auditor general and was analyzed by SPSS. Yearly data for 54 CSCs for five years from 2017 to 2021 was obtained from their annual reports.

The first aim was to access the consequences of AC independence on budgetary compliance among Kenyan CSCs. The outcome form the correlation was at a significant level of 5 % which showed that AC independence had a positive connection with budgetary compliance. This suggests that improvement in AC independence would show an increase in budgetary compliance. Regression results ($\beta=0.3010$, $p=0.0000$) demonstrate a positive and noteworthy consequence of AC independence on budgetary compliance among CSCs.

The second aim was to access the consequences of AC tenure on budgetary compliance among Kenyan CSCs. The outcome from the correlation was at significance level of 5% which showed that AC tenure had a positive connection with budgetary compliance. Nonetheless the correlation was not important statistically. Regression results

($\beta=0.0033$, $p=0.8340$) demonstrated a positive and a non-substantial consequence of AC tenure on budgetary compliance among Kenyan CSCs.

The third aim was to assess the consequences of audit committee magnitude on budgetary compliance among CSCs in Kenya. The outcome of the correlation was at a significance level of 5 % which showed that the size of the audit committee had a progressive correlation with budgetary compliance. This suggests that boosting the size of the audit committee would increase budgetary compliance. Regression results ($\beta=0.2073$, $p=0.0010$) demonstrated a positive and noteworthy consequence of audit committee size on budgetary compliance among CSCs.

The fourth aim was to establish the consequences of AC meetings on budgetary compliance among CSCs in Kenya. The outcome from the correlation was at a significance level of 5% which showed that AC meetings had a good but not significant connection with budgetary compliance. This suggests that boosting AC meetings would not necessarily increase in budgetary compliance. Regression results ($\beta=0.0021$, $p=0.6490$) demonstrated a positive but not noteworthy consequence of AC meetings on budgetary compliance among CSCs Kenya.

The fifth aim was to analyze how the size of a firm affects budgetary compliance among Kenyan CSCs. The outcome from the correlation was a significance level of 5% which showed that firm size had a good connection with budgetary compliance. This suggests that boosting the size of a firm would lead to increase in budgetary compliance. Regression results ($\beta=0.2074$, $p=0.0010$) demonstrated a positive and noteworthy consequence of firm size on budgetary compliance among Kenyan CSCs.

The sixth aim was to analyze how leverage affects budgetary compliance among Kenyan CSCs. The outcome from the correlation was a significance level of 5% which

showed that leverage had a bad connection with budgetary compliance. This suggests that an increase in leverage would decrease budgetary compliance. Regression results ($\beta=-0.4171$, $p=0.000$) demonstrated a negative and noteworthy consequence of leverage on budgetary compliance among CSCs.

5.3 Conclusions

The goal of the research was to find out how audit committee attributes related to budgetary compliance. The results showed that AC meetings had a good but not noteworthy outcome on budgetary compliance. This suggests that CSCs with increased AC meetings do not essentially have high level of budgetary compliance.

The outcome from the research showed that AC independence had an impact on budgetary compliance positively. Increased budgetary compliance is increased by increasing the number of independent non-executive and executive directors which increases the effectiveness of AC in checking managerial opportunism and stopping self-interest.

The outcome from the research revealed that audit committee size had a good and noteworthy effect on budgetary compliance which suggests that boards with big audit committee size benefit more in budgetary compliance. To clarify this with the fact that having more AC members ensures effective oversight thus better decisions are made and monitoring is effective.

Furthermore the outcomes showed that leverage has a significant bad effect on budgetary compliance. This suggests that having high level of debt in firms compared to assets is expected that their budgetary compliance record is low. This is explained using the statistics that high debt levels contribute to an increase in interest expense. The research also showed that the size of the firm affects budgetary compliance

positively. To clarify this we take the fact that CSCs with more assets benefit by investing in opportunities when they arise.

5.4 Recommendations for Policy and Practice

This research revealed that AC independence influenced CSCs budgetary compliance positively. The study recommends that the policy makers of CSCs should formulate and implement relevant AC independence strategies as an independent board has been found to be more effective. Similarly, the research suggest that the government should assess the suitability of the current board requirements for CSCs to ensure they have enough legislation guiding them on AC independence.

The research showed that AC characteristics affected budgetary compliance of CSCs positively. The recommendation from the research is that policy makers of CSCs to make sure they use AC characteristics that are effective to improve their performance specifically when the business environment is turbulent. Policies can also be developed by the manager to guide CSCs on how to develop AC.

Moreover, the research showered that leverage affects budgetary compliance of CSCs negatively. This research proposes that CSCs should put forward assessment mechanism that is effective to prevent high level of debts in their books. The research proposes that CSCs should try to increase their asset base as big CSCs are likely to achieve better than small CSCs.

5.5 Limitations of the Study

This study was only conducted for five years between 2017 and 2021 due to time and cost constraints. There is no surety for the study findings to hold beyond the period studied. Furthermore, it is uncertain whether the findings would hold beyond 2021. Also because of constraints in time and finance, the research was only done on public

firms, there is no surety for the study findings to hold if commercial or not-for-profit firms were examined.

