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Audit Committee Characteristics and Financial Reporting Quality in Kenyan Non-Commercial State Corporations: The Moderating Roles of Accounting-System Automation and Staff Competence

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Abstract
This study examines associations between audit committee independence, diversity, financial competence, meeting practices and the audit-query ratio among non-commercial state corporations in Kenya. It also considers accounting system automation and staff competence as moderators. From 72 targeted corporations, 46 heads of internal audit responded (63.89%). All four committee characteristics were negatively correlated with the audit-query ratio ($r = -0.352$ to -0.451). Meeting practices showed the most consistent negative association across the reported regression models. The analysis contributes to public-sector accountability research by distinguishing audit-query exposure from broader financial reporting quality and by interpreting the available empirical evidence within its methodological limits.

Keywords: *audit committee independence; audit committee diversity; financial competence; audit committee meetings; public-sector accountability; financial reporting quality.*

1. INTRODUCTION

The focus on audit committees is particularly relevant to non-commercial state corporations because their financial statements are used to judge stewardship rather than the creation of distributable profits. The central accountability question is whether public resources have been administered in accordance with authorized purposes and whether the resulting records permit meaningful scrutiny. Although financial information is prepared by management, the audit committee is expected to evaluate the arrangements that generate it, consider weaknesses identified by internal and external auditors, and support timely responses. Such responsibilities require both institutional authority and effective working relationships with accounting and internal audit personnel. Consequently, governance quality cannot be inferred from the appointment of a committee alone (OECD, 2024; World Bank, 2017).

Four dimensions of audit committee practice warrant separate attention. Independence addresses the committee's ability to exercise judgment without undue management influence. Diversity

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concerns the range of backgrounds and experiences represented in deliberation. Financial competence refers to the knowledge necessary to scrutinize financial statements, internal controls and audit findings. Meeting practices describe how the committee converts its formal mandate into active oversight. Distinguishing these dimensions matters because they need not move together: a technically knowledgeable committee may lack independence, while a formally independent committee may have insufficient information or meet without adequate preparation. An integrated empirical approach can therefore reveal patterns obscured by treating governance as a single undifferentiated characteristic.

The article's measured outcome also requires careful framing. The value of transactions questioned by auditors relative to a corporation's annual budget provides a concrete, public-sector-oriented indicator of reporting exposure. It is not, however, interchangeable with an audit opinion, fraud finding, accounting error rate or comprehensive index of reporting quality. Queries may be raised because documentary support is incomplete or additional explanation is needed. Their significance depends on their nature, materiality, eventual resolution and the work performed by the auditor. This study interprets a lower ratio as the favorable direction under the source's operational definition, without implying that every query constitutes financial impropriety (IPSASB, 2023).
Financial reporting in state-owned and state-controlled public entities serves an accountability function that differs in important ways from reporting by profit-maximizing listed corporations. Public entities must explain their stewardship of appropriated resources, compliance with financial controls and the quality of transactions reported to oversight authorities. Audit committees are intended to strengthen these processes through independent scrutiny of accounting systems, audit recommendations and management explanations (OECD, 2024; Velte, 2023).

International research links audit committee independence and financial competence to financial reporting oversight, but it also warns that formally constituted committees are not necessarily effective. Bilal et al. (2018) identify a positive association between audit committee financial expertise and earnings quality in a meta-analysis; Cheung and Adelopo (2022) distinguish associations with accrual and real earnings management, while Xia et al. (2024) examine the implications of audit committee expertise for earnings-management tactics. These findings motivate examination of committee characteristics as differentiated governance mechanisms

rather than if committee existence guarantees high-quality reports. Subsequent Kenyan evidence from state-owned commercial enterprises also reports associations between audit committee attributes and financial reporting outcomes; such results are relevant as comparisons but arise from a different institutional population and different outcome measures (Wasonga et al., 2020).

The institutional focus is non-commercial state corporations in Kenya, for which independent audit scrutiny can reveal transactions requiring clarification or adequate supporting documentation. The study's outcome is the value of transactions queried by the external auditor divided by the annual budget. Unlike a conventional positive reporting-quality score, a higher queried-transactions ratio indicates weaker reporting quality in the original operationalization. Consequently, negative relationships between audit committee governance scores and this ratio are consistent with improved reporting accountability, although audit queries should not be equated with fraud or a complete assessment of faithful representation (IPSASB, 2023).

Previous scholarships tend to concentrate on listed corporations, banks and earnings-management outcomes. The Kenyan study broadens the setting to non-commercial public entities and combines survey assessments of audit committee independence, diversity, financial competence and meeting practices with an audit-query measure derived from historical public financial information. It also considers accounting system automation and staff competence as potential contextual factors. The practical question is whether better constituted and more active committees are associated with lower audit-query exposure, and whether the association varies with underlying accounting capacity (Velte, 2023; Bilal et al., 2018). More recent Kenyan scholarship examines audit committee attributes in state corporations (Ojuwa & Mwangi, 2023), underscoring continued interest in public-sector financial reporting oversight while not independently validating the historical estimates reported here.

Accounting capacity is accordingly woven into the research question rather than treated as a peripheral variable: the study considers whether the association of each committee characteristic with audit-query exposure differs across levels of automation and staff competence. The four reported interaction models inform that question, though their restriction calls for cautious interpretation (Hayes, 2022; OECD, 2024).

