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Corporate Governance in Ghana: An Analysis of Board Accountability in Ghanaian Listed Banks

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Abstract

Purpose - This study examines the mechanisms that were being employed to enhance board accountability of Ghanaian listed banks, and how board accountability can be improved.

Design/methodology/approach - The 2011 and 2016 annual reports of listed banks on the Ghana Stock Exchange were examined and a survey questionnaire was sent to board members of nine banks.

Findings - The results show that the directors of Ghanaian listed banks prioritize a shareholder approach to accountability, with a shift towards stakeholders. Audit committees, external audits and internal audits were the main mechanisms employed by these banks to enhance board accountability. Some of these mechanisms were not utilised effectively by a number of these banks.

Practical implications - Board accountability can be improved by appointing very competent people to the board, the national adoption of a mandatory code of corporate governance, regular rotation of external auditors, and requiring non-executive directors (NED) to stand for re-election more frequently. Our research identifies weaknesses of accountability mechanisms and offers timely recommendations for banks and regulators to build stronger corporate governance systems.

Originality/value - This study obtained valuable opinions of the boards of directors, provides insights on boards of Ghanaian listed banks, and contributes to the literature of corporate governance and accountability in Africa.

Keywords: Corporate Governance, Board Accountability, Banking, Ghana

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1. Introduction

Corporate governance has gained an enormous amount of attention over the past three or so decades. This has been due mainly to the large corporate collapses that have occurred predominantly in the western world, which have been attributed to failures in corporate governance. These companies include Barings Bank, Enron and Parmalat (Porter, 2009). The downfall of Barings Bank in 1995 was attributed to weaknesses in internal controls as well as inadequate supervision. Enron's collapse was a result of the lack of directors with integrity and honesty, as well as the inability of the company's external auditor to ask searching questions for fear of losing non-audit related fees (Mallin, 2010).

In 2008, Lehman Brothers, a big investment bank, filed for bankruptcy. Its failure was due to heavy involvement of subprime mortgages, excessive leverage and risk taking, strategic mistakes and poor corporate governance. Lehman's board of directors was inexperienced at overseeing a diversified investment bank. During 2007-2009, the global financial crisis was triggered by the devalued sub-prime mortgages in the USA and spread over the world. This resulted in huge losses, failures of financial institutions, and bail-outs by the governments in USA and Europe. The credit crunch caused a worldwide reduction of spending and affected the global economy.

The board of directors plays an important role in improving corporate governance. Corporate entities often employ several measures to ensure board accountability, yet these measures do not always work, resulting in companies collapsing, such as Enron and Lehman Brothers. The impact of these corporate failures has not only been devastating for shareholders, but has also had a negative impact on other stakeholders and society as a whole. A stakeholder is any person or group that affects or is affected by the activities of an organisation (Freeman, 1984). As a consequence of this, society has begun to demand greater accountability from corporate entities. A review of news headlines shows that the public's interest and demands about the activities of companies are becoming increasingly commonplace. As a result, most corporate entities in the western world have accepted the ideology that they are accountable not just to shareholders, but also to stakeholders (Porter, 2009).

However, there seems to be limited research on the subject of corporate governance and accountability in emerging economies, especially in Africa (Tsamenyi *et al*., 2007; Nyamori *et al*., 2017). The research that exists on the subject, as it pertains to Ghana for instance, seems to suggest that corporate entities have not yet shifted from the parochial attitude of shareholder driven accountability (GIMPA, 2003). The banking industry plays an important role in the Ghanaian economy. Adams & Mehran (2011) indicate that little is known about the effectiveness of boards in banks as many empirical studies exclude financial firms from their sample. Bank regulation in Ghana has focused mostly on banks' minimum capital requirement to absorb losses; it has been silent on corporate governance practices such as board structure and accountability (Bokpin, 2013). Bank of Ghana is in the process of implementing new corporate governance guidelines addressing issues of board structure, tenure, etc. Governor of the Bank of Ghana, Dr. Earnest Addison, has called on banks to institute strong corporate governance structures to mitigate risks as a lack of it partially contributed to the collapse of Unique Trust and Capital banks in 2017 (Ghanaweb, 2017). Dr. Richmond Atuahene, a lecturer at the Ghana Banking College and CEO of Universal Capital Management, said major issues harming the banking industry are a lack of board independence, incompetent board members, and a lack of duty of care. Therefore, a stronger board is needed (Ghanaweb, 2017).

