

Board Composition and Financial Statements Fraud Detection among Deposit Money Banks in Nigeria: Evidence from Panel Data Analysis

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ABSTRACT

This study examined the relationship between board composition and financial statements fraud detection among deposit money banks in Nigeria. The study used secondary data. Descriptive statistics, ordinary least square method, correlation analysis, Hausman test were carried out. The results showed a strong correlation between board size and financial statement fraud among Nigerian deposit money institutions. It was shown that among Nigerian deposit money institutions; there is a strong correlation between board diversity (women directors) and financial statements malfeasance. The makeup of audit committees and financial statements fraud in Nigerian deposit money institutions are significantly correlated. Further research found that among Nigerian deposit money institutions, board independence has a significant effect on the financial statement fraud. The study's assertion was that within Nigeria's deposit money banks, there exists a significant correlation between board composition and financial statements malfeasance. In order to minimise financial statement fraud, it was advised that deposit money institutions in Nigeria should restrict the numbers of their directors. In order to ensure gender balance deposit money banks in Nigeria must promote board diversity (women directors), which may assist in reducing the incidence of financial statements fraud among several things.

Keywords: Board Composition, Financial Statements Fraud Detection, Deposit Money Banks, Board Diversity, Corporate Governance.

INTRODUCTION

Board composition is the ratio of senior, knowledgeable, certified, and trained board members to the total number of board members. To become an expert on board, a director must possess the necessary academic and professional experience, including understanding of finance, accounting, forensics, and auditing. In a similar vein, Adebayo and Olokundun (2023) contended that the older the director, the better, as knowledge and talents increase with age. Stated differently, having an older board of directors will result in stronger financial reports. According to Uadiale (2023), there appears to be a high degree of confidence in the financial statements when a board comprises professionals with a variety of academic backgrounds since there is a good possibility that financial statement fraud will be significantly reduced in an organisation

A number of scholars such as Akpan and Umoren (2023), Ojo and Ajibolade (2024) aligned with the quest for the uncovering of financial statements fraud after the Statement on Auditing Standards (SAS) No. 99 was published 'The American Institute of Certified Public Accountants' (AICPA, 2002) "Consideration of Fraud in Financial Statement Audit" obliging auditors to acquire logical and realistic assurance that there are no major misstatements in the financial accounts, whether they are the result of mistake or fraud. The Institute of Chartered Accountants of Nigeria (ICAN) published the Nigerian Standards on Auditing No. 5 to follow suit which stipulates the professional accountant's duty to misappropriation (Ajayi & Oluwalogbon, 2023).

However, the responsibility for fraud detection and prevention has been transferred to leadership and those in power of stewardship as a result of these standards, auditors are still required to increase their detection rate by looking into any anomaly or material misstatement that may be a sign of malfeasance. The unfavorable effect of fraud detection on accounting numbers is not only restricted to advanced economies but developing economies. In relation to financial statements fraud, there are four fundamental factors which are: competition from the capital markets, director board diversity, types of executive remuneration, and insider dealing (Oluwatobi & Oyewole, 2024). Following from the above, this study is restricted to board of directors' composition in relation to financial statements fraud detection.

There is a large body of prior research on corporate transparency and financial accountability that focuses on certain topics, including these investigations by (Umobong & Ibanichuka 2017; Al-Shaer, Salama & Toms 2017) which concentrated on the correlation amongst investigative panel and financial disclosure and examination by (Ibrahim & Jehu, 2018) which concentrated on the connection between financial reporting and the board of directors. According to Okeahalam (2022) the vast bulk of these studies are concentrated in industrialized nations, with very few taking place in Nigeria. The main objective of this study is to examine board composition and financial statement fraud detection among deposit money banks in Nigeria? Evidence from panel data analysis. In this study, the dependent variable is the financial statements fraud detection among deposit money banks in Nigeria while the independent

variables are board size, board diversity (women directors), audit committee composition and board independence.

