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# **Financial statements Fraud in Banks: Implication for Board Member' Nationality and Meetings**

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## **Abstract**

This study examined the effect of foreign board member and board meeting on the likelihood of financial statements fraud in listed deposit money banks in Nigeria. The study further examined the moderating effect of board meeting on the relationship between foreign directors in the board and the likelihood of financial statements fraud in banks. A sample of ten (10) listed deposit money banks from 2014 to 2020 was conveniently selected. Results from the binary logit regression revealed that foreign directors in the board have the likelihood of reducing financial statements fraud; while board meeting have no significant impact on the likelihood of financial statements fraud. The study further found that board meeting has moderating effect on the relationship between foreign directors in the board and the likelihood of financial statements fraud. The study recommends increase the number of foreign directors in their board in order to improve the board monitoring role.

**Keywords:** COVID-19, Binary logit regression, Fraud, likelihood

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## **1. Introduction**

Financial statements fraud is a fraud perpetrated by management of an organization on behalf of the organization. It involves the manipulation of accounting records to achieve a desired goal or objective. The long run effect of these manipulations has a negative effect on the organizational performance and goal (Uwiugbe, Olorunshe, Uwiugbe, Ozordi, Asiriwuwa, Asaolu & Erin, 2019). Empirical evidences have attested to the fact that financial statements fraud led to the collapse of big firms like Enron, WorldCom, Cadbury, Oceanic bank, Intercontinental bank and a host of others (Saidu & Aifuwa, 2020). The peculiarity of this kind of fraud makes it difficult to detect in time and also to recover from the loss (Ilaboya & Lodikero, 2017). Financial statements fraud has a negative effect on the reputation of firms involved.

The unending occurrences of financial statements fraud in organizations depict weak corporate governance practice. Ojeme (2010) re-echoed that poor corporate governance practices has prompted conflicts amongst boards and management, which often result to disagreement in the board, ineffective board oversight function, and a host of agency problems in organizations. It is also worth knowing that weak corporate governance structures in organization have prompted a poor internal control system in organization (Virk, 2019). In order to curb this problem of weak corporate governance structure evidenced in the collapse of too big to fail firms, institutions, regulatory bodies, and

professional bodies across the globe set-up different framework and guidelines (Saidu & Aifuwa, 2020; Subair, Salman, Abolarin, Abdullahi & Othman, 2020).

These frameworks and guidelines are geared towards strengthening the existing corporate governance practices and structure in organization. For example the Sarbanes-Oxley's Act of 2002 in the United States of America was designed to strengthen the independence of board of directors (an internal corporate governance mechanism) in organizations.

Studies on the impact nationality diversity in the board of organization in developing climes are still at an infancy stage. Ujunwa, Okoyeuzu, and Nwakoby(2012) argued that the inclusion of foreign members on the board would lead to a quantum of qualified members on the board with diverse industry experience. Thus their diverse industry experience and expertise would be benefited by the domestic board directors as a result of knowledge and experience sharing (Lee & Farh, 2004). Oxelhiem and Randoy (2001) asserted that the presence of foreign directors in the board would assure and safeguard the interest of minority investors. Ferrero-Ferrero, Fernandez-Izquierdo, and Munoz-Torres (2015) argued that board with a high representation of foreign directors from different nationalities brings a diverse idea and perspective to the boardroom. With the unique attributes of foreign directors, the likelihood of financial statements fraud would be significantly reduced.

Lastly, the unending argument in literature as regard efficacy of board meeting in corporate organization is still at a crossroad. The correlation between board meeting and the likelihood of financial statements fraud is far from being settled as well. Sadique, Ismail, Roudaki, Alias, and Clark (2019) and Nasir, Ali and Ahmed (2019) reported that board meeting increases the likelihood of financial statements fraud, while Subair et al. (2020) put forward that board meeting reduces the likelihood of financial statements fraud. Therefore, this study aim to further investigate the influence of board attributes on the likelihood of financial statements fraud.