The focus was on various factors which are thought to influence budgetary compliance among Kenyan CSCs. The study specifically examined six explanatory factors. Though, in certainty, there is presence of other variables probable to influence budgetary compliance among Kenyan CSCs including internal like internal controls whereas others are beyond the control of the firm like budgetary allocation, inflationary pressures as well as political stability.

The data quality was the main restriction for this research. It is impossible to conclusively conclude that the study's findings accurately reflect the current reality. It was presumed that figures utilized in the research are accurate. Due to the current conditions, there has also been a great deal of incoherence in the data measurement. The research used secondary data rather than primary data. Due to the limited availability of data, only some of the growth drivers have been considered.

The data analysis was performed using regression models. Due to restrictions associated with using the model, like inaccurate findings resultant from changes from the varying value, the researchers are not be able to generalize the conclusions precisely. A regression model cannot be performed using the prior model after data is added to it.

5.6 Suggestions for Further Research

This research concentrated on CSCs in Kenya. Further studies can focus on a wide scope by covering other government agencies in Kenya to agree or differ with the results of the current research. Further, this research focused on four AC characteristics

namely; independence, tenure, size and meetings frequency. Future studies should focus on other AC attributes that were not considered in this study.

The current research scope was restricted to five years; more research can be done past five years to determine whether the results might persist. Thus, inherent future studies may use a wider time span that can either support or criticize the current research conclusions. The scope of the study was additionally constrained in terms of context where Kenyan CSCs were examined. Further studies can be extended to other financial firms to establish if they complement or contradict the current study findings. Researchers in the East African region, the rest of Africa, and other global jurisdictions can too perform the research in these establishments to make sure the current research conclusions will persist.

The research only used secondary data; alternate research may use primary data sources such in-depth questionnaires and structured interviews given to practitioners and stakeholders. These can then affirm or criticize the results of the current research. The research used multiple linear regression and correlation study; future research could use other analytic techniques such factor analysis, cluster analysis, granger causality, discriminant analysis, and descriptive statistics, among others.

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APPENDICES

Appendix I: Commercial State Corporations in Kenya

1. Agro-Chemical and Food company
2. Chemilil Sugar Company Ltd
3. Consolidated Bank of Kenya
4. Development Bank of Kenya Ltd
5. East Africa Portland Cement ltd
6. Fisheries Development and Promotion Service
7. Geothermal Development Company (GDC)
8. Golf Hotel Kakamega East African
9. Jomo Kenyatta Foundation
10. Jomo Kenyatta University Enterprises Ltd
11. Kabarnet Hotel Limited East African
12. Kenya Airports Authority (KAA)
13. Kenya Animal Genetics Resource
14. Kenya Broadcasting Corporation
15. Kenya Development Bank
16. Kenya Electricity Generating Company
17. Kenya Electricity Transmission Company
18. Kenya Industrial Estates
19. Kenya Literature Bureau (KLB)
20. Kenya Meat Commission
21. Kenya National Assurance Co. (2001) Ltd
22. Kenya National Shipping Line
23. Kenya National Trading Trading (KNTC)
24. Kenya Pipeline Company (KPC)
25. Kenya Ports Authority (KPA)
26. Kenya Post Office Savings Bank
27. Kenya Power and Lighting Company (KPLC)
28. Kenya Railways Corporation (KRC)
29. Kenya Reinsurance Corporation Ltd
30. Kenya Safari Lodges and Hotels Ltd East African
31. Kenya Seed Company (KSC)
32. Kenya Veterinary Vaccine Production Institute
33. Kenya Wildlife Conservation Service
34. Kenyatta International Convention Centre
35. Mt Elgon Lodge East African
36. Muhoroni Sugar Company Ltd
37. National Cereals & Produce Board(NCPB)
38. National Housing Corporation
39. National Oil Corporation of Kenya
40. National Water Conservation and Pipeline Corporation
41. New Kenya Co-operative Creameries
42. Numerical Machining Complex
43. Nyayo Tea Zones development Corporation
44. Nzoia Sugar Company Ltd
45. Postal Corporation of Kenya

46. Rivatex (East Africa) Ltd
 47. School Equipment Production Unit
 48. Simlaw Seeds
 49. Sony Sugar Company Ltd
 50. South Nyanza Sugar Company Limited
 51. Sunset Hotel Kisumu East African
 52. Tourism Finance Corporation
 53. University of Nairobi Enterprises Ltd
 54. University of Nairobi Press (UONP)
- Source: KNBS (2022)**