2. METHODOLOGY

The research design is best characterized as a corporation-level cross-sectional analysis informed by historical audit records. It is not a balanced panel simply because queried-transaction information was drawn from several financial years. The survey assessed committee attributes through a single responding official for each participating corporation. Thus, the inferential sample consists of 46 organizational responses, and there is no evidence in the supplied tables that each committee characteristic was repeatedly measured for each financial year. Treating the historical periods as independent observations would overstate sample size and understate statistical uncertainty (Hair et al., 2019; Hayes, 2022).

The study uses corporation-level questionnaire observations alongside financial reporting information identified in the study for the 2016/2017–2021/2022 period. The requested fiscal year designation requires confirmation against the original audited records and statistical files. The reported regressions comprise 46 responding corporations and should not be characterized as a balanced corporation-year panel.

2.1 Research Design and Sample

The sample achieved covers 46 corporations from a target population of 72, equivalent to the reported response rate of 63.89%. A census strategy sought information from a bounded population rather than selecting a small probability sample from a much larger frame. Nonetheless, the absence of 26 corporation responses can matter if participation was associated with governance practice, reporting capacity or the sensitivity of audit findings. The published tables do not permit a formal nonresponse comparison. The estimates should therefore be interpreted as evidence from responding corporations, and extensions to the full population should be made with care. The study design also does not establish the timing needed for causal inference.

Although the dependent variable was informed by financial reporting information, the regressions shown in the study use corporation-level questionnaire observations. The reporting period requested for presentation is 2016/2017–2021/2022, but the underlying historical source includes a conflicting earlier window. This article does not treat those six years as 276 independent

corporation-year observations or assert that the reported coefficients were freshly estimated from an annual panel. Verification of the date linkage is a separate requirement before the results can be attributed unambiguously to the later period. The retained sample size of 46 reflects the inferential unit documented in the printed regression tables.

The sampling profile also affects how results should be communicated. A response from the head of internal audit gives access to an informed institutional perspective, but it remains a single perspective rather than a direct observation of every committee member's behavior. The survey may capture professional judgments about the committee's capabilities and procedures, while its audit-query measure is derived from a different type of record. This separation is useful because it avoids relying exclusively on a single questionnaire for both governance and outcome measures, yet it does not eliminate measurement mismatch. Individual respondents may evaluate committee performance in the light of recent audit experiences, and audited query information may cover a different sequence of financial years. Transparent reporting must therefore distinguish the respondent, the corporation and the financial-year record as separate analytical concepts. The source tables ultimately support a cross-sectional corporation-level analysis, not a firm-year panel or a causal before-and-after comparison.

The empirical investigation used a positivist, descriptive survey approach with both primary and secondary sources. The population comprised 72 non-commercial state corporations operating across six sectors. A census was attempted, with the head of internal audit in each corporation selected as the knowledgeable respondent. Of 72 questionnaires, 46 were returned and usable (63.89%). The practical unit for questionnaire-based cross-sectional regressions is therefore a responding corporation, not a firm-year; historical financial records inform the audit-query measure (Mutea, 2018).

Table 2. Population and response profile

Sector	Target corporations
Regulatory	25
Research institutes	10
Educational	14
Developmental/promotional	11
Culture/social service	10
Revenue collection	2
Total population	72
Usable questionnaires	46
Response rate	63.89%

Primary data was collected using questionnaires administered to heads of internal audit. Secondary information concerned audited statements, Auditor-General reports and annual budgets. The study identifies financial years 2016/2017–2021/2022 as the reporting period; the correspondence between those years and the original regression outputs remains to be verified.

2.2 Research Instruments and Reliability

Internal consistency is one aspect of measurement quality rather than a complete assessment of validity. Cronbach's alpha summarizes how items within a scale vary together, but high values do not show that a construct captures the institutional behavior it is intended to represent. Thus, the reported alphas support cautious use of the questionnaire indices without validating causal mechanisms or the external audit-query measure. Other forms of validation could examine the dimensionality of the scales, agreement with administrative records and whether measures distinguish between conceptually adjacent governance attributes. Such analyses are not represented as having been undertaken when the necessary data and output have not been supplied. The internal-consistency evidence supports cautious use of the questionnaire scales but should not be overstated. Cronbach's alpha values between 0.712 and 0.911 indicate that items intended to represent the same measured construct tended to vary together. However, alpha does not prove one-dimensionality, discriminant validity or the absence of response bias. The questionnaire reporting-quality scale also differs from the externally constructed audit-query ratio that serves as

the dependent variable in the statistical tables. Combining those two measures under the same label without clarification would obscure what the coefficients predict (Hair et al., 2019; IPSASB, 2023).

Cronbach alpha was used to assess internal consistency. Every reported value exceeded 0.70, although this alone cannot establish discriminant validity or prove that the questionnaire scores constitute objective audit quality. Principal-component item loadings were also reported for the governance measures. Variance inflation factors in the source ranged from 1.308 for independence to 2.924 for accounting capacity, providing no indication of severe multicollinearity under the study threshold of 4.0 (Hair et al., 2019).

