



AUDIT COMMITTEE QUALITIES AND FINANCIAL STATEMENT FRAUD ABATEMENT IN LISTED NIGERIAN OIL AND GAS FIRMS.

By

¹Kamaluddeen Funsho Adisa IBRAHIM, Department of Accounting; University of Abuja, Nigeria.
08061500013

²Sylvester Onyekachi ADEMU, Department of Accounting; University of Abuja, Nigeria.

³Chinwe Genevive ONUOHA, Department of Accounting; University of Abuja, Nigeria.

Abstract

This study did investigate Audit Committee Qualities and Financial Statement Fraud (FSFRAUD) Abatement in Listed Nigerian Oil and Gas Firms. The study's research design is ex post facto because it were employed secondary data were already available. The population of the study was nine (9) oil and gas firms listed on the floor of Nigerian Exchange Group. The same was taken as the sample size due to the fact the number is small. The purposive sampling technique was exploited during the period of deriving sample size. The types of data utilised were secondary, which were obtained from the audited annual reports and accounts of the nine (9) oil and gas firms listed on the floor of Nigerian Exchange Group for the period under investigation. The period covered was from 2020 to 2024. This researched work applied Multiple Regression Model as the method of data analyses in addition to Statistical Package for Social Sciences (S.P.S.S.) version 27. Examination of the results revealed that: Audit Committee Size (ACSIZE) insignificantly and positively affects MSCORE; association between Audit Committee Meeting Frequency (ACMTNF) and MSCORE is a significant positive relationship; Audit committee gender diversity (ACGEN) associates significantly, but negative with MSCORE; Audit committee ethnic diversity (ACETHD) has a significant positive influence on FSFRAUD abatement represented by MSCORE. As for Audit Committee Competence (ACOMPT), it reveals insignificant negative relationship with MSCORE. Audit Committee Independence (ACINDP) does significantly and impact on MSCORE. Audit Committee Tenure (ACTENU) has significant negative relationship with MSCORE. In line with the above results, the study recommends accordingly that; ACMTNF, ACETHD, ACINDP should be upheld for their substantial positive effect on financial statement fraud abatement, closer attention and care should therefore be taken if ACGEND and ACTENU should be taken into firms' corporate governance since their statistical outcomes reveal significant negative effect on FSFRAUD abatement. Considerably, as for ACSIZE and ACOMPT, insofar their impacts are insignificant, their inclusion and practice should be kept under close monitoring for a time being.

Key words: Fraud, Audit committee, Financial statement, M-score, Corporate governance.

1.0 Introduction

1.1 Background to the study

Financial reports serve as accountability tools for corporations, providing information on financial positions, performance, and changes in financial status. These statements help stakeholders make informed decisions and should be presented accurately and ethically, based on factual data (Darwis et al., 2022).

Fraudulent financial reporting involves intentionally misrepresenting or omitting financial data to mislead users. This includes manipulating figures through deceptive accounting techniques to distort perceptions of a company's financial performance (Pourheidari & Samieinejad, 2015).

The Audit Committee which is referred to as an independent counselling unit, is established and set up by the board of directors to oversee the financial statement and regulate the disclosures of such reports and accounts to the concerned parties (Ilogho et al, 2022). Audit committees work with external auditors to ensure accurate financial reporting. The Nigerian Exchange Group (NGX) expanded their responsibilities to combat financial misrepresentation and mandates that public companies appoint an independent director with accounting and finance expertise.

Ibadin and Ehigie (2019), citing Warshavsky (2012) perceived that Corporate governance alone cannot effectively detect or prevent financial fraud without forensic techniques like the Beneish model. This quantitative tool is used to identify and predict earnings manipulation, notably applied to cases like Enron and ZZZZ Best Co. Ltd. The model developed by Prof. M.D. Beneish (1999) was intended to detecting and predicting manipulations in a financial statements (Kara et al, 2015; Ugurlu & Korpi, 2015). Bhavani and Tabi (2017) as cited in Akra and Chaya (2020) also refer to this test (M-Score) as one of the forensic tools for fraud detection.

Statement of the Problem

Previous studies (Ilogho et al., 2022; Larasati & Mulyana, 2021; Inawati et al, 2021; Ambiyono, 2020; Setiawan et al., 2020; Roshayani et al., 2015; Sun et al., 2014; Maliah et al, 2013; Thiruvadi, 2012) from various countries—developed, developing, and underdeveloped—have explored this research area, yielding mixed results. While different variables have been used to assess audit committee characteristics, there is no agreed-upon standard for measurement, leading to inconsistent findings among researchers.

Research findings on audit committee characteristics and their impact on financial statement fraud are inconsistent. Some studies report a negative or insignificant effect (Lestari & Cahyati, 2017; Sarawana & Destriana, 2015) of committee size, while others (Inawati et al. (2021); Tang & Shandy, 2021; Permatalia & Haryono (2021) find the opposite. Similarly, the frequency of audit committee meetings and diversity in gender or ethnicity show mixed results, with some studies (Al-Jalahma, 2022; Shamsuddin & Alshahri, 2022) indicating a positive influence on fraud reduction and others contradicting those outcomes.

Majority of the above studies are conducted in developed countries, while few are conducted in Nigeria leading to paucity of local materials. Also, very insignificant number would have been carried out using oil and gas sector in Nigeria since the researcher could not lay hands on any particular study that really dived into this sector.

In view of the above, the study interest aroused and embarks on this area to determine the present outcome of relationship between audit committee qualities and financial statement fraud abatement in listed Nigerian oil and gas firms. Also, the study attempts to make contributions to knowledge due the paucity of materials in audit committee qualities and financial statement fraud abatement peculiarly in listed Nigerian oil and gas firms.

1.4 Objectives of the Study

The main objective of this study is to investigate the relationship between audit committee qualities and financial statement fraud abatement in listed Nigerian oil and gas firms. The following specific objectives are also set:

- i. To examine the extent to which audit committee size affect financial statement fraud abatement in listed Nigerian oil and gas firms;

- ii. To investigate the effect of audit committee meeting frequency on financial statement fraud abatement in listed Nigerian oil and gas firms;
- iii. To ascertain if audit committee ethnic diversity enhances financial statement fraud abatement in listed Nigerian oil and gas firms;
- iv. To evaluate the influence of audit committee gender diversity on financial statement fraud abatement in listed Nigerian oil and gas firms;
- v. To assess the extent of relationship between audit committee's competence and financial statement fraud abatement in listed Nigerian oil and gas firms;
- vi. To examine the impact of audit committee independence on financial statement fraud abatement in listed Nigerian oil and gas firms.
- vii. To determine the extent of relationship between audit committee tenure and financial statement fraud abatement in listed Nigerian oil and gas firms.