Appendix II: Research Data

Organization	Year	Budgetary compliance	AC Independence	AC tenure	AC Size	AC meetings	Firm size	Leverage
Agro-Chemical and Food company	2017	0.7273	0.7270	2.0000	3.0000	4.0000	9.5574	0.5125
	2018	0.8889	0.8890	3.0000	3.0000	4.0000	9.5688	0.4556
	2019	0.9000	0.9000	4.0000	3.0000	4.0000	9.6281	0.6756
	2020	0.9000	0.9000	1.0000	3.0000	4.0000	9.6183	0.7448
	2021	0.9000	0.9000	3.0000	3.0000	4.0000	9.6281	0.7232
Kenya Meat Commission	2017	0.9444	0.9440	4.0000	3.0000	4.0000	9.4296	0.2742
	2018	0.9440	0.9440	2.0000	3.0000	4.0000	9.6281	0.3254
	2019	0.9440	0.9440	3.0000	3.0000	4.0000	9.4463	0.2887
	2020	0.9440	0.9440	4.0000	3.0000	4.0000	9.4038	0.2953
	2021	0.8889	0.8890	3.0000	3.0000	4.0000	9.0069	0.2754
Muhoroni Sugar Company Ltd	2017	0.8750	0.8750	4.0000	4.0000	4.0000	9.0343	0.6428
	2018	0.8750	0.8750	3.0000	4.0000	4.0000	9.0504	0.6662
	2019	0.8750	0.8750	2.0000	4.0000	4.0000	9.5945	0.6639
	2020	0.8750	0.8750	1.0000	4.0000	4.0000	9.6034	0.6526
	2021	0.8750	0.8750	3.0000	4.0000	4.0000	9.6372	0.6372
Nyayo Tea Zones development Corporation	2017	0.8889	0.8890	4.0000	3.0000	4.0000	9.5945	0.1158
	2018	0.7140	0.9230	2.0000	3.0000	.0000	9.6034	0.1323
	2019	0.7140	0.9230	1.0000	3.0000	4.0000	9.6372	0.1656
	2020	0.7140	0.9000	3.0000	3.0000	4.0000	9.6842	0.1472

Organization	Year	Budgetary compliance	AC Independence	AC tenure	AC Size	AC meetings	Firm size	Leverage
	2021	0.7143	0.9350	2.0000	3.0000	4.0000	9.6389	0.1270
South Nyanza Sugar Company Limited	2017	0.7143	0.9230	3.0000	4.0000	4.0000	9.7991	0.7007
	2018	0.8180	0.9230	2.0000	4.0000	4.0000	9.7447	0.6912
	2019	0.8180	0.8180	3.0000	4.0000	9.0000	9.6962	0.7020
	2020	0.8182	0.8180	4.0000	4.0000	4.0000	9.6347	0.6503
	2021	0.8330	0.8180	3.0000	4.0000	4.0000	9.6876	0.5377
Chemilil Sugar Company Ltd	2017	0.8330	0.8890	2.0000	4.0000	4.0000	9.7189	0.7331
	2018	0.8330	0.9090	3.0000	3.0000	4.0000	9.7057	0.6613
	2019	0.8330	0.9090	4.0000	3.0000	4.0000	9.7118	0.5954
	2020	0.8333	0.9090	2.0000	3.0000	4.0000	9.7567	0.6081
	2021	0.8333	0.9090	4.0000	3.0000	4.0000	9.7672	0.5497
Nzoia Sugar Company Ltd	2017	0.8333	0.8570	4.0000	4.0000	4.0000	9.9838	0.3826
	2018	0.8570	0.8570	3.0000	4.0000	4.0000	10.1201	0.3554
	2019	0.8570	0.9090	2.0000	4.0000	4.0000	10.1146	0.4025
	2020	0.8571	0.9090	3.0000	4.0000	4.0000	10.1325	0.5734
	2021	0.8571	0.9090	3.0000	4.0000	4.0000	10.1599	0.5605
Simlaw Seeds	2017	0.8667	0.9170	3.0000	3.0000	4.0000	9.0069	0.2890
	2018	0.8670	0.9170	3.0000	3.0000	4.0000	9.0343	0.5506
	2019	0.8670	0.9170	3.0000	3.0000	4.0000	9.0504	0.4309
	2020	0.8750	0.9170	4.0000	3.0000	4.0000	9.5945	0.7651
	2021	0.8750	0.9170	4.0000	3.0000	4.0000	9.6034	0.5803

