



**ISSN Online: 2616-4965**



## **Audit Committee Characteristics and Fraudulent Financial Reporting**

**Bethsheba Kwamboka Nyamumbo**

**ISSN: 2616-4965**

# Audit Committee Characteristics and Fraudulent Financial Reporting

Bethsheba Kwamboka Nyamumbo

*How to cite this article;* Nyamumbo, B. K. (2024). Audit Committee Characteristics and Fraudulent Financial Reporting. *Journal of Finance and Accounting*, 8(8), 74-86. <https://doi.org/10.53819/81018102t7026>

## Abstract

Prior research has shown that audit committee characteristics influence the incidence of financial statement fraud in both developed and emerging economies. To explore this relationship in a developing region, this study analyzed a sample of 672 firm-year observations from 56 firms listed in East African Community member countries over the period 2012–2023. Logistic regression analysis was employed to test the hypotheses using panel data, and ordinary least squares (OLS) were used to validate the baseline regression results. The findings reveal that both audit committee size and meeting frequency are positively associated with the likelihood of financial statement fraud (FSR). Conversely, audit committee gender diversity and financial expertise are negatively associated with FSR. In other words, greater financial expertise and higher female representation on the audit committee are associated with a reduced likelihood of FSR. These insights may guide regulators in enhancing corporate governance codes, particularly those related to audit committee characteristics.

**Keyword:** *Audit committee, financial statements fraud, East Africa*

## 1.0 Introduction

The management company's repeated instances of financial fraud have exposed its financial reporting to the public. The WorldCom accounting scandals had a detrimental effect on the confidence of regulators in financial statements. The accounting scandals that took place at US firms like as Sunbeam, Cendant, Waste Management, WorldCom, and Enron, as well as Comrade in Germany. Enron's energy-generated to involve with Arthur Andersen's Accounting and Tax Consulting was committed to financial statements fraud of USD600,000,000 profits amid the Company's in default performance. The primary cause of these crises, such as the Cullinan controversy in 2004, is earnings management. This approach hinders the economic development of the country and reduces investment from both domestic and foreign investors. In addition, firms strive to generate profits in order to ensure the long-term viability of their operations. Real earnings management is a strategic approach that deviates from the typical practices employed by managers to mislead shareholders.

Financial statements are a result of the accounting process that provide stakeholders with information about the company's performance and financial status, which aids in their decision-making regarding the economy. The corporation publishes financial statements to facilitate both internal and external communication and to fulfill its management responsibilities. Varying

<https://doi.org/10.53819/81018102t7026>

interests between partners, such as the distinction between management acting as an agent and management acting as the principal according to Jensen & Meckling's (1976) agency theory, can result in the occurrence of financial statement fraud. This enables management to obscure information that the principle is unaware of, hence resulting in fraudulent activities.

Financial statement fraud, as defined by the Association of Certified Fraud Examiners (ACFE, 2022), is an intentional act that violates legal regulations. It involves the manipulation and distribution of misleading reports to external entities in order to obtain personal or collective benefits. Fraudulent financial reporting can occur through purposeful falsification, manipulation, or modification of data in accounting records or supporting documents. Falsified financial statements can erode the credibility of financial statements as a tool for assessing a company's future potential, resulting in a loss of public confidence (Omar et al., 2017).

Several high-profile scandals over the past three decades, starting with Enron and including the 2008 financial crisis and recent cases like Carillion, have increased attention on corporate governance. This attention is aimed at protecting shareholders, with a particular focus on the structure of audit committees (Ghafran & O'Sullivan, 2017). Research has shown that boards of directors and their committees have an impact on financial misconduct. Board committees are acknowledged as critical for the implementation of a more robust corporate governance oversight (Agyemang-Mintah & Schadewitz, 2019; Yu & Wang, 2018). The main role of the audit committee is to protect the shareholders' interests by overseeing the company's financial reporting. Hence, if the FRC finds it necessary to publicly announce investigations into a corporation, it could be seen as a sign that the audit committee has not adequately fulfilled its monitoring duties. It is crucial to thoroughly analyze the makeup and inclusivity of the audit committee because of several critical issues.

