CORPORATE GOVERNANCE AND CORPORATE FRAUD: AN EXAMINATION OF INTERACTION EFFECTS IN NIGERIA

ABSTRACT

This research paper examined the relationship between corporate governance and the commission of corporate fraud among quoted companies in Nigeria. The researcher used a sample of eighteen (18) companies whose data were collected through content analyses on the basis of the availability of information from annual reports and other media reports. Data for the study were analyzed using a binary logit multiple regression analysis method. The findings of the study showed that there is a negative relationship between the independence of the board of directors and corporate fraud among quoted companies in Nigeria. This finding indicates that an increase in the number of independent board members will lead to a decrease in corporate fraud. The findings further show that there is a negative relationship between the commitment of the audit committee to their roles and corporate fraud. Finally, the findings show that there is a positive relationship between ownership structure and the phenomenon of corporate fraud in organizations. From the findings of the study, it is concluded that increasing the number of independent members in the board of directors will increase the ability of the board of directors to checkmate fraud commission. However, the ability of independence of board members to forestall corporate fraud is below the optimal level. It is also concluded that the commitment of the audit committee is an important deterrent of corporate fraud. Finally, increased concentration of ownership with only a few individuals will lead to increased perpetration of corporate fraud. Thus, it is recommended that the number of independent members in the board of directors be statutorily increased. Finally, it is recommended that the concentration of ownership in a few hands be discouraged through legislation in order to reduce the prevalence of fraud in firms with concentrated ownership.

Keywords: Corporate Governance; Corporate Fraud; Interaction Effects; Nigeria.

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1. INTRODUCTION

Corporate organizations are constantly under threat of fraud from sources both within and external to the firm. Even though frauds perpetrated by external sources can be quite serious, however, most notable frauds in organizations are usually the handiwork of the organizations' members. A chronicle of most fraud cases in organizations will likely show that management frauds have the most serious and many cases existence threatening effects. From WorldCom to Enron and Cadbury, Oceanic Bank, Intercontinental Bank, the collapse of these big businesses was directly or indirectly linked to fraud perpetrated by top management. By extension, fraud by an organization's management also reflects a failure in its corporate governance structure, because the mechanisms to check the excesses of an organization's top management are vested mainly in its corporate governance.

39 One of the most important roles of corporate governance is to monitor and control the
40 business operations and the organization's management which also includes financial
41 monitoring and control. According to Beasley (1996), weak corporate governance structures
42 are likely to give rise to weak internal controls which may invariably contribute to the level
43 of fraud committed by or involving top management. As noted by Chen, Kao, Tsao, and Wu
44 (2007), corporate governance exist to promote and facilitate transparency and accountability
45 in operations of the organizations so as to protect the interests and rights of shareholders to
46 equitable and fair treatment and to guarantee timely and accurate disclosure of financial
47 information on all material matters. As noted by DaCosta (2017), corporate scandals reveal
48 wide weaknesses in internal and external controls in companies, which should be detected by
49 good corporate governance practices.

50 Consequently, weak internal controls occasioned by the failure of corporate governance may
51 be fatal for the organization's survival and success. For example, when the audit committee -
52 a corporate governance mechanism, fails in its role, it may result in corporate fraud.
53 However, failure of the audit committee may be more symptomatic of a compromised
54 corporate governance system, such as when a board of director(s) member with the intent to
55 perpetrate fraud facilitates the appointment of compromised or compromise-able individuals
56 into the audit committee for their selfish purpose. Ownership structure can also be a
57 mechanism to deter or encourage corporate fraud. Thus as asserted by Langnan and Weibin
58 (2007), ownership structure that is concentrated in the hands of a few individuals can be a
59 signal of poor corporate governance as such concentrated ownership will give too many
60 discretionary powers to a few persons who are more likely to use such powers to serve
61 personal interests to the detriment of other shareholders. However, where ownership is more
62 diffused, such discretionary powers will not be available without oversight.

63 Though corporate governance cannot in itself serve to completely eliminate corporate fraud,
64 it can serve to reduce it considerably using in-built mechanisms like internal control systems,
65 audit committee among others. Good corporate governance ensures that organizations are
66 properly managed for optimal performance in the best interests of shareholders and other
67 stakeholders.