1.5 Research Hypotheses

- H₀₁: Audit committee size does not significantly affect financial statement fraud abatement in listed Nigerian oil and gas firms.
- H₀₂: Audit committee meeting frequency does not have any significant effect on financial statement fraud abatement in listed Nigerian oil and gas firms.
- H₀₃: Audit committee ethnic diversity does not significantly enhance financial statement fraud abatement in listed Nigerian oil and gas firms.
- H₀₄: Audit committee gender diversity does not have any significant influence on financial statement fraud abatement in listed Nigerian oil and gas firms.
- H₀₅: Audit committee competence does not have any significant relationship with financial statement fraud abatement in listed Nigerian oil and gas firms.
- H₀₆: Audit committee independence does not have any significant impact on financial statement fraud abatement in listed Nigerian oil and gas firms.
- H₀₇: Audit committee tenure does not have any significant relationship with financial statement fraud abatement in listed Nigerian oil and gas firms.

1.7 Scope of the Study

The present study uses nine (9) oil and gas firms listed on the floor of Nigeria exchange group (NGX) as 31st December, 2024. The study considered period 2020 to 2024 making five (5) years. By this, the aggregate observation is forty five (45).

This study considered the above period, on the grounds that year 2020 was the year that the effect of Covid-19 pandemic was globally felt. And year 2024 marks the year, most recent financial reports of listed oil and gas companies were published and made available.

2.0 LITERATURE REVIEW

This section reviews the relevant concepts, definitions, empirical literature and theoretical framework, conceptual framework among others.

2.1 Conceptual Framework

2.1.1 Concepts of Audit committee size

Audit Committee Size refers to the Number of firms' audit committee members. Number of audit committee members (Larasati & Mulyana, 2021; Rahmawati et al, 2022). The higher the amount of the audit committee, the grander insofar it comprises supplementary expertise than a smaller audit committee size (Larasati & Mulyana, 2021; Bliss, 2011). However, some investigations still opined that if they have great number, the possibility of substantial mechanism and accomplishments would be greater, even with enhanced oversights responsibilities in discovering frauds (Ilogho et al., 2022).

2.1.2 Concept of Audit committee meeting

Audit Committee Meeting referred to the frequency of audit committee meeting within one year. Number of meetings for one year (Larasati & Mulyana, 2021; Setiawan et al, 2020). The audit committee meetings serve as an official communication implement in ensuring that the management could be fostering good corporate governance, complying with the organization's code of ethics, and ensuring that the organization's procedures run in agreement with the appropriate by-laws and policies (Rahmawati et al, 2022; Pertiwi, 2019). Some academics opined that company performance may not turn out to be healthier owing to board meetings as management time is misused. More so, this may as well escalate the companies' expenditures such as traveling alongside relaxation allowances (Eluyela et al., 2018) as cited in Miao et al. (2023).

2.1.3 Concept of Audit committee competence

Audit Committee Competence refers to percentage of members of audit committee with accounting and Finance background. It means the number of audit committee members who are experts in accounting and finance divided by total number of audit committee members (Inawati et al, 2021; Setiawan et al, 2020). Audit committee competence could be measured using the proportion of audit committee members who have competency in accounting. The presence of financial and industrial professionals in the audit committee shows its efficiency. This could enhance the stockholders' confidence in the financial reports. As cited in Gathogoh et al. (2023), (Cohen et al., 2016) observed that this could in other way round affect their investments decisions favorably.

2.1.4 Concept of Audit Committee Gender Diversity

This represents proportion of the number of women in company's audit committee. Diverse psychologies and management literatures have considered the presence of gender diversity and the significant impact. A typical instance is the stylishness of leadership and communication abilities (Ilogho et al, 2022). Female members are more reliable than men. Therefore, the existence of female members on the board or committees are of lower possibility in leading to financial frauds and corporate financial manipulations (Ilogho et al, 2022; Hemmingway, 2007). Therefore, the predisposition of male members to female members engaging in fraudulent undertakings is of greater possibility than female members (Kamarudin & Ismail, 2014; Schrand & Zechman, 2012; Burgess & Tharenou, 2002). The gender compositions of an audit committee could be observed from the corporation's every twelve months reports by making references to the names and titles, such as Mr, Mrs, or Miss ((Ilogho et al, 2022).

2.1.5 Concept of Audit Committee Ethnic Diversity

Ethnicity subsists for the reason of assertions of common history, languages, race, religions, peoples ways of life, territory e.t.c. (Edewor et al., 2014). An investigation of ethnicity diversity from a very widespread board multiplicity argument suggests some concentration on the debates that ethnic diversity produces significant fundamental capabilities (Ilogho, 2022; Biggins, 1999) with distinctive data set that could be of assistance with a committee's leadership processes (Ilogho, 2022; Carter et al. 2010). The investigation, consequently, examines the influence of audit committee ethnic diversity on fraud reductions.

2.1.6 Concept of Audit Committee Independence

Audit committee independence (ACINDP) is referred to as the aggregate number of independent directors of the audit committee divided by the aggregate of audit committee members (Shamsuddin & Alshahri, 2022; Leung et al., 2014; Baccouche et al., 2013). Members are independent when their tenure as a board members is not more than five (5) years. Also, they are not ex-employees of the company or related to high-ranked executives. The next is, if they are not specialists, such as solicitors, or financial experts, and they are not engaged in a give-and-take relationship (Al-Jalahma, 2022).

2.1.7 Concept of Audit Committee Tenure

The audit tenure surrogate is measured by summing up the aggregate interval of the audit appointment era prior to the auditor passage. This surrogate is given a nomenclature 'tenure' (Darwis et al, 2022). This is the aggregate of sequential years the clientele has engaged a specific audit firm (Tyokoso et al., 2017). Audit tenure implies the audit engagements periods of the Public Accounting Firms in rendering audit services to their clienteles (Darwis et al., 2022). In addition, audit committee members who have remained in their offices for a lengthier periods are more expected to have established affiliations with the corporation's managements' teams and link their commendations efficiently (Özer & Merter, 2023). Audit tenure means the duration of appointment amongst a Public Accounting Firms (K.A.P.) with the clientele concerning their audit services contracted upon (Arista et al., 2018).