A large proportion of research on board accountability has focused on accountability mechanisms from the perspective of company annual reports (Sharma and Singh 2009; Mohamad and Sulong, 2010). However, this approach bears the risk of form-over-substance. There is the possibility that companies would publish what the society and regulators expect to see, but the actual nature of their practices may not be as expected. For example, a company may state in its annual report that a particular board member is an independent NED; however, there may exist a personal relationship between this NED and an executive director, and this relationship is what perhaps led to the appointment of the NED. Such personal relationships have the potential to compromise independence.

According to the World Bank (2005), the accountability mechanisms adopted in Ghana, such as independent NEDs and audit committees are limited in their effectiveness. Other researchers, such as Tsamenyi *et al*. (2007), support this claim. These issues, coupled with the fact that a limited amount of research exists on Ghanaian corporate governance practices, warrant the need for this study.

The research examines banks listed on the Ghana Stock Exchange. The Ghana Stock Exchange was incorporated as a private company limited by guarantee in 1989. There are three categories of members on the exchange, namely Licensed Dealing Members, Associate Members and Government Securities Dealers (PDs). In 2012, the Exchange had 35 companies, of which nine were banks. These banks were the Ghana Commercial Bank Limited, Ecobank Ghana Limited, Ecobank Transnational Incorporated, Standard Chartered Bank Ghana Limited, Unique Trust Bank Limited, The Trust Bank Limited (The Gambia), CAL Bank Limited, Home Finance Company Bank Limited and SG-SSB Bank Limited.

The aim of this research is to examine board accountability in Ghanaian listed banks. The objectives of the study are to identify and examine the mechanisms that are being employed to enhance board accountability, particularly in comparison to the requirements of the Security and Exchange Commission Ghana (SEC) code of corporate governance, and how board accountability can be improved. This research attempts to answer the following questions:

- To whom are the boards of directors accountable?
- Which mechanisms are being employed to enhance board accountability for Ghanaian listed banks?
- How can the board accountability be improved?

The remainder of the paper is structured as follows: Section 2 provides a review of the relevant literature on corporate governance and board accountability with particular emphasis on the Ghanaian corporate environment. Section 3 provides details about the methodology adopted for the research. Section 4 provides analysis of the research results. Section 5 provides the conclusion, and also makes recommendations for further research.

2. Literature Review

This section reviews relevant theoretical and empirical literature on corporate governance and board accountability. It starts by looking critically at some of the recognised definitions of corporate governance and attempts to assess their relationship with the concept of board accountability. It also reviews the key theories that underpin the development of corporate governance. The responsibilities of the board of directors as per Organization for Economic Cooperation and Development (OECD), Financial Reporting Council (FRC), King III Report, and SEC Ghana are examined with a critical emphasis on board accountability. The section also examines the mechanisms of accountability and concludes with a review of the corporate governance framework in Ghana.

2.1 Definitions of Corporate Governance

Corporate governance has no single definition. Some of the widely accepted definitions of corporate governance are examined in turn.

Cadbury Committee (1992:14) defines corporate governance by stating: "Corporate governance is the system by which companies are directed and controlled." This requires company directors to maintain systems of control so a company fulfils its obligations to whom it is accountable. Organisation for Economic Co-operation and Development (OECD) (2004) consists of a series of interconnected relationships between NEDs, executive directors, management personnel, shareholders, and other stakeholders. It provides a framework in which corporate objectives are set, resources are provided and performance is effectively monitored and reported on. The OECD definition is wide ranging and covers the stakeholders. The Financial times (2012) defines corporate governance as: "How a company is managed in terms of the institutional systems and protocols meant to ensure accountability and sound ethics." The definition reflects on the importance of procedures that promote ethical behaviour in a company. The Stock and Exchange Commission Ghana (2010:2) defines corporate governance as: "The practices and processes used to direct and manage the affairs of a corporate body with the object of balancing the attainment of corporate objectives with the alignment of corporate behaviour to the expectations of society and accountability to shareholders and other stakeholders." This definition highlights the importance of balancing corporate objectives with societal objectives in order to ensure the long term survival of the corporate body. Therefore, it is most relevant to this study.

2.2 Theories

These theories in corporate governance are drawn from a wide range of fields including accountancy, finance, economics, law, management studies and corporate behaviour. Corporate governance, in essence, is underpinned by four main theories: the agency theory, stakeholder theory, transaction cost economics, and stewardship theory (Mallin, 2010).