The audit committee, which operates as a sub-committee of the board, primarily acts as an efficient method to ensure corporate governance in corporations. Audit committees are subordinate committees within the Governing Body that have the responsibility of establishing audit arrangements. Additionally, they serve as a sub-committee of the Board. The audit committee is tasked with performing a comprehensive evaluation of the annual financial reports prior to submitting them to the board of directors. The committees act as a mediator between auditors and the boards of directors. Their responsibilities may involve assessing the auditor's selection, the thoroughness and results of the audit, internal financial controls, and the financial facts of the publishing. Audit committees have a vital responsibility in supervising the company's management to safeguard the interests of the owners. Consequently, the existence of the audit committee enhanced investors' trust in the stock market. The EAC corporate governance code provides specific information on audit committees, including the frequency and scale of their meetings, their financial and accounting proficiency, and their assessment of the external auditor's involvement in financial reporting and oversight of financial reporting areas and internal controls. In recent decades, the business climate in the East African Community (EAC) has been hostile for potential investors. Scams, frauds, and malpractices have significantly affected the performance of companies listed in the East African Community (EAC) and have breached the trust of EAC investors. Specifically, within the last decade, a significant number of companies listed on the NSE have been subjected to receivership.

<https://doi.org/10.53819/81018102t7026>

Although audit committees are universally acknowledged as a crucial aspect of corporate governance standards globally, there is less empirical research on how particular attributes of audit committees can help avoid or mitigate corporate fraud or scandals (Al Farooque et al., 2020; Al-ahdal & Hashim, 2022; McLaughlin et al., 2021; Akyol, 2020). Therefore, this study aims to fill the void in the existing literature on financial reporting quality and corporate governance by investigating the link between the characteristics of audit committees and the probability of financial reporting fraud in the EAC, a region that is still in the process of development. We contribute to the current body of research on audit committees and their impact on the probability of corporate fraud or scandal by investigating how business size influences this relationship. By analyzing this data, we discover that certain attributes of the audit committee reduce the likelihood of corporate fraud, scandals, and punishments. We utilize the F-SCORE method to assess the probability of fraudulent financial statements for the period from 2012 to 2023. We have discovered that both the size of the audit committee and the frequency of their meetings are positively related with the probability of a company financial reporting scandal occurring. We have also discovered an inverse link between the financial expertise of the audit committee and the occurrence of business scandals in the sample. In addition, our study contributes to the existing body of research by demonstrating that the efficiency of audit committees in preventing fraudulent financial reporting is influenced by the size of the organization. Subsequently, the rest of the paper proceeds in the following manner. Section 2 focuses on the examination of existing literature and the development of hypotheses. Section 3 presents the research methodology. The results and the discussions are presented in Section 4. Section 5 presents the conclusion of the study and suggests areas for future research.

## **2.0 Literature review**

Agency theory is a conceptual framework that elucidates the contractual relationship between the principle, who is the primary owner of the firm and holds the majority of shares, and the agent, who is the manager responsible for executing the company's operations. The principal, who owns the company, has a responsibility to provide resources and funding for the company's operational requirements. On the other hand, the agent, who serves as the company's manager, has a duty to oversee the company on behalf of the shareholders. The agent's goal is to enhance the company's prosperity and benefit the shareholders by implementing measures to improve the company's performance (Jensen & Meckling, 1986). Managers are driven to enhance their company's performance due to their recognition of the significance of the information contained in financial reports and managerial reports. Nevertheless, the actual situation reveals that certain managers fail to meet their performance objectives, resulting in dissatisfaction among certain stakeholders, particularly the primary shareholders and owners of the company, with the information disclosed in the financial statements. These challenges arise due to conflicting interests and backgrounds between the primary and agent, resulting in conflict and mutual attraction (Suripto, 2020). The challenges that develop result in agency costs, as defined by Jensen and Meckling (1976), which include: (1) the cost of monitoring, (2) the cost of bonding, and (3) the cost of residual loss.

The effectiveness of the audit committee is a determining factor in mitigating financial statement fraud. The effectiveness of the audit committee is contingent upon the presence of audit committee members who possess ample resources to safeguard the interests of stakeholders by guaranteeing