2.2 Financial Statement Fraud (FSFRAUD)

Financial statement fraud involves intentionally altering financial reports to mislead users and present a false picture of a company's financial health. It includes misrepresentations or omissions of key information (Oyedokun, 2018 as cited in Boni et al. (2023) and has been seen in major scandals like Enron and WorldCom facts (Rad et al., 2021). Such fraud is done with the intent to deceive for personal or organizational gain, often resulting in financial or reputational harm to others (Ruin, 2009 as cited in Rashid, 2022).

2.3 Theoretical Review

2.3.1 Agency Theory

Agency theory, originating from Berle and Means (1932; 1934) and developed further by scholars like Jensen and Meckling (1976) and Fama and Jensen (1983) among others. This explains the relationship between company owners (shareholders) and managers, where the latter are entrusted to act in the best interest of the former. Issues arise when managers prioritize their own interests, leading to agency problems and reduced earnings quality. The theory highlights the need for strong corporate governance and audit committees to ensure transparency and accountability. However, it is criticized for its short-term focus and narrow perspective centered solely on shareholders.

2.3.2 The Resource Dependency Theory (RDT), proposed by Pfeffer and Salancik (1978), views firms as open systems dependent on external resources. It emphasizes how organizations form alliances and expand activities to reduce uncertainty and dependence. Larger audit committees are seen as more effective due to access to diverse resources and perspectives, aiding in accurate financial reporting. However, RDT is criticized for focusing too heavily on external factors, neglecting internal capabilities, adaptability, and broader social and political contexts.

2.3.3 Auditors' Theory of Inspired Confidence, developed by the Limperg Institute (1985), asserts that auditors serve society by independently verifying financial information, thus building public trust. Auditors are expected to minimize audit failures and uphold professional integrity. However, it is criticized for implying assurance, while audit opinions are ultimately judgments, not guarantees, due to inherent limitations in auditing.

2.3.4 Signaling Theory, introduced by Michael Spence (1973), addresses information asymmetry by explaining how insiders (signalers) convey important information to outsiders (receivers) through signals, such as profits. In accounting, the board issues financial statements (signals), which investors interpret to assess firm value. The theory assumes signals can reliably transmit valuable information, even without direct ties to rewards. However, it is criticized for lacking strong empirical evidence linking changes in earnings to shifts in stock prices.

2.4 Empirical Review

Raza et al. (2023) investigated how audit tenure and the size of Public Accounting Firms (K.A.P.) affect the integrity of financial statements, with audit committees as a moderating factor, focusing on Indonesia's computer services and equipment sub-sector. Using data from seven listed firms and 35 observations analyzed through a common effects model, they found that audit tenure positively influences financial statement integrity, while the size of the accounting firm has no significant effect.

Rahmawati et al. (2022) examined the effect of audit committee effectiveness, as measured by committee size, number of meetings, and competence. It also comprises audit quality on earnings quality with firm size, leverage, and profitability as control variables. The population of their study is aggregate of manufacturing firms quoted on the Indonesian stocks Exchange from 2018- 2020. The sampling selection techniques utilized was purposive sampling. As a result, two hundred and ninety two data were collected. The outcomes of the tested hypotheses using multiple linear regression disclosed that the size of the audit committee and audit quality did have positive influence on earnings quality. However, the number of meetings and competence does not have impact on the qualities of earnings. Moreover, every control variable affects earnings quality.

Ilogho et al. (2022) examined how audit committee characteristics—size, meeting frequency, and gender and ethnic diversity—affect financial statement fraud in 30 non-financial companies listed on the Nigerian Exchange from 2013 to 2017, using the Beneish M-score model. Their regression analysis found a positive but insignificant link between audit committee size and fraud reduction, and no significant impact from meeting frequency or diversity. While companies generally met statutory audit committee requirements, the authors advocate for greater board diversity, suggesting it may yield long-term benefits despite no immediate effect.

Al-Jalahma (2022) examined how audit committee independence, size, and meeting frequency affect company performance (measured by ROE, ROA, and Tobin's Q) in 14 non-financial firms listed on the Bahrain Bourse from 2005 to 2019. The study found that greater audit committee independence and size were associated with poorer performance, while meeting frequency had no significant impact. The findings suggest shareholders may lack awareness of the importance of corporate governance, highlighting implications for managers, investors, and accountants in emerging markets.

Shamsuddin and Alshahri (2022) studied the impact of audit committee size, independence, and meeting frequency on financial performance (ROA and Tobin's Q) in 63 non-financial companies listed on Oman's Muscat

Securities Market from 2016 to 2019. Using multiple regression, they found that only audit committee independence had a significant—though negative—effect on Tobin's Q, while the other factors showed no significant impact. The results suggest that audit committee structures in Oman need strengthening to better support corporate performance and economic development.

Darwis et al. (2022) investigated how audit tenure, corporate governance structures (including institutional and managerial ownership, audit committees, and autonomous commissioners), and public accounting firm (K.A.P.) size affect the integrity of financial statements in Indonesian manufacturing firms from 2016 to 2020. Using data from 100 respondents via purposive sampling, they found that corporate governance elements and audit tenure significantly impact financial statement integrity, while K.A.P. size does not.

Meah et al. (2021) examined how audit characteristics and gender diversity affect firm performance in family and non-family businesses in Bangladesh, using data from 2013 to 2019 and applying GMM and regression analyses. For non-family firms, Big4 auditors and female directors had a significant positive impact, while frequent audit meetings had a negative effect; audit committee size and independence were insignificant. In contrast, for family firms, audit committee size and independence negatively impacted performance, while other variables were insignificant. The study highlights the need for improved corporate governance in family businesses.

Ambiyo (2020) examined Effect of Audit Committee Characteristics on Frauds detection and prevention and it is based on County Government in Western Region. The primary objective of his work is to determine effect of audit committee characteristics on frauds detection and prevention. The study considered four (4) independent variables: audit committee composition, audit committee independence, audit committee meetings and audit committee expertise. He employed descriptive surveying design. This implies that the study used primary data collections and questionnaire. The population of his study is the seven nations in Kenyan Western region. The theories employed are agency, stakeholders' and fraud triangle. The sample size was obtained from each department of the above number of population which aggregate amount to 49 respondents. Forty eight (98%) were returned. The software applied for the analyses was S.P.S.S. The results demonstrate that the autonomous variables have strong connections with dependent variable (Frauds detection and prevention): portending that audit committee composition, audit committee independence and audit committee expertise reveal a substantial positive effect on frauds detection and prevention. Similarly, audit committee meetings demonstrates insignificant positive effect on frauds detection and prevention. The study makes recommendations that there ought to be audit committee with gender diversity composition, audit committee that has enjoys independence and audit committee that has expertise in order to aid frauds detection and prevention. Overall, audit committee characteristics can be of much significance to frauds detection and prevention.

