ASSESSING THE EFFECT OF AUDIT COMMITTEE EFFICIENCY ON CORPORATE GOVERNANCE PERFORMANCE IN THE PUBLIC SECTOR: A CASE STUDY OF THE GOVERNMENT MINISTRIES IN TANZANIA

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BY

Lukoba Lyambogo

A Research Report Submitted in Partial Fulfillment of the Requirements for Award of the Degree of Master of Science in Accounting and Finance of Mzumbe University

2014

CERTIFICATION

We, the undersigned, certify that we have read and hereby recommend for the acceptance by the Mzumbe University a dissertation titled "**Assessing the effect of audit committee efficiency on corporate governance performance in the public sector: a case study of the government ministries in Tanzania**" in partial fulfillment of the requirements for degree of Master of Science in Accounting and Finance (MSc A&F).

Signature

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Major Supervisor

Signature

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Internal Examiner

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DECLARATION

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I, **Lukoba Lyambogo** declare that this dissertation is my own original work and that it has not been presented and will not be presented to any other university for a similar or any other degree award.

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DEDICATION

I dedicate this research to my late father and mother Mr & Mrs Nelson Lyambogo my wife Berynice Lameck , my children Hellen and Nelson, my brothers and sisters, to all my friends and to The conservator and all my work colleagues at Ngorongoro Conservation Area Authority for their authoritative parenting,sponsorship and for laying the cornerstone of my intellectual abilities.

LIST OF ABREVIATIONS

BoT	-	Bank of Tanzania
CAG	-	Controller and Auditor General
CGPI	-	Corporate Governance Performance Index
CPAR	-	Country Procurement Assessment Report
DEA	-	Data Envelop Analysis
DMU	-	Decision Making Units
GDP	-	Gross Domestic Product
IFMs	-	Integrated Financial Management System
IPSAS	-	International Public sector accounting standards
LGAs	-	Local government Authorities
NAO	-	National Audit office
OECD	-	Organization for economic co-operative and Development
PFMRP	-	Public Financial Management Reform Programme
PO-PSM	-	President's Office-Public Service Management
PPA	-	Public Procurement Act
PSRP	-	Public Service Reform Programme
UK	-	United Kingdom
USA	-	United States of America

ABSTRACT

The primary objective of this study was to assess the effect of audit committee efficiency on corporate governance performance in the public sector: the case study being the government ministries in Tanzania 18 ministries were assessed through CAG reports of 2008 to 2012 all the finding were obtained from secondary sources such as CAG reports NAO report and other reports related to the topic under the study

The findings of this study have revealed some significant relationship between audit committee efficiency and corporate governance performance.

As one of the component of corporate governance, audit committees have an important role to play in promoting the corporate governance process. This is due to the fact that audit committees have been entrusted with the task of overseeing other activities e.g accounting, auditing, procurement e.t.c. This study evaluated the effect of audit committee efficiency on corporate governance performance; it was established that audit committee efficiency has a positive effect on corporate governance performance which concurs with the theoretical propositions and empirical findings from other studies.

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CHAPTER ONE
INTRODUCTION AND BACKGROUND TO THE STUDY

1.1 Introduction

This chapter has presented the background of the study which has critically discussed the magnitude of the problem in different countries including Tanzania. The chapter has also presented the objectives of the study, significance, limitation, delimitations and scope of the study.

1.2 Background of the Study

The issue of effective corporate governance has been identified to be serious to all economic transactions especially in emerging and transition economies (Dharwardkar et al., 2000). This concept has been there for several years and it has been originated in developed countries but it has become famous in the last decade; this is due to the collapse or near collapse of giant companies in developed countries like USA, UK, Italy and others. These problems were a result of lack of corporate governance among the directors of these companies hence making decisions that are not in the interests of the shareholders, rather to their own benefits. The cases that were popular and captured the attention of everyone include the collapse or near collapse of giant companies that include WorldCom and Enron all of which occurred in USA (Markham, 2006).

The problems related to lack of corporate governance have great impact to firms and economies of different countries in general. Corporate governance has been observed to have a tremendous impact on firm's performance in Ghana, South Africa, Nigeria and Kenya (Coleman, 2007). The firms in these countries that had independent board of directors, independent audit committees that meets frequently perform well compared to those with non-independent boards and audit committees which are influenced by CEOs. This shows that even in Africa, the issue of corporate governance is critical and has a tremendous impact on firm's value.

Corporate governance also has an impact on the countries' economies in general. For instance in one of the more developed economy in Africa, South Africa, about 25% of the government procurement expenditure amounting to 30 billion rand a year is wasted through overpayment and corruption. Furthermore in the ministry of public works approximately 3 billion rand worth of tenders were improperly awarded (Malcolm, 2011).

Lack of corporate governance in Africa has a significant impact on the economy and livelihoods of people in general. A unit increase in corruption reduces the growth rates of GDP and per capita income by between 0.75 and 0.9 percentage points and between 0.39 and 0.41 percentage points per year respectively (Brempong, 2001). Furthermore, it accelerates income inequality among households hence increasing poverty.

In general, the global knowledge of the impact of corporate irresponsibility for instance of the Asian financial crises, corporate scandals in Enron and WorldCom in USA, Parmalat and Siemens in Europe and of crises in financial circles in several major African countries over the last decade; in each instance, negatively affected the wellbeing and lives of thousands including employees, pensioners, depositors and ancillary enterprises (Cooper, 2007). These raised the need to have formal regulations for corporations and other public institutions to ensure that there are sound mechanisms to promote corporate governance.

Some of the most famous corporate governance guidelines include the Sarbanes-Oxley Act (2002) in USA; this stipulates how internal audit, external audit and audit committees should be structured. Also United Kingdom formed the Cadbury Committee to propose guidelines to improve corporate governance process which include guidelines on structure and functioning of audit committees (Collier and Gregory, 1996).

One of the most crucial guidelines for corporate governance includes those for audit committees. For instance in USA and UK, guidelines stipulate that companies should form audit committees that are composed of financial literate and independent members to oversee various financial matters including the financial reporting, internal and external audit processes. The guidelines of this act have been adopted in different countries in both public and private sectors to ensure that corporate governance is promoted. However the problems are still there since the inception of this act due to the collapse of other large organizations in the late 2000'e for instance Lehman Brothers. However various studies such as (Goddard and Masters, 2000) discovered that audit committees roles are considered to be less important in companies and they have been formed merely to meet the regulations.

The mere presence of audit committees however does not guarantee corporate governance performance; only the efficient/effective audit committees are the ones that may be able to positively influence corporate governance process by protecting stakeholders interests (DeZoort et al, 2002). An efficient/effective audit committee should be properly composed e.g. independent and financial literate members; authoritative e.g. management support, clear responsibilities; resourceful e.g. size and support from internal and external auditors (DeZoort et al, 2002). This means that the efficiency/effectiveness of audit committees may influence to a great extent corporate governance performance.

In an attempt to promote corporate governance in the public sector due to various cases and claims of misuse of government resources, the government of United Republic of Tanzania issued the Public Finance Regulations (2004). Regulation (30) of these regulations requires every government entity to form audit committees for monitoring various financial matters. Furthermore the regulations stipulate that the audit committees should be composed of at least three (3) members but not more than five (5) members and at least one (1) member should be financially literate. So this study has made an

assessment of the effect of audit committee efficiency on corporate governance performance in the Tanzanian public sector.

1.3 Statement of the Problem

Corporate governance is very crucial especially for a developing country like Tanzania because the problems associated with it affect the firms, individuals and economy in general. For example in 2008 the prime minister, the former minister for minerals and energy and minister for East Africa Cooperation were forced to resign due to some serious allegations of corruption and misuse of their powers for personal benefits causing a loss of about Tshs. 160 million ($ 100,000) per day. (Franklin, 2008). This is just one example of malpractices there are numerous other cases of similar nature involving very large amounts of money which shows that the problem of lack of corporate governance is serious.

Lack of corporate governance i.e. through corruption has a significant impact to Tanzanian economy and livelihoods of people. Prevention and Combating of Corruption Bureau (2012) depicted that fraudulent practices causes the government to fail to meet its budgetary objectives hence poor provision of social services, rise in administration costs due to inflated prices of government procurement to finance “kickbacks”. At individual level it leads to increased income inequality hence accelerates poverty.

In an attempt to promote corporate governance in the public sector, audit committees were introduced in the public sector of Tanzania as part of the requirements of the Public Finance regulations (2004) that require every government institution that include central government, local governments and parastatals to form audit committees to ensure corporate governance process. However experience has shown some problems with the implementation of these regulations as annual audit reports by National Audit Office (NAO) have shown that there are institutions that either do not have audit committees or have inactive audit committees resulting into continued misuse of public assets and fraudulent financial reporting (Marobhe, 2011).

The other studies conducted in Tanzania have evaluated the aspects of audit committee for instance factors affecting their effectiveness, but neither of these studies has assessed the effect of audit committee on corporate governance process in the public sector. This created a research gap that this study has closed by assessing both audit committees and corporate governance phenomenon.

So this study evaluated the effect of audit committee efficiency on corporate governance performance in the public sector of Tanzania. This is by first assessing the factors that make audit committees efficient for instance composition, responsibilities and resources and their influence on corporate governance performance i.e. the magnitude of misstatements in the financial reports discovered by NAO.

1.4 The Research Objectives

The main objective of this study is to assess “the effect of Audit Committee efficiency on corporate governance performance in Public Sector: A case study of Government Ministries in Tanzania". The specific objectives are as follows;

1. To evaluate the efficiency level of audit committee in Government Ministries in Tanzania

2. To evaluate the corporate governance performance level at the Government Ministries in Tanzania

3. To examine the effect of Audit Committee efficiency on corporate governance performance in Government Ministries in Tanzania

4. To examine the factor affecting audit committee efficiency and corporate governance performance in Government Ministries in Tanzania.

1.5 The Research Questions

1. What is the level of efficiency of audit committee within the Tanzania Government Ministries?

2. What is the corporate governance performance level at the Government Ministries in Tanzania?

3. What is the effect of audit committee efficiency on corporate governance performance in Government Ministries in Tanzania?

4. What are the factors that affect audit committee efficiency and corporate governance efficiency in Government Ministries in Tanzania?

1.6 The Study Significance

A few studies have been conducted in Tanzania assessing audit committees in the public sector using different approaches for instance Marobhe (2011) and Mligo (2009) as discussed in the research problem. These studies have helped to provide valuable knowledge to the public on how audit committees function in the public sector by assessing their composition, responsibilities and resources. However these studies did not relate the efficiency of audit committees to corporate governance performance which has created a research gap. This study go in detail to close this gap by creating a relationship between audit committee efficiency i.e. in terms of composition, responsibilities and resources, and corporate governance performance which will be expressed by the amounts of misstatements discovered and documented in CAG reports.