68 Poor corporate governance practices may open the organization to malpractices like
69 corporate/management fraud. According to Sadique (2016), the nature of corporate fraud
70 varies considerably, encompassing accounting/financial statement fraud, asset

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misappropriation, corruption and bribery, money laundering, and intellectual property infringement among others. The form it takes notwithstanding, management fraud owing to the sheer size of the organization's resources usually involved has very serious implications for the firm's survival and future operations. Further, management fraud tends to stay hidden for very long periods of time with the possibility of causing more long-term harm the longer it stays concealed. PricewaterhouseCoopers (PwC) (2007) opines that the consequences of corporate frauds are very damaging, going beyond monetary loss. Indicating that the collateral consequences of fraud include confidence crises in business relationships, staff morale, share prices, brand image, and reputation and these collateral costs are more injurious to the organization when the fraud is perpetrated by the management.

Around the world, there exist copious volumes of previous research on the relationship between corporate governance and management/corporate fraud. Though, in the case of Nigeria, little research searchlights have been beamed on this area. Most research studies focus mainly on management fraud (or some aspects of it) and its effects on the organization with none appearing to recognize its linkages to the corporate governance mechanisms. The present study aims to bridge this gap in research by examining the relationship between corporate governance and corporate fraud in quoted companies in Nigeria.

2. LITERATURE REVIEW

2.1 Theoretical Framework

Several theories have been proposed to explain and help resolve the relationship conflicts which tend to surface when ownership and management are separated in an organization. These include the agency theory, stakeholders' theory as well as the stewardship theory. Each in some way deepens the understanding of relationships in organizations. The agency theory view of the organization posits that shareholders forgo decision-making rights (control) and delegates such to the manager to act in the shareholders' best interests. Owing in part to the separation between the shareholders and managers, the corporate governance system is intended to help align their motivations. The agency theory assumptions are based on delegation and control, where controls minimize the potential abuse of the delegation. This control function is primarily exercised by the board of directors. Agency theory assumes that problem arises due to conflict of interest between management as agents and shareholders (owners) as principals. Thus, corporate governance sets the goals for the agent as well as the reward/punishment for the achievement or failure of the agent.

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103 Freeman (1984) identified the emergence of stakeholder groups as important components to
104 the organization requiring adequate consideration. He defined stakeholders as any group or
105 individual who has the potential to affect or is potentially affected by the organization's
106 activities. Stakeholder theory assumes that the good performance of an organization depends
107 on the contributions of different stakeholders. These stakeholders – shareholders as well as
108 other interest parties all have a stake in the organization and can choose how to behave
109 towards the organization based on available information. Thus, while the agency theory
110 essential focuses on the relationship between the principal (shareholders) and agent
111 (management), the stakeholder theory recognizes that there are other stakeholders beyond the
112 owners and management whose activities may affect the ability of the organization to achieve
113 its objectives and vice-versa. For example, the organization will likely not exist without
114 customers and its achievements may be severely limited without access to more funding
115 which creditors can provide. Consequently, it is important that these stakeholders who affect
116 and are affected by the organization be given due consideration in the decisions of the
117 organization. The management through the corporate governance mechanism balances all
118 these interests.

119 In contrast to the agency theory which posits that the agents (managers) are self-serving
120 individuals whose activities needs to be checkmated through the corporate governance
121 mechanism, the stewardship theory posits that managers will naturally act in the best interest
122 of the principal. According to Cullen, Kirwan, and Brennan (2006), stewardship theory holds
123 that there is no inherent, general problem of executive motivation implying that extrinsic
124 incentive contracts are less important where managers gain intrinsic satisfaction from
125 performing their duties. The stewardship perspective suggests that the attainment of the
126 organization's success also brings satisfaction to the steward. The steward thus derives greater
127 utility from helping achieve organizational goals rather than personal goals as both
128 (organizational and personal goals) has gained congruence over time. Here, corporate
129 governance is not essential for monitoring and controlling the activities of managers who are
130 granted greater autonomy built on trust but to increase their competence and commitment.

