



Audit Committee Effectiveness and the Incidence of Organisational Malpractice in selected Nigeria Deposit Money Banks

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Abstract

Review Article

This study investigated the effect of audit committee effectiveness on organisational malpractice in Nigerian deposit money banks from 2019-2023. Using ex-post facto design and panel data from ten banks, audit committee effectiveness was measured by Committee Independence (CID), Frequency of Meetings (FMT), and Expertise of Members (EMB). Malpractice was indexed via Financial Misconduct (FCI), Procedural Violations (PVI), and Regulatory Breaches (RBI). Regression results showed a significant model ($R^2 = 0.417$, $p = 0.000$). CID had a significant negative effect on overall malpractice ($\beta = -0.342$, $p = 0.002$), FMT on procedural violations ($\beta = -0.213$, $p = 0.023$), and EMB on regulatory breaches ($\beta = -0.273$, $p = 0.009$). The study concludes that substantive audit committee effectiveness, characterized by independence, activity, and expertise, is a critical deterrent to organisational malpractice. It recommends that regulators and bank boards move beyond structural compliance to enforce and cultivate these substantive attributes for stronger governance.

Keywords: Audit Committee Effectiveness, Organisational Malpractice, Corporate Governance, Institutional Theory, Financial Misconduct.

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Introduction

The Nigerian banking sector, a critical pillar of the nation's financial stability and economic development, has been persistently marred by incidents of organisational malpractice. These malpractices, which encompass deliberate actions and omissions that violate legal, ethical, and regulatory standards, have led to significant financial losses, eroded investor confidence, and triggered systemic instability (Sanusi, 2010; Adeyemi & Fagbemi, 2019). Despite

strengthened regulatory frameworks from the Central Bank of Nigeria (CBN), cases involving fraudulent financial reporting, insider abuse, and circumvention of prudential guidelines continue to emerge, as evidenced by the periodic sanctions published by the CBN and the Nigeria Deposit Insurance Corporation (NDIC) (CBN, 2021; NDIC, 2022). The prevalence of such malpractices suggests that internal governance mechanisms within banks warrant critical examination. While these incidents are influenced by a confluence of factors, including



macroeconomic pressures, competitive intensity, and organisational culture, the efficacy of internal corporate governance structures, particularly the audit committee, is posited as a fundamental determinant (Uadiale, 2010; Kabir et al., 2021).

The audit committee (AC), as a cornerstone of corporate governance, is vested with the primary oversight responsibility for financial reporting integrity, internal control adequacy, and audit function effectiveness (CBN Code of Corporate Governance, 2014). Its effectiveness is therefore theoretically a crucial institutional mechanism for constraining managerial opportunism and deterring malfeasance (DeZoort et al., 2002). An effective audit committee acts as a vigilant guardian, providing independent scrutiny of management actions and ensuring transparency, thereby reducing the opportunities and incentives for organisational malpractice (Alzeban & Gwilliam, 2014). In the Nigerian context, where agency problems can be pronounced due to concentrated ownership and weak enforcement environments, the role of a robust and effective audit committee becomes even more pivotal in bridging the accountability gap and safeguarding stakeholder interests (Okoye & Ezejiofor, 2019).

Prior research has established a general link between corporate governance and firm integrity. Studies such as Bédard et al. (2004) and Abbott et al. (2004) found that audit committee independence and financial expertise reduce the likelihood of financial restatements. In Nigeria, Uadiale (2010) examined audit committee composition and financial reporting quality, while Owolabi et al. (2016) explored the relationship between audit committee attributes and fraud detection. However, significant limitations persist, creating identifiable gaps. First, many studies treat "audit committee effectiveness" as a monolithic construct or focus narrowly on one attribute like independence, often neglecting the interactive role of its key sub-variables—*independence, meeting frequency, and member expertise*—in a unified framework (Salleh & Stewart, 2012). Second, the dependent variable, "organisational malpractice," is frequently examined broadly or limited to financial reporting fraud, with

insufficient disaggregation into its specific manifestations such as financial misconduct, procedural violations, and distinct regulatory breaches (Ojeka et al., 2019). Third, there is a paucity of recent, empirical studies that specifically link these granular AC attributes to the concrete, sanction-based incidents of malpractice within the unique and dynamic regulatory landscape of Nigerian Deposit Money Banks post-2010 banking reforms (Adeyemi & Fagbemi, 2019).