Table 3. Reliability of the reported research measures

Construct	Items	Cronbach α
Audit committee independence	4	0.723
Audit committee diversity	4	0.911
Financial competence	4	0.841
Audit committee meetings	4	0.878
Financial reporting quality (questionnaire scale)	4	0.772
Automation and staff qualifications	4	0.712

2.3 Variable Measurement and Analysis

The choice of outcome requires particular care because the original thesis used the label financial reporting quality for a measure that increases with queried expenditure. A researcher could mistakenly interpret a negative coefficient as deterioration in reporting quality if the direction of the ratio is ignored. In this article the measured outcome is consistently denoted AQ, the queried-transactions-to-budget ratio. The conceptual interpretation of improved reporting quality is drawn only when AQ declines, holding the limitations of the proxy in view (IPSASB, 2023; IPSASB, 2014).

2.3.1 Outcome Measure

The ratio's orientation must remain explicit throughout the article. Positive movements in the measured audit-query ratio indicate more questioned transaction value relative to budget, which the study treats as less favorable. Hence there is a negative estimated slope between a governance score and the ratio points in the hypothesized direction. This sign convention does not convert the ratio into an all-purpose assurance measure. It also cannot reveal whether the same entities subsequently cleared their queries, whether questioned amounts were material in identical ways, or whether audit scrutiny differed across corporations. Those matters provide an agenda for future measurement refinement.

The denominator merits particular care in any future replication. A corporation's original approved budget, supplementary budget and actual expenditure can differ, sometimes substantially. Selecting one of these as the denominator changes the ratio even when the value of queried transactions is unchanged. A replicable method would specify the budget measure adopted, how the annual amounts were obtained and how cases with exceptional values were treated. It would also identify whether the numerator includes queries later explained or resolved, and whether different audit opinions were combined. The present paper does not reconstruct those choices where the original supporting records are unavailable. Instead, it preserves the ratio and coefficient orientation documented in the source and identifies the additional detail needed for a fully auditable interpretation. This is important because financial reporting quality is a wider construct than any one transaction-level measure, especially where service mandates and reporting systems differ among public institutions.

The outcome was defined as the value of auditor-queried transactions divided by the annual budget. Let Q represent queried transactions and B the annual budget. The audit-query ratio is AQ = Q/B; a higher AQ indicates more questioned expenditure relative to allocated resources and was interpreted by the source study as poorer reporting quality. Although the original text abbreviates the dependent variable “quality of financial reporting,” the statistical tables are explicitly labeled “Ratio of queried transactions to annual budget.” All coefficients below therefore retain the AQ orientation.

2.3.2 Direct Relationships

Four bivariate models were estimated separately: $AQ_i = \alpha + \beta X_i + \varepsilon_i$, where X represents, in turn, independence, diversity, financial competence or meeting practices. A pooled explanatory model was also reported containing the four audit committee variables. Since observations correspond to responding corporations, no 500-observation agribusiness panel, synthetic reporting-quality index, accounting expert share or biological asset complexity measure is included.

2.3.3 Interaction Specifications

In addition to the four direct regressions and joint coefficient specifications, the analysis incorporates the reported interaction models. For each audit committee attribute X and accounting capacity M, the source table includes X and the product X × M. The theoretically complete model would include X, M and X × M. The present article retains the supplied product coefficients, examines their direction and statistical significance, and compares them with the direct relationships. Because M was not separately included in the reported interaction regressions, the conditional patterns are exploratory rather than confirmatory evidence of moderation (Hayes, 2022; Hair et al., 2019).

3. RESULTS

The regression results become more qualified as additional predictors enter the equation. In the four-characteristic coefficient table, independence, diversity and meetings have reported p-values below 0.05, whereas competence is just outside the chosen threshold. The later five-predictor coefficient table identifies diversity, competence and meetings, but its outcome sum of squares differs sharply from earlier tables bearing the same dependent-variable label. Consequently, it is inappropriate to describe these tables as a sequence of verified nested models. The analysis instead compares their reported coefficients with explicit qualifications and emphasizes patterns that persist across specifications (Hayes, 2022; Hair et al., 2019).

3.1 Results of Research

3.1.1 Correlation Analysis

The four correlations provide a first view of the association pattern before controls are introduced. Their values range from −0.352 for independence to −0.451 for meeting practices, with diversity

and financial competence between those endpoints. Because the measures describe different aspects of committee governance, positive relationships among the predictors themselves are plausible. The correlations with audit queries consequently cannot establish which characteristic carries unique explanatory information. Nor can the numerical ordering be read as proof that the differences between correlations are statistically significant; the source does not report tests of such differences. Their primary contribution is to establish direction and approximate magnitude in the observed sample.

Interpreting the correlations in substantive terms, the association for meetings ($r = -0.451$) is the strongest of the four and is moderate in magnitude. The coefficient for financial competence ($r = -0.425$) is somewhat smaller, followed by diversity ($r = -0.392$) and independence ($r = -0.352$). These differences do not establish statistically significant differences among the correlations themselves, since no tests comparing dependent correlation coefficients were provided. The ranking is descriptive and should not be interpreted as a definitive ordering of causal influence (Hair et al., 2019; IPSASB, 2023).

Table 4. Pearson correlations with the audit-query ratio (N = 46)

Governance characteristic	Pearson r	Reported p-value
Independence	−0.352	0.016
Diversity	−0.392	0.004
Financial competence	−0.425	0.002
Meeting practices	−0.451	0.001

All four reported associations are negative: corporations scoring higher on the governance characteristics tended to exhibit lower queried-transactions ratios. The strongest bivariate coefficient was associated with meeting practices ($r = -0.451$), followed by financial competence ($r = -0.425$), diversity ($r = -0.392$) and independence ($r = -0.352$). The correlations do not determine which characteristics retain independent significance when considered jointly (Bilal et al., 2018; Velte, 2023).