So this study will help to provide valuable knowledge as to whether audit committee efficiency influences corporate governance performance in the public sector. The relationship created between these two (2) variables will be able to provide reasonable conclusions on the matter. Academicians, policy makers and practitioners will be able to understand whether improving audit committee efficiency can help to improve corporate governance performance or not. And if not the study highlight the other possible factors that may negatively affect corporate governance performance despite audit committee efficiency. Corporate governance performance was measured by the amounts of misstatements discovered and documented by CAG in the respective ministries.

1.7 The Scope of the Study

This study focused on central government whereby various government ministries were used as case study to assess the effect of audit committee efficiency on corporate governance performance in the public sector.

1.8 Limitations of the Study

This study chose a case study of the government ministries to represent the public sector because of limited time and budget to cover other public offices. The public sector of Tanzania is divided into several categories that include the central government, local government and parastatals. Covering all these categories is a cumbersome task given the time and funds available for research. So to overcome this, this study focused on government ministries.

1.9 Delimitation of the Study

This study was delimited only on CAG reports on the audit of ministries because they usually contain information about audit committees and the amounts of misstatements discovered.

1.10 Definition of Terms

Audit Committee: is a specialized governing body within the organization tasked with the oversight of financial reporting process, internal and external audit processes and risk management. It is composed of majority independent members and internal and external auditors report to this committee.

Corporate Governance: corporate governance comprehends that structure of relationships and corresponding responsibilities among a core group consisting of shareholders, board members and managers designed to best foster the competitive performance required to achieve the primary objective (OECD, 2004)

1.11 Structure of the study

This study contains five (5) chapters, chapter one presents the historical background of the problem, chapter two covers literature review and chapter three elaborates the research methodology. Furthermore, chapter four presents the results from analysis of data and presentation of findings. The last chapter of the study i.e. chapter five presents the summary of findings, recommendations and conclusions.

CHAPTER TWO
LITERATURE REVIEW

1.1 Introduction

This chapter present the literature review related to this study, it shows various literate that have been reviewed by the researcher. This includes the regulatory framework of audit committees in Tanzania and various theories on audit committees and corporate governance. The chapter also covers the review of the empirical findings from other studies about the similar subject.

1.2 Theoretical Literature review

2.2.1The concept of corporate governance

The concept of corporate governance has been widely explained by various institutions that deal with the issues related to corporate governance. Cadbury Committee is one of the most famous committees in the world that was formed in UK to propose ways to ensure corporate governance in UK companies. Cadbury Committee (1992) defined corporate governance as "the system by which companies are directed and controlled". For instance for a company, it is the way the company is directed by managers to ensure that the shareholders' wealth is maximized. But this cannot be left to the hands of managers only due to the agency problem; there must be a monitoring mechanism to ensure that these managers make decisions in the interest of maximizing shareholders' wealth. This monitoring mechanism includes aspects like internal audit, external audit and audit committee.

In the public sector, corporate governance means the way public offices are directed and controlled to maximize value for money to the general public. But again due to the agency problem, there must be mechanisms to ensure that this is done by those entrusted with the control of public offices.

Another important organization that narrated about the issues of corporate governance is Organization for Economic Co-operation and Development (OECD). OECD (2004) narrated that "corporate governance comprehends that structure of relationships and corresponding responsibilities among a core group consisting of shareholders, board members and managers designed to best foster the competitive performance required to achieve the primary objective". This definition also emphasizes on the achievement of primary objective of the company which is to maximize shareholders' wealth.

2.2.2 The concept of audit committee

Audit committee is a specialized governing body within the organization tasked with the oversight of financial reporting process, internal and external audit processes and risk management. It is composed of majority independent members and internal and external auditors report to this committee (Turley and Zaman, 2004).

Audit committees originated in private companies, they were established in order to assist the board of director to oversee various financial matters. They were created so as to help the governance process by providing an independent expert assessment of the activities of top management, the quality of the risk management, financial reporting, financial management and internal and external audit, to the board of directors or a supervisory board (Keasey et al, 1997).

The primary duties and responsibilities of audit committee by (Walker, 2004) are; to monitor the integrity of the company's internal controls over financial reporting, monitor the qualifications, independence and performance of the Company's independent auditor and internal auditing function. Furthermore audit committees provide a channel of communication among the board, the independent auditor, internal auditing function, management and other concerned individuals. They also assist the Board in meeting its fiduciary duties to shareholders and the Company.

2.2.3 Corporate governance in public sector

Corporate governance in the public sector is not much different from the private sector. The main difference is in the structures of organization and the rationale of the sector e.g. profit or non-profit making motive. Richard (1997) proposed the principles that define corporate governance in the public sector, these include; accountability which is the process whereby public sector offices, and the individuals within them, are responsible for their decisions and actions and submit themselves to appropriate external scrutiny. This is achieved by all parties having a clear understanding of those responsibilities, and having clearly defined roles through a robust structure. In effect, accountability is the obligation to answer for a responsibility conferred. This responsibility extends across a range of concerns, including probity and ethics as well as the effective and efficient implementation of programs and encompasses a range of processes (Sun, 2003).

The other principle is transparency/openness; this is required to ensure that stakeholders can have confidence in the decision-making processes and actions of public sector offices, in the management of their activities, and in the individuals within them. Being open, through meaningful consultation with stakeholders and communication of full, accurate and clear information, leads to effective and timely action and stands up to necessary scrutiny (Shleifer and Vishny, 1997) .

Integrity is the other principle of outmost importance. This comprises both straightforward dealing and completeness. It is based upon honesty and objectivity, and high standards of propriety and probity in the stewardship of public funds and resources, and management of an entity's affairs (McKinsey and Company (2002). It is dependent on the effectiveness of the control framework, influenced by relevant legislation such as Code of Conduct and ultimately determined by the personal standards and professionalism of the individuals within the entity. It is reflected both in the entity's decision-making procedures and in the quality of its financial and performance reporting.

Stewardship is another principle of corporate governance which means that Public officials usually exercise their powers on behalf of the nation. The resources they use are held in trust and are not privately owned. Officials are therefore stewards of those powers and resources. It is important to govern public sector offices so that their capacity to serve Government and the public interest is maintained or improved over time (Gregory, 2000). This includes financial sustainability and the efficient and effective management of resources, as well as less tangible factors, such as maintaining the trust placed in the organisation and/or the Government as a whole.

Leadership is also important in corporate governance, it is critical to achieving an organisation-wide commitment to good governance. To these could be added efficiency, which is the best use of resources to further the aims of the organisation with a commitment to evidence-based strategies for improvement. Efficiency thus requires objectivity and the application of the merit principle (Erkens et al, 2010). For example, in carrying out public business, including making public appointments, awarding contracts, or recommending individuals for rewards and benefits, holders of public office should make choices on merit.

2.2.4 Role of audit committee in the public sector corporate governance

The issues related to audit committees and corporate governance has a vast of literature on the especially on the effect of audit committee efficiency on the corporate governance. An efficient audit committee usually results into corporate governance performance; this is by efficiently overseeing the internal audit, external audit and financial reporting processes. Audit committees should make sure that both internal and external audits are carried out transparently giving proper consideration of risks and scope of the audits (Sori et. al., 2007).

Abbott et. al., (2004) depict that audit committees have the responsibility of reviewing and discussing with external auditors; the scope of audit, audit plan, risk assessment and related control procedures and audit personnel assigned in the audit to prevent conflicts of interest. Furthermore the audit committee has the task of reviewing deviations from

audit plan, significant discoveries, resolved and unresolved issues, any disagreement with management and any material audit adjustment.

Apart from audit processes, audit committee may promote corporate governance through an oversight of the financial reporting process. The audit committee is responsible to ensure the faithfulness of information provided in financial statements. While the task of an external auditor is to check whether management has prepared financial statements with objectivity, audit committee is tasked with reviewing the financial information for representational faithfulness. Audit committee also is responsible for exercising control over management to ensure that management has applied acceptable accounting policies, estimates and rules (Menon and Williams, 1996; DeZoort et. al., 2002).

However this depends on the efficiency of the audit committee, an efficient audit committee may be defined by various attributes. Braiotta (2004) depicted that effective oversight of the financial reporting process, external and internal audit is to the large extent dependent on strong audit committees, and qualified, committed, independent and tough-minded audit committees represent the most reliable guardians of the public interest.

2.2.5 Factors that affect audit committee and corporate governance

There are several factor that affect audit committee efficiency and corporate governance process. An efficient audit committee should have an appropriate size in relation to the scale of operations of the organization. Vafeas (2005) narrated that if the audit committee is too small then the monitoring effectiveness of the committee will eventually decrease. This is due to the fact that a small audit committee is incapable of fulfilling its duties efficiently because the assignments are always increasing. However too large committee may result to diminishing members' performance because of the coordination and process problems and hence highlight another reason for weak monitoring (Raghunandan et al., 1998).

Composition of the audit committee is another crucial attribute that may result to good corporate governance. An efficient audit committee should be comprised of financial literate members because the tasks of audit committee require one to possess accounting/auditing and finance knowledge. A lot of definitions have been provided for financial literacy, for instance SEC (2003) defined “audit committee financial expert” as an individual with an understanding of financial reporting and related internal controls, but not necessarily with direct experience in that function. Audit committees with financial literate members can competently assess both the nature and the appropriateness of accounting choices, constrain the accounting policies' aggressiveness and provide incentives in order to avoid the litigation risk (Krishnan and Visvanathan, 2008).

Bull and Sharp (1989) narrate that proper audit committee members should possess knowledge of accounting concepts and the auditing process to enhance their understanding of the financial statements, recognize problems, ask relevant questions of the management and auditor and make leadership contributions to audit committees.

Also an efficient audit committee must be independent so as to ensure good corporate governance practices. Those companies comprised of audit committee members that are independent are expected to have minimal incidence financial fraud compared to companies with no independent audit committees (Abbott et al., 2003). This is due to the fact that independent audit committee members do not have personal or financial interest in the company, and thus are able to put their argument without fear and favour (Beasley et al., 2000). By including outside parties that are free from association with management in audit committees, the agency costs may be minimized especially when credible and vigilant monitoring duties are practiced.

Firms with a large proportion of independent audit committees are less likely to receive a going-concern audit opinion from the external auditors (Carcello and Neal, 2003). They depicted further that independent audit committees are more effective in protecting auditors from dismissal following the going-concern audit report issuance; this improves

the audit process and hence ensuring good corporate governance. DeZoort and Salterio (2001) depict that independent audit committee members are more likely to understand the external auditors' position, particularly when the position is based on economic substance.

Sawyer et al (2003) depict further that audit committees composed of directors from within the organisation may be affected by their direct involvement with the matters reported. So in order to ensure the independence of audit committees, they should be organized as a standing committee of the board composed mainly of non-officer directors" or outside directors, that is, non-executive directors.

Also an efficient audit committee should be able to meet more frequently to discuss various financial matters. Bedard et al. (2004) depicted that audit committees that meet more than twice a year, comprised of financial literate members and with solely independent members have less tendencies of earnings management. Abbott et al., (2004) portrayed that firms with higher frequency of audit committee meetings usually experience less financial restatement and are less likely to be sanctioned for fraud as well as aggressive accounting. Audit committees that meet regularly during the financial year are associated with effective monitoring. The more frequent they meet, the more efficient they discharge their oversight responsibilities.