The scope is delimited to publicly listed DMBs in Nigeria over a ten-year period (2014-2023), utilizing publicly available data from annual reports and regulatory sanction publications. The significance of this research is threefold: (1) for regulators (CBN, NDIC), it offers evidence to refine governance codes and supervisory focus; (2) for bank boards and practitioners, it highlights the concrete AC attributes that best mitigate specific risks; and (3) for academia, it contributes to the literature by offering a contextual, granular model for analyzing governance-effectiveness relationships in emerging economies. In conclusion, this study posits that a detailed examination of the nexus between the constitutive elements of audit committee effectiveness and the varied forms of organisational malpractice is essential for diagnosing and strengthening the governance fabric of Nigeria's banking sector.

Research Questions

To empirically investigate the posited relationship within the context of Nigerian deposit money banks, this study seeks to answer the following overarching questions:

- i. How does audit committee effectiveness affect the incidence of financial misconduct in selected Nigerian deposit money banks?
- ii. How does audit committee effectiveness affect the incidence of procedural violations in selected Nigerian deposit money banks?
- iii. How does audit committee effectiveness affect the incidence of regulatory breaches

in selected Nigerian deposit money banks?

Research Objectives

Derived from the research questions, the core aims of this study are as follows:

- i. To examine the effect of audit committee effectiveness on the incidence of financial misconduct in selected Nigerian deposit money banks.
- ii. To assess the effect of audit committee effectiveness on the incidence of procedural violations in selected Nigerian deposit money banks.
- iii. To analyze the effect of audit committee effectiveness on the incidence of regulatory breaches in selected Nigerian deposit money banks.

Research Hypotheses

The following null hypotheses, stated in the null form, are formulated for empirical testing:

H₀₁: There is no significant effect of audit committee effectiveness on the incidence of financial misconduct in selected Nigerian deposit money banks.

H₀₂: There is no significant effect of audit committee effectiveness on the incidence of procedural violations in selected Nigerian deposit money banks.

H₀₃: There is no significant effect of audit committee effectiveness on the incidence of regulatory breaches in selected Nigerian deposit money banks.

Conceptual Review

Concept of Organisational Malpractice

Organisational malpractice is defined as a deliberate, systemic failure within an organisation to adhere to legal statutes, regulatory standards, internal ethical codes, and fiduciary duties, resulting in harm to stakeholders and the broader financial ecosystem (Anand, Ashforth, & Joshi, 2015). In the context of Nigerian deposit money banks (DMBs), it

represents a critical governance failure where institutional processes are subverted for illicit gain, risk concealment, or managerial expediency, directly threatening financial stability (Adeyemi & Fagbemi, 2019; Ezeoha, 2019). This variable is operationalized not as a single event but as a pattern of observable, sanctionable incidents that signal a breakdown in the ethical and control environment.

Financial Misconduct: This encapsulates intentional acts of deception in the preparation, auditing, or dissemination of financial information. It is specifically measured by instances such as: the deliberate overstatement of assets or income; the understatement of liabilities or expenses; the creation of fictitious transactions; and the improper recognition of revenue, all aimed at presenting a misleadingly favourable view of the bank's performance and health (Ojeka et al., 2019). In Nigeria, this is frequently linked to the concealment of non-performing loans and the inflation of capital adequacy figures, leading to regulatory interventions as documented by the Central Bank of Nigeria (CBN, 2021).

Procedural Violations: This refers to the circumvention or deliberate neglect of established internal control systems and operational protocols. It manifests as: insider lending exceeding approved limits without collateral; bypassing mandatory authorization hierarchies; willful neglect of Know-Your-Customer (KYC) and Anti-Money Laundering (AML) due diligence; and manipulation of the credit approval process (Bello, 2019). These violations erode the foundational internal checks and balances, creating pathways for asset diversion and fraud, as highlighted in the failure reviews of banks by the Nigeria Deposit Insurance Corporation (NDIC, 2022).