Empirical literature on the subject matter is still scanty. Some researchers submitted that international directors on the board do not have an impact on the possibility of financial statements fraud (Hasnan & Marzuki, 2017; Uwuigbe et al., 2019). Thus, there is a need for more study on this nexus between the presences of foreign directors on the board on the likelihood of financial statements fraud. Likewise, Sadique et al. (2019) and Nasir et al. (2018) reported that board meeting increases the likelihood of financial statements fraud, while Subair et al. (2020) put forward that board meeting reduces the likelihood of financial statements fraud. There is a need for further studies on the nexus between these variables. Furthermore, this study examines the moderating effect of board meeting on the nexus between foreign directors and financial statements fraud. To the best of the researchers' knowledge, no study have investigate the discourse from this perspective.

In light of the aforementioned, this study would explore the financial companies (that is, listed deposit money banks) on the Nigerian Stock Market. The broad objective of the study is to examine the impact of foreign directors and board meeting on financial statements fraud in listed deposit money banks in Nigeria. Also, to examine the moderating effect board meetings on the nexus between foreign directors and financial statements fraud in listed deposit money banks in Nigeria.

## **2. Literature Review**

### **2.1 Financial statements Fraud**

Financial statements fraud had been a significant issue of concerns of investors, firms and regulatory authorities across the globe. Albrecht, Albrecht, Albrecht and Zimbelman

(2012) identified it as one of the broad categories of fraud. The other group of fraud is assets misappropriation and corruption. Ilaboya and Lodikero (2017) described the phrase 'financial statements fraud' as a blend of two concepts: financial statements and fraud. They defined financial statements as the end product of a financial process. At the same time, financial statements fraud is any act, omission or misrepresentation of material fact to mislead users of financial information. In addition to this definition, many researchers and regulatory bodies and authorities have conceptualized the concept of fraud. Subair et al. (2020) see fraud generally as any act that applies deception as its superior technique to achieve either personal or organizational gain. The American Institute of Certified Public Accountant [AICPA, 1988] defined financial statements fraud as any intentional act or omission that results in a materially misled financial statements.

Therefore, financial statements fraud is an intentional and misstatement of material facts in books of the account such as income, expenses, assets and liability, of the organization to deceive investors and creditors (Gupta & Gill, 2012; Omoye & Eragbe, 2014). Virk (2019) termed financial statements fraud as corporate illegality consisting of an act of omission or commission by an individual or group of individuals within a business organization to violate the existing laws. According to the Association of Certified Fraud Examiner (2011) financial statements fraud is a deliberate misrepresentation of the financial position of an organization via intentional misstatement, omission or disclosures. Albrecht et al. (2012) viewed financial statements fraud as fraud committed by the upper echelons individuals in an organization on behalf of the organization through misstatement of material facts to deceive users of financial information.

Omoye and Eragbe (2014) opined that financial statements fraud often commences with the violation of laid down Generally Accepted Accounting Principles (GAAP). They further noted that fraud is prevalent in most jurisdiction that lacks rigid accounting standards and internal control, which allows accountants to choose between accounting policies. Subair et al. (2020) echo that financial statements fraud usually starts with little adjustment in accounting entries; however, the need to further smooth these adjustments leads to escalated fraudulent practices. The ACFE (2011) identified five ways in which financial statements fraud could be perpetrated. They include improper recognition of revenue; improper treatment of expenses and cost; incorrect valuation of assets; improper recording of liabilities, and inadequate disclosures. In practice these ways could be achieved by falsifying assets, sales and profit or understating liabilities, expenses or losses to portray good financial performance (Dalnial, Kamaluddin, Sanusai & Khairuddin, 2014). Furthermore, Albrecht et al. (2012); Kozlov, Hurtado-Guarin, and Trakulhoon (2018) and Tangod and Kulkarni (2015) observed that items in the financial statements such as sales, account receivable, inventories are most susceptible to fraud.