2.3 Empirical Literature Review

2.3.1 Audit committee efficiency in Public sector Organizations: Empirical review

Several studies have provided empirical evidence on the efficiency of audit committee in the public sector. Van Der Nest (2006) conducted a study assessing audit committee in South Africa public sector. It was found out that majority of audit committees in the South African public service comply with legal requirements and best practice regarding the suggested functions of committees. However it was advised that these committees can improve their efficiency further effectiveness in their performance of certain key functions in the areas of oversight over risk management, financial reporting, internal control and support for external audit.

2.3.2: Corporate governance performance in Public sector organization: Empirical review

Corporate governance performance in the public sector differs between countries depending on the level of development of the country. In Australia, the government required public offices to have executive management boards, advisory boards and cross-jurisdictional commissions to oversee corporate governance (Horrigan et al 2001). However these boards were found not to have independent autonomy or authority to ensure high performance of corporate governance. Despite their shortcomings, these mechanisms have helped to prevent foul plays in the use of public resources.

A study conducted in public universities in Uganda found out that corporate governance variables namely; board size, had a negative effect on financial performance while policy and decision making had a significant positive relationship with financial performance (Robinah, 2012). Corporate Governance had a significant positive relationship with board roles, board roles had a significant positive relationship with board effectiveness, and contingency had a significant positive relationship with board roles and effectiveness.

2.3.3: Audit committee efficiency and corporate governance performance: Empirical review

A research conducted by Chien et al (2010) assessing audit committee effectiveness in US public hospitals found out that the presence of audit committee and the committee's specific quality characteristics of independence, financial expertise, and increased activity, positively correlate with reduced frequencies of internal control problems. They further found out that audit committees with financial expertise associated less frequently with material weaknesses over financial reporting and over major Federal programs.

The results from a study by (Okpala, 2012) shows that there is significant relationship between audit committee activities and integrity of financial statements, which enhances the quality corporate governance and prevents organizational failure in Nigerian firms. It

was recommended that a committed audit committee should be established and members to be appointed should possess analytical skill with strong financial background.

2.3.4: Determinants of audit committee efficiency and corporate governance performance: Empirical review

Determinants of audit committee efficiency and corporate governance are similar to those in the private sector. A survey conducted in China found out that firms with independent audit committee members with financial expertise tend to have efficient audit committees. Also those firms with well compensated directors and supervisors that are independent have less earnings management hence ensuring corporate governance (Chen and Zhou, 2007).

Chang et al (2013) assessed the determinants and consequences of audit committee effectiveness in China, the findings revealed that firms with effective audit committees are associated with less earnings management and lower audit fees, and are less likely to have modified opinions and delayed filings.

Saat et al (2012) evaluated the factors that affect independent audit committee members' effectiveness in Malaysian companies; they discovered that the relationship between composition of audit committee exclusively by independent director and the convening of independent committee members meeting with the external auditor without executive officers presence and firm performance is negative. They observed that the audit committee effectiveness is crucially dependent on audit committee members collective commitment to fulfill their oversight duties responsibly and management giving full co-operation and support to the access of required information for decision-making.

A research by (Gendron et al, 2004) which investigated in detail the nature of audit committee meetings discovered that the crucial aspects of the audit committees' work included asking challenging questions and evaluating the reports and feedback of managers and the audit findings of external auditors. These findings imply the relevancy of audit committee members self-awareness and initiative, that is, the need for them to

be proactively involved and committed to the tasks and matters pertaining to their duties. The findings of this study were similar to those of (Raghunandan, 2001)

However a study by (Norman, 2011) found out that the practice of establishing separate sessions for the meeting between independent audit committee members and external and internal auditors without the presence of executive directors or officers will provide an open, useful and dynamic forum to discuss issues that may be sensitive to the executives.

Another study by (Dionne and Triki, 2005) found out that the presence of independent directors with financial knowledge and skills in the audit committee to the large extent enhances evaluation of management decisions and their effect on shareholders' wealth. The absence of the members of this caliber limits board of directors active participation in the evaluation of management derivatives plans and prospects.

2.3.5 Empirical studies on audit committee efficiency and corporate governance performance in Tanzania.

A few studies have been conducted in Tanzania that evaluates the audit committee efficiency and corporate governance performance in Tanzania. These studies have focused most on the audit committee efficiency and less on corporate governance performance. Marobhe (2011) carried out a study assessing the factors influencing the effectiveness of audit committees in the public sector using a case of the government ministries. His study was confined to the characteristics of audit committees only e.g. size, composition, frequency of meetings and financial literacy of members. He found out that audit committees in the public sector meet on average four (4) times in a year, also they have on average only one (1) independent member. Furthermore it was observed that most of the audit committee members are not financial literate as they are chosen based on departments or seniority.

Also a study by Mligo (2009) that assesses audit committee effectiveness in ministries, Local Government Authorities and parastatals. The findings show that these audit

committees are less efficient because its members are less experienced in financial matters, not independent and do not meet as stipulated in the regulations i.e. some meet only twice or never meet at all.

2.4 Audit Committee and Corporate governance in Tanzania

2.4.1 Audit committee in Public organizations in Tanzania

The formation of audit committee in public organizations in Tanzania is required by Public Finance Regulations (2004). Regulation 30 (1) of the Public Finance Regulation (2004) stipulates that there shall be, in each ministry, department, agency or region a committee to be known as “an audit committee”.

Regulation 31(1) of the Public Finance Regulations (2004) further stipulates that an audit committee shall be composed of senior members of the Ministry, Agency, Department or Region who are to be nominated by the respective “accounting officer” and at least “one (1) member” should be appointed by the Permanent Secretary from the external sources.

The nominated audit committee shall be comprised of not more than five (5) and not less than three (3) members and at least one (1) of the members shall have experience of accounting and auditing.

2.4.2 Corporate governance regulatory framework in Tanzania

The corporate governance framework in Tanzania follows the same principles of corporate governance for the public sector. It is more focused on accountability so as to promote corporate governance. The framework as presented by (ADB, 2005) involves the following aspects;

Public Sector Management: The responsibility of managing the public service is vested in the President’s Office-Public Service Management (PO-PSM). According to the Presidential Order of 1993, the role of the POPSM is to implement the Public Service

Reform Programme (PSRP) and its functions therefore include: (i) formulating, preparing and monitoring the implementation of administrative and personnel.

Public Financial Management: In 1998, the Government launched the Public Financial Management Reform Programme (PFMRP) to co-ordinate a number of complementary projects operating within the divisions, departments and agencies of the Ministry of Finance. Its objectives are to strengthen financial control, enhance accountability and to minimize the leakage of resources. At the time of inception of the PFMRP, the Government focused on budget and accounting reforms and the components included: (i) reform of budget processes; (ii) the introduction of a computerized Integrated Financial Management System (IFMS); (iii) strengthening the tax administration; (iv) external resources management; and (v) strengthening audit system.The implementation of proper public financial management the government enactment of the Public Finance and Procurements Act (2001); the Country Financial Accountability Assessment Report (2001); and the Report on the Observance of Standards and Codes (2002).

Public Procurement: Due to the importance of public procurement to the country's economic development following the preparation of the first Country Procurement Assessment Report (CPAR) in 1996, the Government took various steps to improve the procurement system, including the enactment of the Public Procurement Act (PPA) and the implementation of Regulations in July 2001.

Public Sector Accounting: Under the Constitution, the Controller and Auditor-General (CAG) heads the National Audit Office (NAO) and is responsible for examining, inquiring into, auditing and reporting on the accounts of the Government. These include: (i) all Ministries and departments of Government as well as their accounting officers; (ii) all persons entrusted with the collection, receipts, custody, issue or repayment of public or with receipt, custody, issue, sale, transfer or delivery of any stamps, securities, stores or other public property; (iii) all public authorities and other public bodies; (iv) any authority or body that receives funds from the Consolidated Fund or from public funds

for a public purpose; and (v) any authority or body required by law to be audited by the CAG.

2.4.3 Role of Audit committee in corporate governance in public institutions in Tanzania

The roles of audit committee in the public sector are stipulated in the Public Finance Regulations (2004). Regulation 32(1) of the Public Finance Regulations (2004) stipulates that audit committees shall meet at least quarterly, be responsible for approval of internal annual and strategic auditing plans of the Ministry, Agency, Department or Region. Also are responsible for reviewing all internal and external audit reports involving matters of concern to the senior management of the Ministry, Agency, Department or Region including identification and dissemination of good practices.

Audit committees are responsible to provide advice to the accounting officer on actions to be taken on matters of concern raised in a report of internal auditor or in a report of a Controller and Auditor General (CAG) concerning Ministry, Agency, Department or Region. Also as far as practicable, they are supposed to coordinate audit programs conducted by internal auditors and programs conducted by Controller and Auditor General (CAG) and to provide advice to the accounting officer on preparation and review of financial statements of the Ministry, Agency, Department or Region.

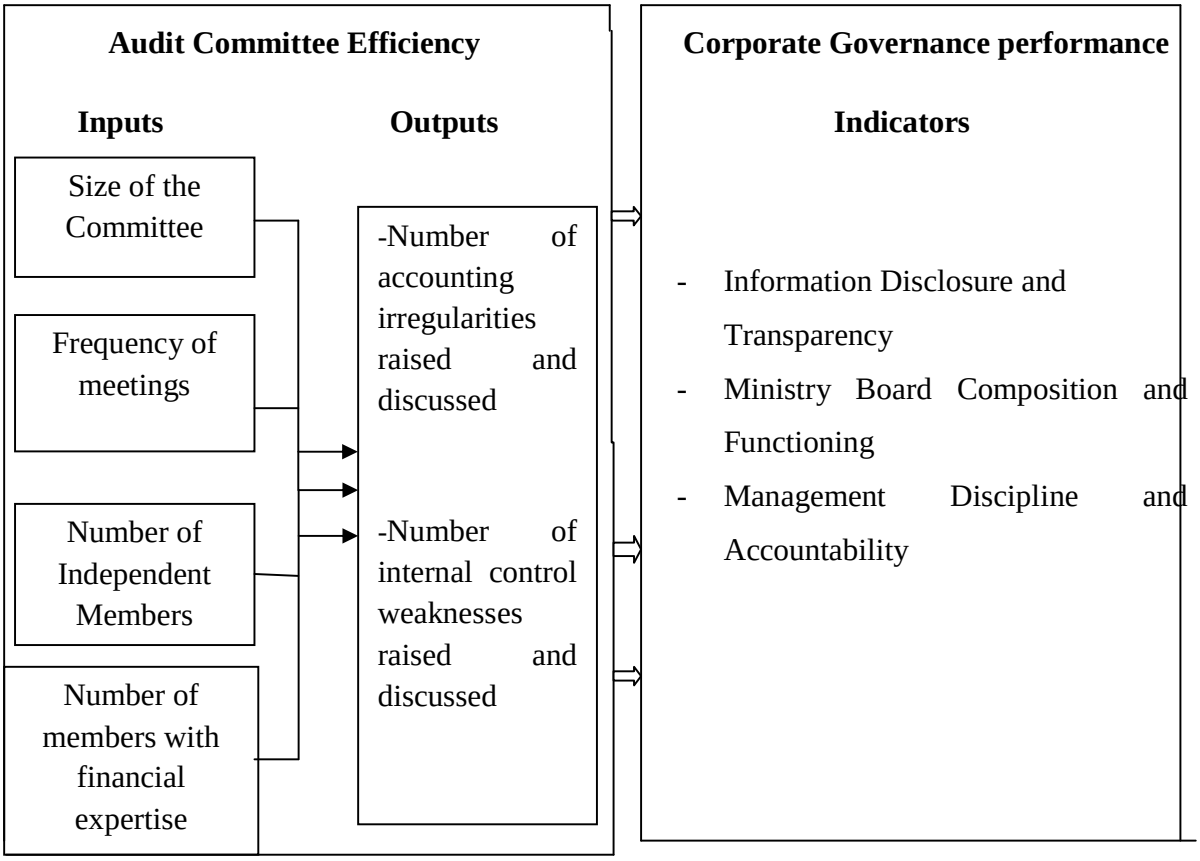
The regulations further stipulate that audit committees should prepare an annual report on its functions, copies of which shall be sent to the Permanent Secretary, Accountant General and Controller and Auditor General (CAG).