Regulatory Breaches: This denotes explicit non-compliance with the prudential guidelines and statutory regulations enacted by the sector's governing bodies. Key indicators include: failure to meet the minimum Capital Adequacy Ratio (CAR); breach of single obligor limits; violation of liquidity ratio requirements; non-compliance with foreign exchange management directives; and failure to submit accurate returns within stipulated deadlines (Sanusi, 2010; Ezeoha,

2019). These breaches often result in the most visible sanctions, including monetary penalties, suspension of licenses, and directives for management changes, serving as a direct, objective measure of malpractice.

Concept of Audit Committee Effectiveness

Audit Committee Effectiveness is conceptualized as the multifaceted capacity of the audit committee to exercise competent, diligent, and independent oversight that meaningfully constrains opportunistic behaviour and enhances organisational accountability (DeZoort et al., 2002). It is a latent construct, inferred from the observable attributes and activities of the committee, which collectively determine its ability to prevent, detect, and deter malfeasance (Alzeban & Gwilliam, 2014). In the Nigerian banking environment, its potency is considered a primary internal defence against the catalysts of organisational malpractice.

Committee Independence: This is the structural and psychological freedom of audit committee members from influences that may compromise their objective judgment. It is critically assessed through: the proportion of independent non-executive directors on the committee; the absence of current or former executive management; the lack of material business relationships with the bank beyond board service; and the existence of a formally appointed independent chairperson (Bédard et al., 2004). The CBN (2014) Code mandates a majority of independent members, recognizing that independence is the bedrock for unbiased scrutiny of management assertions and external audit findings.

Frequency of Meetings: This dimension measures the committee's diligence and depth of engagement through its annual number of scheduled and unscheduled meetings. A higher, well-justified frequency is a proxy for active oversight, allowing for: continuous monitoring of financial reporting cycles; timely review of internal and external audit plans and reports; and urgent deliberation on emerging risks or compliance issues (Sharma et al., 2017). It signals a committee that is proactive rather than

reactive, ensuring governance is an ongoing activity, not a periodic formality.

Expertise of Members: This refers to the collective financial acumen and relevant experience necessary to comprehend complex banking transactions and challenge management effectively. It is operationalized by: the number of members holding professional accounting certifications (e.g., ACA, ACCA, CPA); demonstrated experience in finance, auditing, or banking risk management; and the aggregate financial literacy of the committee as disclosed in annual reports (Abbott et al., 2004; Okoye & Ezejiofor, 2019). Expertise transforms the committee from a passive reviewer to an authoritative interrogator, capable of identifying subtle irregularities in financial statements and risk models.

Theoretical Review

This study is hinged on Institutional Theory, this theory posits that organizations are deeply embedded within a social and regulatory framework of norms, rules, and beliefs that constitute their institutional environment. To survive and thrive, organizations strive for legitimacy conforming to these socially accepted prescriptions rather than solely pursuing operational efficiency (DiMaggio & Powell, 1983; Scott, 2014). This conformity often leads to isomorphism, a process where organizations become structurally similar. DiMaggio and Powell (1983) identify three core isomorphic mechanisms: coercive isomorphism (pressures from formal regulations and the state), mimetic isomorphism (imitation of successful peers in conditions of uncertainty), and normative isomorphism (professionalization and shared standards within networks). The theory suggests that organizational structures and practices are often adopted ceremonially to signal compliance and secure external support, even if their practical implementation varies (Meyer & Rowan, 1977). First, the very existence and formal design of audit committees are driven by coercive isomorphism from the Central Bank of Nigeria's (CBN) Code of Corporate Governance (2014). When decoupling is extreme, the gap between formal policy and

actual practice becomes visible as malpractice (Adeyemi & Fagbemi, 2019).

Empirical Review

Okoye and Ezejiofor (2019), in their study "Effect of Corporate Governance on the Performance of Deposit Money Banks in Nigeria," examined 10 Nigerian banks from 2007 to 2016 using a panel regression methodology. The study measured committee independence by the proportion of non-executive directors and found a statistically significant positive relationship ($\beta = 0.28, p < 0.05$) between independence and bank performance metrics (ROA). The conclusion was that independent committees enhance monitoring quality.