Against this backdrop this study seeks to examine the relationship between board composition and financial statements fraud detection among deposit money banks in Nigeria. The rest of this study is organized into five sections. The first comprises the introduction, statement of the problem. The second deals exclusively and comprehensively with the review of related literature, which comprises of theories underpinning the study and the review of empirical studies. The third section focus on the methodology while the fourth, focuses on discussion and interpretation of results. Section five which is the final section is the summary of the findings, conclusion and recommendations.

The researcher reviews literatures related to the study in this chapter. This is achieved in three broad subheadings namely; conceptual review, theoretical framework, and empirical literature review. Under conceptual review, the following concepts are considered: board composition, board size, audit committee composition, board independence, financial statement fraud, financial statement fraud detection and M-score among others.

REVIEW OF LITERATURE

Fraud

Fraud was described by the International Statements on Auditing Standards (ISAS, 99) as a broad legal concept. The primary factor that distinguishes fraud from error is whether the underlying actions that result in the misstatement of the financial statements are intentional or unintentional. Anichebe et al. (2019) defines fraud as an intentional act to gain an advantage by unfair or unlawful means such as fraudulent financial reporting, misappropriation of assets (inside or outside the system such as embezzlement, payroll fraud and theft); revenue or assets acquired from illegal or unethical activities (excessive customer billing or fraudulent sales practices); cost of illicit purpose (commercial and public bribery as well as other improper payment systems); and systems in which an entity commits fraud against its employees or third parties or when an entity intentionally avoids costs such as income taxes and sales taxes. Although all categories of fraud are major and worthy to be de-bated, fraud can be committed either internally by employees, managers, officers and owners of the company or externally by customers, vendors and other parties.

Fraud Detection

Fraud detection involves identifying and preventing fraudulent activities, often using techniques like data analysis, auditing and risk assessment (Albrecht et al. 2020). Association of Certified Fraud Examiners (ACFE, 2020) says fraud detection involves identifying and uncovering fraudulent activities, often through techniques like data analysis, auditing and reporting suspicious transactions. The Institute of Chartered Accountants of Nigeria (ICAN) emphasises the importance of auditors understanding fraud risks using techniques like analytical procedure to detect potential fraud (ICAN, 2019).

Board Size

The company's board comprises all individuals who constitute the board of directors, regardless of their other characteristics. Several researchers expressed varied opinions on the impact of the size of the board played in their ability to deliver on their mandate. Irene (2021) argued that relatively smaller boards tend to perform better than the larger board because they are easier to be coordinated and observed and not prone to the free rider problem. Conversely, Umanah (2023) averred that larger boards are better able to explore more opportunities and secure the necessary resources for the firm. When a board gets too big, it becomes difficult for it to coordinate, process and tackle strategic problems of the organisation. A smaller board may be less encumbered with bureaucratic problems, more functional and more able to provide better financial reporting oversight.

Board Diversity (Female Directors)

According to biological evolution publications, women are uniquely skilled in diverse jobs due to the demands of nature. As a result, arguments for and against the notion that women possess key traits required for sound governance have been made. The argument has been explicitly, that women are careful, risk averse, knowledgeable in accounting and finance, and competent decision matters (Eriabie & Izedonmi, 2016). This leads to the current attention of various academics on the possible implications that female directors and managers may have on the firm's financial profitability and current valuation. Several extant scholars such as Oluwatobi and Oyewole (2023), Oluwole and Oluwasegun (2024) documented that female directors might exert positive influence on company's profitability and market worth as well as being able to detect fraud.

Audit Committee Composition

According to Akpen and Umoren (2023), the audit committee is a permanent committee created to increase good governance of an entity by collaborating with internal auditors and management to solidify and optimise an institutions accounting and financial reporting practices as well as to ensure proper corporate affairs are conducted in accordance with universal recognised ethical and legal requirements. Audit committees support compatibility with laws, reduce errors, monitor risk management and internal control structures and encourage more discretionary declarations (Oluwafemi & Oluwagbemi, 2024).

Board Independence

The Security and Exchange Commission (SEC, 2011) Code of Corporate Governance defined an independent director as a director who was not a substantial shareholder of the company, whose shareholding, whether directly or indirectly do not exceed 0.1% of the company's paid up capital. Tao, et al (2022) defined independent non-executive director as an independent director who had no affiliation with the firm, except for their directorship. There is an apparent presumption that boards with significant outside directors will make different and perhaps, better decisions than boards dominated by inside director (Toa et al., 2022).