Also Regulation 32(2) of the Public Finance Regulations (2004) stipulates that; in order to discharge its responsibilities effectively, an accounting officer shall ensure that the audit committee has access to him at all reasonable times and that it has power to call for independent advice on auditing, accounting and accountability issues, Call ad hoc meetings, require the attention of any officer or employee of the Ministry, Agency, Department or Region at audit committee meetings.

Regulation 32(3) of the Public Finance Regulations (2004) further stipulates that the Controller and Auditor General (CAG) shall be informed in advance of all the meetings of the audit committee and shall have right to be represented at any meeting of the audit committee.

2.4.4 Conceptual framework

Figure 2.1: The conceptual framework



Source: Researcher's own compilation

The conceptual framework on the effect of audit committee efficiency on the performance of corporate governance shows various factors that characterizes the efficient audit committee. The first factor is the frequency of audit committee meetings, it is argued that those audit committees that meet more frequently than others are highly probable to be efficient in properly and timely resolve various financial matters that come to light. For instance audit committees that meet at least quarterly are able to resolve the issues discovered in quarterly financial, internal audit reports in a timely manner rather than waiting to resolve these issues at the year-end which may cause the committee to overlook some of the issues due to large number of accumulated issues. Financial irregularities discovered at the quarter may not be repeated in annual reports because the audit committee resolved the matter earlier.

The second factor is the size of the audit committee, the size of the audit committee is very important in determining whether the committee is efficient or not. The size of audit committee should reflect the scale of operations of the public office. This is due to the fact that when the scale of operations is large, even the issues that have to be discussed by audit committee usually increase, hence if the audit committee is small e.g. 3 members then they would be overwhelmed with the large workload hence performing poor quality work hence affecting corporate governance.

The third factor is the number of independent members in the audit committee; audit committee needs to be comprised of majority independent members so as to improve objectivity of their work. This is due to the fact they would be reviewing the reports prepared by their colleagues e.g. accounting officers, internal auditors some of whom may be friends hence possibly impairing objectivity of their work by not critically review the reports prepared by their colleagues.

The fourth factor is the number of members with financial expertise in the committee; most of the tasks of the audit committee involve reviewing internal audit reports, financial reports and other reports involving financial matters. Hence if the audit committee members are not competent in financial matters e.g. without CPAs, they may

not competently analyze these reports because they possess little understanding of the matters contained in the reports.

Audit committees play a major role in ensuring corporate governance performance well in an organization by raising various matters that management have to resolve e.g implementation of audit recommendations.

Corporate governance performance can be measured by assessing the factors that cause corporate governance process to perform well; these are called corporate governance performance indicators. The first indicator is information disclosure and transparency, this indicator aims to determine whether the accounting and auditing information is prepared and reported objectively and in a timely manner. In this indicator there are several aspects that have to be assessed, these are; whether the ministry produces its legally required financial reports by the required date, applies to the large extent international public sector accounting standard (IPSAs) in preparing accounting information. Also it assesses if the internal auditor prepares the internal audit reports objectively and on a timely manner and lastly if external auditors are independent and work and report objectively on the operations of the ministry.

The second indicator of corporate governance performance is the ministry Board Composition and Functioning; this indicator assesses if the Chairman of the ministry board and the Permanent secretary are not the same person and whether the board is to the large extent not made up of ministry executives. These are aimed to ensure objectivity of the board in making various decisions. Also the indicator evaluates the board size and the term of service for the members.

The third indicator is management discipline and accountability; this aims to ensure that management implement to the large extent the plans included in the ministry annual plans and incidences of financial irregularities as indicated in the CAG reports. Also the indicator assesses whether management is held accountable for their actions especially in cases of fraud and if management acts transparently in managing the ministry.

Corporate governance performance is influenced by various factors; firstly the risk management process in the ministry has an impact on corporate governance performance. As the ministry conducts more risk management reviews i.e. through internal audit, more embezzlement issues will be uncovered and discussed. This helps to reduce these incidences of fraud though they seem to very rampant in the public sector.

Secondly, corporate governance performance is highly affected by the independence of the ministry board. The ministry board is the top authority that oversees the activities of the particular ministry. Most of the issues are discussed and decided upon by the board including discussions and decisions on fraud and other financial irregularities discovered. If the board is composed of more non-executives then the embezzlement issues uncovered may be discussed with objectivity and transparency so as to eradicate these incidences of fraud.

Thirdly, top management involvement in the board activities has a tremendous impact on corporate governance performance. If the top ministry management is involved with the board activities then they may be able to influence some decisions in their favour if they are involved in fraud themselves i.e. management fraud. This may be done regardless of whether there are non- executive members in the board.

Lastly, corporate governance performance depends much on the number of management sub-committees e.g. finance committee, procurement committees. These sub-committees prepare reports on their operations and help the management in specific areas hence they may make the task of uncovering embezzlement especially when it falls within the responsibility of a particular committee.

2.4.5 Hypotheses development

After conducting critical literature review and developing a conceptual framework, the following hypothesis has been developed;

Hypothesis: *There is significant relationship between audit committee efficiency and corporate governance performance)*

2.5 Chapter Summary

This chapter presented various aspects of literature; these included theoretical literature review which reviewed some theories on audit committee efficiency and corporate governance. Also empirical findings from studies conducted in Tanzania and other countries were discussed. Lastly the chapter presented the conceptual framework employed in explaining the relationship between various variables.

CHAPTER THREE
RESEARCH METHODOLOGY

3.1 Introduction

This chapter discusses the methodology that was employed in conducting this study; this includes the types of data used, data collection and analysis methods, the population of the study and sampling design. The chapter has also discusses the design to be used in carrying out this study together with the strategy.

3.2 Research Design

This study uses the case study strategy whereby the case of government ministries was used to represent other institutions in the public sector. The public sector is composed of government ministries, parastatals and local government authorities. But this study used the case study of the government ministries to represent other government offices because most government ministries have audit committees compared to other government office that according to National Audit Office (NAO) reports they don't have audit committees. This design has been frequently used in other studies of similar nature, for instance Mustafa and Youseff (2009) assessed audit committee financial expertise and its impact on corporate governance performance represented by misappropriation of assets. The study also employed the methodologies used by other studies which were more focused on corporate governance performance such as (Waduge, 2011) and Klein (1998).

This study undertook a similar design using the government ministries in this case all of them using information from audit reports prepared by CAG in the period (2008-2012).

3.3 Research Variables

This study is quantitative in nature; hence most of the aspects were measured quantitatively. The following table shows the variables used in this study

Table 3.1: The Variables used to Assess Audit Committee Efficiency

Inputs		**Outputs**
Variable	**Description**	**Description**
Frequency of meetings	*Number of meetings conducted in a financial year*	-Number of accounting irregularities raised and discussed -Number of internal control weaknesses raised and discussed
Independence of audit committee	*Number of independent members*	
Financial expertise of the audit committee	*Number of members with financial expertise*	
Size of the audit committee	*Number of members in the committee*	

Source: Researcher's compilation (2014)

These variables were created in relation to the study by (Mustafa and Youseff, 2009) although this study has not used only financial expertise as the efficiency factor.

3.4 Types of data

The nature of this study requires the use of secondary data, this is due to the fact that there are public sector reports that report on the financial affairs of each ministry and describe the status of audit committees in the public sector. The reports that contain this information are the annual audits reports of the CAG that cover the audit of every government office in Tanzania. These reports are very detailed as they provide the audit opinion; disclose accounting and other irregularities e.g. procurement. Also these reports assess and comment on other organizational issues of the public offices that include audit committees. The reports indicate whether the public office has formed audit committee, the frequency of meetings, financial expertise of members etc. The CAG reports that will be used will cover the period (2008-2012). The study by (Mustafa and Youseff, 2009); (Turley and Zaman, 2004) and (Josh and Wakil, 2004) also used various company reports as a source of data.

3.5 Population of the Study

The population for this study is that of the government ministries in Tanzania and in order to produce a good model using many observations, all the ministries was used for this study. This is due to the fact that the data for each ministry is included in the CAG reports hence it is easy to extract the data.

3.6 Data Analysis

The study used Data Envelopment Analysis; (DEA) is a model to measure the relative efficiency of Decision Making Units (DMU's) (Kipesha, 2012). DMU's could be organizations, divisions, or units that use similar inputs and produce similar outputs. DEA is defined as a linear programming technique which identifies the best practice among a sample of units, and measures efficiency based on the difference between best practice and the observed units. Best practice could be identified at the organizational, national, and international levels. In essence, DEA attempts to measure the technical efficiency (TE). The later is expressed as the potential to increase quantities of outputs from a given quantities of inputs. This approach was first proposed by Charnes et. al. (1978), and later extended by Banker, Charnes, and Cooper (1984).

Farrell's work, Charnes, Cooper, and Rhode (Charnes et. al., 1987) introduced their CCR DEA model that can handle multiple inputs and multiple outputs to measure TE. In the presence of multiple input and output factors, technical efficiency is defined as followed:

$$\textit{Technical Efficiency} = \frac{\textit{weighted sum of outputs}}{\textit{Weighted sum of input}} \qquad (1)$$

Assuming that there are *n* DMUs, each one has *m* inputs and *s* outputs, and then technical efficiency of the *p*'s DMU is given by the following model proposed by Charnes et. al. (1978):

$$\left.\begin{aligned} &\max \frac{\sum_{k=1}^{s} v_k y_{kp}}{\sum_{j=1}^{m} u_j x_{ji}} \\ st \quad &\frac{\sum_{k=1}^{s} v_k y_{kp}}{\sum_{j=1}^{m} u_j x_{ji}} \le 1 \qquad \forall i \\ &v_k, u_j \ge 0 \qquad \forall_{k,j} \end{aligned}\right\} \qquad (2)$$

Where, $k=1$ to s, $j=1$ to n, y_{ki} =amount of output k produced by DMU i, x_{ji} =amount of input j used by DMU i, v_k =weight assigned to output k, u_j =weight assigned to input j.