In a related study, Owolabi, Dada, and Olaoye (2016) investigated "Audit Committee Characteristics and Fraud Detection in the Nigerian Banking Sector," analyzing annual reports of 15 banks. Employing a binary logistic regression, they operationalized independence as the presence of a wholly non-executive committee. Their findings indicated that such independence increased the likelihood of fraud detection by 35%. They

Sharma, Sharma, and Ananthanarayanan (2017), in their study "Audit Committee Frequency of Meetings and Financial Reporting Timeliness: A Study of Indian Listed Firms," analyzed 500 firm-year observations using panel data regression. They measured meeting frequency as the annual count of AC meetings and found a strong positive correlation ($r = 0.67$) with the timeliness of financial reporting. The study concluded that frequent meetings promote diligence.

Focusing on Nigeria, Eze, Ogiji, and Uche (2020) researched "Audit Committee Activity and Earnings Management in Nigerian Financial Institutions," using a sample of 20 banks from 2013-2018. Employing the modified Jones model and regression analysis, they used meeting frequency as a key independent variable. Their results showed an inverse relationship, where a higher meeting frequency (above 4 per year) was associated with a 22%

reduction in discretionary accruals, a proxy for earnings management.

Ojeka, Adegboye, Adegboye, Umukoro, and Iyoha (2019), in their study "Corporate Governance and Financial Statement Fraud: The Moderating Role of the Audit Committee," examined Nigerian listed firms, including banks, from 2012 to 2017 using regression analysis. They measured expertise by the proportion of members with accounting certifications. Findings revealed that a one-unit increase in the expertise index reduced the probability of financial statement fraud by approximately 18%.

Summary of Gaps in Literature

The existing literature reveals four interconnected gaps this study addresses. First, there is a predominant focus on developed economies and non-banking sectors, leaving a scarcity of recent, context-specific empirical research on Nigerian Deposit Money Banks post-2010 reforms. Second, key constructs are often measured incompletely; committee independence is assessed superficially, while member expertise is narrowly defined by formal qualifications, ignoring banking-specific regulatory knowledge. Third, prior studies frequently rely on indirect proxies (e.g., accruals, detection rates) rather than analyzing observable regulatory sanctions as direct evidence of malpractice. Finally, there is a lack of integrated, granular analysis that simultaneously examines how the specific sub-variables of audit committee effectiveness (independence, meeting frequency, expertise) distinctly correlate with the disaggregated sub-categories of organisational malpractice (financial misconduct, procedural violations, regulatory breaches).

Methodology

This study employed an ex-post facto research design to investigate the effect of audit committee effectiveness on the incidence of organisational malpractice in listed Deposit Money Banks in Nigeria using longitudinal panel data. The research population comprised all 15 Deposit Money Banks listed on the

Nigerian Exchange Group (NGX) as of December 2023. A purposive sampling technique was adopted, and the final sample consisted of ten (10) banks selected based on the criteria of continuous listing and complete data availability for the five-year study period from 2019 to 2023. The sampled banks were Access Holdings Plc, Zenith Bank Plc, Guaranty Trust Holding Company Plc, United Bank for Africa Plc, First Bank of Nigeria Holdings Plc, Ecobank Transnational Incorporated, Stanbic IBTC Holdings Plc, Fidelity Bank Plc, Wema Bank Plc, and FCMB Group Plc.

Secondary data were systematically extracted from the published annual reports, audited financial statements, corporate governance disclosures, and the official sanction publications of the Central Bank of Nigeria (CBN) and the Nigeria Deposit Insurance Corporation (NDIC). Data analysis involved both descriptive statistics (mean, standard deviation) to summarize the variables and inferential techniques. Pearson correlation analysis was conducted to examine associative relationships, while panel regression analysis (using Random Effects or Fixed Effects models as determined by Hausman test) was

used to determine causal effects and test the research hypotheses. All analyses were performed using Microsoft Excel and SPSS version 27.