## **2.2 Foreign Directors in the Board**

The presence of a foreign director on the board of organizations has both merits and demerits. Leaning on the theoretical frameworks of Resource Dependency theory and empirical evidence from researchers, the merits tend to outweigh the demerits. On the merits, Carpenter and Feroz (2001) sounded that foreign directors have a rare, valuable, and peerless attributes that can contribute to a firm's competitive advantage. Ujunwa et al. (2012) posited that the inclusion of foreign directors in the board lead to a quantum of qualified members with diverse industry experience. Thus, their diverse industry experience and expertise would be beneficial to domestic directors on the board (Lee & Farh, 2004). Oxelhiem and Randoy (2001) argue that the presence of foreign directors in the board assures and safeguard the interest of minority investors. Ferrero-Ferrero,

Fernandez-Izquierdo, and Munoz-Torres (2015) hold the stance that a board with a high proportion of foreign directors brings a diverse idea and perspective to the boardroom. Foreign director's wealth of idea and experience stems from their international market engagement, different professional, religion, language, life experiences and knowledge, which could improve the board's decision-making process (Musa, Gold & Aifuwa, 2020). Furthermore, Oxelheim and Randoy (2003) opined that foreign directors are strongly committed to a firm's transparency, accountability and reputation in competitive markets. Ngo, Pham and Luu (2019) echo that foreign directors help attract more investment resources into a firm because of their cross-border experience and networks.

Contrary to the above arguments and positions, researchers have argued in line with Agency theory, that the merits of foreign director in the board are vague and not realistic. For example, Masulis et al. (2012) argue that a nationally diverse board would result in poor performance, due to the foreign director's oversight on domestic issues coupled with high cost employing foreign directors. They further argue that foreign directors do not attend the board meeting and lack the required monitoring function to pilot the affairs of the board successfully. Musa et al (2020) further argued that firms would acquire more cost in the processing the board language to fit the language of foreign directors. Concerning corporate fraud, Hasnan and Marzuki (2017) and Uwuigbe et al. (2019) submitted that foreign directors on the board do not have an impact on the likelihood of financial statements fraud. Thus, there is a need for further investigation to arrive at a robust and valid generalization.

### **2.3 The Number of Board Meeting**

The board meeting is a vital board process in monitoring the activities of managers in an organization. Boussaid, Hamza and Sougne (2015) identified the board meeting as an avenue for the board of directors to carry out their monitoring function effectively and efficiently. It provides an opportunity for board members to interact, discuss, and exchange ideas that may improve their monitoring function (Conger, Finegold, & Lawler Iii, 1998). Scholars have recognized the need for a high and frequent board meeting in improving firms performance (Veafeas, 1999) and strengthening its internal control systems (Enofe & Igbino, 2020). Salleh and Othman (2016) advised that a more frequent meeting of board directors enhances the boards' control over the firms' activities.

Notwithstanding these highlighted benefits of frequent board meetings, Subair et al. (2020) identified two arguments literature on a frequent board meeting. The first proponent argued that frequent board meeting might signal weakness of the board in carrying out their monitoring function and limits their value and firms performance. Other scholars, like Jensen (1993), Smiali and LaBelle (2009) and Belard et al. (2004), further argued that frequent board meeting does not necessarily lead to effective monitoring on management. That, it wastes time needed to carry out other functions of the board in improving the performance of the firm. De Andreas et al. (2005) sounded that board meeting does not stimulate effective monitoring by the director. Ndofo et al. (2013) posited that too many board meeting depicts a high probability of economic fraud connected to industries and firms based information asymmetries and negative affect the market performance of the firm.

In line with the Fraud Triangle theory, the frequent meeting brings a perfect opportunity for earnings manipulation and all sorts of financial malpractices to occur in an organization (Chen et al., 2006). Recent studies of Sadique et al. (2019) and Nasir et al. (2018) reported that board meeting increases the likelihood of financial statements fraud. Contrary to this argument, Lipton and Lorsch (1992) argue that frequent board meeting enhances the boards monitoring and control function and also reduces the agency problems. Subair et

al. (2020) further argued that frequent board meeting is a prerequisite for effective board monitoring in reducing the instances of financial statements fraud.