Because of the difficulty of solving fractional linear programs, Charnes et. al. converted the above model into a more simplified model which is expressed below .

$$\left.\begin{aligned} &\max \sum_{k=1}^{s} v_k y_{kp} \\ st \quad &\sum_{j=1}^{m} u_j x_{jp} = 1 \\ &\sum_{k=1}^{s} v_k y_{ki} - \sum_{j=1}^{m} u_j x_{ji} \le 0 \qquad \forall_i \\ &v_k, u_j \ge 0 \qquad \forall_{k,j} \end{aligned}\right\} \qquad (3)$$

The previous model is executed n times to identify the relative efficiency scores of all DMUs involved in the evaluation. Inputs and outputs that maximize the efficiency of each DMU are selected for each DMU. The DMU is considered efficient if it obtains a score of 1, otherwise the DMU is inefficient (Cooper et. al., 2006).

In order to identify benchmarks for the inefficient DMUs, DEA provides set corresponding efficient units that may be used as benchmarks to improve the inefficient DMUs. The solution of the following dual form of the above linear model provides the possible benchmarks for the inefficient units.

$$\begin{aligned} & \min \theta \\ st \quad & \sum_{i=1}^{n} \lambda_i x_{ij} - \theta x_{jp} \leq 0 \quad \forall_j \\ & \sum_{i=1}^{n} \lambda_i y_{ki} - y_{kp} \geq 0 \quad \forall_k \\ & \lambda_i \geq 0 \quad \forall_i \end{aligned} \qquad (4)$$

Where

θ =*efficiency score*

λ_s =*dual* var*iables*

3.6.1 Choices of inputs and output variables measurements for DEA

Due to the limitations of the inputs and outputs to be used the study used four inputs costs and two outputs. The study adopted production approach as the ministries are not financial institutions which are involved in lending and depositing functions (Aikaeli, 2008), Berger and Humphrey (1997) and Kipesha (2012) followed intermediation approach in measuring financial institutions, however for this particular research production approach was adopted.

Table 3.2 The Variables Used in the Data Envelopment Analysis (DEA)

s/no	Variable name	Classification
1	number of members	Input 1
2	number of meetings	Input 2
3	number of independent members	Input 3
4	number of member with financial literacy	Input 4
5	number of accounting irregularities raised and discussed	Output 1
6	number of internal control weakness raised and discussed	Output 2

Source: Researcher's compilation (2014)

3.6.2 Data analysis tools by objective

Various studies conducted about this topic have used different models to analyze data depending on the variables used. Chieni and Sennetti (2010) (Josh and Wakil, 2004) and (Mustafa and Youseff, 2009) developed the logistic regression model from the data using multiple regression analysis. However Chieni and Sennetti (2010) also used correlation analysis to test for relationship between the variables developed so as to reach proper conclusions using more than one technique. So this study used two (2) data analysis tools namely multiple regression analysis and data envelopment analysis (DEA). However the following data analysis tools were used for each specific objective as follows;

Objective One: To evaluate the efficiency level of audit committee in Government Ministries in Tanzania.

The efficiency level of audit committees was measured by the frequency of meetings, financial expertise, size and independence of members. The tool that used to measure this phenomenon was the data envelopment analysis (DEA) which was applied to determine the audit committee efficiency index.

Objective 2: To evaluate the corporate governance performance level at the Government Ministries in Tanzania.

This was analyzed by computing the Corporate Governance Performance Index (CGPI) for each ministry in each of the years (2008-2012). This method requires first developing the main indicators of corporate governance performance. These vary among various studies, however it was vital to develop the list of indicators that are compatible with the public sector. This is attributed by the fact that most of the literatures cover the issues of corporate governance performance in the private companies. The corporate governance indicators were developed mostly from the studies by (Silva and Leal., 2005); (Black et al., 2003) and (Klapper and Love., 2004). From these studies the following list of indicators and sub indicators of corporate governance performance was complied;

Table 3.3: Corporate Governance Performance Index (CGPI) Framework

Information Disclosure and Transparency (48%)	**Weight**	**Value**
1. The ministry produces its legally required financial reports by the required date.	12%	-
2. The ministry applies to the large extent international public sector accounting standard (IPSAs)	12%	-
3. The internal auditor prepares the internal audit reports objectively and on a timely manner	12%	-
4. The external auditors are independent and work and report objectively on the operations of the ministry.	12%	-
Ministry Board Composition and Functioning (32%)		
1. The Chairman of the ministry board and the Permanent secretary are not the same person.	8%	-
2. The board is to the large extent not made up of ministry executives.	8%	-
3. The board size is between 5 and 9 members.	8%	-
4. Board members serve consecutive one-year terms.	8%	-
Management Discipline and Accountability (20%)		
1. Management implement to the large extent the plans included in the ministry annual plans.	5%	-
2. There are minimal cases of financial irregularities as indicated in the CAG reports.	5%	-
3. Management is held accountable for their actions especially in cases of fraud.	5%	-
4. Management acts transparently in managing the ministry.	5%	-
Corporate governance performance Index		-

Source: Field data (2014)

Each question corresponds to a "yes" or "no" answer. If the answer is "yes", then the value of 1 is attributed to the question, otherwise the value is 0. Then the values are multiplied by the weight allocated to the each factor to get the weighted average which is the new value. Then the total of these weighted values is the corporate governance performance index (CGPI). The weights to each indicator are allocated on the basis of

the importance of the indicator to corporate governance performance. After reviewing the above literatures, the weights were allocated to each of the three (3) indicators. All questions are answered from public information disclosed by ministries and not by means of potentially subjective interviews. Sources of information are CAG reports, ministry filings and charters.

Objective 3: To examine the effect of Audit Committee efficiency on corporate governance performance in Government Ministries in Tanzania

To examine this relationship between audit committee efficiency and corporate governance performance, regression analysis and correlation analysis were utilized similar to a study by (Chieni and Sennetti, 2010). This is by relating the audit committee efficiency indices (independent variable) and corporate governance performance indicators (CGPI). The model is as follows;

Y (Corporate Governance Performance Index) = βX (Audit Committee Efficiency Index) + e

Objective 4: To examine the factors affecting audit committee efficiency and corporate governance performance in Government Ministries in Tanzania.

The analysis of this objective depends with the results from the other preceding objectives. Multiple regression analysis and correlation analysis were used to examine the factors affecting audit committee efficiency. The model is as follows;

$Y1 = \beta X1 + \beta X2 + \beta X3 + \beta X4 + e$

Y1= Number of internal control weaknesses raised and discussed

X1=Number of meetings conducted in a financial year.

X2=Number of independent members

X3=Number of members with financial expertise

X4=Number of members in the committee

3.7 Chapter Summary

This chapter presented various methods that were used to conduct the study including, the research design, types of data, choice of variables, data collection and data analysis tools. The next chapter presents the findings of this study.

CHAPTER FOUR
PRESENTATION AND DISCUSSION OF THE FINDINGS

4.1 Introduction

This chapter presents the results of data analysis and discussed the findings of this study. The findings have been presented and discussed with respect to the specific objectives.

4.2 Descriptive statistics

This study used various variables that measure efficiency of audit committees and performance of corporate governance respectively. The descriptive statistics for the variables used to assess these two (2) aspects are as follows;

4.3 Descriptive Statistics for Audit Committees Efficiency Factors

A total of 90 Observations (18 ministries x 5 years) were used whereby the inputs used were size of the committee, frequency of meeting, number of independent members and number of members with financial literacy where the output was number of accounting irregularities raised and discussed and number of internal control weakness raised and discussed. The following table presents the descriptive statistics for the inputs and outputs used in the DEA model in assessing audit committee efficiency.

Table 4.1 Descriptive Statistics for Inputs and Outputs Used to Assess Audit Committee Efficiency

	Minimum	Maximum	Mean	Std. Deviation
Number of audit committee members	4	5	4.76	.432
Number of audit committee meetings	2	6	3.33	.887
Number of independent members	0	1	0.63	.485
Number of financial literate members	1	3	1.43	.619

Source: Field data (2014)

Results from table 4.1 above reveal some critical issues as related to the characteristics of audit committee and ministry boards. Firstly it can be observed that audit committee in the ministries have on average 4.76 members which is considered sufficient as per public finance regulations and other literature. However these audit committees meet on average 3.33=3 times per year, this is not appropriate as audit committees that are well functioning are supposed to meet at least quarterly in a financial year. Also audit committees have approximately one (1) independent members, this may reduce efficiency as the staff members may have the power of the group against the opinion of one independent member from outside sources. Also on average audit committee have approximately one (1) member only who has financial expertise, this may affect the ability of audit committee to efficiently raise issues and resolve them.

4.4 Data analysis by objective

4.4.1 To evaluate the efficiency level of audit committee

The efficiency of audit committees was evaluated using the Data Envelopment Analysis tool (DEA). The inputs and outputs for each phenomenon have been discussed before in the descriptive statistics part. Table 4.2 presents the summary of DEA results;

Table 4.2: General Summary of DEA results (2008-2012)

YEAR	2008	2009	2010	2011	2012
Number of DMU	18	18	18	18	18
Number of Efficient DMU Under (CRS)	9	7	12	6	11
Number of Efficient DMU Under (VRS)	17	17	16	14	16
Average Technical Efficiency Score(CRS)	0.834	0.855	0.922	0.848	0.896
Average Pure Technical Efficiency Score(VRS)	0.989	0.996	0.985	0.96	0.988
Average Scale Efficiency Score	0.843	0.859	0.935	0.883	0.904

Source: Field data (2014)

The results from table 4.2 show that the ministries had the average scale efficiency scores of 0.843, 0.859, 0.935, 0.883 and 0.904 in the years 2008, 2009, 2010, 2011 and 2012 respectively. This indicates an average of 0.157, 0.141, 0.065, 0.117 and 0.096 divergences from most productive scales of audit committees. The average scale efficiency was less than average pure technical efficiency in all five (5) years; this implies that the source of technical inefficiency is not generally due to pure technical inefficiency resulting from misallocation of inputs in the production of outputs.