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- H₁: There is no significant relationship between board size and financial statements fraud detection in deposit money bank in Nigeria
- H₂: There is no significant relationship between board diversity and financial statements fraud detection in deposit money banks in Nigeria.
- H₃: There is no significant relationship between Audit Committee composition and financial statements fraud detection in deposit money banks in Nigeria.
- H₄: Board independence has no significant relationship with financial statements fraud detection in deposit money banks in Nigeria.

Beneish M-Score

According to Beneish (1999), the statement of financial position, income statement and statement of cashflows are interrelated. Hence we can suspect financial statements fraud when certain members do not make sense. Professor Messad Beneish developed the M-Score in 1999 to detect earnings manipulation. The M-Score model is a mathematical model that uses eight financial ratios to identify whether a company has manipulated its financial statements or not. The variables were constructed from the company's financial statements and created a score to describe the degree to which the earnings were manipulated. Ibadin and Ehigie (2019) explained that those ratios could assist external auditors, forensic accountants or experts and certified fraud examiners to indicate possible problem areas in the financial statements, considering its ability to distinguish and discriminate between manipulators and non-manipulators. According to Ibadin and Ehigie (2019), the ratios measure sales growth, the quality of assets and gross margins, the progression of receivables versus sales and the ratio of general and administrative expenses. The probability of earnings manipulation goes higher with unusual increase in account receivable, deteriorating gross margins, decrease asset quality, sales growth and increasing accruals. This measure of financial statement fraud detection is adopted for the purpose of this study.

Oluwafemi and Oluwagbemi (2024) examined the body of existing research on financial statement fraud detection in Nigeria and board composition. Following a series of investigations to determine which types of board composition board independence, board expertise, and board diligence help to reduce financial statements fraud detection in Nigeria, it became essential to conduct this study. The study was a conceptual paper that provided a theoretical foundation of reference for the study through a thorough evaluation of the literature regarding the impact of board composition on financial statements fraud detection in Nigeria. The investigation also contrasted earlier research to demonstrate its strengths and flaws. Flowing from the theoretical observations, the study recommends that future research empirically test the conceptual framework developed in this paper especially in a developing nation like Nigeria for substantiation purpose taking the factors accounting for observed dissimilarity in previous studies into consideration.

To better fully comprehend how corporate governance affects profitability in the Nigerian banking system, Oluwatobi and Oyewole (2024) looked at how corporate governance affects the profitability of deposit money institutions in Nigeria. The ex-post-facto research design is

used in this study to accomplish the aforementioned goal. For the assessment, secondary sources that were taken between 2009 and 2018 from the annual reports of a Nigerian deposit money bank were used. The examination found no correlation between the profitability of Nigeria's deposit money banks and the activity of the audit committee.

Akpan and Umoren (2023) looked at the connections between the make-up of the audit committee, the traits of the board of directors, and the caliber of the financial reports produced by Nigerian commercial banks. Using the approach of contents analyses, the study's data were gathered from the annual reports of fifteen (15) commercial banks throughout a ten-year period, from 2009 to 2018. The data collected for the research were analyzed using the Jones effectiveness of accruals model and regression using ordinary least squares. The study's conclusions demonstrated that the audit committee's increased independence had a favorable impact on the accuracy of financial reporting. In addition, there was a correlation between the caliber of the accounting information and the size of the board executives. The results also demonstrated a strong correlation between the caliber of financial reports and the composition of the board. As a result, it is determined that, despite moving in the right direction, the audit committee composition effect on the quality of financial reporting is simply too weak to produce the anticipated outcomes. Additionally, the effectiveness of the board of directors' size and composition does not significantly affect the caliber of commercial banks' accounting information. In order to increase the caliber of financial reports, it is necessary to examine and strengthen the audit committee's makeup and responsibility, particularly in relation to its supervision and supervision responsibility. In Nigerian commercial banks, the board of directors' size and makeup should be examined, and the board should be given additional authority to participate actively in the financial disclosure procedures.