3.1.2 Simple Regression Models

Each simple regression combines a single governance score with the measured audit-query outcome. The coefficients are expressed in the source's scale units, so their magnitude depends on the construction and range of both variables. Differences in unstandardized slopes are not therefore a reliable ranking of substantive importance across questionnaire measures. The separate R^2 estimates are similarly model-specific: they indicate proportions of observed variation explained in the individual specifications and cannot be summed. A comparison with the joint regressions is necessary because committee attributes may share explanatory variation or reflect common institutional practices.

The estimates also depend on the units in which committee scores and the outcome were reported. The source tables do not establish that a one-point change represents the same substantive improvement in independence, competence or meeting practices. Hence it would be misleading to compare raw coefficient magnitudes such as −2.073 and −1.669 as if they were standardized causal effect sizes. Correlation magnitudes provide a more comparable preliminary description, while multivariate coefficients offer adjusted associations subject to the model's validity (IPSASB, 2023; Hair et al., 2019).

Table 5. Separate regressions of audit-query ratio on each audit committee characteristic

Characteristic	B	SE	t	p	R^2
Independence	−2.073	0.832	−2.493	0.016	0.124
Diversity	−1.117	0.396	−2.823	0.007	0.153
Financial competence	−1.622	0.520	−3.118	0.003	0.181
Meeting practices	−1.669	0.497	−3.356	0.002	0.204

Simple regressions indicate statistically significant negative associations for all four governance characteristics. On the source coding, an increase in each governance score was associated with a lower audit-query ratio. Meeting practices accounted for the largest share of variation in its simple model ($R^2 = 0.204$), followed by financial competence (0.181), diversity (0.153) and independence

(0.124). None of these R^2 values is a causal estimate; each is drawn from a separate regression and should not be added together.

3.1.3 Joint Regression Model

Joint modelling is intended to distinguish the conditional associations of governance dimensions included together. In the reported four-predictor coefficient table, independence, diversity and meeting practices have negative coefficients with p-values below 0.05, while financial competence does not meet that threshold ($p = 0.064$). These results should not be turned into a categorical statement that competence is irrelevant. The estimates are conditional on the other included scores, and their precision may depend on overlapping among the regressors. More importantly, the source model's accompanying analysis-of-variance degrees of freedom correspond to three predictors, rather than four. Its omnibus model summary cannot be assigned to the coefficient table with confidence until the original output is reconciled.

The degrees-of-freedom issue is not merely a presentation preference. In an ordinary regression containing an intercept and four predictors estimated on 46 complete cases, the model degrees of freedom ordinarily equal four and the residual degrees of freedom equal 41. The source's accompanying analysis-of-variance degrees of freedom instead indicates three predictors and 42 residual degrees of freedom. If the coefficients and model summary came from different estimation runs, their combination in a single inferential statement would be misleading. Accordingly, the study keeps the visible coefficient estimates intact but refrains from assigning an unverified overall model fit to them. The discrepancy should be resolved by matching regression commands, variable inclusion lists and output dates, not by inferring missing values or selecting a statistic that produces a more favorable interpretation. This approach preserves the integrity of the original reported results while identifying the precise documentation needed for editorial review.

The associated model summary cannot be endorsed without qualification. With 46 observations and four predictors plus an intercept, the conventional residual degrees of freedom would be 41. The thesis reports ANOVA degrees of freedom of 3 and 42, which correspond instead to three explanatory predictors. This mismatch rules out a clean verification that the displayed omnibus F-statistic and R^2 describe the four-predictor coefficient table. The study therefore retains the

coefficients and p-values as transcribed but does not claim an internally verified overall fit for that coefficient specification (Hayes, 2022).

Table 6. Reported joint audit committee regression (four predictors)

Variable	B	SE	t	p
Constant	7.089	2.724	2.602	0.013
Independence	−2.205	0.741	−2.977	0.005
Diversity	−1.244	0.352	−3.538	0.001
Financial competence	−1.252	0.659	−1.900	0.064
Meeting practices	−1.311	0.446	−2.941	0.005

Within the four-characteristic coefficient table, independence, diversity and meeting practices remained significant at 5%; financial competence remained negative but did not meet the 5% threshold ($p = 0.064$). Thus, the multivariate analysis provides a more qualified account than the bivariate results. However, the accompanying ANOVA degrees of freedom are inconsistent with the number of listed predictors, meaning the associated omnibus F-test and R^2 must not be treated as independently verified for the five-parameter coefficient table.

3.1.4 Additional Regression Model

The five-predictor results provide an additional reported specification involving accounting capacity. Meeting practices, diversity and financial competence exhibit negative coefficients with reported p-values below 0.05, whereas the coefficients for independence and accounting capacity are not statistically significant at that level. However, the outcome total sum of squares differs substantially from the earlier reported models. Because a fixed outcome and identical observations have a fixed corrected total sum of squares, the two reported summaries cannot automatically be described as a verified nested comparison. The estimates remain useful as documented historical outputs, but the source's variable coding and model matching must be checked before drawing conclusions about incremental explanatory power.