<https://doi.org/10.53819/81018102t7026>

the dependability of financial reporting, internal control, risk management, and rigorous monitoring (Abdillah et al., 2019). Audit committees have a crucial role in safeguarding the financial integrity of a company, effectively deterring fraud, and enhancing the trustworthiness of financial reporting (Mousavi et al., 2022; Razali & Arshad, 2014). The efficacy of the audit committee in fulfilling its responsibilities can be observed by many indicators and proxies. This study investigates the efficacy of the audit committee based on the financial expertise, accounting expertise, and frequency of meetings conducted by the committee. The audit committee possesses financial experience that specifically pertains to financial management in the company's operational activities. On the other hand, accounting expertise is centered upon the financial reporting cycle and regulatory standards (Dwiharyadi, 2017, Trautman, 2013). A solid understanding of finance and accounting will facilitate the audit committee's ability to oversee several aspects, including evaluating financial information, ensuring compliance with financial reporting standards, and identifying irregularities in the financial reporting process. In addition, the audit committee has frequent meetings to oversee the sufficiency and efficiency of the internal control system. These sessions address the accuracy and suitability of financial statements, internal controls, and the process of financial reporting. Conducting regular meetings by the audit committee will decrease the probability of financial statement fraud and mitigate hazards inside the firm (Mousavi et al., 2022).

Wilbanks et al. (2017) and Sharma and Iselin (2012) reported a positive relationship between the size of the audit committee and the improvement of fraud detection in financial reporting. Agrawal and Chadha (2005) and Appiah and Amon (2017) found contradictory findings, as they observed that the size of the audit committee does not have a relationship with corporate insolvency. This study examines the relationship between audit committee diversity and corporate scandals in the UK. In addition, Hoitash and Hoitash (2009) reported no significant link between the size of the audit committee and material weakness. This finding is also corroborated by Farber (2005) and Huang and Thiruvadi (2010), who found no relationship between audit committee size and the possibility of SEC sanctions or fraud. One may expect that they would yield comparable outcomes, given dishonest financial reporting often leads to corporate failure (Habbash et al., 2013; Wu et al., 2016).

Ghosh et al. (2010), Sun et al., (2011), and Yang and Krishnan (2005) have discovered a substantial and negative relationship between the size of the audit committee and earnings management, which consequently leads to lower quality of financial reporting. MacGregor (2012) asserts that audit committees with a large size are more proficient in rejecting aggressive strategies aimed at achieving earnings thresholds. This implies that audit committee boards with a greater number of members are more successful in limiting the manipulation of financial statements, maybe because there is a higher probability of directors having the necessary expertise and experience in accounting. Garven (2015), He and Yang (2014), present contradictory findings as they observe no link between the size of the audit committee and the practice of earnings management.

*H1. Audit committee size has a positive effect on fraudulent financial reporting*

Abernathy et al. (2014) conducted a study between 2006 and 2008, where they specifically examined the impact of financial knowledge on the audit committee and its relationship with the

timeliness of financial reporting. They categorize financial expertise into three groups: individuals with accounting financial expertise acquired through education or experience in accounting, individuals with accounting financial expertise acquired through holding the position of Chief Financial Officer ("CFO"), and individuals with non-accounting financial expertise, which is still recognized in certain cases according to the Sarbanes-Oxley Act (SOX). Research indicates that proficiency in public accounting financial matters is strongly and inversely relationship with delays in earnings announcements, audit report submissions, and late filings with the United States Securities and Exchange Commission (SEC). These criteria are crucial in determining the timeliness of financial reporting. However, they could not detect any relationship between CFO financial experts and non-accounting financial experts. This may be attributed to the diverse backgrounds of CFOs, which can result from the wide range of responsibilities within their role. As a result, they may not always possess the necessary technical accounting knowledge, such as understanding accounting policies or handling unusual transactions, which would typically be expected from individuals with accounting experience or qualifications. Abernathy et al. (2014) obtained similar findings when particularly examining the performance of the audit committee chair. In a comparable investigation, Wu et al. (2016) found that the likelihood of timely going-concern modifications before failure is higher when the audit committee includes a financial expert. However, Ghosh et al. (2010) and Sun et al. (2014) did not find any significant evidence to support the notion that the presence of financial experts, as defined broadly and narrowly respectively, on the audit committee is linked to earnings management. This result is intriguing since it is reasonable to think that having financial competence would enhance a committee's capacity to oversee the board's handling of earnings. Kelton and Yang (2008) and Mangena and Pike (2005) have reported a strong and positive link between the financial expertise of audit committees and the level of company disclosure. Li et al. (2012) reported no significant link between the financial expertise of the audit committee and disclosure. Financial experts are typically presumed to possess a deeper comprehension, enabling them to pose more specialized inquiries to management and confront them when appropriate. This should, in principle, improve transparency. However, the outcomes regarding disclosure are inconsistent.

H1. Audit committee expertise has a positive effect on fraudulent financial reporting.