Organization	Year	Budgetary compliance	AC Independence	AC tenure	AC Size	AC meetings	Firm size	Leverage
Fisheries Development and Promotion Service (new)	2017	0.8750	0.8890	3.0000	2.0000	4.0000	9.6372	0.2478
	2018	0.8750	0.8890	3.0000	2.0000	4.0000	9.6842	0.2405
	2019	0.8750	0.8890	2.0000	2.0000	4.0000	9.5951	0.3577
	2020	0.8750	0.8890	2.0000	2.0000	4.0000	9.6130	0.2284
	2021	0.8889	0.8890	2.0000	2.0000	4.0000	9.6555	0.2211
Kenya Wildlife Conservation Service	2017	0.8889	1.0000	2.0000	3.0000	4.0000	9.6842	0.5144
	2018	0.8889	1.0000	3.0000	3.0000	4.0000	10.0604	0.5296
	2019	0.8889	1.0000	3.0000	3.0000	4.0000	10.0086	0.5866
	2020	0.8889	0.9000	3.0000	3.0000	4.0000	10.0009	0.6934
	2021	0.8889	0.9000	4.0000	3.0000	4.0000	10.1075	0.6071
Kenya National Trading (KNTC) East	2017	0.8889	0.9090	4.0000	5.0000	4.0000	8.8134	0.5346
	2018	0.8889	0.9090	4.0000	5.0000	4.0000	8.8214	0.5924
	2019	0.8889	0.9090	3.0000	5.0000	4.0000	9.4490	0.5076
	2020	0.8889	0.9090	3.0000	5.0000	4.0000	9.4478	0.6935
	2021	0.8889	0.9090	2.0000	5.0000	4.0000	9.4564	0.7629
Kenya Safari Lodges and Hotels Ltd East African	2017	0.8889	1.0000	2.0000	1.0000	4.0000	8.9602	0.7952
	2018	0.8890	1.0000	3.0000	1.0000	4.0000	8.9534	0.7848
	2019	0.8890	1.0000	3.0000	1.0000	13.0000	8.9455	0.6970
	2020	0.8890	1.0000	3.0000	3.0000	8.0000	8.9318	0.6677

Organization	Year	Budgetary compliance	AC Independence	AC tenure	AC Size	AC meetings	Firm size	Leverage
	2021	0.8990	1.0000	4.0000	3.0000	8.0000	8.9304	0.6829
Golf Hotel Kakamega East African	2017	0.8990	1.0000	4.0000	4.0000	4.0000	8.1348	1.3073
	2018	0.8990	0.9090	4.0000	4.0000	4.0000	8.0923	1.2291
	2019	0.8990	0.9090	3.0000	4.0000	4.0000	8.0443	1.0328
	2020	0.8990	0.9090	3.0000	4.0000	4.0000	8.0898	0.8101
	2021	0.8990	0.9090	3.0000	4.0000	4.0000	8.1323	0.7456
Kabarnet Hotel Limited East African	2017	0.9000	1.0000	3.0000	4.0000	4.0000	7.8548	0.1556
	2018	0.9000	0.8330	2.0000	4.0000	4.0000	9.5945	0.1738
	2019	0.9000	0.8750	2.0000	4.0000	4.0000	9.6034	0.3356
	2020	0.9000	0.8750	2.0000	4.0000	4.0000	9.6372	0.3222
	2021	0.9000	0.8750	1.0000	4.0000	4.0000	9.6842	0.3771
Mt Elgon Lodge East African	2017	0.9090	0.8750	2.0000	4.0000	4.0000	7.7020	0.3930
	2018	0.9090	1.0000	2.0000	4.0000	4.0000	7.7144	0.4443
	2019	0.9090	1.0000	3.0000	4.0000	4.0000	7.7122	0.3845
	2020	0.9090	1.0000	4.0000	4.0000	4.0000	7.7065	0.3275
	2021	0.9090	0.8750	2.0000	4.0000	4.0000	7.7205	0.2696
Sunset Hotel Kisumu East African	2017	0.9090	0.8750	3.0000	4.0000	4.0000	8.1061	0.1425
	2018	0.9090	1.0000	4.0000	4.0000	4.0000	8.1106	0.1037
	2019	0.9090	0.8330	1.0000	4.0000	4.0000	8.0923	0.0904
	2020	0.9090	0.8330	3.0000	4.0000	4.0000	8.0443	0.1881
	2021	0.9090	0.8330	4.0000	4.0000	4.0000	8.0898	0.2950

Organization	Year	Budgetary compliance	AC Independence	AC tenure	AC Size	AC meetings	Firm size	Leverage
Jomo Kenyatta Foundation	2017	0.9090	0.8330	2.0000	4.0000	4.0000	8.0621	0.5820
	2018	0.9091	0.8330	3.0000	4.0000	4.0000	9.0214	0.5287
	2019	0.9091	0.8330	4.0000	4.0000	4.0000	9.0689	0.5689
	2020	0.9091	0.9000	3.0000	3.0000	4.0000	9.1018	0.4618
	2021	0.9091	0.9000	4.0000	3.0000	4.0000	9.0822	0.5065
Jomo Kenyatta University Enterprises Ltd	2017	0.9091	0.8890	3.0000	2.0000	4.0000	9.0815	0.4366
	2018	0.9167	0.8890	2.0000	2.0000	4.0000	8.0898	0.4653
	2019	0.9167	0.8890	1.0000	2.0000	4.0000	8.0999	0.4858
	2020	0.9167	0.8890	3.0000	2.0000	4.0000	8.2119	0.4953
	2021	0.9167	0.8990	4.0000	2.0000	4.0000	8.2197	0.6154
Kenya Literature Bureau (KLB)	2017	0.9167	0.8990	2.0000	3.0000	4.0000	9.4042	1.0060
	2018	0.9230	0.8990	1.0000	3.0000	4.0000	9.4217	0.7975
	2019	0.9230	0.8990	3.0000	3.0000	4.0000	9.4387	0.9662
	2020	0.9231	0.8990	2.0000	3.0000	4.0000	9.0822	0.3658
	2021	0.9231	0.8990	3.0000	3.0000	4.0000	9.0815	0.4455
Rivatex (East Africa) Ltd	2017	0.9350	0.8890	2.0000	4.0000	4.0000	9.0308	1.4193
	2018	0.9090	0.8890	3.0000	4.0000	4.0000	9.0800	0.8674
	2019	0.9090	0.8890	4.0000	4.0000	4.0000	9.2456	0.5202
	2020	0.9090	0.8890	3.0000	4.0000	4.0000	9.3814	0.4751
	2021	0.9090	0.8890	2.0000	4.0000	4.0000	9.3840	0.4664
School Equipment Production Unit	2017	0.9090	0.7140	3.0000	5.0000	4.0000	8.4939	0.3808