## **2.4 Empirical Review**

In Malaysia, Asyiqin et al (2014) investigated the nexus between corporate governance structure and the likelihood of fraudulent financial reporting using both the Beneish M-score model and Altman's Z-score model on 227 listed firms from 2010 to 2011. They found out that the efficacy of corporate governance structure reduces the likelihood of fraudulent financial reporting. Specifically, board size and foreign board members were not related to the likelihood of fraudulent financial reporting. While board independence, effective internal audit and firm size, negatively and significantly reduces the possibility of fraudulent financial reporting. Competent audit committee and leverage positively and significantly increase the risk of fraudulent financial reporting.

Also, Another study in Malaysia by Hasnan and Marzuki (2017) explored the effects of board characteristics on the financial restatement of listed on the Main Market of Bursa from 2006 to 2013. They sampled 76 restatement firms and 152 non-restatement firms. The result from logistic regression revealed that that size of the board, cross directorships, political linkages and founder on board are significantly associated with the financial restatement incidents. While board independence, the presence of the female director, foreign directors had no impact on the financial restatement of listed firms investigated.

Uwuigbe, et al (2019) examined the association corporate governance and financial statements fraud among twenty (20) listed non-financial firms in Nigeria from 2012-2016. They measure corporate governance via audit committee independence and foreign directors, while financial statements fraud was predicted via the Beneish M-score model. Firm size and leverage were used to control the relationship between the dependent and independent variables, and panel least squares were used to estimate the model of the study. They found out that audit committee independence and foreign director had no relationship on the likelihood of financial statements fraud.

Nasir, Ali and Ahmad (2018) examined the impact of corporate governance, board ethnicity and financial statements fraud in 76 financial statement fraud and 76 non-fraud firms over a period of eight years from 2001 to 2008 in Malaysia. They used logistic regression to analyze the regression model and found out that the percentage of directors who serve on the management, had increased the likelihood of financial statements fraud, while audit quality significantly reduce the risk of financial statements fraud. Furthermore, they found no evidence on the nexus between board meeting (diligence) and financial statements fraud.

A more recent study by Subair, et al (2020) investigated the effect of board characteristics on financial statements fraud likelihood of quoted manufacturing firms in Nigeria. They sampled 39 listed manufacturing firms from 2013 to 2019 and used the binary logit regression to estimate the model of their study. They measured board characteristic via board independence, board expertise and board diligence. At the same time, the likelihood of financial statements fraud was predicted with the Beneish M-score model. They found out that board independence, board expertise and board diligence significantly reduces the likelihood of financial statements fraud after controlling auditor's independence and firm size.

## **2.5 Theoretical Framework**

This study is hinged on the Agency theory of Jensen and Meckling (1976) and the Resource Dependency Theory of Pfeffer and Salancik (1978) to explain the impact of board attributes on the likelihood of financial statements fraud in Nigeria. The rationale for this was due to the fact that other theories on fraud such as the Fraud triangle theory,

Fraud diamond theory and the Fraud Pentagon theory only focus the reasons for committing fraud. Thus, Agency theory explains the role of the board in monitoring and controlling management activities. In contrast, the Resource Dependency Theory explains the board active monitoring function via their valuable expertise, knowledge and business experience theory (Rahman & Ali, 2006).

The Agency theory has enjoyed extensive theoretical and empirical discourse in Accounting and Finance literature, (Aifuwa, Embele, & Saidu, 2018; Aifuwa, Musa & Gold, 2020), and has also featured prominently in board discourse. Agency theory explains the relationship that exists between the principal (owners of the business) and agent (managers) of the company due to separation of ownership (Jensen & Meckling, 1976; Ilaboya & Lodikero, 2017). The duties of the agent – the board, is to effectively and efficiently utilize the assets of the principal to create value and reduce agency problem and cost, however, managers could go against this agency relationship as a result of their opportunistic behaviours (Aifuwa et al., 2020). This is evidenced in past and the unending corporate scandals and collapse of great firms. Therefore, the attributes of the board are pivotal to ending the corporate scandals stunning the corporate world, and which the principal must take into consideration (Eneh, 2018).