According to the FRC's guidance on audit committees, it is recommended that they hold a minimum of three meetings per financial year (FRC, 2016a). The frequency of meetings conducted by the audit committee serves as an indicator of the members' thoroughness. It is expected that these sessions are accompanied by thorough preparatory research, in order to facilitate meaningful conversations and address any significant questions that need to be brought to the attention of the board. The effectiveness of a meeting is mostly determined by the chairperson, who is responsible for providing pre-meeting materials, creating the agenda, facilitating conversations, and fostering connections among members. The chairperson serves as the central figure in the committee (Abernathy et al., 2014; Beasley et al., 2009). Some studies have reported a positive relationship between audit committee activity and size (Al-Najjar, 2012). They propose that this could be attributed to more resources and a larger number of members, which leads to a greater need to discuss any prospective monitoring issues as they develop.

According to Owens-Jackson et al., (2009), there is a statistically significant negative relationship between the frequency of meetings and the probability of financial fraud. Abernathy et al., (2014) have found evidence supporting the idea that the frequency of audit committee meetings is linked to a decrease in the time it takes to announce earnings and file reports with the SEC, both of which are indicators of timely financial reporting. The results may be attributed to the primary objective of an audit committee, which is to safeguard shareholder interests with regard to financial reporting and internal control. The likelihood of achieving the aim increases when members are provided with enhanced opportunity to express their judgement (Madi et al., 2014). In a surprise turn, Abbott et al. (2004) later contradict their previous study by failing to find any statistical significance between the frequency of audit committee meetings and the occurrence of fraud. This viewpoint is also confirmed by Huang and Thiruvadi (2010). In their study, Ghosh et al. (2010) discovered a negative link between the frequency of audit committee meetings and discretionary accruals. This indicates that audit committees tend to be more responsive to mounting issues rather than taking proactive measures. Hoitash et al. provide support for this perspective. The studies conducted by Naiker and Sharma (2009), Sharma and Iselin (2012) have shown evidence that there is a strong and significant link between the frequency of meetings and the probability of financial misrepresentation. Bedard et al., (2004) and Yang and Krishnan (2005) found no significant relationship between the number of audit committee meetings and earnings management.

H2. Audit committee frequency of meetings has a positive effect on fraudulent financial reporting.

According to Vermeir and Van Kenhove (2007), females have been conjectured to exhibit higher levels of ethical judgment and behavior compared to males. In their study, Kaplan et al., (2009) found that females have a higher tendency to disclose cases of false financial reporting. Therefore, in the specific context of this study, the presence of females should decrease the probability of an inquiry by the Financial Reporting Council (FRC). Wilbanks et al. (2017) found a positive and significant link between the presence of female members and the reporting of control problems and fraud risk monitoring in financial reporting, respectively. Harjoto et al., (2015) support the idea that greater diversity leads to improved reporting quality and management assessment. According to Ittonen et al., (2010), having female chairpersons on audit committees can decrease the likelihood of a mistake by boosting the financial reporting process and reducing inherent risk. In contrast, Abbott et al., (2012) contend that while having more women on the board has numerous advantages, it is not specifically influenced by the presence of women on the audit committee. Velte (2018) and Wilbanks et al., (2017) have also found a significant link between the proportion of women on audit committees and the clarity and comprehensibility of auditors' disclosures about critical audit matters. This relationship was tested using the Flesch reading ease index at a significance level of 1%. These studies indicate that gender diversity on the audit committee has advantages, and it is advisable for corporations to actively pursue it. Thiruvadi and Huang (2011) have discovered compelling data that supports the notion that having female directors on the audit committee restricts the manipulation of earnings. Nevertheless, Sun et al., (2011) found no relationship between the presence of women on the audit committee and the manipulation of earnings.

H3. Audit committee gender diversity has a positive effect on fraudulent financial reporting.