Organization	Year	Budgetary compliance	AC Independence	AC tenure	AC Size	AC meetings	Firm size	Leverage
	2018	0.9090	0.7140	4.0000	5.0000	4.0000	8.5184	0.3826
	2019	0.9090	0.7140	2.0000	5.0000	4.0000	8.4976	0.3937
	2020	0.9090	0.7140	4.0000	5.0000	4.0000	8.4543	0.4708
	2021	0.9090	0.7140	4.0000	5.0000	4.0000	8.4661	0.2786
University of Nairobi Enterprises Ltd	2017	0.9090	0.8670	3.0000	3.0000	4.0000	8.9270	0.2851
	2018	0.9090	0.8670	2.0000	3.0000	4.0000	8.9301	0.2948
	2019	0.9090	0.8670	3.0000	3.0000	4.0000	8.6917	0.2659
	2020	0.9090	0.8570	3.0000	3.0000	15.0000	8.7865	0.2797
	2021	0.9090	0.8570	3.0000	3.0000	4.0000	8.7889	0.2771
University of Nairobi Press (UONP)	2017	0.7143	0.7140	3.0000	4.0000	4.0000	7.4864	0.2403
	2018	0.8182	0.8180	3.0000	4.0000	4.0000	7.4960	0.2615
	2019	0.8182	0.8180	4.0000	4.0000	4.0000	7.5256	0.2405
	2020	0.8182	0.8180	4.0000	4.0000	4.0000	7.5147	0.2165
	2021	0.8182	0.8180	3.0000	4.0000	4.0000	7.5216	0.8202
Development Bank of Kenya Ltd	2017	0.9090	1.0000	3.0000	8.0000	5.0000	10.2290	0.8878
	2018	0.9090	1.0000	2.0000	8.0000	13.0000	10.2290	0.8005
	2019	0.9170	1.0000	2.0000	9.0000	13.0000	10.2151	0.8552
	2020	0.9167	0.9170	2.0000	9.0000	16.0000	10.2136	0.8684
	2021	0.9167	0.9170	2.0000	9.0000	16.0000	9.5945	0.0783
Sony Sugar Company Ltd	2017	0.9167	0.9170	3.0000	4.0000	16.0000	9.6034	0.0910
	2018	0.9167	0.9170	3.0000	4.0000	16.0000	9.6372	0.1478

Organization	Year	Budgetary compliance	AC Independence	AC tenure	AC Size	AC meetings	Firm size	Leverage
	2019	0.9167	0.9170	3.0000	4.0000	16.0000	9.6842	0.1914
	2020	0.9170	0.9170	4.0000	4.0000	16.0000	9.7096	0.2388
	2021	0.9170	0.9170	4.0000	4.0000	16.0000	9.7190	0.2651
East Africa Portland Cement ltd	2017	0.8571	0.8570	4.0000	4.0000	16.0000	10.1964	0.2212
	2018	0.8750	0.8750	3.0000	3.0000	16.0000	10.3638	0.2289
	2019	0.8750	0.8750	3.0000	3.0000	16.0000	10.4447	0.2535
	2020	0.8750	0.8750	2.0000	4.0000	16.0000	10.4050	0.3028
	2021	0.8571	0.8570	2.0000	4.0000	16.0000	10.5568	0.2939
New Kenya Co-operative Creameries	2017	0.8750	0.8750	3.0000	4.0000	4.0000	9.8312	0.2801
	2018	0.9380	0.9380	3.0000	4.0000	4.0000	9.8067	0.2843
	2019	0.9375	0.9380	3.0000	4.0000	4.0000	9.8239	0.3822
	2020	0.9231	0.9230	4.0000	5.0000	4.0000	9.8671	0.2833
	2021	0.9380	0.9380	4.0000	5.0000	4.0000	9.8722	0.2710
Kenya Industrial Estates	2017	0.8571	0.8570	4.0000	3.0000	4.0000	9.4852	0.2674
	2018	0.9290	0.9290	3.0000	3.0000	4.0000	9.5127	0.2358
	2019	0.9286	0.9290	3.0000	3.0000	4.0000	9.4943	0.2410
	2020	0.8889	0.8890	3.0000	3.0000	17.0000	9.5169	1.1388
	2021	0.8890	0.8890	3.0000	3.0000	4.0000	9.5389	0.9389
National Housing Corporation	2017	0.9170	1.0000	2.0000	3.0000	4.0000	10.0409	0.7282
	2018	0.9170	1.0000	2.0000	4.0000	4.0000	10.0500	0.6733
	2019	0.9170	1.0000	2.0000	4.0000	4.0000	10.0697	0.5869