The same principle applies to comparisons of explanatory power. A change in the regression's predictor list may increase the regression sum of squares, but it does not alter the corrected total sum of squares for an unchanged dependent variable measured on the same cases. The large difference between the earlier reported total of 468.048 and the five-variable model's reported total of 33.420 therefore raises a question about the outcome definition, scale, sample or source table. Without the original output, one cannot decide which possibility occurred. Readers may still learn from the direction and reported significance of the separate coefficients, provided their conditional nature is acknowledged. It would be inappropriate, however, to claim that the additional accounting-capacity variable produced a verified improvement in R^2 over an identical baseline model. This restrained interpretation is preferable to a numerically impressive but non-reproducible model comparison.

The total outcome sum of squares in this model is 33.420, compared with 468.048 for the earlier regressions. A change this large cannot be explained by merely adding a fifth predictor when the observations and measured outcome are unchanged: for the same sample and dependent variable, the corrected total sum of squares is fixed. The source does not establish whether a new scale, data transformation or different underlying observations were used. The model is therefore presented as a distinct reported analysis, not as proven incremental explanatory improvement over the four-predictor specification. This distinction is essential to avoid falsely interpreting the reported R^2 of 0.793 as a verified jump from the earlier model (Hayes, 2022; Hair et al., 2019).

Table 7. Reported five-predictor regression including accounting capacity

Variable	B	SE	t	p
Constant	0.118	0.431	0.275	0.785
Independence	−0.042	0.130	−0.324	0.747
Diversity	−0.273	0.126	−2.160	0.037
Financial competence	−0.246	0.121	−2.034	0.049
Meeting practices	−0.536	0.117	−4.574	<0.001

Automation/staff competence	−0.044	0.127	−0.348	0.729

The final five-predictor coefficient table reports that diversity, financial competence and meeting practices have statistically significant negative coefficients, whereas independence and accounting capacity are not independently significant. This pattern is substantively plausible but cannot automatically be treated as directly comparable with the previous regressions: the model reports a total sum of squares of 33.420, while the earlier regressions report 468.048 for an outcome labeled in the same way. The difference indicates a possible transformation, redefinition or table mismatch that must be traced to the original SPSS output before submission.

3.1.5 Accounting Capacity and the Moderating Relationship

Table 8 connects the conceptual moderator to the empirical findings. Independence × accounting capacity has a negative coefficient ($B = -0.561$, $p < 0.001$), suggesting a more negative independence–query association within the restricted specification as accounting capacity increases. Financial competence shows a similarly negative interaction ($B = -0.725$, $p < 0.001$). These patterns are compatible with the argument that capable staff and accessible electronic records can support committee scrutiny. However, the conditional slopes at particular levels of accounting capacity cannot be reconstructed from the reported summary alone (Hayes, 2022; OECD, 2024).

The diversity interaction differs in direction: its positive product coefficient ($B = +0.576$, $p < 0.001$) suggests that the negative diversity–query relationship becomes less negative, or potentially shifts direction, as accounting capacity rises within the fitted restricted model. It is therefore incorrect to describe all interactions as strengthening governance. The interaction for meeting practices is negative but statistically insignificant ($B = -0.195$, $p = 0.412$); thus, the consistently negative direct meeting association does not translate into evidence of conditional variation by accounting capacity in this specification (Bilal et al., 2018; Hayes, 2022).

Table 8. Exploratory interaction specifications from the thesis

Focal characteristic	Interaction B	Reported p	R^2 with interaction	R^2 without interaction
Independence	−0.561	<0.001	0.584	0.124
Diversity	+0.576	<0.001	0.450	0.153
Financial competence	−0.725	<0.001	0.430	0.181
Meeting practices	−0.195	0.412	0.216	0.204

Together, the four reported product terms provide a differentiated picture of how accounting capacity relates to committee governance. Independence and financial competence show negative products, diversity has a positive product, and meetings do not exhibit a statistically distinguishable interaction. The finding has practical interpretive value because it rules out the simplistic expectation that automation and staff qualifications uniformly strengthen every committee's characteristic. Nevertheless, the moderator's main effect was omitted, so these are restricted-model interactions rather than a definitive hierarchical moderation test. Any formal claim about moderate slopes or the magnitude of conditional effects would require re-estimation with the complete specification and its covariance matrix (Hayes, 2022; Hair et al., 2019).

3.1.6 Hypothesis Assessment

Table 9. Evidence-weighted hypothesis assessment

Hypothesis	Source-supported observation	Publication interpretation
H1 independence	r < 0; simple B < 0; four-variable p = 0.005	Negative association; joint-model evidence requires table reconciliation

H2 diversity	r < 0; simple B < 0; five-predictor p = 0.037	Negative association; significant in reported five-variable coefficients
H3 competence	r < 0; simple B < 0; four-variable p = 0.064; five-predictor p = 0.049	Model dependent; do not claim uniform multivariate significance
H4 meetings	r < 0; simple B < 0; reported joint-model coefficients negative	Most consistent negative association across models
H5 moderation	Three restricted-model interactions p < 0.001; meetings p = 0.412	Formal moderation not significant

The hypothesis assessment should therefore separate two levels of evidence. Direct results are consistently negative in the simple regressions, especially for meeting practices. For H5, three reported restricted interactions meet the stated significance threshold, but their signs differ and the missing moderator's main effect prevents a confirmatory claim. This is a substantive conditional association finding with model limitations, not an absence of analysis. It supports a governance interpretation in which accounting capacity interacts differently with committee oversight resources and procedures (Velte, 2023; OECD, 2024).

