

Corporate Governance and Fraud Risk: Insights from Malaysian Listed Firms

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ABSTRACT

Fraudulent financial statements pose a major threat to corporate governance and investor confidence, particularly in emerging markets such as Malaysia. This study examines the impact of board size and audit committee independence on fraud risk, drawing on agency theory and network theory within corporate governance perspectives. Panel data were drawn from 578 listed companies yielding 2,312 firm-year observations. Panel least squares regression with cross-section and period fixed effects was applied to test the relationship between governance mechanisms and fraud risk, controlling for profitability, leverage, firm size, ownership concentration, growth, and audit quality. The results reveal that both board size and audit committee independence contribute to fraud risk mitigation, though their effects differ in strength. Board size shows a marginally positive association with the Altman z-score, suggesting larger boards may provide broader oversight but are limited by coordination challenges. Audit committee independence exhibits a strong positive association with the Altman z-score, confirming its critical role in ensuring credible monitoring of financial reporting and mitigating fraud risk. The study contributes to governance literature by highlighting the comparative importance of board composition and audit committee independence in reducing fraud risk. It provides practical insights for boards and auditors, emphasizing the need to balance board structures with independent oversight. From a policy perspective, the findings support ongoing reforms under the Malaysian Code on Corporate Governance (MCCG) and suggest that regulators consider both independence requirements and optimal board configurations to enhance financial reporting integrity.

Keywords: fraudulent financial statements, fraud risk, corporate governance, board size, audit committee independence.

INTRODUCTION

Fraudulent financial statements remain one of the most destructive forms of corporate misconduct, with long-lasting implications for investor confidence, organisational stability, and the integrity of financial markets. Although financial statement fraud accounts for a relatively smaller proportion of occupational fraud cases compared to asset misappropriation or corruption, its financial impact is disproportionately severe, often leading to corporate collapse, market losses, and reputational damage (ACFE, 2014; ACFE, 2020). In emerging economies such as Malaysia, highly publicised cases including 1Malaysia Development Berhad (1MDB) have exposed weaknesses in corporate monitoring and financial oversight. The Securities Commission Malaysia has reported repeated violations of financial reporting standards, signalling that fraud risk remains an ongoing concern in the corporate sector (Smaili, Arroyo, & Issa, 2022).

Governance literature has long debated the role of board structures in shaping corporate accountability. The board of directors functions as the apex of internal control, expected to safeguard shareholders' interests and monitor management. Larger boards may contribute positively to oversight by incorporating diverse expertise, greater resources, and multiple perspectives (Gaio & Raposo, 2011; Pucheta-Martínez & Gallego-Álvarez, 2019). However, excessively large boards may create inefficiencies, communication barriers, and a dilution of responsibility, thereby undermining effective monitoring (Jensen & Meckling, 1976; Krause, Semadeni, & Cannella, 2014). This tension highlights the need for empirical evidence on whether board size mitigates or

exacerbates the risk of fraudulent financial statements, particularly in Malaysia where boards are often influenced by concentrated ownership and family control.

Complementing the board, the audit committee plays a critical role as a specialised governance mechanism overseeing financial reporting quality. Prior research demonstrates that audit committees with a high proportion of independent directors are more effective in ensuring reporting transparency, deterring earnings manipulation, and strengthening auditor independence (Ahmed & Hamdan, 2015; Bennouri, Nekhili, & Touron, 2015; Othman et al., 2023). Independence allows audit committees to challenge management, liaise effectively with external auditors, and reduce information asymmetry in financial disclosures (DeAngelo, 1981; Che, Hope, & Langli, 2020). In Malaysia, the Malaysian Code on Corporate Governance (MCCG) emphasises independence as a cornerstone of audit committee effectiveness. Nonetheless, questions remain about how audit committee independence functions in environments characterised by ownership concentration, raising the importance of context-specific research.

Malaysia provides a unique setting for examining these dynamics. Regulatory frameworks such as the MCCG have progressively strengthened governance provisions, particularly around board composition and audit committee independence. However, local business structures characterised by family ownership, related-party transactions, and limited enforcement capacity may weaken the intended effectiveness of these reforms (Rahmat & Ali, 2016; Rahmat, Ali, & Mohd Saleh, 2021). Investigating whether board size and audit committee independence jointly mitigate fraud risk offers critical insights into the effectiveness of governance reforms in such an environment.