Agency theory is the result of a separation between control and ownership of an entity. Managers are provided with funds from investors who subsequently rely on the expertise of these managers to increase their returns on investment. Corporate governance is concerned with the measures put in place to ensure that managers act in the best interest of investors (Jensen and Meckling, 1976; Eisenhardt, 1989). Contrary to the agency theory, stewardship theory believes that directors do not always aim to maximize their own interests; they can act responsibly with independence and integrity (Donaldson & Davis, 1994; Tricker, 2009). Stewardship theory stresses the beneficial consequences on shareholder returns of facilitative authority structures of board of directors.

According to Coarse (1937), there are a number of cost savings that can be made by internalising the transactions of a company. However, by pursuing such a strategy the company becomes larger and therefore more likely to be inefficient. Corporate governance procedures and accountability mechanisms are therefore necessary to manage this risk. Transaction cost theory in economic (Williamson, 1996) also contributed to this debate.

Stakeholder theory suggests that companies should not only consider the interest of shareholders when making decisions, but should also take into consideration the interest of other groups that affect or are affected by the activities of the company. This is because companies owe accountability to these groups as well. These groups are commonly referred to as stakeholders, and include employees, providers of finance, customers, suppliers and government agencies (Freeman, 1984).

2.3 The Board of Directors and Accountability

The board of directors is basically tasked with the responsibility for directing the affairs of the company. According to the OECD (2004), the responsibilities of the board of directors can be summarised into: providing strategic guidance, monitoring of executive management and ensuring effective accountability to the shareholders and the company. The board is also required to take into consideration the interest of other stakeholders such as creditors, employees, suppliers, customers and the general public. The principles emphasise that the board of directors should always act in good faith and in the best interest of the company. It also highlights the issue of equal treatment for all shareholders as well as the consistent application of high ethical standards.

Similarly, the UK Corporate Governance Code in 2012 requires the board to provide strategic leadership, to ensure the existence of a sound system of internal controls, and the achievement of corporate objectives. In South Africa, apart from the key roles of strategy formulation, monitoring and accountability, boards are required to provide a very high level of ethical leadership (King Report, 2002). The King Report (2009) requires boards to adopt an ethical dimension to managing the affairs of the company. It requires the board to develop strategy with a view to creating a sustainable company.

Furthermore, the Securities and Exchange Commission (SEC) of Ghana (2010) requires the board to oversee the management of the company with the objective of protecting and increasing shareholder wealth. Similar to the OECD, the SEC Code requires the board to be accountable to the company and its shareholders. In Ghana, stakeholder rights are established and protected under the general laws pertaining to commerce, labour and contracts.

The Oxford Dictionary defines accountability as “the quality of being accountable; liability to give account of, and answer for, discharge of duties or conduct”. Accountability as it pertains to the board of directors could therefore refer to the fact that because the board of directors are appointed by the shareholders to steer the affairs of the company on their behalf, they have an obligation to give account of, and answer for their actions (Porter, 2009).

The King Report (2002:6) defines the accountabilities and responsibilities of directors by stating that: “In governance terms, one is accountable at common law and by statute to the company of a director, and one is responsible to the stakeholders identified as relevant to the business of the company. The stakeholder concept of being accountable to all legitimate stakeholders is rejected for the simple reason that to ask boards to be accountable to everyone would result in their being accountable to no one. The modern approach is for the board to identify the company’s stakeholders, including its shareowners and to agree policies as to how the relationship with those stakeholders should be advanced and managed in the interests of the company.”

The logical question that would follow from this is, to whom is the board accountable? Over the years, attention has shifted gradually from accountability to the shareholders, to focusing on accountability to a broader range of stakeholders (Mallin 2010). However, the shareholder approach still underlies the audit and accounting requirements of companies in countries like UK, Canada, USA, New Zealand and Australia, and therefore it is still a generally accepted approach (Porter, 2009).