Uadiale (2023) used panel data acquired from companies listed on the Nigerian Exchange Group financial sector between 2013 and 2017 financial year to study the relationship between financial statement fraud detection and corporate governance components. The data were analyzed using a longitudinal design and binary logit regression approach. The results show that among financial companies listed on the Nigeria Exchange Group, 52% of the possibility of financial statement fraud may be attributed to corporate governance factors. The results show that financial enterprises should enhance the number of corporate governance members with independence and understanding of accounting and/or finance, and strengthen the efficacy of their board audit committee.

With a survey size of 20 licensed non-financial companies over a five-year period, from 2018 to 2022, Oyedele (2023) investigated the relationship between financial statements fraud detection and governance mechanisms among corporate entities in Nigeria. The study used panel regression, and the predictor variables was calculated using the Beneish M-score model while taking into account the board's structure and the independence of the audit committee as potential drivers. Observations show that the relationship between the independence of the audit committee, the makeup of the board, and financial statement falsification is minimal.

Owolabi (2023) used panel data obtained from businesses within the financial sector of the Nigerian Exchange Group over a five-year period, from 2018 to 2022, to explore the impact of corporate governance on financial statements fraud detection. The data were analyzed using a binary logit regression technique and a longitudinal design. The outcome demonstrates that among listed financial companies on the Nigerian Exchange Group, corporate governance variables account for approximately 0.52 (52%) of the likelihood of financial statements manipulation. The findings indicated that financial enterprises could improve the efficiency and effectiveness of their board audit committee, advance their corporate governance practices, and increase the knowledge and objectivity of their accounting and/or finance staff.

Adegbite (2023) used information on 576 Nigerian businesses between 2016 and 2021 to analyze the association between board composition and financial reporting quality. The outcomes of the multivariate regression analysis revealed an unfavorable and substantial relationship between the proportions of independent non-executive directors and aberrant accruals, which in turn enhances the quality of financial reporting. The board size, nevertheless, had no statistically significant effect.

Theoretical Framework

There are two theories underpinning the study, they include; Fraud Triangle Theory and Diamond Theory as discussed below:

Fraud Triangle Theory

In 1953, criminologist Cressey established that there must be a reason for what people do in order to start studying fraud. Question like, "Why do people perpetrate fraud?" was raised by Cressey. In a period of five months, he questioned 250 criminals whose characteristics met two criteria: some persons accept trust-related duties in good faith; and (ii) circumstances cause them to break the trust. He contended that for a crime to occur, three conditions must be met: pressure, opportunity, and rationalization. According to Cressey, those who believe they have a financial issue that they are unable to discuss with a third party and who are aware that a breach of financial trust could be used to covertly resolve the issue are those who violate trust. Similarly, violators are able to relate to their own conduct in that situation articulations enable them to modify their ideas (Cressey, 1953).

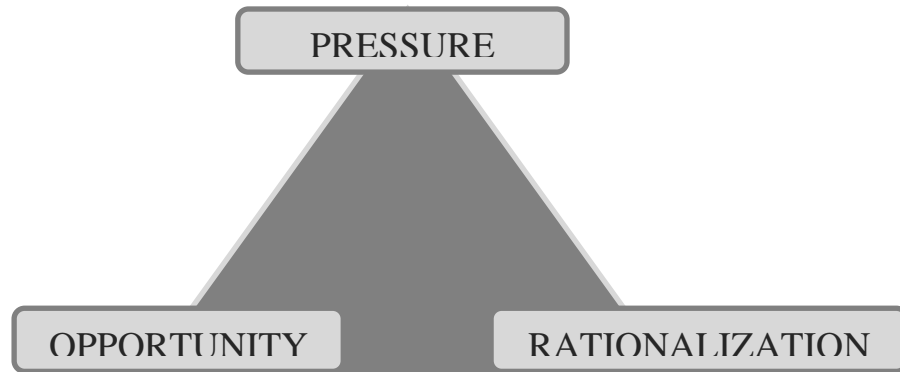


Figure 1: Three elements of fraud

Source: Cressey (1953)