The relationship between the variables was tested using the following panel data regression model:

$$OMI_{it} = \beta_0 + \beta_1 CID_{it} + \beta_2 FMT_{it} + \beta_3 EMB_{it} + \epsilon_{it}$$

Where:

- **OMI_{it}**: Organisational Malpractice Incidence score for bank i in year t.
- **CID_{it}**: Committee Independence for bank i in year t,
- **FMT_{it}**: Frequency of Meetings for bank i in year t,
- **EMB_{it}**: Expertise of Members for bank i in year t
- **β₀**: Constant term.
- **β₁ - β₃**: Coefficients of the independent variables.
- **ε_{it}**: Error term.

Operational Measurement of Study Variables

Sub-Variable	Operational Measurement / Indicator	Data Source
Committee Independence (CID)	Proportion of Independent Non-Executive Directors on the Audit Committee. Formula: (Number of Independent NEDs / Total AC Members) * 100.	Bank Annual Reports & Corporate Governance Disclosures.
Frequency of Meetings (FMT)	Total number of Audit Committee meetings held during the financial year.	Bank Annual Reports (Corporate Governance Section).
Expertise of Members (EMB)	Proportion of Audit Committee members holding recognised professional accounting/finance certifications (e.g., ACA, ACCA, CFA, CPA). Formula: (Number of members with certification / Total AC Members) * 100.	Bank Annual Reports (Director Profiles & Corporate Governance Section).

Financial Misconduct	<ol style="list-style-type: none"> 1. Occurrence of a financial statement restatement. 2. Receipt of a qualified or adverse audit opinion due to fraud or error. 3. Regulatory penalty specifically for misreporting or misrepresentation. 	<ol style="list-style-type: none"> 1. & 2. Bank Annual Reports & Audited Financial Statements. 3. CBN/NDIC Sanction Publications.
Procedural Violations	<ol style="list-style-type: none"> 1. Publicly reported internal fraud incident above a materiality threshold (e.g., ₦100 million). 2. Regulatory sanction for weak/internal control failures. 3. Sanction for insider abuse or related-party transaction breaches. 	<ol style="list-style-type: none"> 1. Bank Annual Reports (Notes to Accounts). 2. & 3. CBN/NDIC Sanction Publications & Annual Reports.
Regulatory Breaches	<ol style="list-style-type: none"> 1. Monetary fine imposed by the CBN for breach of prudential guidelines. 2. Monetary fine imposed by the NDIC. 3. Specific directive/penalty from SEC for listing rule violations. 	<p>CBN, NDIC, and SEC official publications, circulars, and annual reports.</p>

Note: The final *OMIit* score for each bank-year observation will be a composite index. Each verified incident under the three sub-dependent variables will be assigned a severity-weighted point. The total points per year will be aggregated and normalized to create a comparable malpractice incidence score for the regression analysis.

Results and Discussion of Findings

Descriptive Statistics

Descriptive statistics were computed to summarize the central tendency and dispersion of the study's variables. The results, based on 50 bank-year observations (10 banks over 5 years), are presented in Table 1.

Table 1: Descriptive Statistics of Study Variables

Variable	Acronym	Mean	Std. Deviation	Minimum	Maximum
Committee Independence (%)	CID	85.60	11.42	60.00	100.00
Frequency of Meetings (Count)	FMT	5.12	1.35	3.00	8.00
Expertise of Members (%)	EMB	78.40	14.88	50.00	100.00

Financial Misconduct Index	FCI	0.82	1.15	0.00	4.00
Procedural Violations Index	PVI	1.25	1.43	0.00	5.50
Regulatory Breaches Index	RBI	0.78	1.20	0.00	4.50
Organisational Malpractice Index	OMI	2.85	2.67	0.00	9.50

The descriptive statistics reveal insightful patterns in the data. The average Committee Independence (CID) is 85.6%, with a standard deviation of 11.42. This indicates a generally high level of compliance with the regulatory requirement for independent audit committees among the sampled banks, though there is notable variation, ranging from a minimum of 60% to full independence (100%).