4. DISCUSSION

The interaction results illuminate how different governance resources may depend on operational accounting capacity. Independence and financial expertise principally concern the ability to challenge management explanations and assess the adequacy of records; automated documentation and capable staff may make these functions more effective. Diversity may operate through a different deliberative mechanism, helping explain why its positive product term cannot simply be grouped with the negative products. Meeting practices, by contrast, remain associated with lower query exposure across the reported direct models without a detectable interaction in the restricted test (Bilal et al., 2018; Velte, 2023; Hayes, 2022).

Interpreting the coefficients responsibly also requires attention to the scale and meaning of the variables. The questionnaires represent reported perceptions of committee characteristics, whereas the audit-query measure is linked to financial documentation and budget amounts. A statistically significant coefficient therefore represents an association between two operationalization. It does not imply that every additional unit of the survey score corresponds to an equivalent practical governance reform or a predictable monetary saving. In the same way, failure to reach a 5% threshold does not establish the absence of any substantive relationship in the population. Measurement quality, overlapping among explanatory variables and the moderate number of responding institutions can all influence the precision of an estimate. These considerations make effect interpretation and transparent limitations essential components of the discussion, rather than distractions from the empirical findings.

The strength of a public-sector audit committee should not be equated with formal compliance alone. Compliance establishes an important minimum expectation, but the substantive quality of oversight depends on whether members understand the information presented, identify matters requiring attention and sustain follow-up until responsibilities are discharged. The current findings are compatible with such a process-oriented account, particularly in relation to meeting practices. They cannot, however, distinguish whether corporations with fewer audit queries held better meetings beforehand or whether both outcomes reflected a broader culture of administrative discipline. Resolving that distinction would require dated evidence of committee decisions, implementation of recommendations and subsequent audit outcomes. Until such evidence is available, the contribution of the analysis is best framed as an association between governance arrangements and measured accountability exposure.

Taken together, the findings direct attention to the difference between governance characteristics that are associated with fewer audit queries in isolation and those whose associations remain apparent in richer specifications. Meetings show the most consistent negative pattern across the printed models. That observation is substantively plausible because meetings provide the forum in which members review information, demand explanations and monitor implementation of recommendations. It remains compatible with competing explanations, including management responses to persistent audit issues and unobserved differences among corporations. Consequently,

the contribution is to identify a recurring association and a potential mechanism worthy of closer investigation, not to establish an intervention effect.

The variation in financial-competence significance illustrates why statistical reporting should be tied closely to the model being interpreted. Knowledge and experience may assist committee members in examining accounts, but the available four-variable and five-variable models do not provide wholly comparable evidence about an independent effect. The descriptive and theoretical case for competence should therefore be separated from conclusions about statistical significance. Similar caution applies to independence and diversity: an insignificant adjusted coefficient does not prove that the characteristic has no institutional value, and a significant coefficient does not identify the precise process through which an outcome arises.

The Kenyan setting also limits direct comparison with research on private-company earnings management. Public corporations may be evaluated through appropriation controls, audit response and service-related accountability, rather than shareholder-return maximization. Studies of audit committees in listed or commercial entities can therefore illuminate monitoring theories without validating the specific audit-query ratio adopted here. The most useful comparison is at the level of mechanisms: access to reliable accounting information, credible independent judgment and sustained follow-up. These mechanisms can operate across institutions even where financial reporting proxies and organizational mandates differ (Wasonga et al., 2020; Velte, 2023).

A distinction between oversight capability and its practical deployment helps to bring the four-audit committee constructs into a coherent explanation. Independence gives members scope to challenge management; diversity may broaden the information considered; financial competence assists technical interpretation; and meeting practices provide an organizational process for scrutiny and response. These dimensions are complementary in theory, yet the observed regressions do not reveal how they interact in day-to-day decision making. No minute, case-level audit-query histories or documentary evidence of interventions are included in the reported tables. It is therefore appropriate to draw theoretical connections while resisting claims about mechanisms directly observed in the dataset. The contribution rests on the empirical pattern and the specificity of the public-sector outcome measure, with the mechanism presented as an interpretation rather than a demonstrated causal path.

Ojuwa and Mwangi (2023) discuss audit committee characteristics and financial reporting quality in Kenyan state corporations, providing further evidence that the topic remains relevant beyond the source investigation. However, similarity of terminology does not mean that the studies measured committee expertise, independence or reporting quality in the same way. The present article's focus on four governance dimensions and the queried-transactions-to-budget ratio should be viewed as a specific contribution to the broader literature on public-sector accountability. In international comparison, the objective is to identify mechanisms of monitoring and documentary accountability that might recur across institutions, while recognizing that their empirical proxies and institutional constraints are not identical (Ojuwa & Mwangi, 2023; Wasonga et al., 2020).

The relationship between audit committee meetings and query exposure can also be interpreted using a process rather than an exclusive structural perspective. Meeting practices describe how often and how substantively a committee considers audit reports, governance risks, reconciliation problems and management explanations. Independence and competence concern potential for scrutiny, but that potential may not be realized without regular, well-prepared deliberation and documented follow-up. Consequently, the relatively consistent reported association for meetings fits a process-based explanation of monitoring effectiveness. The data nevertheless does not reveal the content of individual minutes or whether meetings were convened before or after the financial reporting problems giving rise to queries (Velte, 2023; OECD, 2024).

