ABSTRACT

Despite the fact that the manufacturing and allied firms provide important component to economic growth and development to Kenyan economy, evidence showing a clear link between audit committee size, independence, gender diversity, and experience on performance of firms is lacking. Studies have argued that a more experienced and active audit committee is expected to provide a mechanism for effective oversight of the company while those studies assessing the relative impact of audit committee size, audit committee independence, audit committee gender diversity and audit committee experience on performance are limited. The purpose of the study was to evaluate audit committee characteristics and performance of manufacturing & allied firms listed on the NSE. Specific objectives were to; establish the relationship between audit committee size and performance, ascertain the relationship between audit committee independence and performance, determine the relationship between audit committee gender diversity and performance, and establish the relationship between audit committee experience and professional and performance of manufacturing & allied firms listed at the NSE. The study utilized a correlational research design targeting all the 9 listed manufacturing and allied firms on NSE for the period 2006 to 2013 collected annually yielding 63 data points. Primary data was collected through interview with the CEOs. Secondary data was collected through desk analysis using a data collection sheet. Data analysis was done using statistical techniques including, Pearson's product moment correlation and multiple regression analyses. Results indicated that audit committee gender diversity (β_2 = -1.165, t= 3.809 ρ <0.001) meaning that a firm whose audit committee is gender not diversity is less likely to perform as compared to one that is diversity. Audit committee independence (β_3 = 0.814, t= 4.426 ρ <0.001) meaning firms with independent audit committee members is more likely to perform than that without audit committee independent, were significant predictors of firm performance for audit committee gender diversity and independence. Audit committee experience and firm performance shows (r =0.502, p= 0.000) there was, significant positive correlation between audit committee experience and performance, on performance and audit committee size shows (r=-0.131, p= 0.0318) was not significant with firm performance. The study concludes that committee size has no significant relationship with firm performance while audit committee independence, audit committee gender diversity and audit committee experience has significant relationship with firm performance. The study recommends that the firms should not concentrate on audit committee size since it does not greatly influence performance, firms should invest more in ensuring audit committee independence, audit committee gender diversity and ensuring thorough audit committee experience as they significantly influence firm performance.