Brennan and Solomon (2008) indicate that a number of mechanisms are being employed various organisations around the world to ensure that the management and the board account effectively to shareholders and other stakeholders. These mechanisms include: NEDs, splitting the roles of chief executive and chairman, and board sub-committees, all of which can enhance board effectiveness and add value to shareholders. Other mechanisms include governance regulations, institutional investors, financial reporting and disclosure, internal control, external audit, etc. Regulation is a mechanism of governance. Institutional investors can play a positive monitoring role in corporate governance. Audit committees as board mechanisms to enhance accountability haven't been widely researched (DeZoort *et al*., 2002; Turley & Zaman, 2007), and there has been less research on internal audits (Brennan & Soloman, 2008). Audit committees were established to prevent senior executives from dominating audit processes and they also serve as the link between the board and external auditors. Audit committees are comprised typically of entirely or mainly independent NEDs (Tricker, 2009). Most of the studies show that audit committee effectiveness is improved by greater audit committee independence (Klein, 2002; Bédard *et al*., 2004). Internal auditing is an independent and objective assurance and consulting activity designed to add value and improve an organization's operations. The increasing demand for greater accountability from corporate boards has led to greater recognition of the role of internal auditors in corporate governance.

2.4 Corporate Governance in Ghana

Companies in Ghana are regulated by clear frameworks and laws. The regulatory framework for corporate governance in Ghana consists of the Ghana Companies Code (1963), the Securities Industry Law (1993), and the Listing Regulations of the Ghana Stock Exchange (GSE) 1990. These are supported by the Ghana National Accounting Standards and the Codes of Conduct issued by the Ghana Institute of Chartered Accountants.

The GSE listing regulations require that investors are provided with information, such as the board members, key management and their compensation, material foreseeable risk, major share ownership and voting rights, as well as financial and operating results of the company. In addition, the GSE stipulates the timeframe within which annual reports should be circulated. The Code and the GSE listing regulations require that listed companies establish audit committees. The Code also contains provisions with regard to the appointment, removal and retirement of directors (Tsamenyi *et al*., 2007).

Researchers have investigated issues and impacts relating to the implementation of these regulations. Research conducted by the Ghana Institute of Management and of Public Administration on the top 100 companies (based on turnover) in 2003 showed that 49 out of 61 boards that responded to the survey believed that they were accountable to the shareholders of the company, while 5 out of 18 public companies claimed they were accountable to the government, and one private company claimed it was accountable to the CEO (GIMPA, 2003). There were no manuals for the boards in 46 out of 61 companies that responded.

Kuranchie-Pong *et al*. (2016) examined the disclosure and risk-taking for banks in Ghana and revealed that market discipline is not effective in Ghana. The World Bank (2005) reported that the board members of listed companies in Ghana were generally not independent, and were therefore not effective in managing corporate governance issues. The report also contained statements to the effect that the effectiveness of audit committees was limited.

Okeahalam (2004) indicates that the issue and challenges for corporate governance in Africa include: the effectiveness of boards, quality of monitoring and transparency of financial statements. Some NEDs in Africa may act as rubber stamps for decisions and there are cultures of corruption. In Ghana, the challenges include lack of enforcement of relevant laws, more transparency, and government interference of state owned enterprises. Adegbite (2012) also suggests that the government of Ghana should fight corruption through good governance, an effective legal system, and proper enforcement by regulators. Agyemang *et al*. (2013) suggest that the regulators should enforce laws and regulations, protect minority shareholders and enhance board independence.

3. Research Methodology

The greater proportion of primary data for the study was collected with a survey questionnaire. Telephone interviews were used to complement the questionnaire data. The questionnaire was structured to contain both closed ended and open ended questions. The closed ended questions were used to collect quantitative data, while the open ended questions were used to collect qualitative data. Three types of questions were asked: the first type requires only a Yes or No answer, the second type is open-ended inviting directors to offer opinions so we gain additional insights, and the third type is based on 5-point Likert scales, requesting directors to assess the degree of opinions, for example, assess the level of satisfaction with the amount of resources available to the audit committee. 1 indicates ‘low’ levels of satisfaction and 5 indicate ‘high’ levels of satisfaction. Questionnaires were used because they have the ability to provide data from a large or relatively large population within a limited timeframe (Ryan *et al*., 2002). Secondary data was obtained from the annual reports of the nine banks listed on the Ghana Stock Exchange, Bloomberg and Datastream. This method was adopted because it was considered a more cost effective and timely way of obtaining the data.

The board members of all nine banks listed on the Ghana Stock Exchange in 2012 constitute the population for the study. The study adopts total population sampling because of the small size of the population. This method of sampling provides a deeper understanding of the particular area being studied (Bryman and Bell, 2007).