131 **2.2 Review of Concepts**

132 **2.2.1 Corporate Governance**

133 Corporate governance characterizes a set of relationships between an organization's
134 management, its board, its shareholders and other stakeholders in addition to providing the

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135 structure through which the organization's objectives are set, and progress continually
136 monitored to ensure optimal performance (Tarek, 2012). Sreeti (2012) defined corporate
137 governance as the set of processes, customs, policies, laws, and institutions affecting the way
138 an organization is directed or managed.
139 Effective corporate governance requires a clear understanding of the respective roles of the
140 board of directors, board committees, top management and shareholders as well as their
141 relationships with each other; and their relationships with other corporate stakeholders of the
142 organization. The major actors in an organization's management between which the corporate
143 governance structure of the organization is established and maintained are the board of
144 directors, shareholders, and management. These key actors also comprise the major members
145 of the different entities that constitute the corporate governance structure (except where
146 otherwise specified by regulatory bodies) including the board of directors, audit committee,
147 corporate governance committee and compensation committee among others.
148 The most important corporate governance mechanism is the board of directors which is the
149 highest decision-making body within the organization. Among the responsibilities of the
150 board of directors include determining the long objectives of the organization, determining
151 and approving the required corporate strategy to achieve the objectives, selecting and
152 appointing the chief executive, allocating the needed resources for the achievement of
153 objectives, reviewing performance at the end of each financial year among others. The board
154 of directors also makes major inputs in the appointments of other key top management staff
155 as well as oversight committees like the audit committee.
156 The audit committee is set up as part of the corporate governance monitoring and control
157 mechanism in the company's finance and accounting activities. The audit committee
158 periodical reviews the organization’s financial reports which they make available to the board
159 of directors and shareholders; as well as to regulatory bodies (Al-Baidhani, 2016). According
160 to Fratini and Tettamanzi (2015), if formed by independent individuals, in particular, the
161 audit committee could enhance the trustworthiness of an internal control system. This fact
162 could exert a positive effect on market perceptions about the organization giving a signal of
163 its abilities to run its operations in a transparent, correct and effective way. Shareholders’
164 interests are protected through the activities of audit committee because management may not
165 always act in the interest of corporation’s owners (Abdulazeez, Ndibe, Mercy, 2016)
166 The organization's ownership structure in terms of the types and composition of shareholders
167 also affects the organization’s corporate governance effectiveness. An organization may have
168 its ownership concentrated in the hands of a few individuals in which case these few

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individuals (for example family ownership) may have an unduly high influence on the decisions of the management and board. In other cases, an organization may have a highly diffused ownership structure where there are a considerable number of holders of shares of the firm with none of the owners holding too much control. Institutional shareholders like pension funds, hedge funds, insurance and finance companies, and investment banks can also constitute part of the ownership structure of firms. The ownership structure can have a huge effect on corporate governance depending on the investment outlook of the different investor groups.

2.2.2 Corporate Fraud

Fraud involves the use of deception and misrepresentation to make a personal dishonest gain. By extension, when such fraud happens in a corporate setting - especially when it involves an organization's top executives, corporate fraud is said to have been perpetrated. According to Jenfa (2002), corporate fraud involves misappropriation, theft or embezzlement of a corporate organization’s assets. The Chartered Institute of Management Accountants (2009) enumerated the types of corporate fraud to include the following: fraudulent expense claims; theft of cash, physical assets or confidential information; procurement fraud; misuse of accounts; suspense accounting fraud; payroll fraud; financial accounting misstatements; inappropriate journal vouchers; false employment credentials; bribery and corruption. However, Sunil, Rawat, and Rajarao (2016) classified corporate fraud into financial fraud or accounting fraud, misappropriation of corporate assets and obstructive conducts. Financial fraud or financial accounting fraud consists of financial information falsification, by distorting entries in accounting records thus misleading stakeholders.