Tyokoso et al. (2017) did examine 'Effect of Audit Quality on Performance of Deposit Money Banks (D.M.Bs) In Nigeria'. Secondary data extracted from annual report and accounts of 8 D.M.Bs were examined employing panel multiple regression techniques. Outcomes of Hausman specification tests proposed that the Ordinary Least Square (O.L.S.) regression results were utmost suitable for the datasets. The regression outcomes evidenced that auditors' tenures have significant positive impact on Tobin's Q of Nigerian D.M.Bs. Contrarily, clients' importance does not reveal any significant negative associations with Tobin's Q. Whereas audit firm's size with auditor specializations correspondingly evidenced insignificant positive and negative effect on Tobins Q of D.M.Bs in Nigeria. Relying on the results, their work recommends amongst others that auditors' tenure of three years and beyond for corporations in Nigeria for proficiency of increasing the performance of Nigerian D.M.Bs.

2.5 Gaps in the Literature

The reviewed literature reveals general agreement on proxies for audit committee characteristics but no consensus on audit committee tenure duration or standardized statistical analysis methods. The current study distinguishes

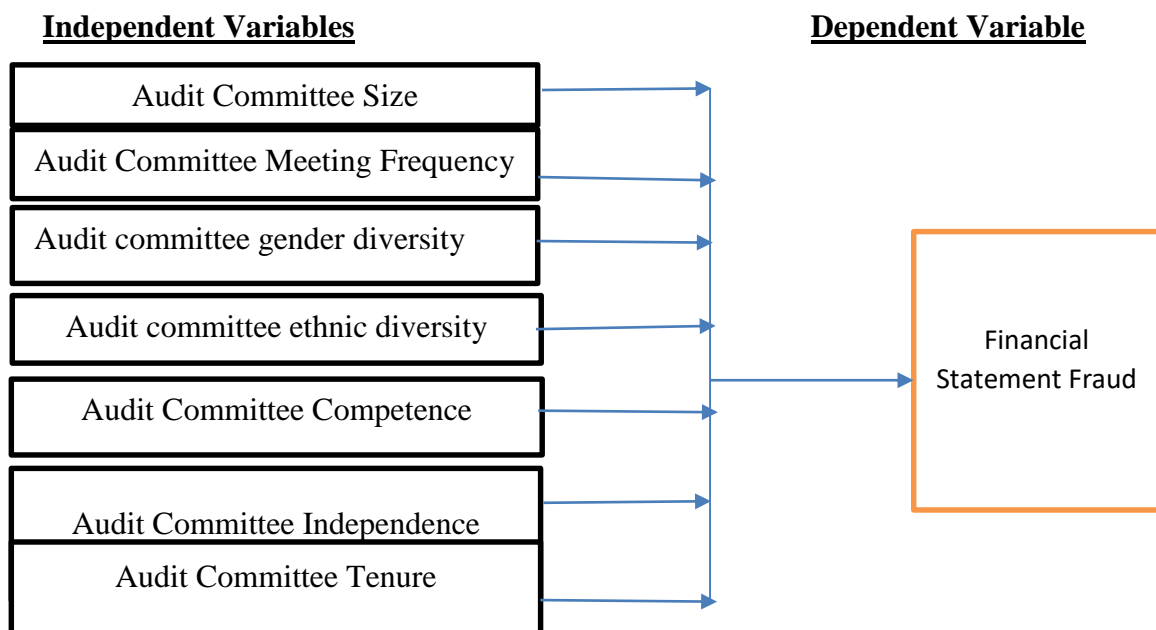
itself by using seven widely recognized audit committee proxies, more than most prior studies, and adopts a three-year tenure period commonly used in past research. It recommends that policymakers establish a statutory tenure. For analysis, the study employs five robust statistical techniques, including descriptive statistics, correlation matrix, multiple regression, multicollinearity testing, and model summary to assess model fitness and significance.

2.6 Conceptual Model

Building on Mwangangi (2018), the study defines a conceptual framework as a visual model outlining the relationships between study variables. It helps identify expected interactions. This particular study examines how audit committee qualities influence the reduction of financial statement fraud in listed Nigerian oil and gas companies.

The conceptual model for this study is based on the variables shown in Figure 2.6.1 below:

Figure 2.6.1 Model of the Study



Source: Modified Model from the work of Ambiyi (2020).

The conceptual model illustrates the relationship between financial statement fraud (measured by the M-Score) and seven audit committee qualities in listed Nigerian oil and gas firms: size, meeting frequency, gender diversity, ethnic diversity, competence, independence, and tenure. These variables are measured based on established literature.

Whereas the work of Ambiyi (2020) centered on effect of Audit Committee Characteristics on Frauds detection and prevention and it is based on County Government in Western Region. The study considered four (4) independent variables: audit committee composition, audit committee independence, audit committee meetings and audit committee expertise. The present study investigated Audit committee qualities and financial statement fraud abatement in listed Nigerian oil and gas firms. By adapting the Ambiyi (2020)'s model, the present study made modifications by including additional three (3) variables (Audit Committee Size, Audit committee ethnic diversity, Audit Committee Tenure) making it up to seven (7) variables which is already a contribution to existing knowledge.

2.7 Theoretical Framework

The study identifies agency theory as the underpinning theory, emphasizing that it explains the relationship between company owners and managers. It highlights the importance of corporate governance, particularly the audit committee's role in ensuring high-quality financial statements through oversight.

3.0 Methodology

This chapter expounds on the key research items and tools utilized in this study such as research design, population of the study, sample size, method of data collection, data analysis techniques, model specification amongst others.

3.1 Research Design

The present study employs ex-post facto research design. This is on the grounds that the said data collected for the respective variables are already available on the firms' annual reports and accounts or financial statements.

3.2 Population of the study

The population of this study comprises of the nine (9) listed oil and gas firms on NGX 31st December, NBS (January 5, 2022); These listed firms are Capital, Conoil, Eterna, Japaul Gold & Ventures Plc., MRS Oil Nigeria Plc., Oando Plc., Rakunity, Seplat Energy Plc. and Total Energies Marketing Nigerian Plc.

3.2 Sample size and Design

The sample size of nine (9) firms which is also the population was fully utilized because the entire population is small in size. The oil and gas firms that make this sample size are the same Conoil, Eterna, Japaul Gold & Ventures Plc., MRS Oil Nigeria Plc., Oando Plc., Rakunity, Seplat Energy Plc. and Total Energies Nigerian Plc.