In line with the Resource Dependency theory, board attributes, gender and nationality diversity and meeting becomes important for effective monitoring of management activities. Researchers have reiterated that female director and foreign directors expertise and knowledge could significantly reduce the occurrence of fraud and improve the performance of a firm (Abbott et al., 2012; Ilaboya & Lodikero, 2017; Ujunwa et al., 2012). However, a board with both female and foreign directors comes with a price. Smith, Smith and Verner (2005) argued that diversity in the boardroom would lead to more conflict among board members, which would consequently lead to slow decision making and ineffective monitoring of management activities. In order to remedy this issue, a frequent board meeting is pertinent. Dedunu and Anuradha (2020) suggest that adequate board meeting could help reduce the negative effect of a diverse board.

In line with the agency theory and resource dependency theory, we envisage that board attributes such nationality diversity and board meeting reduce (an effective or strong board) would reduce the likelihood of the financial statements fraud among listed deposit money banks in Nigeria.

### **3.1 Methodology**

The study adopted the panel research design. The rationale for this is that the design examined the relationships because the data for the study is in cross section and time series. The population will comprise of all quoted firms in the financial sector in Nigerian Stock Exchange. However, the target population of the study will be listed deposit money banks (fifteen deposit money banks) on the Nigerian Stock Exchange from 2014 to 2020. The rationale for selecting this target population and periods of the study was because prior studies to the best of the researcher's knowledge have not been investigated it. Secondary data for the study will be gotten from annual reports of listed deposit money banks in the Nigerian stock exchange from the period 2014-2020. Binary logit panel regression technique was employed in the estimating the model of the study.

### **3.1 Model Specification**

We adapted the model of Eneh (2018) in explaining the Association between board attributes and the likelihood of fraud in Nigeria. The author specified her model as;

$$BMS_{it} = \beta_0 + \beta_1 BSZE_{it} + \beta_2 BIND_{it} + \beta_3 BDIV_{it} + \varepsilon_{it} \dots \dots \dots (1)$$

Where

BMS = Beneish m score (a proxy for likelihood of financial statements fraud);

$\beta_0$  = Constant;  
 BSZE = Board size;  
 BIND = Board Independence; and  
 BDIV = Board diversity (female directors)  
 $\beta_1, \beta_2, \beta_3$  = Coefficient of explanatory variables  
 $\varepsilon$  = Standard error  
 i = Cross sectional (Companies)  
 t = Time Series

We will remove board size in her model and introduce; foreign director and board diligence. To further improve the model of Eneh (2018), we will control the relationship between the following board attributes on the likelihood of financial statements fraud. Firm size and profitability will be utilized as a control variable. Therefore, we will specify our model as;

In functional form:

$$FSF = f(FODIR, BDMEET, FSZE, PROF) \dots\dots\dots(2)$$

In econometric form:

$$FSF_{it} = \beta_0 + \beta_1 FODIR_t + \beta_2 BMEET_{it} + \beta_3 (\beta_1 FODIR_t + \beta_2 BMEET_{it}) + \beta_4 FSZE_{it} + \beta_5 PROF_{it} + \varepsilon_{it} \dots\dots\dots(3)$$

Where

FSF = Financial statements fraud;  
 $\beta_0$  = Constant;  
 FEDIR = Foreign director in the board;  
 BDIL = Board meeting  
 FSZE = Firm Size; and  
 PROF = Profitability.  
 $\beta_1, \beta_2, \beta_3, \beta_4$  = Coefficient of explanatory variables  
 $\varepsilon$  = Standard error  
 i = Cross sectional (Companies)  
 t = Time Series