Audit committee efficiency in 2008

The results for DEA for efficiency of audit committees in the year 2008 are presented in the table 4.3 below;

Table 4.3: DEA results for audit committee efficiency in 2008

NO	DMU	CRS	VRS	Scale	RTS
1	Ministry of water and irrigation	0.667	1.000	0.667	Incr
2	Ministry of Agriculture, Food Security and Cooperatives	1.000	1.000	1.000	Const
3	Ministry of Communication, Science and Technology	1.000	1.000	1.000	Const
4	Ministry of Community Development, Gender and Children	0.833	1.000	0.833	Incr
5	Ministry of Defense and National Service	0.778	1.000	0.778	Incr
6	Ministry of East African Cooperation	0.500	1.000	0.500	Incr
7	Ministry of Energy and Minerals	0.583	1.000	0.583	Incr
8	Ministry of Finance and Economic Affairs	1.000	1.000	1.000	Const
9	Ministry of Home Affairs	0.667	1.000	0.667	Incr
10	Ministry of Industries, Trade and Marketing	1.000	1.000	1.000	Const
11	Ministry of Information, Youth, Culture and Sports	0.617	1.000	0.617	Incr
12	Ministry of Infrastructure Development	0.625	0.800	0.781	Incr
13	Ministry of Justice and Constitutional Affairs	1.000	1.000	1.000	Const
14	Ministry of Labour and Employment	1.000	1.000	1.000	Const
15	Ministry of Lands, Housing and Human Settlements Development	0.750	1.000	0.750	Incr
16	Ministry of Livestock Development and Fisheries	1.000	1.000	1.000	Const
17	Ministry of Natural Resources and Tourism	1.000	1.000	1.000	Const
18	Ministry of Education ad vocation training	1.000	1.000	1.000	Const

Source: Field data (2014)

The results from table 4.3 reveal different efficiency scores for various ministries in the year 2008. Various ministries revealed increasing efficiency scores, the Ministry of Community Development, Gender and Children had the highest efficiency score of 0.833 followed by the ministry of infrastructure development which had the efficiency score of 0.781. These were followed by the Ministry of Defense and National Service with the score of 0.778, Ministry of Lands, Housing and Human Settlements Development with the score of 0.75 and Ministry of Home Affairs and Ministry of water and irrigation both with the efficiency scores of 0.667. Lastly Ministry of Information, Youth, Culture and Sports had the efficiency score of 0.617 followed by Ministry of Energy and Minerals with the efficiency score of 0.583 and Ministry of East African Cooperation with the efficiency score of 0.500. The remaining ministries had constant efficiency scores of 1.000. The results show that audit committees in various ministries have a certain degree of inefficiency due to the fact that its inputs e.g. number of meetings, financial literacy of the members have not been appropriately used to improve audit committee efficiency.

Audit Committee Efficiency in 2009

The study also assessed audit committee efficiency in 2009 using DEA. The results for DEA are presented in table 4.4 below;

Table 4.4: DEA results for audit committee efficiency 2009

NO	DMU	CRS	VRS	Scale	RTS
1	Ministry of water and irrigation	0.795	1.000	0.795	Incr
2	Ministry of Agriculture, Food Security and Cooperatives	1.000	1.000	1.000	Const
3	Ministry of Communication, Science and Technology	1.000	1.000	1.000	Const
4	Ministry of Community Development, Gender and Children	0.800	1.000	0.800	Incr
5	Ministry of Defense and National Service	0.750	1.000	0.750	Incr
6	Ministry of East African Cooperation	0.594	1.000	0.594	Incr
7	Ministry of Energy and Minerals	0.750	1.000	0.750	Incr
8	Ministry of Finance and Economic Affairs	0.857	1.000	0.857	Incr
9	Ministry of Home Affairs	0.750	1.000	0.750	Incr
10	Ministry of Industries, Trade and Marketing	1.000	1.000	1.000	Const
11	Ministry of Information, Youth, Culture and Sports	1.000	1.000	1.000	Const
12	Ministry of Infrastructure Development	1.000	1.000	1.000	Const
13	Ministry of Justice and Constitutional Affairs	0.667	1.000	0.667	Incr
14	Ministry of Labour and Employment	0.797	1.000	0.797	Incr
15	Ministry of Lands, Housing and Human Settlements Development	0.750	1.000	0.750	Incr
16	Ministry of Livestock Development and Fisheries	0.884	0.923	0.958	Incr
17	Ministry of Natural Resources and Tourism	1.000	1.000	1.000	Const
18	Ministry of Education ad vocation training	1.000	1.000	1.000	Const

Source: Field data (2014)

The results from table 4.4 above show different efficiency scores for various ministries in 2009. The Ministry of Livestock Development and Fisheries had the highest efficiency score of 0.958 followed by the Ministry of Finance and Economic Affairs with the score of 0.857, Ministry of Labour and Employment with the score of 0.797, Ministry of water and irrigation with the score of 0.795, Ministry of Lands, Housing and Human Settlements Development, Ministry of Defense and National Service and Ministry of Home Affairs all with the scores of 0.750. These ministries were followed by the Ministry of Justice and Constitutional Affairs with the efficiency score of 0.667 and lastly Ministry of East African Cooperation with the efficiency score of 0.594.

The remaining ministries had the constant efficiency scores of 1.000, these results show that in 2009, some ministries like the ministry of livestock development and fisheries audit committees were very efficient in using their inputs e.g. the number of meetings, independent members to provide desirable outputs. However some ministries were inefficient in 2009 for instance the ministry of East African Cooperation which shows that audit committees in these ministries do not work efficiently.

Audit Committee efficiency in 2010

The results from DEA for the audit committee efficiency in 2010 are presented in table 4.5 below;

Table 4.5: DEA results for audit committee efficiency 2010

NO	DMU	CRS	VRS	Scale	RTS
1	Ministry of water and irrigation	0.769	1.000	0.769	Incr
2	Ministry of Agriculture, Food Security and Cooperatives	1.000	1.000	1.000	Const
3	Ministry of Communication, Science and Technology	1.000	1.000	1.000	Const
4	Ministry of Community Development, Gender and Children	1.000	1.000	1.000	Const
5	Ministry of Defense and National Service	1.000	1.000	1.000	Const
6	Ministry of East African Cooperation	1.000	1.000	1.000	Const
7	Ministry of Energy and Minerals	0.750	1.000	0.750	Incr
8	Ministry of Finance and Economic Affairs	1.000	1.000	1.000	Const
9	Ministry of Home Affairs	1.000	1.000	1.000	Const
10	Ministry of Industries, Trade and Marketing	1.000	1.000	1.000	Const
11	Ministry of Information, Youth, Culture and Sports	1.000	1.000	1.000	Const
12	Ministry of Infrastructure Development	1.000	1.000	1.000	Const
13	Ministry of Justice and Constitutional Affairs	0.750	0.895	0.838	Incr
14	Ministry of Labour and Employment	1.000	1.000	1.000	Const
15	Ministry of Lands, Housing and Human Settlements Development	0.818	1.000	0.818	Incr
16	Ministry of Livestock Development and Fisheries	0.690	0.833	0.828	Incr
17	Ministry of Natural Resources and Tourism	1.000	1.000	1.000	Const
18	Ministry of Education ad vocation training	0.818	1.000	0.818	Incr

Source: Field data (2014)

The results from DEA presented in table 4.5 show that Ministry of Justice and constitutional Affairs had the highest efficiency score of 0.838 in 2010, it was closely followed by Ministry of Livestock Development and Fisheries with the efficiency score of 0.828 and Ministry of Lands, Housing and Human Settlements Development and Ministry of Education ad vocation training both with scores of 0.818.

Lastly, Ministry of water and irrigation had the efficiency score of 0.769 in 2010 followed by the Ministry of Energy and Minerals with the score of 0.750. The other remaining ministries had the constant efficiency scores of 1.000. The results seem to have improved from the previous years hence showing improving audit committee efficiency.

Audit committee efficiency in 2011

The following table presents the results for DEA for audit committee efficiency in 2011;

Table 4.6: DEA results for audit committee efficiency 2011

NO	DMU	CRS	VRS	Scale	RTS
1	Ministry of water and irrigation	0.600	1.000	0.600	Incr
2	Ministry of Agriculture, Food Security and Cooperatives	0.935	1.000	0.935	Decr
3	Ministry of Communication, Science and Technology	0.826	1.000	0.826	Decr
4	Ministry of Community Development, Gender and Children	0.818	1.000	0.818	Incr
5	Ministry of Defense and National Service	0.750	0.857	0.875	Incr
6	Ministry of East African Cooperation	1.000	1.000	1.000	Const
7	Ministry of Energy and Minerals	0.587	0.800	0.734	Incr
8	Ministry of Finance and Economic Affairs	0.789	0.818	0.965	Incr
9	Ministry of Home Affairs	1.000	1.000	1.000	Const
10	Ministry of Industries, Trade and Marketing	1.000	1.000	1.000	Const
11	Ministry of Information, Youth, Culture and Sports	1.000	1.000	1.000	Const
12	Ministry of Infrastructure Development	0.826	1.000	0.826	Decr
13	Ministry of Justice and Constitutional Affairs	1.000	1.000	1.000	Const
14	Ministry of Labour and Employment	1.000	1.000	1.000	Const
15	Ministry of Lands, Housing and Human Settlements Development	0.800	1.000	0.800	Incr
16	Ministry of Livestock Development and Fisheries	0.739	0.800	0.924	Incr
17	Ministry of Natural Resources and Tourism	0.800	1.000	0.800	Incr
18	Ministry of Education ad vocation training	0.800	1.000	0.800	Incr

Source: Field data (2014)

The results from DEA analysis show that the audit committee of various audit committees further improved. The Ministry of Finance and Economic Affairs had the highest efficiency score of 0.965 followed by the Ministry of Agriculture, Food Security and Cooperatives with a score of 0.935 and Ministry of Livestock Development and Fisheries 0.924. The Ministry of Defense and National Service had an efficiency score of 0.875, Ministry of Communication, Science and Technology had a score of 0.826, Ministry of Community Development, Gender and Children had a score of 0.818 and these were followed by the Ministry of Lands, Housing and Human Settlements Development, Ministry of Natural Resources and Tourism and the Ministry of Education ad vocation training all of which had the same score of 0.800 in 2011. The efficiency scores of other ministries were 0.734 for the Ministry of Energy and Minerals 0.734 and

0.600 for Ministry of water and irrigation. The other remaining ministries had constant efficiency scores of 1.000

Audit Committee efficiency in 2012

The results for DEA analysis of audit committees for 2012 were presented as follows;

Table 4.7: DEA results for audit committee efficiency 2012

NO	DMU	CRS	VRS	Scale	RTS
1	Ministry of water and irrigation	0.750	1.000	0.750	Incr
2	Ministry of Agriculture, Food Security and Cooperatives	1.000	1.000	1.000	Const
3	Ministry of Communication, Science and Technology	1.000	1.000	1.000	Const
4	Ministry of Community Development, Gender and Children	1.000	1.000	1.000	Const
5	Ministry of Defense and National Service	1.000	1.000	1.000	Const
6	Ministry of East African Cooperation	1.000	1.000	1.000	Const
7	Ministry of Energy and Minerals	1.000	1.000	1.000	Const
8	Ministry of Finance and Economic Affairs	1.000	1.000	1.000	Const
9	Ministry of Home Affairs	0.750	1.000	0.750	Incr
10	Ministry of Industries, Trade and Marketing	1.000	1.000	1.000	Const
11	Ministry of Information, Youth, Culture and Sports	0.889	1.000	0.889	Incr
12	Ministry of Infrastructure Development	1.000	1.000	1.000	Const
13	Ministry of Justice and Constitutional Affairs	0.636	0.897	0.710	Incr
14	Ministry of Labour and Employment	1.000	1.000	1.000	Const
15	Ministry of Lands, Housing and Human Settlements Development	0.750	1.000	0.750	Incr
16	Ministry of Livestock Development and Fisheries	0.600	0.889	0.675	Incr
17	Ministry of Natural Resources and Tourism	0.750	1.000	0.750	Incr
18	Ministry of Education ad vocation training	1.000	1.000	1.000	Const

Source: Field data (2014)

The results from DEA of audit committee efficiency in 2012 showed that Ministry of Information, Youth, Culture and Sports had the highest efficiency score of 0.889 followed by Ministry of water and irrigation, Ministry of Home Affairs, Ministry of Lands, Housing and Human Settlements Development, Ministry of Natural Resources and Tourism and Ministry of water and irrigation all with scores of 0.750. These

ministries were followed by Ministry of Justice and Constitutional Affairs that had an efficiency score of 0.710 and Ministry of Livestock Development and Fisheries with the score of 0.675. The other remaining ministries had the constant efficiency scores of 1.000.