The findings relating to financial competence are also informative because they vary across multivariate tables. The negative competence coefficient is significant in its simple regression, not significant in the reported four-characteristic table at 5%, and significant in the subsequent five-predictor coefficient table. This is not intrinsically contradictory: regression coefficients are conditional on variables held constant, and their standard errors can change when the model changes. The concern is instead that the two joint models cannot be demonstrated to use an identical dependent-variable scale. Therefore, the reasonable interpretation is that financial competence is negatively related to audit query exposure in several reported analyses, but its independent magnitude and precision remain model-dependent and incompletely verified (Bilal et al., 2018; Hair et al., 2019).

The results should not be read as an argument for replacing audit committee independence or diversity with a single high-performing monitoring activity. Public-sector audit committees operate as combinations of people, knowledge, procedures and access to financial information. An independent committee that rarely meets may be ineffective; a technically capable committee without independent judgment may be reluctant to challenge influential executives; a diverse committee without meaningful participation may not derive value from its varied perspectives. The observation that meeting practices show a relatively stable association with lower query ratios is compatible with this complementarity, not evidence that other attributes are unnecessary (Bilal et al., 2018; OECD, 2024).

4.1 Robustness and Reporting Considerations

The observed inconsistencies are not evidence that the underlying original research observations were fabricated. They are reporting and traceability limitations in the available printed thesis tables. Reconciliation would require locating the original SPSS syntax, output files, variable dictionary or respondent-level data. Until then, the course responsible is to preserve directly reported numbers with qualifications and to avoid newly calculated inferential claims based on incompatible tables. The study's strongest defensible conclusion remains an overall pattern of negative audit committee associations with the audit-query ratio, particularly for meeting practices (IPSASB, 2023; Wasonga et al., 2020).

4.1.1 Comparability of Models

The statistical tables reveal two important comparability issues. First, the four-characteristic model displays coefficients for four regressors but the associated ANOVA reports regression df = 3 and residual df = 42, corresponding instead to three predictors with 46 observations. Second, the final five-predictor model reports a different total outcome sum of squares (33.420) from the 468.048 repeated in the earlier regression tables. Because the original observations and SPSS output files were not supplied, neither mismatch can be repaired using only the printed thesis tables.

4.1.2 Methodological Considerations

The available tables do not allow direct assessment of influential observations, error distributions, alternative transformations or sector-specific effects. This matters in a sample of 46 corporations

because a small number of unusually large query values, or particularly small budget denominators, could shape the fitted associations. The survey also relies on knowledgeable respondents' assessments of committee practices, which may capture different reference periods from the audited transactions. Neither can concern be resolved by altering prose or applying generic significance thresholds. A more complete replication would retain a clear variable dictionary, trace each queried amount to the corresponding audited financial year and report diagnostic results that can be independently assessed.

A second concern is measurement correspondence. Questionnaire-based ratings of committee attributes may reflect respondents' perceptions at the survey date, whereas the dependent variable is based on financial information accumulated across earlier fiscal years. If governance composition changed during those years, the observed scores may not correspond precisely to the committees responsible for the historical reports. Such mismatch can weaken substantive interpretation even where coefficient p-values are small. Longitudinal studies should therefore link each annual financial report to governance characteristics observed in that same financial year (IPSASB, 2023; Wasonga et al., 2020).

A third concern is external applicability. Non-commercial corporations serve diverse mandates, and the 72-entity population spans regulators, research bodies, educational institutions, development or promotional agencies, cultural and social-service organizations and revenue-collection entities. These institutional differences can affect financial reporting systems and audit procedures. The sample does not support a claim that a single committee design has identical consequences for every public entity or for publicly listed commercial companies (OECD, 2024; World Bank, 2017).

All four simple models use 46 corporation-level observations. The larger number of fiscal years does not turn the 46-questionnaire dataset into an independently observed longitudinal panel; doing so would require repeated measurements, a panel specification and defensible linkage between survey variables and annual financial outcomes. No such panel has been inferred from the source. The construction of the audit-query ratio also makes the results sensitive to the size and interpretation of queried values, institutional budgets and reporting consistency over time.

The original thesis reports a Kolmogorov–Smirnov table with unusually inconsistent combinations of statistics and significance values; therefore, normality cannot be independently confirmed from that table. In regression analysis, residual diagnostics are more pertinent than testing marginal normality of every variable. The source VIF values are reproduced as descriptive evidence, but they do not address reverse causality, measurement error, selective response or the omitted-main-effect moderation specification (Hayes, 2022).

4.2 Conclusions

The available findings describe negative associations between audit committee characteristics and the audit-query ratio among the responding state corporations. Meeting practices demonstrate the most consistent negative coefficient across the reported models.

4.2.1 Conclusions and Theoretical Implications

Theoretically, the study supports treating audit committee governance as a combination of organizational resources and working processes. Independence, diversity and financial competence describe different forms of potential oversight capacity; meeting practices provide a setting in which those capabilities may be deployed. The stronger cross-model pattern for meetings is consistent with theories that emphasize the practical execution of monitoring responsibilities. Its value lies in sharpening the questions that future research should test.