3.3 Methods of Data Collection

The study employed secondary sources of obtaining data. The employed data were collected from the twelve monthly reports of the listed O & G, NGX and NBS. The data gathered covered the period of 2020 to 2024 (5 years). The secondary source was considered appropriate insofar the required data are already available on the annual reports and accounts of the investigated firms. It is also on basis that the ex-post- facto was used as the research design.

The five-year period used in the study is considered statistically reasonable for applying the Beneish model, as supported by prior research. The timeframe spans from 2020. This was the year the effect of Covid-19 pandemic was globally felt. And year 2024 marks the year, most recent financial reports of listed oil and gas companies were published and made available.

3.4 Techniques of Data Analysis

The study employed various statistical techniques using SPSS version 27, including descriptive statistics (e.g., mean, standard deviation, skewness, kurtosis), correlation analysis, multiple regression, and multicollinearity tests using the variance inflation factor (VIF).

The studied variables comprise of one (1) dependent variable and seven (7) independent variables. The dependent variable is financial statement fraud (FSFRAUD) while the independent variables are: Audit Committee Size (ACSIZE), Audit Committee Meeting Frequency (ACMTNF), Audit committee gender diversity (ACGEND), Audit committee ethnic diversity (ACETHD), Audit Committee Competence (ACOMPT), Audit Committee Independence (ACINDP), and Audit Committee Tenure (ACTENU) correspondingly.

3.6 Model Specification

The study adapted the following model from the work of Ambiyó (2020):

$$Y = \beta_0 + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + \beta_4 X_4 + \mu_i \dots \dots \dots (i)$$

$$FDAP = \beta_0 + \beta_1 ACCOMP_{it} + \beta_2 ACINDP_{it} + \beta_3 ACCMTN_{it} + \beta_4 ACEXPT_{it} + \mu_i \dots \dots \dots (ii)$$

The above model is modified below as:

$$FSFRAUD = \beta_0 + \beta_1 ACSIZE_{it} + \beta_2 ACMTNF_{it} + \beta_3 ACGEND + \beta_4 ACETHD_{it} + \beta_5 ACOMPT_{it} + \beta_6 ACIP + \beta_7 ATENU_{it} + \mu_i \dots \dots \dots (iii)$$

Where:

- FSFRAUD = Financial statement fraud; ACSIZE= audit committee size
- ACMTNF= audit committee meeting frequency; ACGEND= audit committee gender diversity
- ACETHD= Audit Committee Ethnic Diversity; ACOMPT= audit committee’s competence
- ACINDP= Audit committee independence; ACTENU= audit committee tenure
- β_0 = constant; $\beta_1 \dots \beta_7$ = coefficients of the independent variables; i =Firm; t = Year or period.
- μ = Error term.

Financial statement fraud was measured using the eight variables in the Beneish model which are: Sales Growth Index (SGI), Days in Sales Receivable Index (DSRI), Asset Quality Index (AQI), Depreciation Index (DI), Gross Margin Index (GMI), Leverage Index (LI), Total Accruals to Total Assets (TATA) as well as Sales, General and Administrative Expense Index (SGAI) (Ofori, 2016).

However, the aggregate M-score formula = $-4.84 + 0.92 DSRI + 0.528 GMI + 0.404 AQI + 0.892 SGI + 0.115 DEPI - 0.172 SGAI + 4.679 TATA - 0.327 LVGI$ (Beneish, 1999).

Table 3:3 Operational Definition of Variables and Measurement

S/N	Variables	Variables Definition	Measurement	Author(s) & year
1	Financial statement fraud	Beneish Model	Measured using Sales Growth Index (SGI), Days in Sales Receivable Index (DSRI), Asset Quality Index (A.Q.I.), Depreciation Index (DI), Gross Margin Index (G.M.I.), Leverage Index (L.I.), Total Accrual to Total Asset (T.A.T.A.) and Sales, General and Administrative Expenses Index (S.G.A.I.).	Roshayani et al. (2015); Ilogho et al. (2022).
2	Audit Committee Size (A.C.S.I.Z.E.)	Number of companies’ audit committee members	Number of audit committee members	(Larasati & Mulyana, 2021; Sun et al., 2014)
3	Audit Committee Meetings Frequency (ACMTNF)	Frequency of audit committee meetings in twelve months.	Number of meetings for one year	(Larasati & Mulyana, 2021; Setiawan et al, 2020)
4	Audit committee gender diversity	Gender composition of the Audit Committee	The Ratio of the aggregate of female colleagues to male	(Ilogho et al., 2022; Thiruvadi, 2012)

	(ACGEND)		committee members.	
5	Audit committee ethnic diversity (ACETHD)	The ethnic composition of the Audit committee	Level of the variance of ethnic composition amongst committee individuals. Dummy variables: '1' if the audit committee involves a member whose ethnic group is outside the three main ethnic groups of Nigeria, '0' if otherwise.	(Ilogho et al.,2022; Maliah et al, 2013)
6	Audit Committee Competence (ACOMPT)	Percentage of member of audit committee with accounting and Finance background	Number of audit committee members who are experts in accounting and finance /Aggregate number of audit committee memberships	(Inawati et al, 2021; Setiawan et al, 2020).
7	Audit Committee Independence (ACINDP)	Members are independent if their tenure as a board member does not exceed five years, they are not ex-employees of the firm or connected to high-ranking managements, they are not professionals, solicitors, or financial consultants, & they are not involved in any reciprocal interlocks	The ratio of independent (non-executive) directors in the audit committee to total committee members.	(Al-Jalahma, 2022; Yameen et al., 2019; Ben Barka & Legendre, 2017).
8	Audit Committee Tenure (ACTENU)	Number of uninterrupted years the clientele engaged a specific audit organization.	Dummy variables 1 for three and above years and '0' if not.	Tyokoso et al. (2017); Darwis et al. (2022).

Source: Various Definitions by Authors

4.0 DATA PRESENTATION AND ANALYSIS

The basic purposes of this chapter are logical presentation of data, analysis of the studied variables and interpretations of each. This study made use of linear multiple regression which serves as the basis for the testing of the formulated null hypotheses.

4.1 Descriptive Statistics of the Variables

The table 4:1 below reveals the descriptive statistics of both the dependent and independent variables in this study work.