Trend analysis of Average Efficiency of Audit Committees

The results from DEA for various audit committees produced different efficiency scores for each ministry in each of the studied years 2008 to 2012. The analysis of the efficiency scores was done for yearly results, but it was also important to show the trend of the average efficiency scores for each ministry. The results of the trend analysis for each of the government ministries are presented in table 4.8 below;

Table 4.8: Trend of efficiency scores for audit committees (2008-2012)

DMU	2008	2009	2010	2011	2012	Mean
Ministry of water and irrigation	0.667	0.795	0.769	0.600	0.750	0.7162158
Ministry of Agriculture, Food Security and Cooperatives	1.000	1.000	1.000	0.935	1.000	0.9869566
Ministry of Communication, Science and Technology	1.000	1.000	1.000	0.826	1.000	0.9652174
Ministry of Community Development, Gender and Children	0.833	0.800	1.000	0.818	1.000	0.890303
Ministry of Defense and National Service	0.778	0.750	1.000	0.875	1.000	0.8805556
Ministry of East African Cooperation	0.500	0.594	1.000	1.000	1.000	0.81875
Ministry of Energy and Minerals	0.583	0.750	0.750	0.734	1.000	0.7634058
Ministry of Finance and Economic Affairs	1.000	0.857	1.000	0.965	1.000	0.964411
Ministry of Home Affairs	0.667	0.750	1.000	1.000	0.750	0.8333334
Ministry of Industries, Trade and Marketing	1.000	1.000	1.000	1.000	1.000	1
Ministry of Information, Youth, Culture and Sports	0.617	1.000	1.000	1.000	0.889	0.9011112
Ministry of Infrastructure Development	0.781	1.000	1.000	0.826	1.000	0.9214674
Ministry of Justice and Constitutional Affairs	1.000	0.667	0.838	1.000	0.710	0.8429384
Ministry of Labour and Employment	1.000	0.797	1.000	1.000	1.000	0.959375
Ministry of Lands, Housing and Human Settlements Development	0.750	0.750	0.818	0.800	0.750	0.7736364
Ministry of Livestock Development and Fisheries	1.000	0.958	0.828	0.924	0.675	0.8768788
Ministry of Natural Resources and Tourism	1.000	1.000	1.000	0.800	0.750	0.91
Ministry of Education ad vocation training	1.000	1.000	0.818	0.800	1.000	0.9236364

Source: Field data (2014)

Table 4.8 reveal some interesting results for trend of efficiency scores for government ministries in the period (2008-2012). There are audit committees that had the average efficiency scores of 0.9 and above, these included Ministry of Agriculture, Food Security and Cooperatives, Ministry of Communication, Science and Technology, Ministry of Education ad vocation training, Ministry of Community Development, Gender and Children, Ministry of Finance and Economic Affairs, Ministry of Infrastructure Development, Ministry of Justice and Constitutional Affairs and Ministry of Labour and Employment. However some of the ministries had the constant efficiency scores of one (1). Regardless of that these results show that these ministries use their inputs very well to give out desirable outputs.

The other remaining ministries had the average efficiency scores of between 0.7 and 0.89, these included the Ministry of water and irrigation, Ministry of Community Development, Gender and Children, Ministry of Defense and National Service, Ministry of East African Cooperation, Ministry of Energy and Minerals, Ministry of Home Affairs, Ministry of Justice and Constitutional Affairs and the Ministry of Lands, Housing and Human Settlements Development. These are also generally efficient as they scored above 0.7.

4.4.2 Corporate governance performance level at the Government Ministries in Tanzania

The other objective of this study was to evaluate the corporate governance performance level in the government ministries. This was done by computing the corporate governance performance index (CGPI) for each ministry in the period (2008-2012). The results that show the corporate governance performance indices for each ministry and the average index are presented in table 4.9 below;

Table 4.9: Corporate Governance Performance Indices (CGPI) for the Ministries

Ministry	2012	2011	2010	2009	2008	Mean
Ministry of water and irrigation	0.59	0.5	0.43	0.63	0.59	0.548
Ministry of Agriculture, Food Security and Cooperatives	0.75	0.6	0.8	0.6	0.4	0.63
Ministry of Communication, Science and Technology	0.58	0.58	0.62	0.49	0.77	0.608
Ministry of Community Development, Gender and Children	0.58	0.75	0.59	0.42	0.58	0.584
Ministry of Defence and National Service	0.87	0.71	0.55	0.75	0.83	0.742
Ministry of East African Cooperation	0.45	0.65	0.85	0.65	0.37	0.594
Ministry of Energy and Minerals	0.67	0.58	0.78	0.65	0.45	0.626
Ministry of Finance and Economic Affairs	0.5	0.75	0.47	0.68	0.48	0.576
Ministry of Home Affairs	0.45	0.46	0.66	0.53	0.73	0.566
Ministry of Industries, Trade and Marketing	0.62	0.55	0.75	0.62	0.82	0.672
Ministry of Information, Youth, Culture and Sports	0.38	0.55	0.75	0.62	0.82	0.624
Ministry of Infrastructure Development	0.67	0.5	0.37	0.62	0.42	0.516
Ministry of Justice and Constitutional Affairs	0.45	0.65	0.78	0.62	0.49	0.598
Ministry of Labour and Employment	0.79	0.59	0.75	0.62	0.75	0.7
Ministry of Lands, Housing and Human Settlements Dvpt	0.5	0.7	0.87	0.74	0.57	0.676
Ministry of Livestock Development and Fisheries	0.62	0.63	0.52	0.55	0.38	0.54
Ministry of Natural Resources and Tourism	0.67	0.54	0.74	0.58	0.47	0.6
Ministry of Education ad vocation training	0.5	0.7	0.57	0.67	0.87	0.662

Source: Field data (2014)

The results from table 4.9 show varying figures for performance indices in different ministries within Tanzania. However by determining the mean index for each ministry, the study can establish the overall performance in the five (5) years period. The results show that two (2) ministries namely; Ministry of Labour and Employment and Ministry of Defence and National Service had very good corporate governance performance as they have the average corporate governance performance indices of above 0.7 or 70%. This shows that these ministries have managed to ensure that their corporate governance structures are well established to ensure that the ministerial objectives are well achieved.

These results also show that the Ministry of Education and vocation training, Ministry of Communication, Science and Technology, Ministry of Energy and Minerals, Ministry of Industries, Trade and Marketing, Ministry of Information, Youth, Culture and Sports,

Ministry of Lands, Housing and Human Settlements Development, Ministry of Natural Resources and Tourism and Ministry of Agriculture, Food Security and Cooperatives had the corporate governance performance indices of 0.6 or 60% but not exceeding 0.7 or 70%. This is also a good performance and shows that these ministries have established suitable structures to promote corporate governance performance.

Lastly, the Ministry of water and irrigation, Ministry of Community Development, Gender and Children, Ministry of East African Cooperation, Ministry of Livestock Development and Fisheries, Ministry of Home Affairs, Ministry of Infrastructure Development, Ministry of Justice and Constitutional Affairs and Ministry of Finance and Economic Affairs had the corporate governance performance indices of 0.5 or 50% but not exceeding 0.6 or 60%. This is an average performance but not poor one, so these ministries should strive to improve their corporate governance performance i.e. improving the board independence, reporting process e.t.c.

4.4 .3 The effect of Audit Committee Efficiency on Corporate Governance Performance in Government Ministries

The effect of audit committee efficiency on corporate governance performance was evaluated using regression analysis whereby the efficiency indices of audit committees were compared with the corporate governance performance indices. The results are as follows;

Table 4.10 a Results from Regression Analysis

Model	Unstandardized Coefficients		Standardized Coefficients	T	Sig.
	B	Std. Error	Beta		
(Constant)	.528	.091		5.794	.000
Audit Committee Efficiency Index	.098	.102	.102	.964	.338

a. Dependent Variable: Corporate Governance Performance Index

Source: Field data (2014)

The results from table 4.10a show that audit committee efficiency has a positive influence on corporate governance performance explained by the beta value of 0.102. This shows that those ministries that have efficient audit committees are likely to have good corporate governance performance. However the influence is insignificant as explained by the significance value of 0.338 which is above 0.05 thresholds. Also this can be explained by the coefficient of determination which is very low at 0.10, this shows that only 10% of the variations in corporate governance performance are caused by audit committee efficiency and the remaining 90% is explained by other factors. This shows that audit committees have insignificant influence on corporate governance performance. The results for coefficient of determination are showed in table 4.10b and 4.10c below.

Table 4.10b: Results of ANOVA

Model	Sum of Squares	df	Mean Square	F	Sig.
Regression	.016	1	.016	.930	.338[b]
Residual	1.477	88	.017		
Total	1.492	89			

Source: Field data (2014)

Table 4.10c: The results of coefficient of determination

Model	R	R Square	Adjusted R Square	R Square Change	Sig. F Change
1	.102[a]	.10	-.001	.010	.338

Source: Field data (2014)

Correlation analysis was also conducted to establish the degree of correlation between audit committee efficiency and corporate governance performance. The results from Pearson Correlation analysis are presented in table 4.11 below;

Table 4.11: Results of Correlations analysis between corporate governance performance and audit committee efficiency

		Corporate Governance Performance Index	Audit Committee Efficiency Index
Corporate Governance Performance Index	Pearson Correlation	1	.181
	Sig. (2-tailed)		.088
	N	90	90
Audit Committee Efficiency Index	Pearson Correlation	.181	1
	Sig. (2-tailed)	.088	
	N	90	90

Source: Field data (2014)

The results from the Pearson correlation analysis from table 4.11 shows that audit committee efficiency and corporate governance performance are positively correlated. This means that when audit committees are efficient then corporate governance performance would also improve. However the relationship is not significant, these results concur with those of regression analysis.