<https://doi.org/10.53819/81018102t7026>

### 3.0 Research Methodology

The study targeted all listed firms within the East African Community (EAC), including those from the Nairobi Securities Exchange (NSE), Dar es Salaam Stock Exchange (DSE), Uganda Securities Exchange (USE), Rwanda Stock Exchange (RSE), and Somali Stock Exchange (SSE). After applying specific inclusion and exclusion criteria, the final sample consisted of 56 firms, covering the period from 2012 to 2023, resulting in 672 firm-year observations. Only firms with complete data were included, and cross-listed firms were considered based on their parent country, while newly listed firms were excluded. The study's variables were categorized into three sets: the dependent variable, independent variables, and control variables. Fraudulent financial reporting (FScore) was the dependent variable, measured using the F-score (Dechow et al., 2011). Independent variables included audit committee size (LACS), frequency of audit committee meetings (ACFM), expertise of audit committee members (ACFE), and gender diversity of the audit committee (ACGD). These variables were quantified using various metrics, such as natural logarithms and ratios. Control variables included firm leverage (LEV), firm age (FA), and firm size (FS), each measured using established formulas and methods, as detailed in the table provided. The measurement of these variables was sourced from relevant literature and the author's calculations.

The study employed the following model to test the hypotheses.

$$FSF_{it} = \beta_0 + \beta_1 ACFM_{it} + \beta_2 ACFE_{it} + \beta_3 LACS_{it} + \beta_4 ACGD_{it} + \beta_5 LEV_{it} + \beta_6 FS_{it} + \beta_7 FA_{it} + \varepsilon_{it}$$

Where: FSF, is financial statements fraud; ACFM, audit committee frequency of meeting; ACS, audit committee size; ACGD, audit committee gender diversity; LEV, leverage; FS, firm size;  $\varepsilon_{it}$  is the error term.

### 4.0 Findings and Discussion

The analysis reveals several key characteristics of companies in the East African Community (EAC). The average incidence of financial statement fraud (FSR) is 0.2115, with a high variability of 0.4109, indicating significant differences among firms. Audit committees typically have an average size of about 3.74 members, and most members have substantial financial expertise, with a mean score of 0.814. Gender diversity on audit committee's averages 0.187, showing some degree of representation. On average, audit committees meet approximately 3.71 times per year, which aligns closely with the corporate governance code recommendation of at least four meetings. Additionally, firms have a mean size represented by a logarithm of total assets of 13.488, an average age of 39.99 years, and a mean leverage ratio of 0.487.

**Table 1: Descriptive statistics**

Variable	Obs	Mean	Std. Dev.	Min	Max
FSCORE	672	0.215134	0.410915	0	1
FA	672	3.68888	0.524788	0	4.844187
LEV	672	0.486551	0.287556	0	1
ACS	672	1.391994	0.279354	0.693147	2.398
ACFE	672	0.813542	0.224496	0	1
ACGD	672	0.186527	0.231671	0	1
ACFM	672	1.311317	0.29155	0	2.079442
FS	672	13.48802	1.154999	10.90831	18.41011

Source. Author's own computation

#### 4.1 Correlation analysis

The study used the Pearson pairwise correlation to test the nature and strength of the relationship between the variables. Table 2 show that F-SCORE is negatively correlated with firm size, AC gender and financial expertise. In addition, FSCORE is positively correlated with fir age, leverage and AC frequency of meeting and size. The low coefficients, less than 0.8, reveals the absence of multicollinearity among the research variable.

**Table 2: Correlation analysis**

	FSCORE	ACFM	ACFE	LACS	ACGD	LEV	FS	FA
FSCORE	1.000							
ACFM	0.1685*	1.000						
ACFE	-0.2098*	-0.0751	1.000					
LACS	0.1448*	0.1519*	-0.1632*	1.000				
ACGD	-0.1434*	-0.0464	0.2178*	0.1881*	1.000			
LEV	0.1786*	0.0227	0.012	0.1015*	-0.0712	1.000		
FS	-0.1052*	-0.1397*	-0.0385	0.0328	-0.019	0.1387*	1.000	
FA	0.1111*	0.0027	0.0065	0.1727*	0.0845*	-0.0362	-0.0091	1.000

Note

#### 4.2 Regression Analysis

The regression analysis results are shown in Table 3. The logistic regression reveals a pseudo R-squared value of 15.4%, with a likelihood ratio (LR) chi-squared value of 117.88 and a p-value of less than 0.000, indicating the model is statistically significant. The analysis shows a positive relationship between audit committee (AC) meeting frequency and financial statement fraud (FSR), with a coefficient of 1.176 and a p-value less than 0.05, thus supporting Hypothesis 1 (H1). Additionally, there is a significant negative relationship between AC financial expertise and FSR, with a coefficient of -1.876 and a p-value less than 0.05, confirming Hypothesis 2 (H2). This result is consistent with prior research indicating that higher financial expertise in audit committees is

<https://doi.org/10.53819/81018102t7026>

associated with lower FSR. The study also finds that gender diversity within the audit committee significantly and negatively affects FSR, with a coefficient of -2.389 and a p-value less than 0.05, supporting Hypothesis 3 (H3). This outcome aligns with previous research that suggests a diverse gender composition in audit committees helps reduce FSR. These findings are consistent with the agency theory, which posits that a diverse audit committee can enhance oversight and reduce fraud risk.