Table 4.1: Descriptive Statistics

Variables	N	Min	Maxi	Mean	Std.Dev.	Skewness	Kurtosis
MSCORE	45	0.00	1.00	0.6889	0.46818	-0.844	-1.349
ACSIZE	45	0.00	8.00	4.8889	2.03629	-1.364	1.587
ACMTNF	45	0.00	6.00	3.4667	1.75292	-1.161	0.395
ACGEND	45	0.00	0.67	0.1573	0.17232	1.098	1.462
ACETHD	45	0.00	1.00	0.4671	0.48300	0.136	-1.980

ACOMPT	45	0.00	1.00	0.1936	0.19189	3.365	13.232
ACINDP	45	0.00	1.00	0.2889	0.45837	0.964	-1.123
ACTENU	45	0.00	1.00	0.8222	0.38665	-1.744	1.089

Source: SPSS version 27 Results (2024).

Based on the results from the above table, it is obvious that the total number of observations is 45 (which is nine listed oil and gas firms studied with scope of five years each). The minimum value for MSCORE is 0.0000, while maximum value stands at 1.00. The average value is 0.6889. Its standard deviation is 0.46818, while that of its Skewness and Kurtosis reveal negative value of -0.844 and -1.349.

As for audit committee size (ACSIZE), it reveals minimum value of 0.00, maximum value of 8.00, whereas the average number of audit committee members is 4.8889 (approximately 5 members on average) and standard deviation as a measure of dispersion shows 2.04. Skewness displays negative value of -1.364 while Kurtosis reveals positive value of 1.587 suggesting leptokurtic and pointy.

Audit committee meeting frequency (ACMTNF) displays 0.00 as minimum value, maximum value of 8.00 which implies that the highest number of times the audit committees of listed oil and gas meet in a year is six (6) times, while the average number of times they meet is about four (4) times approximately as revealed by the figure 3.4667. The level of dispersion is about 2 with the value 1.75292 approximated. The levels of skewness and kurtosis resulted to negative and positive values of -1.161 and 0.395.

The descriptive statistics table above also reveals minimum, maximum, average values of 0.00; 0.67; 0.15673 on audit committee gender diversity (ACGEND) and standard deviation (0.17232). Skewness and kurtosis are 1.098 and 1.462 respectively (all positive values) implying that the data are positively and highly skewed, and leptokurtic (pointy and narrow).

Whereas table 4.1 shows that audit committee ethnic diversity (ACETHD) has the minimum value of 0.00, maximum value of 1.00, average value of approximately 47%; the standard deviation implies that the level of dispersion is just below 50%. The skewness is 0.136 depicting that the data positively skewed, while kurtosis reveals -1.980 interpreted as platykurtic.

Another autonomous variable revealed in the table 4.1 is Audit Committee Competence (ACOMPT) which depicts minimum value 0.00, maximum of 1.00, average of 0.1936, standard deviation of 0.19189 revealing the extent of dispersion and diversion. The skewness of this predictor is positive and it suggests that the data are moderately skewed as evidenced with the skewness value of 3.365. In the similar vein, the kurtosis also has a very high positive value of 13.232 positing that the kurtosis is pointy and leptokurtic.

Audit Committee Independence (ACINDP) has the minimum value of 0.00, maximum value of 1.00, average value of approximately 29% independence; the standard deviation infers that the level of dispersion is just less than 50%. The skewness is positive with the value of 0.964 portraying that the data are positively and moderately skewed, while kurtosis reveals -1.123 interpreted as platykurtic.

The Audit Committee Tenure (ACTENU)'s minimum value is 0.00, maximum value is 1.00, average value is approximately 82%; whereas the standard deviation approximately 39. The skewness is negative with the value of -1.744 interpreting that the data are negatively skewed, while the kurtosis reveals 1.089 which is construed leptokurtic. Since it falls between -2 and +2, it is considerably accepted so as to substantiate the normal univariate distributions.

4.3. Multiple Regression Results

Table: 4.3.1 Multiple Regression Results

MSCORE	Coeff.	Std. Error	T-value	P-value
ACSIZE	-0.047	0.031	-1.507	0.140
ACMTNF	0.111	0.052	2.117	0.041
ACGEND	-1.268	0.392	-3.233	0.003
ACETHD	0.317	0.121	2.631	0.012
ACOMPT	-0.213	0.327	-0.653	0.518

ACINDP	0.717	0.153	4.675	0.000
ACTENU	-0.747	0.183	-4.090	0.000
(Constant)	1.031	0.156	6.608	0.000

Source: SPSS version 27 Results (2024).

Table 4.4.1 Multiple Regression Results, reveals the extents of relationships between the dependent variable, financial statement fraud (MSCORE) and other independent variables. Whereas ACSIZE insignificant and positively affect MSCORE as evidenced with the p-value of 0.140, its coefficient value is negative with -0.047, while the t-value stands at -1.507.

On the contrary, the association between ACMTNF and MSCORE is a significant positive (0.041) relationship at 5% level. The coefficient value which reveals the strength of the association is positive at 0.111 while the t-value is 2.117. This implies that for every single increase in the frequency of audit committee meeting there would be a positive increase by 0.11 in improving financial statement fraud abatement.

However, ACGEND associates significantly, but negative with MSCORE at 5% significant level (0.003) with coefficient value of -1.268 and t-value of -3.233. The implication is that for every increase in the proportion of gender diversity, there would be a corresponding decrease in the effectiveness of financial statement fraud abatement. That means that any upward movement in audit committee gender diversity can lead to a corresponding downward movement in financial statement fraud abatement.

ACETHD has a significant positive influence on FSFRAUD abatement represented by MSCORE. This is proved by the p-value of 0.012 and the positive coefficient of 0.317. The t-value is also a positive value (2.631). This justifies the fact that if there is any unit increase in ethnic diversity of audit committee, there is impliedly a corresponding positive increase in financial statement fraud abatement by 0.317.

As for ACOMPT, it reveals insignificant negative relationship with MSCORE. This fact is evidenced in the table 4.4.1 which reveals p-value of 0.518; negative coefficient value of -0.213, while t-value still shows negative value, -0.653.

ACINDP does significantly impact MSCORE positively. The p-value is less than 5% (0.000) while the coefficient reveals positive value (0.717). The value of 'T' is also positive (4.675). The interpretation is that any unit increase in audit committee independence leads to a corresponding increase in financial statement fraud abatement.

ACTENU has significant negative relationship with MSCORE. From table 4.4.1, it is revealed that the p-value is less than 5% (0.000) which according to the rule of thumb is significant. The coefficient value and sign showing the nature and strength of this relationship has a negative value of -0.747 alongside negative t-value of -4.090. The implication is that an increase in audit committee would lead to decrease in financial statement fraud abatement.