**Table 3.1: Measurement of variable**

Variable	Measurement	Supporting Scholars	Apriori
<b>Financial statements fraud</b> (Dependent)	Beneisch M index score (as explained above)	Ilaboya & Lodikero (2017)	Nil
<b>Foreign directors in the board</b> (independent)	The number of Foreign directors divided by total number of directors	Hasnan & Marzuki (2017)	nil
<b>Board Meeting</b> (independent)	The total number of meeting held by the board of a company for a particular year	Subair, et al (2020)	-/+
<b>Firm Size</b> (Control)	Natural logarithm of total assets	Ilaboya & Lodikero (2017); Uwuigbe et al. (2019)	-
<b>Profitability</b> (Control)	Profit after tax divided by Total assets	Aifuwa, Musa & Gold (2020)	-/+

Source: Author’s Compilation, 2024

4. Data Presentation and Analysis

4.2 Descriptive Statistics

Table 4.1: Descriptive Statistics

Variables	Mean	Minimum	Maximum	Std. Dev	Observation
FSF	0.3913	0.0000	1.0000	0.4916	69
FODIR	0.0860	0.0000	0.4667	0.1367	69
BDMEET	6.0000	4.0000	10.0000	1.5996	69
FSZE	19.8110	13.8850	22.8300	2.7497	69
PROF	0.01687	-0.1058	0.2580	0.0366	69

Source: Author’s computation, 2024

Table 4.1 displays the descriptive statistic of variables used in the study. The mean of financial statements fraud stood at 0.3913, that is about 39% banks investigated were free from financial statements fraud as shown by the Beniesh M-score. The standard deviation of 0.4916 did not unveil a considerable clustering around the mean. The mean of foreign directors in the board of banks studied stood at 0.0860, respectively. This implies that, about 9% of the directors are foreign directors. The standard deviation for proportion of foreign directors in the board did not exhibit a considerable clustering around the means. The mean of board meeting stood at 6.000 with a standard deviation of i.5996 below the mean. The control variable of the study means for firm size, and profitability stood at 19.8111, and 0.0168, respectively. The standard deviation of profitability did not exhibit considerable clustering around the mean.

Table 4.2: Linearity of variables

	FSF	FODIR	BDMEET	FSZE	PROF
FSF	1.000000				
FODIR	0.000318	1.000000			
BDMEET	0.317901	0.228582	1.000000		
FSZE	0.472927	-0.119657	0.161173	1.000000	
PROF	0.196421	-0.093685	-0.100905	0.034181	1.000000

Source: Author’s computation, 2024

The linearity of variable is shown in table 4.2. The association exhibits both positive and negative relationship between FODIR and FSF (0.0003), BDMEET and FSF (0.4729), PROF and FSF (0.1964), and BDIL and FSF (-0.0341), PROF and FSF (-0.1540), PROF and BMEET (-0.1009). The strength of association between variable were below the threshold of 0.80, suggesting the absenteeism of the issue of multicollinearity in the variables of the study(Studenmund, 2014).

4.3 Multivariate Analysis and Hypotheses Testing

Table 4.3: Hosmer-Lemeshow Test of Goodness of Fit

Goodness-of-Fit Evaluation for Binary Specification								
Andrews and Hosmer-Lemeshow Tests								
Equation: UNTITLED								
Date: 03/11/21 Time: 12:34								
Grouping based upon predicted risk (randomize ties)								
	Quantile of Risk		Dep=0		Dep=1	Total	H-L	
	Low	High	Actual	Expect	Actual	Expect	Obs	Value
1	3.E-09	0.0369	6	5.92259	0	0.07741	6	0.07842
2	0.1107	0.2389	7	5.60287	0	1.39713	7	1.74552
3	0.2438	0.3092	5	5.08132	2	1.91868	7	0.00475
4	0.3099	0.3420	2	4.71395	5	2.28605	7	4.78445
5	0.3500	0.4078	4	4.30018	3	2.69982	7	0.05433
6	0.4081	0.4560	4	3.99772	3	3.00228	7	3.0E-06



7	0.4627	0.5147	7	3.61442	0	3.38558	7	6.55681
8	0.5189	0.5338	3	3.30762	4	3.69238	7	0.05424
9	0.5394	0.7196	3	2.75556	4	4.24444	7	0.03576
10	0.7737	1.0000	1	0.84841	6	6.15159	7	0.03082
		Total	42	40.1446	27	28.8554	69	13.3451
H-L Statistic			9.2932		Prob. Chi-Sq(8)		0.3182	
Andrews Statistic			10.5395		Prob. Chi-Sq(10)		0.3945	

Source: Authors’ Computation, 2024

The Hosmer-Lemeshow test and Andrews’ statistics of the goodness of fit reveal that the model of the study is statistically fit. This is evidence in the the Chi-square estimation of the goodness of fit for both test reported, H-L(8) = 9.293, p= 0.318 & A(10) = 10.539, p= 0.395.