**Table 3. Regression analysis**

FSCORE	LOG	OLS
Coef.	Coef.	
ACFM	1.176(0.414)**	.165(0.053)**
ACFE	-1.876(0.443)**	-.293(0.066)**
ACS	.966(0.392)**	.126(0.056)**
ACGD	-2.130(0.581)**	-.203(0.066)**
LEV	1.908(0.404)**	.261(0.053)**
FS	-.380(0.104)**	-.045(0.013)**
FA	.633(0.209)**	.089(0.029)**
_cons	-.623(1.722)**	.268(0.238)**
R/ Pseudo -squared	0.154	0.1424
F/LR chi2 value	107.88	15.76
Prob>F/chi2	0	0
Number of obs	672	672
Notes **p<0.05		

**Source:** Author's own computation

## 5.0 Conclusion

The study concludes that the effectiveness of audit committees in East African Community (EAC) firms in combating fraudulent financial reporting appears to be limited, as evidenced by the increasing number of fraud cases. This study found that while the frequency of audit committee meetings and their size are positively related to corporate fraud, attributes such as financial expertise and gender diversity within the audit committee are associated with a lower likelihood of fraud. Additionally, the analysis revealed that older firms and those with higher leverage are more prone to fraudulent reporting, whereas larger firms are less likely to engage in such practices. These findings underscore the need for a reevaluation of the role and effectiveness of audit committees in preventing financial fraud.

## 6.0 Recommendations:

The study recommends that to improve the effectiveness of audit committees, regulatory bodies and firms should focus on enhancing attributes that negatively correlate with fraud, such as increasing financial expertise and gender diversity within the audit committee. Additionally, accounting standards setters should incorporate these insights into corporate governance codes to

better address financial fraud. Future research should expand on these findings by utilizing larger sample sizes, exploring industry-specific contexts, and including unlisted firms to provide a more comprehensive view. Furthermore, attention should be given to firm-specific factors like age and leverage, which are associated with higher fraud risk, to develop more targeted strategies for fraud prevention.

## References

- Abbott, L. J., Parker, S., & Peters, G. F. (2004). Audit committee characteristics and restatements. *Auditing: A journal of practice & theory*, 23(1), 69-87.
- Abbott, L. J., Parker, S., & Peters, G. F. (2012). Internal audit assistance and external audit timeliness. *Auditing: A Journal of Practice & Theory*, 31(4), 3-20.
- Abbott, L. J., Parker, S., Peters, G. F., & Raghunandan, K. (2003). The association between audit committee characteristics and audit fees. *Auditing: A journal of practice & theory*, 22(2), 17-32.
- Abdillah, M. R., Mardijuwono, A. W., & Habiburrochman, H. (2019). The effect of company characteristics and auditor characteristics to audit report lag. *Asian Journal of Accounting Research*, 4(1), 129-144.
- Abernathy, J. L., Beyer, B., Masli, A., & Stefaniak, C. (2014). The association between characteristics of audit committee accounting experts, audit committee chairs, and financial reporting timeliness. *Advances in Accounting*, 30(2), 283-297.
- Agrawal, A., & Chadha, S. (2005). Corporate governance and accounting scandals. *The Journal of Law and Economics*, 48(2), 371-406.
- Agyemang-Mintah, P., & Schadewitz, H. (2019). Gender diversity and firm value: evidence from UK financial institutions. *International Journal of Accounting & Information Management*, 27(1), 2-26.
- Akyol, A. C. (2020). Corporate governance and fraud. In *Corporate Fraud Exposed: A Comprehensive and Holistic Approach* (pp. 107-125). Emerald Publishing Limited.
- Al Farooque, O., Buachoom, W., & Sun, L. (2020). Board, audit committee, ownership and financial performance—emerging trends from Thailand. *Pacific Accounting Review*, 32(1), 54-81.
- Al-ahdal, W. M., & Hashim, H. A. (2022). Impact of audit committee characteristics and external audit quality on firm performance: evidence from India. *Corporate Governance: The International Journal of Business in Society*, 22(2), 424-445.
- Al-Najjar, B. (2012). The determinants of board meetings: evidence from categorical analysis. *Journal of Applied Accounting Research*, 13(2), 178-190.
- Appiah, K. O., & Amon, C. (2017). Board audit committee and corporate insolvency. *Journal of Applied Accounting Research*, 18(3), 298-316.