This study contributes to the literature in several ways. First, it empirically examines the impact of board size and audit committee independence on the risk of fraudulent financial statements in Malaysian listed companies, using a panel dataset of 578 firms between 2014 and 2017. Second, it adds to the theoretical extension of agency theory and network theory (Jensen & Meckling, 1976; Rahmat et al. 2021) by testing whether governance mechanisms reduce agency costs through enhanced monitoring. Third, it provides practical and policy implications by offering evidence relevant to regulators, boards, and investors, particularly within the context of Malaysia's evolving corporate governance framework.

The remainder of this paper is structured as follows. Section 2 reviews the relevant literature and develops hypotheses. Section 3 outlines the research methodology. Section 4 presents the empirical findings, and Section 5 concludes with theoretical, practical, and policy implications.

LITERATURE REVIEW AND HYPOTHESES DEVELOPMENT

Agency Theory and Network Theory

Financial statement fraud is one of the most severe forms of corporate misconduct, as it undermines the credibility of financial reporting, distorts capital allocation, and erodes investor trust. Its impact is disproportionately damaging compared to other types of occupational fraud, often resulting in substantial financial losses, regulatory penalties, and, in extreme cases, corporate collapse (ACFE, 2014; ACFE, 2020). These consequences make it critical to understand how governance mechanisms, particularly boards of directors and audit committees, influence fraud risk.

Agency theory provides the foundational explanation for fraud risk by focusing on the conflict of interest between managers (agents) and shareholders (principals). Managers may pursue personal goals such as concealing poor performance or inflating earnings, which creates opportunities for fraudulent reporting (Jensen & Meckling, 1976). In this setting, boards of directors and audit committees are governance mechanisms designed to reduce agency costs, increase accountability, and ensure credible financial reporting (DeAngelo, 1981; Antle, 1982). Their effectiveness determines how well firms can constrain the likelihood of fraudulent practices.

However, agency theory alone does not fully capture the dynamics of governance effectiveness, particularly in emerging markets where ownership concentration, family control, and informal ties shape corporate structures.

Network theory provides a complementary perspective by recognising that governance effectiveness is not only determined by formal roles but also by relational ties and reputational concerns. Directors and audit committee members are embedded in networks that influence how they exercise oversight, with strong external linkages creating reputational incentives to enforce higher standards of accountability (Rahmat et al. 2021).

Together, agency theory and network theory provide a richer framework for explaining fraud risk. Agency theory clarifies why governance mechanisms such as board size and audit committee independence are necessary to reduce opportunism. Network theory adds nuance by showing how relational ties can either reinforce accountability or undermine independence. In Malaysia, where family ownership and relational governance remain strong, the dual-theory approach is particularly useful in assessing how board size and audit committee independence affect fraudulent financial reporting (Rahmat et al., 2024).

Board Size and Fraud Risk

The size of the board of directors has been widely debated as a determinant of governance effectiveness and corporate accountability. Larger boards are often argued to enhance oversight by bringing together a diverse range of expertise, knowledge, and perspectives that improve the ability to scrutinise management decisions and detect irregularities (Gaio & Raposo, 2011; Pucheta-Martínez & Gallego-Álvarez, 2019). From an agency perspective, more directors increase monitoring capacity, which reduces information asymmetry and constrains the likelihood of fraudulent reporting.

From a network theory standpoint, larger boards expand relational linkages within governance structures. Directors who serve across multiple boards are exposed to greater reputational pressures, which encourage them to protect their credibility by monitoring management rigorously. The presence of directors with wider professional networks also facilitates the diffusion of good governance practices, strengthening collective vigilance against financial misconduct (Rahmat et al. 2021). In this way, board size contributes not only through structural monitoring capacity but also through relational incentives.

However, excessively large boards may weaken governance effectiveness. Coordination difficulties, slower decision-making, and the dilution of responsibility can reduce their ability to respond to fraud risk in a timely and decisive manner (Jensen & Meckling, 1976). Prior studies also suggest that oversized boards may foster passivity or be more easily influenced by management, undermining their oversight role (Krause et al. 2014). Network ties can also backfire if directors are too closely linked to controlling shareholders or management, leading to compromised independence and weaker monitoring (Rahmat et al., 2024).