The internet based Survey Monkey served as the platform for developing and delivering the questionnaire. It was considered as the most appropriate survey mechanism for the study because it possessed the necessary features to support the style of questions designed for the study. The researcher’s personal contacts with five of the target directors were used to obtain the email and telephone details of some directors. Some top directors at the Ghana Ministry of Finance and Economic Planning were also contacted to assist in providing the personal contact details of some of the target directors. The personal email addresses of 69 directors of listed banks were obtained and emails were sent to them. There were 39 responses received and used for data analysis. In addition, four telephone clarification interviews were conducted. The researcher applied the highest ethical standards during the data collection exercise. Respondents were assured that the data provided was to be kept completely anonymous.

4. Results and Analysis

This section presents and analyses the data obtained from the annual reports of the nine listed banks, the survey questionnaire and interviews. Lastly the section offers recommendations to improve board accountability.

4.1 Accountability of the Board

The 39 respondents to the survey in 2012 comprise 15 (38.5%) executive directors and 24 (61.5%) NEDs. This section examines the responses received for the question: to whom is the board of directors accountable? A total of 37 (95%) out of the 39 directors indicated that the board is accountable to the shareholders. The remaining two (5%) directors indicated that the board is accountable to the shareholders and Government. These remaining two directors, however, happen to be directors of the Ghana Commercial Bank. Since the majority of shares of the Ghana Commercial bank are owned by the Government of Ghana (GCB, 2011), it can reasonably be assumed that 100 per cent of the boards of Ghanaian listed banks claim that boards of directors are accountable to shareholders.

This finding is consistent with GIMPA (2003) that the majority of Ghanaian boards claim to be accountable to the shareholders of the company. The response implies that directors of Ghanaian listed banks prioritize a shareholder approach to accountability. It shows that shareholders are currently the primary concern and the priority. This, however, does not mean that Ghananian listed banks neglect the interests of other stakeholders and do not consider other stakeholders' interests in their operations. SEC (2010) Code requires the Boards to be accountable to the company and its shareholders. On the other hand, the SEC's definition of corporate governance requires the company to be accountable to shareholders and stakeholders. Various stakeholders' groups are essential for a company's survival and success.

We further examined the disclosure of CSR initiatives in annual reports in 2011 and 2016. Six banks have disclosed significantly more information that is relevant to stakeholder engagement. This showed a marked shift of focus to cover wider stakeholder groups and broaden the scope of stakeholder engagement. This is largely consistent with Collier (2008) and Porter (2009) as they show that there has been a shift from the shareholder model of accountability to the stakeholder model of accountability. For example, Ecobank Ghana Limited disclosed only two paragraphs of social responsibility in 2011, with initiatives contributing to societal welfare such as education and health service. In 2016 there were six pages of information covering various CSR activities such as education, health, financial inclusion, sustainability/environment and global initiative. They spent GH¢ 3.38 million on their CSR activities in 2016, an increase of 19 per cent in the figure for 2015.

4.2 Mechanisms of Board Accountability

Brennan and Solomon (2008) indicate that a number of mechanisms are being employed in various organisations around the world to ensure that the management and the board account effectively to shareholders and other stakeholders. A review of the 2011 annual reports of the nine banks listed on the Ghana Stock Exchange identified audit committees, internal auditors and external auditors as the main mechanisms being used to ensure and enhance accountability. The effectiveness of these mechanisms with respect to the nine banks is examined in turn.

4.2.1 Effectiveness of Audit Committee

The SEC (2010) Code requires every listed company to establish an audit committee. The Code further stipulates certain adherences that enhance the effectiveness of audit committees and thereby improve board accountability. These adherences and the various extents to which the nine banks have complied with are examined as follows.

The composition of boards of directors of nine banks have been examined through 2011 and 2016 annual reports, including the composition of the audit committees. The average board size is 8 in 2011 and 10 in 2016, which fits within the recommended board size range of between 8 and 16. SEC (2010) requires that at least one-third of board members must be NEDs, and the audit committee should comprise at least three directors with the majority being NEDs. All banks have met with the requirements regarding composition of the board and audit committee in these two years, except Unique Trust Bank as this bank's annual report was not available in 2016. The implication is that the executive directors would not be in the position to dominate the audit processes of these banks.