Through well-known accounting schemes such as capitalizing expenses, swap transactions, accelerated revenues recognition, channel stuffing, and unduly deferring expenses. These types of frauds are mainly committed by management level for which it is also known as management fraud and misappropriation of corporate assets by senior executives through such schemes like granting loans to senior management with no intention of repayment. Failure to disclose forgiven loans, reimbursing questionable personnel expenses and extraordinary personal expenses charged to the company. Others include insider trading, misuse of corporate property for personal gain, bribery and kickbacks, and corporate tax violations. Finally, Obstructive conduct includes falsification of testimony to regulators, destroying information that may be useful for investigations and concealing information through distortion and the creation of fraudulent information and data.

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203 Corporate fraud is usually committed by individuals within an organization taking advantage
204 of privileged information to defraud investor/shareholders. However, corporate fraud can also
205 be perpetrated by individuals outside the organization but with active collaboration by the
206 organization's management or other employees. Corporate fraud can affect the organization
207 and its stakeholders in several ways. For example, fraud can lead to the failure of the
208 organization in which case investors will lose funds, jobs will be lost by employees. Even
209 where the organization survives, the effect of fraud may take a considerable amount to wear
210 off because corporate fraud leads to loss of confidence by investors, customers/clients,
211 creditors etc.
212
213 **2.3 Empirical Review**

214 Huang and Thiruvadi (2015) examined the relationship between audit committee
215 characteristics (number of meetings, audit committee size and financial expertise of
216 members) and fraud. Using a final sample of 218 firms from S&P and audit committee
217 characteristics data collected from the SEC database, the findings show that audit committee
218 meeting frequency is not associated with fraud prevention while audit committee size does
219 not significantly affect fraud prevention. However, financial expertise of audit committee
220 members is significantly associated with fraud prevention. Thus, from the findings, it can be
221 surmised that the financial expertise of audit committee members is an important factor in the
222 prevention/reduction of corporate fraud.

223 Wilbanks (2014) examined how audit committees fulfill their responsibilities for assessing
224 fraudulent financial reporting risk by focusing on social influence/risk aversion relationship.
225 The results of the survey of 136 audit committee members from mid-sized US public
226 companies indicated that there is no association between audit committee members' personal
227 or professional relationship ties to management or other corporate governance actors and
228 audit committee members' overall reliance on these actors to assess fraud risk. However, the
229 results show links between the audit committee's actions to assess fraud risk and its personal
230 ties to the chief executive and chief financial officers; and certain control variables including
231 the board of director independence and audit committee size.

232 Guisepped and Lamboglia (2014) analyzed the relationship between corporate governance
233 characteristics and financial statement fraud in Italian listed companies during the period
234 2001-2011 with the intention to establish whether certain governance characteristics may
235 have favored the commission of accounting irregularities. Results from the logit regression
236 analysis show that the existence of an audit committee that is compliant with the

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237 requirements of the Italian corporate governance code reduces the likelihood of frauds.
238 Additionally, the probability of financial statements frauds decreases with increases in the
239 number of the audit committee meeting.

240 Matoussi and Gharbi (2011) investigated the link between corporate financial statement fraud
241 and board of directors on a sample of 64 Tunisian firms, with 32 fraud firms matched by 32
242 no fraud similar (control) companies. The findings show that there is a significant difference
243 in governance characteristics between fraudulent and control firms. Thus confirming the
244 importance of governance characteristics in explaining the probability of fraud since firms
245 with a board of directors dominated by family members and with tenure of outside directors
246 are more likely to commit fraud in the financial statement.

247 Chen and Lin (2007) investigated the relationship between corporate governance and
248 corporate fraud in China by using logit multivariate regression and employing a sample of
249 176 firms listed in China for the period 2001 to 2005. From the results, it was revealed that
250 firms experiencing corporate fraud have lower independent board members than those with
251 'no-fraud' experience. The findings also showed that firms with chief executive officers being
252 the chairmen of the board of directors are more likely to commit corporate fraud than other
253 firms with the separated roles. This finding supports the argument for greater independence in
254 BODs.