Diamond Theory

Wolfe and Hermanson presented this notion in 2004. The addition of a component called capability to the three original elements of the fraud triangle hypothesis is considered as an enhancement over the fraud triangle itself. Wolfe and Hermanson (2004) noted that, despite the fact that pressure may coincide with an opportunity and a justification, it is unlikely that fraud will occur unless the fourth ingredient (capability) is present. In other words, the potential fraudster must be capable of committing malfeasance. According to Wolfe and Hermanson (2004), opportunity creates the path for fraud, while pressure, motivation, and justifications push someone in that direction. This idea relates to the study because board members who perpetrate financial statements frauds in Nigerian deposit money banks do so out of pressure, a sense of opportunities, rationalization, financial benefit, capability and competency. In this case, competency permits the individual to see the accessible entryways as an opportunity and seize it by passing through it repeatedly.

Gap in Literature

This study was driven by several gaps discovered in the previous examinations. Firstly, there exist conflicting findings on the relationship between board independence and board expertise on financial statements fraud. Secondly, there is paucity of studies on the relationship between board diligence and financial statements fraud in an emerging economy like Nigeria. This investigation attempts to bridge this gap in literature by examining the relationship between board composition and financial statements fraud detection among deposit money banks in Nigeria. This therefore results in a vista of opportunity for further research.

METHODOLOGY

This study examines the relationship between board composition and financial statement fraud detection among deposit money banks in Nigeria. For this study, ex-post-fact research was used. This study employed the use of this research design to describe the statistical association between the variables taking into account the fact that there has been an a-priori manifestation of the relationship among the variables.

The population of this study is made up of all the deposit money bank quoted in the Nigeria Exchange Group (NGX). The sample size also comprise the twelve deposit money bank because of the smallness of its size for the time period of 2016-2022, this qualifies the study as a census study. The study uses ex-post-fact research approach as a sample technique.

Model Specification and Data Analysis Method

The study adopted the model of Taiwo (2018). The model was first stated in its functional form as given below

$$Mscore = \beta_0 + \beta_1 BS_{it} + \beta_2 BD_{it} + \beta_3 AUDC_{it} + \beta_4 BIND_{it} + \mu_{it}$$

Where:

Mscore	=	Measured using Beneish M score
BS	=	Board size measured as the total of non-executive and executive directors
BD	=	Board diversity measured as the total number of females on the board
AUDC	=	Audit Committee measured as the total number of committee member
BIND	=	Board independence measured as the total of Non-executive directors on the board

Having stated the model, the data analysis will be conducted with descriptive statistics (mean standard deviation and Pearson correlation) and inferential statistics (panel least square). The descriptive statistics such as mean and standard deviation will be used to depict trends and relations among variables. “The Pearson correlation will be used to test the correlation level between dependent and independent variable. Panel least squares (OLS) regression will be used to analyse the effect between the variables. The OLS is a best linear unbiased estimator whose estimates possess the desirable properties of unbiasedness, efficiency and consistency (Iyoha, 2004). Data collected will be examined using a combination of Fixed effect model and random effect model

DATA PRESENTATION AND ANALYSIS

In this section, we shall be focusing on the presentation, analysis and interpretation of the data collected for this research work.

Descriptive Statistics

	M-SCORE	BD	BIND	BS	AUDC
Mean	0.696025	0.341397	0.569137	13.69355	4.870968
Median	0.777478	0.330000	0.580000	13.00000	5.000000
Maximum	1.227583	0.630000	0.900000	24.00000	6.000000
Minimum	0.061706	0.110000	0.031000	8.000000	0.000000
Std. Dev.	0.288028	0.086038	0.157923	3.497217	1.216203
Skewness	-0.725909	-0.151833	-0.464043	0.757778	-1.085901
Kurtosis	2.488853	3.739950	4.022748	3.178537	3.979467
Jarque-Bera	12.24008	3.305319	9.854675	12.03206	29.32640
Probability	0.002198	0.191540	0.007246	0.002439	0.000000