The SEC Code requires every audit committee to have a charter or terms of reference spelling out clearly the roles and responsibilities of the audit committee. All nine listed banks have terms of references for their audit committees in 2011. This implies that the main board would have a basis upon which the performance of members could be assessed.

The SEC (2010) recommends that the audit committee should be provided with all the resources needed to perform its role effectively. According to the Code, a lack of access to timely and relevant information would cause the audit committee to fail in its duty of managing and overseeing the audit process effectively. The response from the questionnaire shows that 77 per cent of the audit committee members were extremely satisfied with the level of access to information and resources while 23 per cent of directors were moderately satisfied with the level of access to information and resources. The fact that 23 per cent of the directors are not extremely satisfied with the level of access to information and resources is a cause for concern. This could mean that some audit committees are basing audit related decisions on incomplete information. This could also mean that the directors may for instance want to conduct an investigation into suspected fraud and may be forced to ignore the situation because of the lack of resources to engage outside specialist expertise.

In 2011, 36 out of 38 audit committee members for the listed banks held some form of accounting and finance qualification. All the audit committee members possess a minimum of four years experience at a senior management level. The two directors without any form of accounting and finance qualifications were directors of Ecobank Ghana Limited. These members held architectural and engineering qualifications. SEC (2010) recommends that the audit committee should be comprised of directors with adequate knowledge of accounting and finance. Although the two NEDs that possess architectural and engineering qualifications have several years of experience at the senior management level, these directors lack accounting and finance qualifications, may have had a negative impact on the quality of their work, and hence board accountability. The nature of the role of the audit committee is such that a thorough knowledge of accounting, finance and auditing is required to be effective.

All 39 respondents claim that newly appointed audit committee members are taken through an orientation session. The SEC (2010) requires every listed company to conduct an orientation exercise for all of its newly appointed directors, including audit committee members. So the members would have been well informed of their roles, responsibilities and information on laws and regulations.

With regards to training, all 39 respondents claim that audit committee members are provided with on-going training that assists in the performance of their duties. The SEC (2010) requires the board to provide the audit committee members with continuous on-going training in fields that would enhance the quality of their work. The implication is that the committee members are kept abreast of changes in financial reporting, auditing standards and laws that affect the operations of the bank.

The audit committee's independence from management was rated as very high by 72 per cent of respondents while 28 per cent of respondents rated it as moderate. The SEC (2010) requires the audit committee to be demonstrably and unquestionably independent of management. Agyemang & Castellini (2015) did four case studies of Ghanaian PLCs and reveal that the board audit committee is not very effective in three PLCs due to the presence of controlling shareholders. Both the controlling shareholders and management can affect the independence and effectiveness of audit committee.

The SEC (2010) Code requires the audit committee to conduct an annual assessment of the company's internal controls and report on this in the annual report. An assessment of the 2011 annual reports reveals that no such assessment was made by any of these banks. The reasons for the lack of assessments are categorised as follows: 49 per cent of the respondents claim that the bank has its own code which is based on international best practice, 15 per cent of the respondents' claim that the SEC Code is voluntary and 36 per cent of the respondents opted not to comment on the issue. We further checked the banks' annual reports in 2016 and reveal that only two banks, Ecobank Ghana and Ghana Commercial Bank, report that the boards have conducted an annual assessment of the company's internal controls. Actually, the profitability of these two banks increased and non-performing loan reduced. For other banks, the failure of the audit committee to conduct annual assessments of the internal controls could mean that the internal controls systems in place are not sufficiently effective to ensure that the bank achieves its objectives and ensures board accountability.

4.2.2 Effectiveness of the Internal Audit Function

The SEC (2010) requires every listed company to establish an effective internal audit function. All nine banks have internal audit units. The internal audit function was viewed as very effective by 54 per cent of the directors, as moderately effective by 38 per cent of the directors, and as neutral by 8 per cent of directors. The concerns that some directors have were due to the lack of professionally qualified staff and the internal audit function lacked sufficient independence from management. These two issues are cause for serious concern. Okeahalam (2004) indicates that for African listed firms, internal auditors may fail to expose wrong-doing in the company for fear of losing their job or incompetence. According to Solomon (2010), the lack of well qualified staff with appropriate training in accounting and audit would mean that reports and recommendations being sent to the audit committee may not be credible and reliable. The audit committee may therefore be basing key decisions on inaccurate information. This is likely to have a negative impact on audit quality and board accountability.