4.4 Test of Hypotheses: The formulated hypotheses are tested for decision as below:

4.4.1 Test of Hypotheses

Hypotheses	Coeff.	P-value	Decision
Ho1: Audit committee size does not significantly affect financial statement fraud abatement in listed O & G firms.	-0.047	0.140	Accept
Ho2: Audit committee meeting frequency does not have any significant effect on financial statement fraud abatement in listed Nigerian O & G firms.	0.111	0.041	Reject
Ho3: Audit committee ethnic diversity does not significantly enhance financial statement fraud abatement in listed Nigerian O & G firms.	-1.268	0.003	Reject
Ho4: Audit committee gender diversity does not have any significant influence on financial statement fraud abatement in listed Nigerian O & G firms.	0.317	0.012	Reject
Ho5: Audit committee competence does not have any significant relationship with financial statement fraud	-0.213	0.518	Accept

abatement in listed Nigerian O & G firms.			
Ho6: Audit committee independence does not have any significant impact on financial statement fraud abatement in listed Nigerian oil and gas firms.	0.717	0.000	Reject
Ho7: Audit committee tenure does not have any significant relationship on financial statement fraud abatement in listed Nigerian O & G firms.	-0.747	0.000	Reject

Table 4.5.1 above reveals that the study tested seven null hypotheses regarding the influence of various audit committee characteristics on financial statement fraud abatement in listed Nigerian oil and gas firms. Using a 5% significance level ($p < 0.05$) for decision taking, the following outcomes were found:

Ho1: Audit committee size has no significant effect; Ho5: Audit committee competence has no significant effect. The above were accepted because they show no significant effect

However, the study rejected the following because: Ho2: Audit committee meeting frequency does have a significant effect; Ho3: Audit committee ethnic diversity significantly enhances fraud abatement; Ho4: Audit committee gender diversity has a significant influence; Ho6: Audit committee independence has a significant impact; Ho7: Audit committee tenure has a significant relationship.

In summary, five of the seven audit committee characteristics examined were found to significantly affect fraud abatement in Nigerian oil and gas firms.

Table 4.5.1: Model Summary

Model	R	R ²	Adj.R ²	P>F	Durbin-Watson
1	0.748	0.559	0.476	0.000	1.540

Source: SPSS version 27 Results (2024).

The table 4.6.1: model summary reveals some relevant and key status of the study model. These are among others: R, adjusted R-square, p-value and Durbin-Watson. The model's R² is 55.9% which states the extent to which the predictors give explanation of the dependent variable.

The p-value (P>F) which is equal to 0.000 evidences that this study's model is fit for interpretation. It also portends that it is significant at 5% level.

Furthermore, Durbin-Watson's value of less than or equal to 2.0 portends a good model statistical fit. Here, the Durbin-Watson's value is 1.540 which is less than 2.0.

4.6 Collinearity Diagnostic test

This test is conducted by employing variance inflation factor (VIF). The underlying purpose is examine if there is existence of multicollinearity problems among the studied variables.

Table 4.6.1: Multicollinearity Test Results

Variable	Tolerance	VIF
ACMTNF	0.309	3.239
ACTENU	0.523	1.911
ACINDP	0.529	1.891
ACGENG	0.572	1.749
ACSIZE	0.661	1.513
ACOMPT	0.663	1.507

ACETHD	0.771	1.297
Mean VIF		1.87

Source: SPSS version 27 Results (2024).

The table 4.7.1 above reveals the overall results of the VIF statuses of the seven (7) independent variables alongside their tolerance (calculated using $1/VIF$) values. The average value of VIF is 1.87 which is below 2.0. This implies that there is no multicollinearity problem (Ibrahim & Ademu, 2021; Anas et al., 2018; Gujarati, 2009). This rule of thumb is also confirmed by the Durbin-Watson's value above.

Another supporting claim to the above paragraph why the above result is good is that each variable's tolerant value ought to be above 0.2 (Ibrahim & Ademu, 2021; Anas et al.2018; Gujarati, 2009). As could be observed in table 4.7.1, the tolerant column reveals tolerant variables values: 0.309, 0.523, 0.529, 0.572, 0.661, 0.663 and 0.771. These scores meet up with the criteria since all the values are greater than 0.2. Overall, there is absence of multicollinearity problem.

4.7 Discussion of Findings

This section explains the outcomes of the findings objectively. It describes the extent to which the research objectives are met. It also measures and compares the study's results with other past studies.

4.7.1: Result of Objective 1: Examination of the extent to which audit committee size affect financial statement fraud abatement in listed Nigerian oil and gas firms.

In line with research objective (1) which is to examine the extent to which audit committee size affect financial statement fraud abatement in listed Nigerian oil and gas firms. The finding reveals that ACSIZE insignificantly and negatively affects MSCORE as evidenced with the p-value of 0.140, while its coefficient value is negative with -0.047, the t-value also produced negative value of -1.507. This result is in concurrent with Ilogho et al. (2022); Asiriwa (2018) whose studies found negative effect of ACSIZE on FSFRAUD. However, it is not in tandem with Ayemere and Elijah (2015) whose study identified positive effect of ACSIZE on FSFRAUD.

4.7.2: Result of Objective 2: Investigation of the effect of audit committee meeting frequency on financial statement fraud abatement in listed Nigerian oil and gas firms.

In line with research objective (2) which is to investigate the effect of audit committee meeting frequency on financial statement fraud abatement in listed Nigerian oil and gas firms. The effect of ACMTNF on MSCORE is a significant positive (0.041) effect at 5% level. The coefficient value which reveals the strength of the association is positive at 0.111 while the t-value is 2.117. This implies that for every single increase in the frequency of audit committee meeting there would be a positive increase of 0.11 in improving financial statement fraud abatement. The outcome of this study agreed with Ambiyo (2020); Ayemere and Elijah (2015) and Chigwena (2015) who found positive effect of ACMTNF on FSFRAUD. This is in disparity with Ilogho et al. (2022) whose outcome discovered negative effect of ACMTNF on FSFRAUD.

4.7.3: Result of Objective 3: Ascertaining the extent to which audit committee ethnic diversity enhances financial statement fraud abatement in listed Nigerian oil and gas firms.