Organization	Year	Budgetary compliance	AC Independence	AC tenure	AC Size	AC meetings	Firm size	Leverage
	2020	0.9170	1.0000	1.0000	4.0000	4.0000	10.3161	0.4759
	2021	0.9170	1.0000	2.0000	4.0000	4.0000	10.3702	0.4368
Consolidated Bank of Kenya	2017	0.9000	0.9000	2.0000	4.0000	25.0000	10.1783	0.3876
	2018	0.9000	0.9000	3.0000	4.0000	25.0000	10.1503	0.3467
	2019	0.9000	0.9000	4.0000	4.0000	25.0000	10.1436	0.3458
	2020	0.9000	0.9000	2.0000	4.0000	25.0000	10.1289	0.3484
	2021	0.9000	0.9000	3.0000	4.0000	25.0000	10.1102	0.3469
Kenya National Assurance Co. (2001) Ltd	2017	0.8000	0.8000	4.0000	5.0000	16.0000	8.5639	0.3099
	2018	0.8000	0.8000	1.0000	5.0000	16.0000	8.5142	0.3569
	2019	0.8000	0.8000	3.0000	5.0000	21.0000	8.4468	0.3686
	2020	0.8000	0.8000	4.0000	5.0000	21.0000	9.0822	0.6834
	2021	0.8000	0.8000	2.0000	5.0000	21.0000	9.0815	0.6793
Kenya Reinsurance Corporation Ltd	2017	0.9091	0.9090	3.0000	4.0000	8.0000	10.5075	0.5936
	2018	0.9091	0.9090	4.0000	4.0000	11.0000	10.5557	0.7626
	2019	0.9091	0.9090	3.0000	4.0000	21.0000	10.5854	0.7537
	2020	0.9091	0.9090	4.0000	4.0000	13.0000	10.6308	1.0875
	2021	0.9091	0.9090	3.0000	4.0000	22.0000	10.6470	1.0535
Kenya National Shipping Line	2017	0.9170	1.0000	2.0000	2.0000	22.0000	7.7275	1.0108
	2018	0.9170	1.0000	1.0000	2.0000	12.0000	7.7574	0.9063
	2019	0.9170	1.0000	3.0000	2.0000	12.0000	7.7613	0.8892
	2020	0.9170	1.0000	4.0000	2.0000	5.0000	7.4176	0.5301

Organization	Year	Budgetary compliance	AC Independence	AC tenure	AC Size	AC meetings	Firm size	Leverage
	2021	0.9170	1.0000	2.0000	2.0000	5.0000	7.5227	0.5264
Kenya Animal Genetics Resource	2017	0.7500	0.7500	1.0000	4.0000	5.0000	8.6573	0.5370
	2018	0.7500	0.7500	3.0000	4.0000	5.0000	8.6635	0.4524
	2019	0.7500	0.7500	2.0000	4.0000	5.0000	8.8257	0.4029
	2020	0.7500	0.7500	3.0000	4.0000	5.0000	8.8449	0.0457
	2021	0.8333	0.8330	2.0000	4.0000	5.0000	8.8516	0.0748
Kenya Seed Company (KSC)	2017	0.7143	0.7140	3.0000	3.0000	12.0000	9.0069	0.0748
	2018	0.7143	0.7140	4.0000	3.0000	12.0000	9.0343	0.0843
	2019	0.8182	0.8180	3.0000	3.0000	12.0000	9.0504	0.3640
	2020	0.8182	0.8180	2.0000	3.0000	12.0000	9.5945	0.5597
	2021	0.8182	0.8180	3.0000	3.0000	12.0000	9.6034	0.5245
Kenya Veterinary Vaccine Production Institute	2017	0.8182	0.8180	4.0000	3.0000	5.0000	9.6372	0.5261
	2018	0.8000	0.8000	2.0000	3.0000	5.0000	9.1347	0.5548
	2019	0.8750	0.8750	4.0000	3.0000	5.0000	9.2296	0.0246
	2020	0.8750	0.8750	4.0000	3.0000	5.0000	9.2356	0.7179
	2021	0.8750	0.8750	3.0000	3.0000	5.0000	9.2578	0.7097
National Cereals & Produce Board(NCPB)	2017	0.8750	0.8750	2.0000	4.0000	4.0000	10.1901	0.6361
	2018	0.8750	0.8750	3.0000	4.0000	4.0000	10.2649	0.5670
	2019	0.5714	0.5710	3.0000	4.0000	4.0000	10.2786	0.4912
	2020	0.5714	0.5710	3.0000	4.0000	4.0000	10.3039	0.4925