255 In a similar study, Chen, Firth, Daniel, Gao, and Rui (2006) who examined the effect of
256 ownership structure, boardroom characteristics and corporate fraud in China using bi-variate
257 and multivariate analyses. The results of the multivariate analyses showed that ownership and
258 board characteristics are important in explaining fraud. However, using a bivariate probit
259 model, they demonstrated that boardroom characteristics are important, while the type of
260 owner is less relevant. In particular, the proportion of independent directors, number of board
261 meetings, and the length of tenure of the board chairman are associated with the incidence of
262 fraud. However, Lee and Jin (2012) showed in their findings that institutional ownership is
263 negatively associated with earning management and lowers the risk of financial misreporting
264 and fraud.

265 Centered on the literature, this study empirically tries to give the answer to the following
266 questions:

267 1) What is the relationship between audit committee commitment and corporate fraud in
268 quoted companies in Nigeria?

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269 2) What is the relationship between board independence and corporate fraud in quoted
270 companies in Nigeria?
271 3) What is the relationship between ownership structure and corporate fraud in quoted
272 companies in Nigeria?

273 The abovementioned debate offers the background for three essential hypotheses that trail the
274 relationship between corporate governance and corporate fraud, postulated in the null form:

275 **Ho_1**: Audit committee commitment does not have a significant relationship with corporate
276 fraud in quoted companies in Nigeria.

277 **Ho_2**: Board independence does not have a significant relationship with corporate fraud in
278 quoted companies in Nigeria.

279 **Ho_3**: Ownership structure does not have a significant relationship with corporate fraud in
280 quoted companies in Nigeria.

281 **3. MATERIALS AND METHODS**

282 This research adopts the survey research method. Using a sample of 18 firms quoted on the
283 Nigeria stock exchange whose financial available are readily available on their individual
284 websites and also on the Nigeria stock exchange (NSE) website. Period covered is the last
285 five (5) financial years (2013-2017) of the firms. Using content analyses, data on board
286 independence, audit committee commitment, and ownership structure were collected from the
287 annual reports of the concerned companies while data on corporate fraud is based on media
288 reports and litigations. Corporate fraud (CORPFRAUD) was measured using dummy
289 variables (1 and 0) for the presence or absence of reported fraud and fraud litigation (within
290 the study period) in the organization; board independence (INDPBOARD) is measured as the
291 ratio of outside directors in the board of directors; audit committee commitment
292 (AUDITCMNT) is measured as the cumulative attendance of audit committee meetings by
293 the members of the audit committee; and ownership structure (OWNERSHIP) is measured by
294 the percentage of shares held by the ten (10) biggest shareholders. Adopting a modified
295 version of the model used by Huang and Thiruvadi (2015) to investigate the relationship
296 between corporate fraud and corporate governance, we posit that:
297 Corporate fraud = f (corporate governance) . . . . . . (1)
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299 Where corporate fraud is denoted as CORPFRAUD; corporate governance is measured as
300 board independence (INDPBOARD), audit committee commitment (AUDITCMNT) and
301 ownership structure (OWNERSHIP), the above equation is rewritten as:

302 $CORPFRAUD = \beta_0 + \beta_1 INDPBOARD + \beta_2 AUDITCMNT + \beta_3 OWNERSHIP + \mu t$ . . . (2)

303 Where:
304 CORPFRAUD = Corporate fraud
305 INDPBOARD = Board independence
306 AUDITCMNT = Audit committee commitment
307 OWNERSHIP = Ownership structure
308

309 **4.1 RESULTS AND ANALYSES**

310 The descriptive statistics show that the skewness of the data set gave values of -0.156; 0.240
311 and 0.348 respectively for independence of the board of directors (INDPBOARD), audit
312 committee commitment (AUDITCMNT) and ownership structure (OWNERSHIP) of quoted
313 companies. This result implies that while board independence has a negative skewness, audit
314 committee commitment and ownership structure are positively skewed. However, the entire
315 data set approach normality in skewness. The result further show that the kurtosis values for
316 the data set gave values of 2.321, 2.294 and 2.508 respectively for the independence of the
317 board of directors (INDPBOARD), audit committee commitment (AUDITCMNT) and
318 ownership structure (OWNERSHIP) of quoted companies - these values display
319 characteristics of normal kurtosis albeit with a negative slant.
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339 **Table 1: Descriptive Statistics**