- Association of Fraud Examiners (2022) *Report to the Nations. Fraud trends and key takeaways*. Retrieved from: <https://www.withum.com/resources/2022-acfe-report-to-the-nations-fraud-trends-and-keytakeaways/>
- Baatwah, S. R., Ahmad, N., & Salleh, Z. (2018). Audit committee financial expertise and financial reporting timeliness in emerging market: does audit committee chair matter?. *Issues in Social and Environmental Accounting*, 10(4), 63-85.
- Beasley, M. S., Carcello, J. V., Hermanson, D. R., & Neal, T. L. (2009). The audit committee oversight process. *Contemporary Accounting Research*, 26(1), 65-122.
- Bedard, J. C., & Johnstone, K. M. (2004). Earnings manipulation risk, corporate governance risk, and auditors' planning and pricing decisions. *The accounting review*, 79(2), 277-304.
- Dechow, P. M., Ge, W., Larson, C. R., & Sloan, R. G. (2011). Predicting material accounting misstatements. *Contemporary accounting research*, 28(1), 17-82.
- Dechow, P. M., Sloan, R. G., & Sweeney, A. P. (1996). Causes and consequences of earnings manipulation: An analysis of firms subject to enforcement actions by the SEC. *Contemporary accounting research*, 13(1), 1-36.
- Dwiharyadi, A. (2017). Pengaruh keahlian akuntansi dan keuangan komite audit dan dewan komisaris terhadap manajemen laba. *Jurnal Akuntansi Dan Keuangan Indonesia*, 14(1), 5.
- Endrawes, M., Feng, Z., Lu, M., & Shan, Y. (2020). Audit committee characteristics and financial statement comparability. *Accounting & Finance*, 60(3), 2361-2395.
- Farber, D. B. (2005). Restoring trust after fraud: Does corporate governance matter?. *The accounting review*, 80(2), 539-561.
- FRC. (2016). the UK Corporate Governance Code. [Online] Available from: <https://www.frc.org.uk/getattachment/ca7e94c4-b9a9-49e2-a824-ad76a322873c/UKCorporate-Governance-Code-April-2016.pdf/>
- Garven, S. (2015). The effects of board and audit committee characteristics on real earnings management: do boards and audit committees play a role in its promotion or constraint?. *Academy of Accounting and Financial Studies Journal*, 19(1), 67.
- Ghafran, C., & O'Sullivan, N. (2017). The impact of audit committee expertise on audit quality: Evidence from UK audit fees. *The British Accounting Review*, 49(6), 578-593.
- Ghosh, A., Marra, A., & Moon, D. (2010). Corporate boards, audit committees, and earnings management: pre-and post-SOX evidence. *Journal of Business Finance & Accounting*, 37(9-10), 1145-1176.
- Githaiga, P. N., Muturi Kabete, P., & Caroline Bonareri, T. (2022). Board characteristics and earnings management. Does firm size matter?. *Cogent Business & Management*, 9(1), 2088573.