In Malaysia, where concentrated ownership and family-controlled boards are common, the effectiveness of board size depends heavily on independence and governance culture. Larger boards do not always guarantee stronger oversight if appointments are driven by kinship or personal ties rather than professional merit. This makes it essential to empirically test whether board size reduces the risk of fraudulent financial statements in the local context.

H1. Board size is negatively associated with the risk of fraudulent financial statements.

Audit Committee Independence and Fraud Risk

The audit committee serves as a specialised governance mechanism designed to enhance the reliability of financial reporting. Among its structural features, independence defined by the proportion of non-executive or independent directors is regarded as the most important determinant of effectiveness (Ahmed & Hamdan, 2015). Agency theory posits that independence allows committee members to act objectively, free from managerial influence, thereby reducing information asymmetry and limiting opportunistic reporting behaviour (DeAngelo, 1981; Antle, 1982).

Network theory complements this view by highlighting how independent directors contribute to monitoring through their reputational incentives and external linkages. Independent directors are often embedded in professional and social networks that expose them to reputational risks if fraud occurs under their watch.

Protecting their credibility within these networks motivates them to challenge management decisions more rigorously, while their external experience and knowledge transfer enhance the quality of oversight (Rahmat et al. 2021; Rahmat et al., 2024).

Empirical evidence consistently supports the link between independence and improved financial reporting quality. Independent audit committees have been found to constrain related-party transactions, reduce opportunistic disclosures, and enhance external auditors' ability to detect irregularities (Bennouri, Nekhili, & Touron, 2015; Che, Hope, & Langli, 2020). More recent evidence confirms that independence remains effective across different contexts, improving transparency and reducing fraudulent financial reporting risks (Lam, Mo, & Rahman, 2024; Darvishi et al., 2025).

In Malaysia, regulatory reforms under the Malaysian Code on Corporate Governance (MCCG) have progressively strengthened requirements for audit committee independence, with the aim of improving oversight and protecting minority shareholders. However, persistent fraud cases raise concerns about whether formal compliance with independence requirements translates into substantive monitoring effectiveness (Othman et al., 2023). This makes it essential to test the role of audit committee independence in constraining fraud risk in the Malaysian setting.

H2. Audit committee independence is negatively associated with the risk of fraudulent financial statements.

RESEARCH METHOD

Sample Selection and Data

This study investigates firms listed on Bursa Malaysia over the four-year period from 2014 to 2017, resulting in 2,312 firm-year observations from 578 non-financial companies. Malaysia offers a highly relevant context for examining fraud risk because of its concentrated ownership structures, prevalence of family-controlled firms, and recurring governance failures (Rahmat et al. 2021; Othman et al., 2023). The 1MDB scandal highlights serious weaknesses in monitoring mechanisms and underscores the importance of evaluating the effectiveness of boards and audit committees in mitigating the risk of fraudulent financial statements.

The study period was deliberately chosen to capture a consistent governance environment. First, it avoids the confounding influence of the 2018 revision of the Malaysian Code on Corporate Governance (MCCG), which introduced new requirements on board and audit committee composition. Second, focusing on 2014 to 2017 ensures that governance practices are observed prior to significant regulatory changes, providing a stable backdrop for analysis. This makes the sample period particularly suited for examining the direct effects of board size and audit committee independence on fraud risk.

Data for this study were drawn from two main sources. Information on board size and audit committee independence was manually collected from annual reports of listed firms, as commercial databases provide limited coverage of detailed governance attributes. Financial indicators, including those used to calculate the Altman Z-score, were obtained primarily from the Thomson Reuters DataStream database and further validated against annual reports and Bursa Malaysia filings. Relying on DataStream ensured consistency, reliability, and comparability of the financial data across firms.

To ensure a homogeneous sample, financial institutions, closed-end funds, and real estate investment trusts (REITs) were excluded given their unique regulatory frameworks. Firms with missing information due to delisting, corporate restructuring, or incomplete disclosures were also removed. The resulting dataset comprises 578 companies, yielding 2,312 firm-year observations, which offers a comprehensive basis for analysing the influence of board size and audit committee independence on fraudulent financial statement risk.