	CORPFRAUD	INDPBOARD	AUDITCMNT	OWNERSHIP
Mean	0.566667	0.597000	0.736578	32.83289
Median	1.000000	0.600000	0.733000	26.55000
Maximum	1.000000	0.750000	0.933000	59.30000
Minimum	0.000000	0.400000	0.548000	11.11000

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Std. Dev.	0.498312	0.085039	0.082876	16.31815
Skewness	-0.269069	-0.156010	0.240161	0.348108
Kurtosis	1.072398	2.320933	2.293811	2.507691
Jarque-Bera	15.01966	2.094331	1.894330	1.168880
Probability	0.000548	0.350931	0.387839	0.106192
Sum	51.00000	53.73000	66.29200	2954.960
Sum Sq. Dev.	22.10000	0.643614	0.611290	23699.11
Observations	90	90	90	90

340 ***Source: Field Survey 2019 and Author's Computation***

341 Finally, the Jarque-Bera statistic for the variables gave values of 2.094; 1.894 and 1.169 and
342 Probability values of 0.351 and 0.388 and 0.106; respectively for the independence of the
343 board of directors (INDPBOARD), audit committee commitment (AUDITCMNT) and
344 ownership structure (OWNERSHIP) of quoted companies. Considering that the null
345 hypothesis for the Jarque-Bera statistic is that the data set is normally distributed around the
346 mean, we do not reject the null hypotheses and conclude that all the variables are normally
347 distributed. It should, however, be noted that the results of the descriptive statistic for the
348 independent variable (corporate fraud) as ignored in the above analysis as it is a binary series
349 and so not amenable to the test.

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351 **Table 2: Binary Logit Regression Results**

Dependent Variable: CORPFRAUD
Method: ML - Binary Logit (Newton-Raphson / Marquardt steps)
Date: 01/06/19 Time: 14:13
Sample: 1 90
Included observations: 90
Convergence achieved after 5 iterations
Coefficient covariance computed using observed Hessian

Variable	Coefficient	Std. Error	z-Statistic	Prob.
C	7.418903	3.010303	2.464504	0.0137
INDPBOARD	-5.815494	3.860388	-1.506453	0.1320
AUDITCMNT	-8.151526	3.693588	-2.206939	0.0273
OWNERSHIP	0.076329	0.019602	3.893865	0.0001

McFadden R-squared	0.301615	Mean dependent var	0.566667
S.D. dependent var	0.498312	S.E. of regression	0.408283
Akaike info criterion	1.044603	Sum squared resid	14.33578
Schwarz criterion	1.155706	Log likelihood	-43.00715
Hannan-Quinn criter.	1.089407	Deviance	86.01431
Restr. Deviance	123.1617	Restr. log likelihood	-61.58086
LR statistic	37.14741	Avg. log likelihood	-0.477857
Prob(LR statistic)	0.000000		
Obs with Dep=0	39	Total obs	90
Obs with Dep=1	51		

352 ***Source: Field Survey 2019 and Author's Computation***

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354 The binary logit regression result in table 2 above show that independence of the board of
355 directors (INDPBOARD) had a negative relationship with the corporate fraud
356 (CORPFRAUD) implying that increased board independence would lead to a reduction in
357 corporate fraud among quoted companies. Furthermore, audit committee level of
358 commitment (AUDITCMNT) to their role had a negative relationship with corporate fraud
359 (CORPFRAUD) with the implication that higher commitment to the audit role would lead to
360 decreased corporate fraud. Finally, ownership structure (OWNERSHIP) indicated a positive
361 relationship with the implication that higher concentration of ownership in the hands of few
362 individuals would increase the incidence of fraud while lower concentration is predicted to
363 lead to lower incidence of corporate fraud. The results also show that audit committee
364 commitment (AUDITCMNT) to the role and ownership structure (OWNERSHIP) is
365 statistically significant in explaining the phenomenon of corporate fraud among quoted
366 companies in Nigeria. However, independence of the board of directors does not have a
367 statistically significant relationship with corporate fraud implying that board independence
368 cannot be relied on to explain the phenomenon of corporate fraud in Nigeria.