4.4.4 To Examine the Factor Affecting Audit Committee Efficiency and Corporate Governance Efficiency in Government Ministries

As explained in literature and descriptive statistics, there are several factors that affect audit committee efficiency and corporate governance efficiency in the government ministries.

In order to examine factors affecting audit committee efficiency multiple regression analysis was used to measure the effect of each factor on efficiency measured by the number of accounting irregularities raised and discussed and number of issues raised by the audit committee. The following are the results from multiple regression analysis with number of accounting irregularities raised and discussed as a dependent variable;

Table 4.12: Regression Analysis Results for Factors Affecting Audit Committee Efficiency

Model	Unstandardized Coefficients		Standardized Coefficients	T	Sig.
	B	Std. Error	Beta		
(Constant)	2.807	2.058		1.364	.176
Number of members	-.282	.438	-.068	-.643	.522
Number of Meetings	.344	.217	.170	1.581	.118
Number of Independent members	.668	.414	.180	1.614	.110
Number of Financial literate members	.704	.303	.242	2.324	.022

a. Dependent Variable: number of accounting irregularities raised and discussed issue solved

Source: Field data (2014)

The results from the table show that the number of members in the audit committee is negatively related to number of issues resolved though the relationship is insignificant. Number of meetings, number of independent members and number of financial literate members were all positively related to the number of issues resolved though the relationship was significant in only number of financial literate members. This shows that audit committee efficiency can be improved by having majority financial literate members, this is attributed by the fact that most of the tasks of audit committees are related to financial matters e.g. financial reporting, auditing. So possession of financial knowledge may allow members to understand the financial reports and critically raise concerns where appropriate.

Regression analysis was also conducted to test the impact of independent variables e.g. number of members, meetings on the other dependent variable named the number of internal control weaknesses raised and discussed.

Table 4.13: Regression Analysis Results for Factors Affecting Audit Committee Efficiency

Model	Unstandardized Coefficients		Standardized Coefficients	T	Sig.
	B	Std. Error	Beta		
(Constant)	2.014	1.163		1.732	.087
Number of members	.260	.248	.116	1.050	.297
Meetings	-.121	.123	-.111	-.987	.326
Independence	-.164	.234	-.082	-.703	.484
Financial literacy	.311	.171	.199	1.819	.072

b. Dependent Variable: Number of internal control weaknesses raised and discussed

Source: Field data (2014)

The results from table 4.12 show that the other factors such as number of members, number of meetings and the independence of audit committee had insignificant relationship with the number of internal control weaknesses raised and discussed. However the financial literacy of members had significant positive relationship with the number of internal control weaknesses raised and discussed. This shows that the financial literacy of audit committee members is a single most important factor that influences audit committee efficiency. This is due to the fact most of the matters discussed by audit committee are financial in nature e.g accounting and auditing, so if the members are not financial literate, they wouldn't understand these accounting and auditing reports even if they are large in numbers or they meet more often.

Table 4.14: Results from correlation analysis on the factors affecting audit committee efficiency

	number issue solved	Number of members	Number of Meetings	Number of Independent members	Number of Financial literate members
Number of issue solved	1	.058	.223*	.277**	.275**
Number of members	.058	1	.186	.265*	.190
Number of Meetings	.223*	.186	1	.340**	.020
Number of Independent members	.277**	.265*	.340**	1	.236*
Number of Financial literate members	.275**	.190	.020	.236*	1

Source: Field data (2014)

The results from correlation analysis show that all of the independent variable has a positive correlation with audit committee efficiency represented by the number of issues resolved. However the most significant relationship was with number of meetings at 0.05 significant level which is the one under consideration. But at 0.01 significance level, the number of independent members and number of financial literate members have a significant relationship with audit committee efficiency.

4.5 Discussion of the findings

The findings of this study have revealed some important issues related to audit committee efficiency and corporate governance performance. Firstly it has been observed that different ministries have varying efficiency levels with some doing extremely well and others that are less efficient. This is caused by the differences in the factors that determine audit committee efficiency. For instance it has been observed that some audit committees are composed of majority financial literate members and

independent members, and also they meet regularly hence making them efficient. But at the same time there are other audit committees that are just formed for appearance purposes because the composition of these committees is very poor to function as an audit committee.

On the issues of corporate governance performance, the study evaluated the corporate governance performance indices for each ministry and established the performance level of each ministry. The results varied across ministries as some ministries showed good corporate governance performance and others showed average performance. This has been attributed by differences in corporate governance structures in these particular ministries e.g audit and accounting mechanisms, leadership and decision making e.t.c.

As one of the component of corporate governance, audit committees have an important role to play in promoting the corporate governance process. This is due to the fact that audit committees have been entrusted with the task of overseeing other activities e.g accounting, auditing, procurement e.t.c. This study evaluated the effect of audit committee efficiency on corporate governance performance; it was established that audit committee efficiency has a positive effect on corporate governance performance which concurs with the theoretical propositions and empirical findings from other studies.

4.6 Chapter Summary

This chapter presented the results of data analysis and the findings for this study. Firstly the chapter described the variables used in this study in terms of mean, standard deviation and other descriptive statistics. Then data analysis and presentation of findings was done with respect to each specific objective developed in the first chapter. The next chapter is the last one in this study and it presents the summary of findings, recommendations and conclusions.

CHAPTER FIVE
SUMMARY, CONCLUSIONS, AND POLICY IMPLICATIONS

5.1 Introduction

This is the last chapter of this study; it presents the summary of findings which were analyzed by specific objective. The chapter also presents the conclusions drawn from the findings and the recommendations on how to improve audit committee efficiency and corporate governance performance in the government ministries.

5.2 Summary of Findings

This study intended to evaluate the effect of audit committee efficiency on corporate governance performance of ministries. In order to achieve this overall objective the study firstly evaluated audit committee efficiency of the ministries using Data Envelopment Analysis (DEA). The results showed that there are audit committees that had the best efficiency scores, these included Ministry of Agriculture, Food Security and Cooperatives, Ministry of Communication, Science and Technology, Ministry of Education ad vocation training, Ministry of Community Development, Gender and Children, Ministry of Finance and Economic Affairs, Ministry of Infrastructure Development, Ministry of Justice and Constitutional Affairs and Ministry of Labour and Employment. However some of the ministries had the constant efficiency scores of one (1). Regardless of that these results show that these ministries use their inputs very well to give out desirable outputs.

Also the other remaining ministries had the average efficiency scores, these included the Ministry of water and irrigation, Ministry of Community Development, Gender and Children, Ministry of Defense and National Service, Ministry of East African Cooperation, Ministry of Energy and Minerals, Ministry of Home Affairs, Ministry of Justice and Constitutional Affairs and the Ministry of Lands, Housing and Human Settlements Development.

After assessing audit committee efficiency, the study secondly evaluated the corporate governance performance of the ministries using the Corporate Governance Performance Index (CGPI). The results showed that two ministries namely; Ministry of Labour and Employment and Ministry of Defence and National Service had very good corporate governance performance as they have the average corporate governance performance indices of above 0.7 or 70%. These results also showed that the Ministry of Education and vocation training, Ministry of Communication, Science and Technology, Ministry of Energy and Minerals, Ministry of Industries, Trade and Marketing, Ministry of Information, Youth, Culture and Sports, Ministry of Lands, Housing and Human Settlements Development, Ministry of Natural Resources and Tourism and Ministry of Agriculture, Food Security and Cooperatives had the corporate governance performance indices of 0.6 or 60% but not exceeding 0.7 or 70%. This is also a good performance and shows that these ministries have established suitable structures to promote corporate governance performance.

The study then established the causal relationship between audit committee efficiency and corporate governance performance using regression analysis. The results showed that audit committee efficiency has a positive influence on corporate governance performance, however the influence was observed to be insignificant.

Also with regard to the factors influencing audit committee efficiency, results from data analysis showed that among the factors that affect audit committee efficiency, only the number of financial literate members in the committees has a significant relationship with the number of accounting issues raised and resolved and the number of internal control weaknesses. This proves that efficiency of audit committees can be influenced by the financial literacy of the members.

5.3 Conclusions

Audit committee is an important tool to any organization especially in the public sector where the habits of embezzlement are rampant. Audit committee assists in improving the operations of organizations by reviewing the internal controls, financial reports and audit

processes i.e. internal and external audit. However there has been a tendency of organizations to form audit committee for appearance purposes so as to show the authorities that they are complying with the regulations. For instance in Tanzania, there are some ministries that meet less than required in the public finance regulations (2000) i.e. at least quarterly. Also some of these audit committees have majority of members with no proper knowledge and experience of financial matters e.g. accounting and auditing hence affecting the ability of audit committees to carry out their activities efficiently. Audit committees should be formed with the intention of helping the organization to oversee financial affairs and not only for appearance purposes. So there is a need to have proper mechanisms to ensure that audit committees work effectively by selecting members with financial expertise, providing them with resources so as to do what they are intended to do.

5.4 Policy Implications

In order for audit committee to be efficient hence improving the corporate governance process the following should be done;

1. Transgression of audit committees should be dealt with legal action; this means that those audit committees that do not operate as per public finance regulations (2004) should be dealt with disciplinary actions that should be enforceable by law just like the Sarbanes Oxley Act (2002) in USA. The CAG reports usually indicate audit committee weaknesses of various public offices e.g. not meeting as required, not having independent members. Legal actions against these audit committees and public offices will create involuntary compliance with the public finance regulations (2004).

2. Provision of training and workshops on public finance and audit issues to the audit committee members is important. This will enable them to be updated and gain knowledge on these key aspects of their responsibilities. For instance public offices should have a budget for audit committee members training just like they have the same budget for accountants and internal auditors. These workshops

should be those related to International Public Sector Accounting Standards (IPSAs) and International Standards on Auditing (ISAs).

3. The National Audit Office (NAO) should play its part to ensure that audit committees work as stipulated in the public finance regulations (2004). These regulations stipulate that the CAG should be informed about audit committee meeting prior to the meeting and should be represented in these meetings by a member within NAO. But this seems not to be the case because if NAO made proper follow-up of the meetings there wouldn't be problems like audit committees not meeting as stipulated, having no independent member or financial literate members. So NAO should play its role to ensure that audit committees function as stipulated by having close supervision of the activities of audit committees to prevent problems.

5.5 Areas for further Studies

The proposed areas for further studies are as follows;

1. To assess the efficiency of audit committee on corporate governance performance in parastatals.

2. To evaluate the functioning of audit committee in the local government authorities (LGAs).

5.6 Chapter Summary

This chapter presented the summary of findings from the data analysis with respect to each specific objective, also the conclusions, policy recommendations and areas for further studies have been discussed in this chapter.

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