Source: Researchers Compilation (2026)

The descriptive analysis reveals that the mean M-score for financial statement fraud detection is 0.69, with a low standard deviation of 0.08 and a Jarque-Bera value of 3.30, indicating low variability and normal distribution, suggesting consistent and relatively low fraud risk across samples. Board diversity has a mean of 0.34, implying moderate female representation (34%) on corporate boards, with a standard deviation of 0.08 and normal distribution. Board independence averages 0.569, reflecting a relatively high proportion (56.9%) of independent directors, which may enhance governance effectiveness. The mean board size is 13.6 members with a standard deviation of 3.49 and a Jarque-Bera statistic of 12.2 ($p = 0.00$), suggesting the data are approximately normally distributed. Lastly, the audit committee has an average of 4.87 members, a standard deviation of 1.21, and a Jarque-Bera value of 29.3, indicating a non-normal distribution and possible variability in audit committee composition across organizations.

Correlation Analysis

	M-SCORE	BD	BIND	BS	AUDC
MSCORE	1.000000				

	124				
BD	-0.241230	1.000000			
	0.0070	-----			
	124	124			
BIND	-0.177773	0.621975	1.000000		
	0.0482	0.0000	-----		
	124	124	124		
BS	0.178500	-0.618253	-0.746921	1.000000	
	0.0473	0.0000	0.0000	-----	
	124	124	124	124	
AUDC	0.161771	-0.048921	-0.021791	0.090024	1.000000
	0.0727	0.5895	0.8102	0.3201	-----
	84	84	84	84	84

Source Researchers Compilation (2026)

From the result of the correlation analysis carried out it was observed that Board diversity was found to have a negative impact on financial statement fraud detection among sampled companies. It was also found to be statistically significant when tested at 5% level of significance. Board independence was found to have a positive impact on financial statement fraud detection. It was also found to be statistically significant at 5% level of significance. Board size was found to have a positive relationship with financial statement fraud detection. Finally audit committee was found to have a positive impact on financial statement fraud detection.

Diagnostic Test: Hausman Test

Correlated Random Effects - Hausman Test

Equation: Untitled

Test cross-section random effects

Test Summary	Chi-Sq. Statistic	Chi-Sq. d.f.	Prob.
Cross-section random	11.407276	3	0.0097

Source: E views, 9.0

This test was carried out to see if the random effect model will be more appropriate for estimation so as to choose between the random and fixed-effect model. From the result given above since the estimated chi-square value is highly statistically significant, we reject the hypothesis that there is no significant difference in the estimated coefficients of the two models. It seems there is no correlation between the error term and one or more repressors. Hence, we can reject the random effects model in favour of the fixed-effect model

Regression Result

Dependent Variable: MSCORE
 Method: Panel Least Squares
 Date: 05/02/26 Time: 15:29
 Sample (adjusted): 2016 2022
 Periods included: 7
 Cross-sections included: 12

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	-1.118169	0.439303	-2.545327	0.0138
BIND	0.851915	0.383322	2.222452	0.0305
BS	0.042933	0.019182	2.238137	0.0294
AUDC	0.014625	0.045763	0.319590	0.7505
BD	-0.596111	0.112278	-5.309232	0.0000
AR(3)	0.284254	0.110293	2.577270	0.0127

Effects Specification

Cross-section fixed (dummy variables)

R-squared	0.420969	Mean dependent var	-0.002771
Adjusted R-squared	0.249405	S.D. dependent var	0.390842
S.E. of regression	0.338614	Akaike info criterion	0.877264
Sum squared resid	6.191600	Schwarz criterion	1.419032
Log likelihood	-14.14287	Hannan-Quinn criter.	1.092708
F-statistic	2.453706	Durbin-Watson stat	2.495426
Prob(F-statistic)	0.007251		

Inverted AR Roots	.51	-.55+.51i	-.55-.51i
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The regression analysis revealed that board independence and board size both have positive and statistically significant impacts on financial statement fraud detection, suggesting that more independent and larger boards enhance oversight, accountability, and transparency in financial reporting. Specifically, a percentage increase in board independence leads to a 0.85 rise in fraud

detection, reflecting the value of objective and diverse oversight. Similarly, a larger board size (coefficient = 0.042) promotes better monitoring and governance through diverse expertise and broader scrutiny of financial activities, thereby strengthening fraud detection mechanisms and investor confidence. Conversely, while audit committee size exhibited a positive but non-significant relationship with fraud detection (coefficient = 0.01), this indicates that other factors beyond audit committee size such as effectiveness, expertise, and internal control systems may play a greater role in influencing fraud detection outcomes.