Organization	Year	Budgetary compliance	AC Independence	AC tenure	AC Size	AC meetings	Firm size	Leverage
	2021	0.5714	0.5710	3.0000	4.0000	4.0000	10.3271	0.4482
Kenyatta International Convention Centre	2017	0.5714	0.5710	3.0000	4.0000	4.0000	9.5439	0.4229
	2018	0.7143	0.7140	4.0000	4.0000	4.0000	9.6576	0.4367
	2019	0.8889	0.8890	4.0000	4.0000	4.0000	9.7325	0.4861
	2020	0.8889	0.8890	3.0000	3.0000	4.0000	9.7469	0.3917
	2021	0.8889	0.8890	3.0000	3.0000	4.0000	9.7767	0.2804
Geothermal Development Company (GDC)	2017	0.8889	0.8890	2.0000	4.0000	4.0000	10.7175	0.5297
	2018	0.8889	0.8890	2.0000	4.0000	4.0000	10.7793	0.4680
	2019	0.8889	0.8890	2.0000	4.0000	4.0000	10.8103	0.4500
	2020	0.8889	0.8890	2.0000	4.0000	4.0000	10.8390	0.4420
	2021	0.8890	0.8890	3.0000	4.0000	4.0000	10.8514	0.3410
Kenya Electricity Generating Company	2017	0.9412	0.9410	3.0000	5.0000	14.0000	11.3983	0.2830
	2018	0.9333	0.9330	3.0000	5.0000	14.0000	11.5347	0.4000
	2019	0.9333	0.9330	4.0000	5.0000	14.0000	11.5644	0.3180
	2020	0.9333	0.9330	4.0000	5.0000	14.0000	11.5760	0.3990
	2021	0.9333	0.9330	4.0000	5.0000	14.0000	11.5790	0.4000
Kenya Electricity Transmission Company	2017	0.9380	0.9380	3.0000	5.0000	12.0000	10.7001	0.3350
	2018	0.9375	0.9380	3.0000	5.0000	12.0000	10.8529	0.3260
	2019	0.9380	0.9380	2.0000	5.0000	12.0000	11.0386	0.3380

Organization	Year	Budgetary compliance	AC Independence	AC tenure	AC Size	AC meetings	Firm size	Leverage
	2020	0.9380	0.9380	2.0000	5.0000	12.0000	11.0467	0.3760
	2021	0.9380	0.9380	3.0000	5.0000	12.0000	11.0621	0.3370
Kenya Pipeline Company (KPC)	2017	0.9167	0.9170	3.0000	4.0000	12.0000	10.8368	0.4600
	2018	0.9167	0.9170	3.0000	4.0000	12.0000	10.8687	0.6790
	2019	0.9231	0.9230	4.0000	4.0000	9.0000	10.9694	0.4140
	2020	0.9375	0.9380	4.0000	4.0000	9.0000	11.1078	0.7370
	2021	0.9412	0.9410	4.0000	4.0000	6.0000	11.1336	0.5460
Kenya Power and Lighting Company (KPLC)	2017	0.9091	0.9090	3.0000	6.0000	14.0000	11.3426	0.3900
	2018	0.9091	0.9090	3.0000	6.0000	15.0000	11.4350	0.4400
	2019	0.9091	0.9090	3.0000	5.0000	15.0000	11.4735	0.4200
	2020	0.9091	0.9090	3.0000	5.0000	15.0000	11.5201	0.3800
	2021	0.9091	0.9090	2.0000	5.0000	39.0000	11.5272	0.2300
National Oil Corporation of Kenya	2017	0.9000	0.8180	2.0000	4.0000	4.0000	10.0111	0.2020
	2018	0.9000	0.8180	2.0000	4.0000	4.0000	10.0959	0.3680
	2019	0.9000	0.8890	1.0000	4.0000	4.0000	10.0762	0.3310
	2020	0.9000	0.8180	2.0000	4.0000	4.0000	9.0069	0.3080
	2021	0.9000	0.8330	2.0000	4.0000	4.0000	9.0343	0.2800
National Water Conservation and Pipeline Corporation Environment, Water & Natural Resources	2017	0.9000	0.9170	3.0000	4.0000	12.0000	9.0504	0.2110
	2018	0.9000	0.9170	4.0000	4.0000	12.0000	9.5945	0.4600