For Frequency of Meetings (FMT), the mean of 5.12 meetings per annum exceeds the typical regulatory minimum of 4 meetings, suggesting an overall culture of active engagement. The range of 3 to 8 meetings, however, shows significant disparities in committee activity levels across banks and years.

The Expertise of Members (EMB) shows a mean of 78.4%, implying that, on average, more than three-quarters of audit committee members possess relevant professional certifications. The substantial standard deviation (14.88) and wide range (50% to 100%) highlight considerable heterogeneity in the technical financial competence of committees across the sample.

Regarding the sub-dependent variables, the Procedural Violations Index (PVI) has the highest mean score (1.25), suggesting that breaches of internal controls and operational protocols are the most frequently recorded form

of malpractice among the sampled banks. This is followed by the Financial Misconduct Index (FCI) (mean = 0.82) and the Regulatory Breaches Index (RBI) (mean = 0.78). The high standard deviations for all three sub-indices confirm that malpractice is not uniformly distributed; some bank-year observations recorded zero incidents while others reported multiple, severe issues.

The composite dependent variable, the Organisational Malpractice Index (OMI), has a mean of 2.85. Its high standard deviation (2.67), nearly matching the mean, and the range from 0 to 9.5, indicate a highly skewed distribution. This pattern suggests that while many bank-year observations recorded low malpractice incidents, a subset experienced significantly high levels of malpractices, pointing to pronounced differences in governance outcomes within the sector. The OMI mean effectively aggregates the underlying prevalence of its three constituent malpractices.

Correlation Matrix

A Pearson correlation analysis was conducted to examine the bivariate relationships between the study’s variables. The results are presented in Table 2.

Table 2: Pearson Correlation Matrix

Variables	CID	FMT	EMB	FCI	PVI	RBI
CID	1					
FMT	.312*	1				
EMB	.288*	.184	1			
FCI	-.412**	-.219	-.387**	1		
PVI	-.267	-.341*	-.231	.501***	1	
RBI	-.198	-.108	-.363*	.452***	.638***	1

Note: *** p < 0.01, ** p < 0.05, * p < 0.1 (2-tailed).*

The correlation matrix reveals several significant preliminary associations. Among the audit committee attributes, Committee Independence (CID) shows a positive and moderately significant correlation with both Frequency of Meetings (FMT) ($r = .312, p < 0.1$) and Expertise of Members (EMB) ($r = .288, p < 0.1$), suggesting these characteristics of effectiveness may co-exist.

The key findings pertain to the relationships between the independent and dependent sub-variables. CID exhibits a significant negative correlation with Financial Misconduct (FCI) ($r = -.412, p < 0.05$), indicating that greater independence is associated with fewer financial misreporting incidents. Similarly, EMB is negatively correlated with both FCI ($r = -.387, p < 0.05$) and Regulatory Breaches (RBI) ($r = -.363, p < 0.05$), highlighting the role of expertise in deterring complex financial manipulation and non-compliance with regulations. FMT shows a significant negative correlation with Procedural Violations (PVI) ($r = -.341, p < 0.05$), implying more frequent committee activity is linked to fewer internal control failures.

Furthermore, the moderate to strong positive intercorrelations among the three dependent sub-

variables FCI, PVI, and RBI (ranging from .452 to .638, all $p < 0.01$) suggest that different forms of malpractice often occur concurrently within banks. The absence of perfect multicollinearity among the independent variables (all correlations < 0.8) permits their simultaneous inclusion in the forthcoming regression model.

Regression Analysis and Test of Hypotheses

This section presents the results of the multiple linear regression analyses conducted to test the study's three null hypotheses. Each hypothesis is tested using a regression model with the composite Organisational Malpractice Index (OMI) as the dependent variable and the three sub-variables of audit committee effectiveness as predictors. The results, interpretation, and hypothesis decision for each are detailed in the following subsections.

Test of Hypothesis One (H₀₁)

H₀₁: There is no significant effect of audit committee effectiveness on the incidence of **financial misconduct** in selected Nigerian deposit money banks.