Research Model

To test the hypotheses, this study employs a panel data regression framework with cross-sectional and time-period fixed effects. The choice of fixed effects was guided by the Hausman specification test, which confirmed its superiority over random effects. This ensures that unobservable firm-specific heterogeneity is

controlled, while cross-sectional and time-period effects account for both structural differences across firms and macroeconomic shocks over time. This approach enhances robustness and minimises the risk of bias associated with omitted variables (Wooldridge, 2010). The regression model is specified as follows:

$$RFFS_{i,t} = \beta_0 + \beta_1 BOD_{i,t} + \beta_2 ACIND_{i,t} + \beta_3 SIZE_{i,t} + \beta_4 LEV_{i,t} + \beta_5 GROWTH_{i,t} + \beta_6 ROA_{i,t} + \beta_7 DOS_{i,t} + \beta_8 AQ_{i,t} + \beta_9 \Sigma^5_{i,t} Year_{i,t} + \beta_{10} \Sigma^6_{i,t} Ind_{i,t} + \varepsilon_{i,t}$$

where RFFS is a risk of fraudulent financial statements measured by the Z-score value of the Altman Z-score formula. The Z-score has been widely adopted in fraud risk literature as a proxy for financial distress, which increases the likelihood of earnings manipulation and accounting fraud (Altman, 1968; Bhavani & Amponsah, 2017; Kukreja et al., 2020; Azhar et al., 2021). Furthermore, the Z-score's straightforward linear formula makes it easy to implement and interpret, providing clear results that help financial practitioners, investors, and decision-makers assess risk quickly and effectively. Firms under financial pressure are more prone to commit fraud to conceal their poor performance, making the Z-score a suitable proxy for fraud risk in this context.

The corporate governance characteristics are the size of the board of directors (BOD) which may also influence the fraud risk to the companies. Strong corporate governance is associated with improved transparency and reduced fraud risk, making it a critical variable in studies related to corporate behaviour and financial performance (Krause et al. 2014; Larcker & Tayan, 2020). BOD is measured by the actual number of directors on board. Larger boards may improve monitoring but may also suffer from coordination issues (Pucheta-Martínez & Gallego-Álvarez, 2019).

ACIND is audit committee independence, defined as the proportion of independent directors serving on the audit committee. It is measured by the proportion of independent audit committee members divided by the total number of audit committee members (Othman et al. 2023). Audit committee independence is a critical governance mechanism, ensuring that financial reporting is subject to unbiased and effective oversight (Ahmed & Hamdan, 2015; Othman et al., 2023).

We also include control for other factors that may influence the dependent variable, mainly factors that could represent the differential of company attributes and corporate governance practices. The company's attributes include SIZE, LEV, GROWTH, and ROA. SIZE is a firm's size, measured by a natural logarithm of its book value of total assets. Larger firms are more visible to regulators and the public, which can deter fraudulent behaviour, but they may also have more complex operations that increase opportunities for fraud risk (Rahmat & Ali, 2016). Meanwhile, LEV is a company's leverage, scaled by total debt ratio over total assets (Rahmat & Ali 2016). High leverage increases financial pressure and creates incentives for managers to manipulate earnings to avoid covenant violations (Hoang & Phung, 2019). Gaio and Raposo (2011) also highlighted that a company's poor performance is associated with lower earnings quality. The cross-sectional differential company's performance effect through GROWTH is controlled, which is measured by revenue at the end of the year t divided by revenue year $t-1$ (Rahmat & Ali 2016). Firms experiencing rapid growth may be under greater pressure to sustain performance, potentially leading to fraudulent reporting (Cesinger et al., 2018). ROA is measured using earnings before interest and tax divided by total assets (Ahmed and Hamdan 2015). Higher profitability generally reduces fraud incentives, as managers are less pressured to manipulate results (Tahir et al., 2020).

Note that DOS is a direct ownership shareholding measured by the percentage of direct ownership owned by the controlling shareholders (Ahmed & Hamdan 2015). Concentrated ownership can either mitigate fraud risk by enhancing monitoring or exacerbate it if controlling shareholders exploit their power (Rahmat et al., 2021; Smaili et al., 2022). In addition, AQ is represented by a binary variable, with a value equal to "1" if a Big 4 auditor audits a company and "0" otherwise. The type of auditor (Big 4 vs. non-Big 4) affect AQ and may influence the auditor's ability to detect fraudulent financial statements (Harris & Williams 2020). Thus, the impact must be controlled to prevent the results from confounding. Additionally, the differential effect of *Year* and *Industry* is controlled using the panel least-squares, cross-section, and period fixed effects (Hawtrey and Liang, 2008). Note that ε is the error term.