**Table 4.4: Inferential Statistics – Binary Probit Regression**

Variables	Financial statements Fraud		
	Coefficient	Standard Error	Prob.
Constant	-0.2212	0.4189	059991
Foreign Director in the Board	-20.9513	9.0086	0.0200**
Board Meeting	0.1482	0.1138	0.1927
Foreign Director*Board Meeting	-37.3478	16.637	0.0248**
Firm Size	-0.0695	0.0425	0.1021
Profitability	6.5417	6.0908	0.2828
McFadden R-squared		0.01961	
S.E. of regression		0.4845	
LR statistic		34.0339	
Prob(LR statistic)		0.0113	

Source: Authors’ Computation, 2024

Table 4.4 above revealed the results of the binary probit regression for the model of the study. The explanatory variables employed in the study significantly explain the impact board attributes on the likelihood of financial statements fraud in listed deposit money in Nigeria, LR statistics = 34.0339, p < 0.05. The control variable introduced- firm size had no significant impact on the likelihood of financial statements fraud in selected deposit money banks in Nigeria.

Foreign board director was found to have negative impact on the likelihood of financial statements fraud in listed deposit money banks in Nigeria. Therefore, an increase in the current proportion of foreign director in banks will reduce likelihood of financial statements fraud in banks in Nigeria. This finding does not support the theoretical stance of the Resource dependency theory that foreign board directors will a firms performance and reduces the occurrence of financial statements fraud in banks. This finding supports the argument of Ujunwa et al. (2012) and Oxelhiem and Randoy (2001) that the inclusion of foreign directors in the board lead to a quantum of qualified members with diverse industry experience and assures and safeguard the interest of minority investors. However, the result of this study is in dissonance with the works of (Hasnan & Marzuki, 2017; Uwugbe et al., 2019) they reported that foreign directors in the o not have an impact on the possibility of financial statements fraud.

Secondly, the study found that the number of board meeting do not have significant effect on the likelihood of financial statements fraud in listed deposit banks in Nigeria. Our findings is in dissonance with the studies of Sadique et al. (2019) and Nasir et al. (2018) who reported that board meeting increases the likelihood of financial statements fraud, and Subair et al. (2020) submitted that board meeting reduces the likelihood of financial statements fraud. This study failed to validate the predictions of the agency theory that that board meeting would lead to effective monitoring on management. This study support the argument of Jensen (1993), Samiali and LaBelle (2007) and Belard et al.

(2004), that frequent board meeting does not necessarily lead to effective monitoring on management. Also, the argument of De Andreas et al. (2005) that board meeting does not stimulate effective monitoring by the director.

Lastly, we found that board meeting have a moderating effect on the nexus between foreign directors and the likelihood of financial statements fraud in listed deposit money banks in Nigeria. Therefore, the number of board meeting will promote the foreign director participation in the board in terms of carrying out its monitoring and oversight functions in reducing the likelihood of financial statements fraud in banks.

## **5. Conclusion**

The study investigated the impact of the board attributes on the likelihood of financial statements fraud in listed deposit money bank in Nigeria. Based on the findings of the study, we concluded that foreign directors in the board has negative influence on the likelihood of financial statements fraud in listed deposit money banks in Nigeria. Board meeting as corporate governance mechanism does not have the efficacy of reducing the likelihood of financial statements fraud. However, board meeting could moderate the relationship between foreign directors and the likelihood of financial statements fraud. The study recommends that banks should increase the number of foreign directors in their board in order to improve the board monitoring role.

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