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4.2 DISCUSSION OF FINDINGS

This research paper examined the relationship between corporate governance and the commission of corporate fraud among quoted companies in Nigeria, using a sample of eighteen (18) companies whose data were collected through content analyses. The findings of the study showed that there is a negative relationship between the independence of the board of directors and corporate fraud among quoted companies in Nigeria. This indicates that an increase in the number of independent board members will lead to a decrease in corporate fraud. Thus, independent members in the board of directors will be less likely to be drawn into compromising situations where fraud becomes the endgame. Furthermore, proceeds of corporate fraud tend to favour executives within the organization to the detriment of external members. Hence, independent directors will be more likely to kick against fraud if made aware of it. Finally, most independent board members have a reputation to protect and may not be welcoming of fraud as executive directors.

The findings of Chen and Lin (2007) further buttressed the above finding by showing in their study that firms experiencing corporate fraud have lower independent board members than those with 'no-fraud' experience. They also showed that firms with chief executive officers being the chairmen of the board of directors are more likely to commit corporate fraud than other firms with the separated roles. This finding supports the argument for greater independence in BODs. Chen, Firth, Daniel, Gao, and Rui (2006) also demonstrated that boardroom characteristics are important determinants of corporate fraud. Particularly, the proportion of independent directors, number of board meetings, and the length of tenure of the board chairman are associated with the incidence of fraud.

The findings further show that there is a negative relationship between the commitment of the audit committee to their roles and corporate fraud. Here, commitment is measured as the number of meetings attended by the audit committee members. Thus, with the attendance of more meetings by members of the audit committee, the likelihood of corporate fraud will be reduced considerably. This essentially means that more time will be devoted to their primary responsibility of oversight on the financial activities of the organization. However, in a similar study, Huang and Thiruvadi (2015) showed that an audit committee meeting frequency is not associated with the reduction in fraud while the audit committee size does not significantly affect fraud prevention. But financial expertise of audit committee members is significantly associated with fraud prevention. Guisepped and Lamboglia (2014) also showed that the probability of financial statements frauds decreases with increases in the number of the audit committee meeting.

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405 Finally, the findings show that there is a positive relationship between ownership structure
406 and the phenomenon of corporate fraud in organizations. This indicates that increased
407 concentration of share in the hands of few people increases the likelihood fraud. This is
408 because increase concentration of shares in a few hands will reduce the potency of oversight
409 as concentrated ownership will lead to more decision making powers concentrated with the
410 few majority shareholders. It becomes easy to pressure management to act in the interest of
411 the most powerful in the organization. In a similar study, Chen et al (2006) showed that
412 ownership and board characteristics are important in explaining fraud with the outcome that
413 firms with concentrated ownership are more prone to corporate fraud that those with more
414 diffused ownership. Matoussi and Gharbi (2011) showed in their study that the board of
415 directors dominated by family members and with tenure of outside directors are more likely
416 to commit fraud in the financial statement. However, Lee and Jin (2012) showed in their
417 findings that institutional ownership is negatively associated with corporate fraud and lowers
418 the risk of financial misreporting and fraud.
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420 **5. CONCLUSION AND RECOMMENDATIONS**

421 From the findings of the study, it is concluded that increasing the number of independent
422 members in the board of directors will increase the capacity of the board of directors to
423 checkmate fraud commission. However, the ability of independence of board members to
424 forestall corporate is below the optimal level. It is also concluded that the commitment of the
425 audit committee is an important deterrent of corporate fraud. Finally, increased concentration
426 of ownership with only a few individuals will lead to increased perpetration of corporate
427 fraud. Thus, it is recommended that the number independent members in the board of
428 directors be statutorily increased. In addition, it is important to ensure that independent
429 members appointed into the board of directors are individuals with very good reputation and
430 character who will be less likely to acquiesce to or get involved in fraudulent activities.
431 Finally, it recommended that the concentration of ownership in a few hands be discouraged
432 through legislation so as to reduce the prevalence of fraud in firms with concentrated
433 ownership.
434

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