RESULTS

Table I reports descriptive statistics for 2,312 firm-year observations of Malaysian non-financial listed companies from 2014 to 2017. The mean RFFS is 1.396, with values ranging from -4.290 to 6.530, showing considerable variation in financial health and fraud risk exposure across firms. Audit committee independence is relatively high (mean = 0.889), reflecting compliance with MCCG requirements, while the average board size is 7 directors, consistent with Bursa Malaysia's recommendation for balanced board structures.

For control variables, firms record an average ROA of 5.6% and an average leverage (LEV) ratio of 18.6%, indicating moderate profitability and debt exposure. Ownership concentration (DOS) is also high at 51.3%, reflecting Malaysia's environment of block holder and family-controlled firms. About half of the companies (50.26%) are audited by Big 4 audit firms, while average firm size (SIZE) is 5.723 (log of assets), suggesting the sample is dominated by medium-to-large listed firms. Growth (GROWTH) averages 0.2%, showing modest expansion during the study period.

Table I Descriptive Statistics

Panel A: Continuous variables					
	Mean	Median	Maximum	Minimum	Std. Dev.
RFFS	1.396	1.385	6.53	-4.29	1.092
BOD	7.3	7	13	3	1.815
ACIND	0.889	1	1	0.4	0.153
ROA	0.056	0.053	0.523	-0.432	0.096
LEV	0.186	0.16	0.76	0	0.155
SIZE	5.723	5.663	7.828	3.869	0.639
DOS	51.291	53.79	98.014	16.8	16.627
GROWTH	0.002	0.003	0.123	-0.119	0.028
Panel B: Dummy variable					
AQ					
				Frequency	Percentage
Big 4				1162	50.26
Non Big 4				1150	49.74
n				2312	100
Notes: RFFS is a risk of fraudulent financial statements measured by the Z-score value of the Altman Z-score formula. BOD is a board of directors measured by the actual number of directors on board. ACIND is an audit committee independence, measured by the proportion of the number independent audit committee members divided by the total number of audit committee members. ROA is the return on assets measured using earnings before interest and tax divided by total assets. LEV is a company's leverage scaled by total debt ratio over total assets. SIZE is a firm's size, measured by a natural logarithm of its book value of total assets at year-end. DOS is a direct ownership shareholder, measured by the percentage of shares by direct ownership shareholders. GROWTH is measured by revenue at the end of the year t divided by revenue year t-1. AQ is a binary variable representing audit quality, with a value equal to "1" if a firm is audited by a Big 4 auditor or "0" otherwise.					

We also conducted Pearson's correlation, as presented in Table II, and the results indicate that no variable is highly correlated with any other. The highest correlation is between RFFS and ROA (0.693). To further confirm the absence of multicollinearity, variance inflation factor (VIF) values were examined. All variables recorded VIF values well below the conservative threshold of 10 (Neter et al., 1983), indicating that multicollinearity is not a concern in the regression analysis.

Table II Correlation Analysis

	RFFS	BOD	ACIND	ROA	LEV	SIZE	DOS	AQ	GROWTH
RFFS	1	0.123	0.009	0.693	-0.266	0.045	0.159	0.09	0.179
BOD		1	0.499	0.124	0.149	0.377	0.119	0.141	0.05
ACIND			1	-0.055	0.002	-0.072	-0.035	-0.135	0.022
ROA				1	-0.124	0.142	0.142	0.109	0.227
LEV					1	0.37	-0.052	0.115	0.021
SIZE						1	0.162	0.41	0.06
DOS							1	0.18	0.047
AQ								1	0.006
GROWTH									1

Table III Multiple Regression Result

	Coefficient	t-Statistic
BOD	0.011	1.665*
ACIND	0.188	2.928***
ROA	4.616	18.406***
LEV	-1.576	-24.63***
SIZE	0.522	10.974***
DOS	0.004	3.611***
AQ	0.132	2.228**
GROWTH	1.385	5.217***
n	2312	
Adjusted R2	93.69%	
Durbin-Watson statistic	1.848	
F-Statistic	59.32	
Prob (F-statistic)	0	

Notes: Refer to Table I for variable definition and measurement. The model is regressed using panel least-squares estimation with cross-section fixed and period effects. We report t-statistics based on White's (1980) consistent estimator. ***Significant level $p < 0.01$, ** significant level < 0.05 , *significant level $p < 0.10$

Table III presents the panel fixed-effects regression results. The adjusted R^2 of 93.69% indicates that the explanatory variables account for nearly all variation in fraud risk (RFFS). The Durbin–Watson statistic of 1.848 suggests no significant autocorrelation issues.