In line with research objective (3) which is to ascertain if audit committee ethnic diversity enhances financial statement fraud abatement in listed Nigerian oil and gas firms. ACGEND associates significantly, but negatively with MSCORE at 5% significant level (0.003) with coefficient value of -1.268 and t-value of -3.233. The implication is that for every increase in the proportion of gender diversity, there would be a corresponding decrease in the effectiveness of financial statement fraud abatement. That means that any upward movement in audit committee gender diversity can lead to a corresponding downward movement in financial statement fraud abatement. This study's outcome underpins Ilogho et al. (2022) whose outcome discovered negative effect of ACGEND on FSFRAUD, but in incongruence with Meah et al. (2021); Einer and Soderqvist (2016); Ambiyo (2020) whose studies outcomes discovered positive effect of ACGEND on FSFRAUD.

4.7.4: Result of Objective 4: Evaluation of the influence of audit committee gender diversity on financial statement fraud abatement in listed Nigerian oil and gas firms.

In agreement with research objective 4, the study found that audit committee ethnic diversity (ACETHD) has a significant positive effect on financial statement fraud abatement (MSCORE), with a p-value of 0.012, a positive coefficient of 0.317, and a t-value of 2.631—indicating that greater ethnic diversity in the audit committee enhances fraud abatement. This result supports Nwangi et al. (2017) whose investigation revealed that ACETHD positively influences FSFRAUD abatement, whereas Maliah et al. (2013) found a contrary outcome.

4.7.5: Result of Objective 5: Assessment of the extent of relationship between audit committee's competence and financial statement fraud abatement in listed Nigerian oil and gas firms.

In line with research objective (5) which is to assess the extent of relationship between audit committee's competence and financial statement fraud abatement in listed Nigerian oil and gas firms; the statistical outcomes reveal that ACOMPT has insignificant negative relationship with MSCORE. This fact is evidenced in the table 4.4.1 which reveals p-value of 0.518; negative coefficient value of -0.213, while t-value still shows negative value, -0.653. This research outcome identifies with Lestari and Cahyati (2017); Sarawana and Destriana (2015) whose research works exposed negative relationship between ACOMPT and FSFRAUD abatement, while it contradicts Rahmawati et al. (2022); Inawati et al. (2021); Tang and Shandy (2021); Permatalia and Haryono (2021); Ambiyu (2020) whose works found positive relationship between ACOMPT and FSFRAUD abatement.

4.7.6: Result of Objective 6: Examination of the impact of audit committee independence on financial statement fraud abatement in listed Nigerian oil and gas firms.

In line with research objective 6, the study found that audit committee independence (ACINDP) positively impacts financial statement fraud abatement (MSCORE), with a p-value of 0.000, a positive coefficient of 0.717, and a positive t-value of 4.675. This means that an increase in audit committee independence leads to a corresponding increase in fraud abatement. The outcome of this research objective corroborates Al-Jalahma (2022); Ambiyu (2020), but in disparity with Shamsuddin and Alshahri (2022) who found negative impact of ACINDP on FSFRAUD abatement.

4.7.7: Result of Objective 7: Determination of the extent of relationship between audit committee tenure and financial statement fraud abatement in listed Nigerian oil and gas firms.

In line with research objective 7, the study found a significant negative relationship between audit committee tenure (ACTENU) and financial statement fraud abatement (MSCORE), with a p-value of 0.000 and a negative coefficient of -0.747. This implies that longer audit committee tenure is associated with reduced effectiveness in curbing financial statement fraud. This result substantiates Raza et al. (2023); Amrulloh et al. (2016); AndSelvianna and Wenny (2021) whose investigation outcomes reveal negative relationship between ACTENU and FSFRAUD abatement. It is not in concomitant with Tyokoso et al. (2017) whose study identified positive relationship between ACTENU and FSFRAUD abatement.

5.1 Conclusion

This study examined the relationship between audit committee qualities and financial statement fraud reduction in nine Nigerian oil and gas firms listed in 2024, using data from 2020–2024. It analyzed one dependent variable (financial statement fraud, measured by MSCORE) and seven independent variables through correlation, multiple regression, and variance inflation factor analyses

The analysis showed that three of the seven variables significantly reduce financial statement fraud, two have a significant but negative impact, and the remaining two have an insignificant negative effect. The study concludes that audit committee qualities have a significant relationship with financial statement fraud reduction in Nigerian oil and gas firms, as most independent variables showed significant influence, leading to related recommendations.

5.2 Recommendations

Based on the findings, the study recommends actions to internal and external stakeholders—including shareholders, management, staff, policymakers, and all levels of government—to strengthen the link between audit committee qualities and the reduction of financial statement fraud.

1. Audit committee size should be enhanced to the statutory requirement in order to boost its influence on financial statement fraud abatement.
2. Audit committee meeting frequency ought to be upheld since number of times the committee meets every year reveals significance positive effect.
3. Audit committee gender diversity should not be the yardstick to enhance financial statement fraud abatement. Rather, the companies should base more on audit committee competence other than gender especially as the latter reveals significant negative influence.
4. Audit committee ethnic diversity has to be encouraged on the grounds that it significantly enhance financial statement fraud abatement.
5. Enhancing audit committee competence by increasing members with accounting or finance expertise, as this variable showed an insignificant negative impact on reducing financial statement fraud.
6. Audit committee independence should be upheld. This is so because this variable significantly and positively impacts on financial statement fraud abatement.
7. The study advises against extending audit committee tenure, as longer tenure may compromise integrity and hinder fraud reduction, supported by the finding of a significant negative relationship between tenure and financial statement fraud abatement.

5.3 Contribution to Knowledge

The study examined seven audit committee qualities as independent variables affecting financial statement fraud abatement (measured by MSCORE) in nine Nigerian oil and gas firms over five years, totaling 45 observations. This study has contributed to the existing literature in this area of research because there has been paucity of it especially in oil and gas. Also, very few studies have used up to seven autonomous variables ‘at a go’ as applied here.

5.4 Limitation of the study

The study faced several constraints, including limitations of the Beneish model—such as its reliance on public company data, focus on overstated earnings, dependence on historical trends, and inability to account for external influences or uncover root causes of financial changes. Data collection was also challenging due to incomplete online access to company reports, requiring visits to the NGX office. The study scope was limited by time, preventing expansion to other sectors or a longer timeframe. Additional challenges included poor internet connectivity, power outages, and the high cost of accessing premium academic journals, although quality open-access sources were used to maintain the study’s credibility.

5.5 Suggestions for Future Studies

This study explored audit committee qualities and financial statement fraud abatement in nine Nigerian oil and gas firms over five years, using seven independent variables and one dependent variable. It recommends that future research extend the timeframe to ten years, include other sectors, and apply diverse analytical techniques with proper justification.

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