STRENGTHENING AND REDEFINING THE ROLE OF THE AUDIT AND SUPERVISORY COMMITTEES TO ENHANCE CORPORATE GOVERNANCE IN DEPOSIT TAKING SACCOS IN KENYA

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ABSTRACT

The study sought to find out how the Audit Committee and Supervisory Committee of deposit taking SACCOs carry out their mandate to achieve the set objectives and the role they play in enhancing corporate governance. Using desktop research, internet and library, the research made a comparison on the workings of the two committees to determine how their roles can be strengthened and redefined to enhance corporate governance in deposit taking SACCOs (DTS). Further comparison was made on the workings of the two committees in United States of America, Brazil and South Africa. The research reveals that the main responsibilities for the Audit Committee is to act as a bridge between the Board and Management and include providing oversight over management and advisor to the Board; review of financial reporting; risk management and internal controls; audit work and compliance activities. These activities were found to have some similarities in jurisdictions examined. Materially different is the reporting structure. While in some jurisdiction the Audit Committee is accountable to the Board in others like Brazil, they are accountable to general members. South Africa also amended their Act to have Audit Committee elected by members in the General assembly making them accountable to members like the Supervisory Committee of the Kenyan Cooperatives. The King III Report of South Africa also proposes the Audit Committee to be elected direct by the general membership. The Supervisory Committee on the other hand is the oversight body elected by general members to oversee the actions of the Board, Management and other officers to prevent abuse of corporate power. The DTS in Kenya have both Supervisory Committee and Audit Committee. However there is a duplication of roles between the two Committees.

The study makes recommendation that the role of both Audit and Supervisory Committee can be strengthened and redefined with the former concentrating on internal audits while the later handles oversight over the Board/Management and external audits to enhance effective monitoring and corporate governance in DTS. Their structures and operations be strengthened to adopt best corporate governance practices.