Board size (BOD) is positively and significantly associated with RFFS ($\beta = 0.011$, $t = 1.665$, $p < 0.10$), suggesting that larger boards play a role in mitigating fraud risk, consistent with the view that diverse expertise improves oversight. Audit committee independence (ACIND) is also strongly positive and significant ($\beta = 0.188$, $t = 2.928$, $p < 0.01$), confirming that independent audit committees strengthen financial reporting quality and reduce risk of fraudulent financial statements.

For control variables, profitability (ROA) is highly positive ($\beta = 4.616$, $t = 18.406$, $p < 0.01$), indicating that more profitable firms are less prone to fraud risk. Leverage (LEV) is negative and significant ($\beta = -1.576$, $t = -24.630$, $p < 0.01$), consistent with financial stress increasing fraud incentives. Firm size (SIZE) is positive ($\beta = 0.522$, $t = 10.974$, $p < 0.01$), suggesting that larger firms are better monitored and less exposed to fraud risk. Ownership concentration (DOS) is positive ($\beta = 0.004$, $t = 3.611$, $p < 0.01$), supporting the argument that block holders can improve monitoring. Audit quality (AQ) is positive ($\beta = 0.132$, $t = 2.228$, $p < 0.05$), highlighting the importance of Big 4 auditors. Growth (GROWTH) is positive and significant ($\beta = 1.385$, $t = 5.217$, $p < 0.01$), reflecting that expanding firms face lower fraud incentives.

Taken together, the findings provide strong evidence that both structural and financial factors influence the risk of fraudulent financial statements. Larger boards and independent audit committees appear to reduce fraud

risk, reinforcing the argument that active monitoring and credible oversight are essential in constraining managerial opportunism. This is consistent with agency theory, which predicts that strong governance mechanisms limit the likelihood of misreporting, and network theory, which suggests that reputational concerns among independent directors strengthen fraud deterrence. The significant effects of profitability, firm size, and audit quality further suggest that firms with stronger performance, higher visibility, and reputable auditors face lower incentives or opportunities to commit fraud. By contrast, the negative effect of leverage highlights that financial pressure remains a critical driver of fraud risk, supporting the view that distressed firms are more likely to manipulate financial results. These results underscore that fraud risk is not determined by a single factor, but by the combined strength of governance structures and financial conditions within firms.

CONCLUSION

This study examined the impact of board size and audit committee independence on the risk of fraudulent financial statements in Malaysian listed companies, using panel data from 2014 to 2017. Drawing on agency theory and network theory, the study proposed that larger boards and independent audit committees strengthen monitoring mechanisms and thereby reduce fraud risk.

The results provide strong evidence that both board size and audit committee independence significantly mitigate the risk of fraudulent financial statements. Board size contributes to fraud risk reduction by broadening the pool of expertise and increasing oversight capacity. Audit committee independence is particularly effective in constraining managerial opportunism, consistent with the MCCG's emphasis on strengthening governance safeguards.

The findings align with real-world cases. In Malaysia, scandals such as 1MDB exposed weaknesses in audit committee oversight, highlighting the need for independence in monitoring. Internationally, failures such as Enron demonstrated the dangers of weak governance and passive boards. These cases reinforce the importance of well-structured boards and independent audit committees in preventing fraud.

From a policy perspective, the findings suggest that regulators and boards should continue strengthening governance practices by emphasising board effectiveness and audit committee independence. Compliance with MCCG provisions must move beyond formality, ensuring that independence is substantive rather than symbolic.

This study is not without limitations. The sample period 2014 to 2017 captures governance conditions before the 2018 MCCG revisions, which may limit applicability to more recent settings. Additionally, while board size and independence are structural measures, qualitative factors such as director expertise and audit committee engagement were not captured. Future research could incorporate these qualitative dimensions or extend the analysis to post-reform periods.

In conclusion, this study adds to the literature by providing new evidence that both board size and audit committee independence significantly reduce fraud risk in an emerging market setting. The findings highlight the importance of strengthening both governance structures to enhance financial reporting credibility in Malaysia.

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