Organization	Year	Budgetary compliance	AC Independence	AC tenure	AC Size	AC meetings	Firm size	Leverage
	2019	0.8990	0.9170	2.0000	4.0000	12.0000	9.6034	0.3400
	2020	0.8990	0.9170	3.0000	4.0000	12.0000	9.6372	0.3040
	2021	0.8990	0.9170	4.0000	4.0000	12.0000	9.6792	0.2910
Numerical Machining Complex	2017	0.8990	0.9290	1.0000	4.0000	10.0000	8.9182	0.3370
	2018	0.8990	0.9290	3.0000	4.0000	10.0000	8.9688	0.3760
	2019	0.8990	0.9290	4.0000	4.0000	10.0000	8.9169	0.6790
	2020	0.8890	0.9170	2.0000	4.0000	10.0000	10.8687	0.4140
	2021	0.8890	0.9170	3.0000	4.0000	10.0000	10.9694	0.7370
Kenya Broadcasting Corporation	2017	0.8890	0.9170	4.0000	4.0000	4.0000	11.1078	0.5460
	2018	0.8890	0.9170	3.0000	4.0000	4.0000	10.2379	0.3900
	2019	0.8889	0.9170	4.0000	4.0000	4.0000	10.2565	0.3400
	2020	0.8889	0.9170	3.0000	4.0000	4.0000	10.2517	0.4400
	2021	0.8889	0.9170	2.0000	4.0000	4.0000	10.2589	0.6040
Postal Corporation of Kenya	2017	0.8889	0.8890	1.0000	4.0000	12.0000	9.8724	0.4800
	2018	0.8889	0.8890	3.0000	4.0000	41.0000	9.8680	0.4000
	2019	0.8889	0.8890	4.0000	4.0000	36.0000	9.9872	0.3400
	2020	0.8889	0.8890	2.0000	4.0000	48.0000	9.9770	0.2400
	2021	0.8889	0.9090	1.0000	4.0000	48.0000	9.0069	0.2300
Kenya Development Bank	2017	0.8889	0.9090	3.0000	4.0000	10.0000	9.0343	0.2020
	2018	0.8889	0.8890	2.0000	4.0000	10.0000	9.0504	0.3680
	2019	0.8889	0.8750	3.0000	4.0000	10.0000	9.5945	0.3310
	2020	0.8889	0.8750	2.0000	4.0000	10.0000	9.6034	0.3080

Organization	Year	Budgetary compliance	AC Independence	AC tenure	AC Size	AC meetings	Firm size	Leverage
	2021	0.8889	0.8750	3.0000	4.0000	10.0000	9.6372	0.2800
Tourism Finance Corporation	2017	0.7273	0.0000	2.0000	4.0000	4.0000	9.5905	0.5125
	2018	0.8889	0.0000	3.0000	4.0000	4.0000	9.6823	0.4556
	2019	0.9000	0.9090	4.0000	4.0000	4.0000	9.6825	0.6756
	2020	0.9000	0.9090	1.0000	4.0000	4.0000	9.7151	0.7448
	2021	0.9000	0.7780	3.0000	4.0000	4.0000	9.0069	0.7232
Kenya Post Office Savings Bank	2017	0.9444	0.7780	4.0000	3.0000	10.0000	9.0343	0.2742
	2018	0.9440	0.8750	2.0000	3.0000	10.0000	9.0504	0.3254
	2019	0.9440	0.8890	3.0000	3.0000	10.0000	9.5945	0.2887
	2020	0.9440	0.8000	4.0000	3.0000	10.0000	9.6034	0.2953
	2021	0.8889	0.8750	3.0000	3.0000	10.0000	9.6372	0.2754
Kenya Ports Authority (KPA)	2017	0.8750	0.8330	4.0000	4.0000	4.0000	11.1057	0.6428
	2018	0.8750	0.8330	3.0000	4.0000	4.0000	11.1161	0.6662
	2019	0.8750	0.8330	2.0000	4.0000	4.0000	11.1775	0.6639
	2020	0.8750	0.8330	1.0000	4.0000	4.0000	10.8687	0.6526
	2021	0.8750	0.8330	3.0000	4.0000	4.0000	10.9694	0.6372
Kenya Airports Authority (KAA)	2017	0.8889	0.9290	4.0000	4.0000	4.0000	11.1078	0.1158
	2018	0.7140	0.9290	2.0000	4.0000	4.0000	10.7852	0.1323
	2019	0.7140	0.9290	1.0000	4.0000	4.0000	10.8404	0.1656
	2020	0.7140	0.9290	3.0000	4.0000	4.0000	10.8721	0.1472
	2021	0.7143	0.9290	2.0000	4.0000	4.0000	10.8885	0.1270
Kenya Railways Corporation (KRC)	2017	0.7143	0.9380	3.0000	4.0000	16.0000	11.1266	0.7007

Organization	Year	Budgetary compliance	AC Independence	AC tenure	AC Size	AC meetings	Firm size	Leverage
	2018	0.8180	0.9380	2.0000	4.0000	16.0000	11.3671	0.6912
	2019	0.8180	0.9380	3.0000	4.0000	17.0000	11.4857	0.7020
	2020	0.8182	0.9380	4.0000	4.0000	20.0000	11.6915	0.6503
	2021	0.8330	0.9380	3.0000	4.0000	20.0000	11.7045	0.5377