4.2.3 Effectiveness of the External Audit Function

The SEC (2010) requires every listed company to subject its annual financial statements to an independent audit. The Code further requires the external auditors to be demonstrably and unquestionably independent of management. In order to maintain independence, the Code requires that the external auditors are rotated on a regular basis. A review of the annual report of all nine banks reveals claims by the banks' boards that its external auditors are fully independent of management. The study shows that only two respondents perceive that the external auditors are not demonstrably and unquestionably independent as some external auditors had long term personal relations with key management personnel. According to Clarke (2004), long-term personal relations between the external auditor and management personnel have the potential to compromise the independence and objectivity of the audit. The fundamental purpose of the external audit is to provide the shareholders with assurance that the financial statements represent the true state of the bank's financial affairs. A long- term personal friendship could cause the external auditor to be biased. This therefore implies that a level of personal detachment is required between the manager and the auditor in order to have a credible and objective audit report, which in effect enhances board accountability.

4.3 Improving Board Accountability

The study also sought to discover ways to improve board accountability in Ghanaian listed banks. The responses received from the directors can be categorised into the following groups:

- Appointment of very competent persons to serve on the board.
- Mandatory code that is based on international best practices.
- Regular rotation of external auditors.
- Requiring NEDs to stand for re-election more frequently.

Appointing very competent persons to serve on the board and improve board accountability was suggested by 26% of the respondents. A mandatory code of corporate governance for all listed companies in Ghana was suggested by 23 per cent of the respondents to improve board. Another 23 per cent of respondents suggested that external auditors should be rotated on a more regular basis, while 13 per cent of respondents suggested that NEDs should stand for reappointment more frequently and 15 per cent of respondents opted not to comment on the issue.

Improving board accountability by appointing highly trained and well experienced finance professionals to serve on the board was recommended by 26 per cent of directors. These directors also recommend relevant on-going training for board members. Carretta *et al*. (2010) stress the importance of training for board members and compliance with existing rules. On-going training and development programs are essential for the enhancement of board accountability.

A suggestion by 23 per cent of directors was that board accountability can be improved by the development of a mandatory code of corporate governance that is based on international best practice and adapted to the Ghanaian business and corporate environment. According to SEC (2010) the merits of such an approach were assessed by the Ghana Securities and Exchange Commission before the 2010 voluntary Code was issued. It was, however, decided that flexibility was needed to encourage growth of the financial market and as a result the 2010 voluntary Code was issued. Apart from not being flexible, another disadvantage of a mandatory code, as pointed out by the FRC (2012), is that it shifts the focus of accountability from the shareholders to the Government. Krenn (2015) discusses the decoupling practice of companies due to high compliance costs. The advantage of a mandatory code is that, whatever requirement pertaining to accountability that is enshrined in the code would probably be adhered to. In 2016, SEC Ghana issued mandatory disclosure items for public listed companies in areas of compliance, board structure, auditing, and information disclosure. For example, it requires the company to indicate the existence of an effective internal control system. This is consistent with the call of this paper. We expect that these mandatory disclosure items will help strengthen corporate governance system for PLCs in Ghana.

Regular rotation of the external auditors to improve board accountability was suggested by 23 per cent of directors. This has the potential to maintain the independence and objectivity of the external audit function (Tricker, 2009). The external auditors tend to work directly with management and over time may become very familiar with each other. This situation could compromise the auditor's objectivity, the quality of the audit and hence board accountability.

NEDs should stand for reappointment on a more regular basis was suggested by 13% of directors. This has the potential to enhance board accountability to shareholders. This is because a director is more likely to take steps to improve performance for fear of being replaced within a shorter time frame than usual. The disadvantage of this approach has to do with the learning curve as every new director is likely to take a length of time to adjust and understand the activities of the a new bank.

Bank of Ghana is in the process of implementing new corporate governance guidelines for the banking sector. NEDs shall have a tenure of three years for no more than two terms, and shall be in the majority of every board. The tenures of CEOs are to be capped at three five-year terms. Restrictions have also been placed on the size of boards as well as the retiring age for directors. The new guidelines ensure that there are independent structures to oversee those banks' activities and protect stakeholder interest in a formalised manner. Some of our research findings are consistent with the proposed change of the new corporate governance guidelines.