- Habbash, M., Sindezingue, C., & Salama, A. (2013). The effect of audit committee characteristics on earnings management: Evidence from the United Kingdom. *International Journal of Disclosure and Governance*, 10, 13-38.
- Harjoto, M., Laksmana, I., & Lee, R. (2015). Board diversity and corporate social responsibility. *Journal of business ethics*, 132, 641-660.
- He, L., & Yang, R. (2014). Does industry regulation matter? New evidence on audit committees and earnings management. *Journal of business ethics*, 123, 573-589.
- Hoitash, R., & Hoitash, U. (2009). The role of audit committees in managing relationships with external auditors after SOX: Evidence from the USA. *Managerial Auditing Journal*, 24(4), 368-397.
- Huang, H. W., & Thiruvadi, S. (2010). Audit committee characteristics and corporate fraud. *International Journal of Public Information Systems*, 6(1).
- Ittonen, K., Miettinen, J., & Vähämaa, S. (2010). Does female representation on audit committees affect audit fees?. *Quarterly Journal of Finance and Accounting*, 113-139.
- Jensen, M., & C Meckling, W. (1976). Theory of the Firm. *Managerial Behavior, Agency Costs and Ownership Structure*.
- Kaituko, L. E., Githaiga, P. N., & Chelogoi, S. K. (2023). Board structure and the likelihood of financial statement fraud. Does audit fee matter? Evidence from manufacturing firms in the East Africa community. *Cogent Business & Management*, 10(2), 2218175.
- Kaplan, S., Pany, K., Samuels, J., & Zhang, J. (2009). An examination of the association between gender and reporting intentions for fraudulent financial reporting. *Journal of Business Ethics*, 87, 15-30.
- Kelton, A. S., & Yang, Y. W. (2008). The impact of corporate governance on Internet financial reporting. *Journal of accounting and Public Policy*, 27(1), 62-87.
- MacGregor, J. (2012). Audit committee equity holdings, the risk of reporting problems, and the achievement of earnings thresholds. *Journal of Accounting and Public Policy*, 31(5), 471-491.
- Madi, H. K., Ishak, Z., & Manaf, N. A. A. (2014). The impact of audit committee characteristics on corporate voluntary disclosure. *Procedia-social and behavioral sciences*, 164, 486-492.
- Mangena, M., & Pike, R. (2005). The effect of audit committee shareholding, financial expertise and size on interim financial disclosures. *Accounting and business research*, 35(4), 327-349.
- Mardessi, S. M., & Fourati, Y. M. (2020). The impact of audit committee on real earnings management: Evidence from Netherlands. *Corporate Governance*, 4(1), 33-46.
- Mousavi, M., Zimon, G., Salehi, M., & Stepnicka, N. (2022). The effect of corporate governance structure on fraud and money laundering. *Risks*, 10(9), 176.

- Naiker, V., & Sharma, D. S. (2009). Former audit partners on the audit committee and internal control deficiencies. *The Accounting Review*, 84(2), 559-587.
- Nikulin, E. D., Smirnov, M. V., Sviridov, A. A., & Bandalyuk, O. V. (2022). Audit committee composition and earnings management in a specific institutional environment: the case of Russia. *Corporate Governance: The International Journal of Business in Society*, 22(7), 1491-1522.
- Omar, N., Johari, Z. A., & Smith, M. (2017). Predicting fraudulent financial reporting using artificial neural network. *Journal of Financial Crime*, 24(2), 362-387.
- Owens-Jackson, L. A., Robinson, D., & Waller Shelton, S. (2009). The association between audit committee characteristics, the contracting process and fraudulent financial reporting. *American Journal of Business*, 24(1), 57-66.
- Razali, W. A. A. W. M., & Arshad, R. (2014). Disclosure of corporate governance structure and the likelihood of fraudulent financial reporting. *Procedia-Social and Behavioral Sciences*, 145, 243-253.
- Sharma, V. D., & Iselin, E. R. (2012). The association between audit committee multiple-directorships, tenure, and financial misstatements. *Auditing: A Journal of Practice & Theory*, 31(3), 149-175.
- Sun, J., Lan, G., & Liu, G. (2014). Independent audit committee characteristics and real earnings management. *Managerial Auditing Journal*, 29(2), 153-172.
- Trautman, L. J. (2012). Who qualifies as an audit committee financial expert under SEC regulations and NYSE rules. *DePaul Bus. & Comm. LJ*, 11, 205.
- Uzun, H., Szewczyk, S. H., & Varma, R. (2004). Board composition and corporate fraud. *Financial Analysts Journal*, 60(3), 33-43.
- Velte, P. (2018). Is audit committee expertise connected with increased readability of integrated reports: Evidence from EU companies. *Problems and Perspectives in Management*, 16(2), 23-41.
- Vermeir, I., & Van Kenhove, P. (2008). Gender differences in double standards. *Journal of Business Ethics*, 81, 281-295.
- Wilbanks, R. M., Hermanson, D. R., & Sharma, V. D. (2017). Audit committee oversight of fraud risk: The role of social ties, professional ties, and governance characteristics. *Accounting Horizons*, 31(3), 21-38.
- Wu, W., Johan, S. A., & Rui, O. M. (2016). Institutional investors, political connections, and the incidence of regulatory enforcement against corporate fraud. *Journal of Business Ethics*, 134, 709-726.
- Yang, J. S., & Krishnan, J. (2005). Audit committees and quarterly earnings management. *International journal of auditing*, 9(3), 201-219.