Accounting capacity forms an integral part of the study's theoretical contribution. The negative reported products for independence and financial competence are consistent with complementarity between committee judgement and the information systems supporting it; the positive diversity interaction shows that such complementarity need not be universal. The insignificant meeting-practices interaction distinguishes a stable direct association from a conditional one.

4.2.2 Policy and Practitioner Implications

Governance policies can translate these findings into questions for evaluation without asserting unsupported causal savings. Appointing authorities may ask whether committees include members capable of reading and challenging financial reports; internal audit functions may ask whether identified matters are tracked until adequately addressed; and boards may examine whether

meeting agendas prioritize unresolved risk areas rather than routine approvals. Documentation of attendance, decisions, responsible officers and follow-up status could strengthen the ability to evaluate oversight activities. These proposals reflect reasonable implications of the governance literature and the reported association pattern, not interventions experimentally evaluated by the source study.

The value of these findings for public finance oversight lies in strengthening questions that boards and audit committees ask of their own systems. For example, committees may seek evidence that transactions identified by internal audit are followed through to closure, that reconciliations are reviewed on a defined timetable and that responsibility for responding to external audit inquiries is clearly assigned. Training can be aligned with the financial reporting tasks members perform rather than counted merely as attendance at professional events. Where accounting systems are automated, oversight should consider whether access privileges, documentation and transaction trails are reliable. The study did not test these specific measures, and there is no empirical basis here for attaching a predicted numerical reduction in queries to anyone’s recommendation. Their rationale is that meaningful governance requires effective information flows and recorded accountability, consistent with broader public-sector guidance.

For appointing authorities and governing boards, the pattern of findings suggests that committee design should extend beyond satisfying formal membership requirements. Selection procedures can consider independence of judgment, complementary professional perspectives and ability to evaluate finance and audit matters. Induction and continuous professional development may help committee members interpret public financial statements, follow up on audit qualifications and understand the institution's service mandate. These are reasoned governance implications consistent with established international guidance, not interventions causally tested in the present study (OECD, 2024; Bilal et al., 2018; World Bank, 2017).

Accounting system automation and staff competence should be evaluated alongside committee design, not relegated to a background control. Transparent audit trails, timely reconciliations and technically capable preparers may help independent and financially competent committees act on audit findings. However, the positive diversity interaction and insignificant meetings interaction

caution against assuming that greater accounting capacity amplifies every governance relationship. This policy interpretation follows the pattern of reported conditional estimates while recognizing that the models do not establish causal improvements or a conventionally complete moderation test (OECD, 2024; IPSASB, 2023; Hayes, 2022).

4.2.3 Limitations and Suggestions for Further Research

An additional priority for future investigation is the careful documentation of audit-query resolution. A ratio based solely on the value initially questioned captures the exposure recorded at one stage of scrutiny but does not show whether management later supplied acceptable supporting evidence or whether an unresolved matter recurred. Recording the value and status of queries consistently would permit more informative comparisons of reporting accountability. Research could also distinguish the resources and practices that support early identification of weaknesses from those that facilitate timely correction. This matters because the audit committee is concerned with both prevention and response, and these functions may relate differently to independence, financial expertise and meeting activity. Such an extension should document the source and timing of each governance indicator, report the accounting basis of each budget denominator and identify institutional permissions governing access to audit records. Where multiple observations per corporation are available, analytical methods should reflect dependence over time rather than treating each record as unrelated. These refinements strengthen the pathway from theoretical oversight mechanisms to observable reporting outcomes while respecting the limits of the original cross-sectional results. They also offer a practical basis for comparing public entities without if audit-query frequency or value provides a complete account of their financial stewardship.

An important next step is the creation of a matched institution-year dataset that distinguishes committee composition at a given time from reporting outcomes for the corresponding year. Such a design would provide greater clarity about temporal ordering, changes in the status of audit queries and differences among public-sector mandates. It could also assess alternative outcomes, including whether queries are resolved, the materiality of unsupported expenditure and the recurrence of deficiencies across reporting cycles. Where sufficient observations are available, researchers may examine institution-level heterogeneity, suitable uncertainty estimates and

sensitivity to influential data points. These possibilities are future research directions, not analyses claimed for the present source tables.

The conditional findings also define a precise agenda for verification. Re-estimation should include each governance characteristic, accounting capacity and their product, preferably with justified institutional controls; report full model coefficients, standard errors, confidence intervals and conditional slopes; and document how the composite automation/staff measure was constructed. Such an analysis could determine whether the negative interaction signs for independence and competence, the positive sign for diversity and the insignificant meetings interaction persist. Until then, the present study reports the actual restricted-model evidence and interprets its meaning without overstating it (Hayes, 2022; Hair et al., 2019).

A further question concerns differences among types of state corporation. Financial reporting pressures may be shaped by sources of revenue, the size and complexity of budgets, procurement intensity and the expectations of supervising authorities. If those conditions differ systematically, the same committee characteristic may be associated with quite different levels of audit-query exposure. With only the published summary outputs available, this study cannot separate such contextual variation from the aggregate relationships. Future research could report on sector-specific patterns where the data and sample sizes permit, describe the distribution of the outcome and test whether conclusions remain stable under alternative reasonable measures. Those extensions would improve external interpretation and help distinguish institutional context from committee characteristics. They should not be retroactively attributed to the historical investigation simply because the theoretical arguments suggest their relevance.

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