4.4 Firm Performance Indicators from 2011 to 2016

Table 1 presents firm performance information for eight banks from 2011 to 2016. ROA is an indicator of how profitable a company is relative to its total assets in percentage. ROA gives an idea as to how efficient management is at using its assets to generate earnings. ROE is the measure of a company's profitability by revealing how much profit a company generates with the money shareholders have invested in percentage. Unique Trust Bank does not have annual reports for 2015 and 2016. Due to lack of sufficient firm performance information we exclude Unique Trust Bank from analysis in Table 1. The summary statistics of eight banks' performance are presented in Table 1.

Table 1: Bank Performance Indicators 2011-2016

Year	ROA (%)	ROE (%)	Earnings per share (GH¢)	Capital adequacy ratio	Non-performing loan ratio
2011	3	21	0.19	0.18	0.11
2012	4	30	0.22	0.19	0.09
2013	5	34	0.43	0.19	0.08
2014	5	35	0.53	0.19	0.08
2015	3	20	0.44	0.20	0.15
2016	2	11	0.51	0.21	0.16

Notes: ROA: (12 months net income/average total assets)*100. Average total assets is the average of the beginning balance and ending balance of assets. ROE: (12 months net income available for shareholders/average total common equity)*100. Average total common equity is the average of the beginning balance and ending balance of equity. Earnings per share: net income available for common shareholders divided by the basic weighted average shares outstanding. Capital adequacy ratio is calculated as total capital divided by total risk-weighted assets. Non-performing loan ratio: the percentage of gross non-performing loans to total credit/advances portfolio (gross). The data are mostly from Bloomberg, and the rest are from Datastream and the companies' annual reports.

Table 1 presents the average bank performance information by year. ROA, ROE and EPS increased from 2011 to 2014, then declined until 2016. ROA and ROE were lower in 2016 compared to 2011. The profitability ratios of Ecobank Ghana Limited, Ghana Commercial Bank, and SG-SSB Bank were higher in 2016 compared to 2011, and the remaining five banks were lower. Ecobank Transnational and Home Finance Company even suffered a loss in 2016. The capital adequacy ratio had increased over the years. Ghana increased a minimum capital requirement in 2009 for foreign banks and in 2012 for domestic-owned banks to make them more robust (Bokpin, 2013). The average capital adequacy ratio is 19%, well above the minimum 10 per cent requirement. Ghanaian listed banks were well capitalised. The non-performing loan ratios were higher in 2015 and 2016, compared to previous years. In comparison, the reduced profitability and rising non-performing loan are issues of concern.

In 2017, Unit Trust Bank went through receivership due to losses and impairment of capital. Listed companies, especially banks, tend to be very large institutions comprising several interconnections of stakeholder relationships. Should such an institution collapse, the consequences for society could be devastating. SEC (2010) indicates that audit committees, independent boards and NEDs do not guarantee good corporate governance. They are structures and mechanisms that must be properly implemented in order to achieve good corporate governance. Nowadays the banks in Ghana face more competition than before. We hope the new corporate governance guidelines to be released from Bank of Ghana will protect stakeholder interest in a formalised manner in the long run.

5. Conclusion

This study examined board accountability of Ghanaian listed banks, finding that the directors of Ghanaian listed banks prioritize a shareholder approach to accountability, with a shift towards stakeholders. Audit committees, external audits and internal audits are the main mechanisms being employed by these banks to enhance board accountability. Some of these mechanisms are not utilised effectively by a number of these banks. Board accountability can be improved by appointing very competent people to the board, the national adoption of a mandatory code of corporate governance, regular rotation of external auditors, and requiring NEDs to stand for re-election more frequently.

This study obtained valuable opinions of board of directors, provides insights on boards of Ghanaian listed banks, and contributes to the literature of corporate governance and accountability in Africa. Okeahalam (2004) indicates that future research areas for African countries include the quality of internal and external monitoring, the effectiveness of boards, the transparency of financial statements. This paper has further examined the board accountability of Ghanaian listed banks, regarding effectiveness of monitoring and control.

This paper offers important practical implications for policy, for example, one of our findings suggests that the NEDs should stand for re-election more frequently. This is consistent with the proposed change from the Bank of Ghana to cap the tenure of NEDs to two three-year terms. The Bank of Ghana is implementing new corporate governance guidelines to address issues such as board structure and tenure. Based on robust research evidence, this paper provides valuable insights for banks and regulators to initiate real world changes to build stronger corporate governance systems.

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