Board gender diversity, however, showed a statistically significant negative relationship with fraud detection (coefficient = -0.59), implying that increased female representation was associated with a 5.9% decrease in fraud detection, possibly reflecting contextual or structural factors in the sampled organizations. The model's R^2 value of 0.42 indicates that 42% of the variation in financial statement fraud detection is explained by the independent variables, while the F-statistic (2.45, $p = 0.00$) confirms overall model significance at the 5% level. Additionally, the Durbin-Watson statistic of 2.4 indicates no autocorrelation in the residuals, affirming the reliability and robustness of the regression results. Overall, the findings highlight that board characteristics particularly independence and size play a crucial role in enhancing fraud detection and promoting effective corporate governance.

Discussion of Findings

The regression analysis provides critical insights into how board composition influences financial statement fraud detection within organizations. The statistically significant positive relationship between board independence and fraud detection underscores the vital role of independent oversight in promoting accountability and transparency. Boards with a higher proportion of independent directors tend to exercise greater objectivity and scrutiny over financial reporting processes, thereby improving the likelihood of identifying and addressing irregularities. Similarly, while the positive coefficient of board size indicates a potential link to enhanced fraud detection, its lack of statistical significance suggests that the effectiveness of larger boards may depend on internal factors such as communication efficiency, decision-making quality, and member engagement. The non-significant relationship between audit committee size and fraud detection further reveals that committee effectiveness depends less on size and more on attributes such as member expertise, independence, and diligence. Overall, these findings highlight that the relationship between governance structures and fraud detection is multifaceted, requiring organizations to emphasize not just composition, but also the functional quality and dynamics of their boards and committees.

Regarding diversity, attributing a negative impact on fraud detection to the presence of female directors would be both speculative and unjustified. Board diversity brings valuable perspectives that enhance decision-making, innovation, and governance effectiveness. The observed negative coefficient may instead reflect contextual or organizational factors such as communication styles, group dynamics, or cultural influences rather than the impact of gender itself. It is essential to interpret such findings cautiously and avoid gender-based generalizations. Further research should examine the deeper structural and cultural mechanisms

that shape the relationship between board diversity and fraud detection, thereby contributing to more equitable and effective governance frameworks.

CONCLUSION AND RECOMMENDATIONS

In conclusion, this study contributes to the literature on corporate governance and financial statement fraud detection by empirically examining the determinants of fraud detection within organizational governance structures. The findings underscore the critical role of independent oversight in mitigating fraudulent activities, while also highlighting the nuanced relationships between governance mechanisms and fraud detection outcomes. By elucidating the complex interplay between board composition, independence, and effectiveness, this study informs regulatory reforms, corporate governance practices, and future research endeavors aimed at enhancing fraud detection capabilities and upholding integrity in financial reporting. Moving forward, longitudinal and qualitative studies could provide deeper insights into the dynamic nature of governance mechanisms and their evolving impact on fraud detection outcomes, thus contributing to the ongoing discourse on corporate governance and financial integrity.

- **Enhance Board Independence:** Organizations should prioritize the inclusion of independent directors on their boards to strengthen oversight and accountability.
- **Optimize Board Composition and Size:** Corporate leaders should carefully consider the optimal size and composition of their boards to maximize effectiveness in fraud detection.
- **Empower Audit Committees:** While audit committee size alone may not significantly impact fraud detection outcomes, organizations should focus on empowering audit committees with relevant expertise and resources.
- **Strengthen Internal Controls:** Organizations should invest in robust internal control systems and mechanisms to complement governance structures in detecting and preventing financial statement fraud.

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