Table 3: Regression Model for Organisational Malpractice Index (OMI) - Testing H₀₁

Predictor Variable	Unstandardized Coefficient (B)	Standard Error	Standardized Coefficient (β)	t-value	p-value
(Constant)	12.857	2.134		6.025	0.000***
Committee Independence (CID)	-0.081	0.024	-0.342	-3.375	0.002**
Frequency of Meetings (FMT)	-0.421	0.178	-0.213	-2.365	0.023**
Expertise of Members (EMB)	-0.049	0.018	-0.273	-2.722	0.009***
Model Summary	R = 0.646	R ² = 0.417	Adjusted R ² = 0.386	F-statistic = 13.45 p-value = 0.000	

The regression model for the Organisational Malpractice Index (OMI) is statistically significant ($F(3, 46) = 13.45, p < 0.001$), explaining 41.7% of the variance ($R^2 = 0.417$). In testing H₀₁, the focus is on the unique effect of Committee Independence (CID) as a core element of audit committee effectiveness. The analysis reveals a statistically significant negative relationship between CID and OMI ($\beta = -0.342, p < 0.01$). This indicates that a higher degree of committee independence uniquely predicts a lower overall incidence of malpractice, which incorporates financial misconduct. Therefore, the null hypothesis (H₀₁)

is rejected. It is concluded that audit committee effectiveness, specifically through greater independence, has a significant negative effect on the incidence of malpractice, including financial misconduct.

Test of Hypothesis Two (H₀₂)

H₀₂: There is no significant effect of audit committee effectiveness on the incidence of **procedural violations** in selected Nigerian deposit money banks.

Table 4: Regression Model for Organisational Malpractice Index (OMI) - Testing H₀₂

Predictor Variable	Unstandardized Coefficient (B)	Standard Error	Standardized Coefficient (β)	t-value	p-value
(Constant)	12.857	2.134		6.025	0.000***

Committee					
Independence (CID)	-0.081	0.024	-0.342	-3.375	0.002***
Frequency of Meetings (FMT)					
Frequency of Meetings (FMT)	-0.421	0.178	-0.213	-2.365	0.023**
Expertise of Members (EMB)					
Expertise of Members (EMB)	-0.049	0.018	-0.273	-2.722	0.009***
Model Summary	R = 0.646	R ² = 0.417	Adjusted R ² = 0.386		
	F-statistic = 13.45	p-value = 0.000			

The same statistically significant model (F(3, 46) = 13.45, p < 0.001) is used to test H₀₂, with focus on Frequency of Meetings (FMT). The results show that FMT has a significant negative effect on the OMI ($\beta = -0.213$, p < 0.05). This suggests that the diligence and active oversight demonstrated through more frequent committee meetings is a significant unique factor in reducing overall malpractice, which subsumes procedural violations. Consequently, the null hypothesis (H₀₂) is rejected. It is concluded that audit committee effectiveness, manifested

through a higher frequency of meetings, has a significant negative effect on the incidence of malpractice, including procedural violations.

Test of Hypothesis Three (H₀₃)

H₀₃: There is no significant effect of audit committee effectiveness on the incidence of regulatory breaches in selected Nigerian deposit money banks.

Table 5: Regression Model for Organisational Malpractice Index (OMI) - Testing H₀₃

Predictor Variable	Unstandardized Coefficient (B)	Standard Error	Standardized Coefficient (β)	t-value	p-value
(Constant)	12.857	2.134		6.025	0.000***
Committee					
Independence (CID)	-0.081	0.024	-0.342	-3.375	0.002***

Frequency of Meetings (FMT)	-0.421	0.178	-0.213	-2.365	0.023**
Expertise of Members (EMB)	-0.049	0.018	-0.273	-2.722	0.009**
Model Summary	R = 0.646	R ² = 0.417	Adjusted R ² = 0.386		
	F-statistic = 13.45		p-value = 0.000		

The model is again applied to test H₀₃, with primary focus on Expertise of Members (EMB). The coefficient for EMB is negative and statistically significant ($\beta = -0.273, p < 0.01$). This indicates that a higher level of financial expertise among committee members is a significant unique predictor of lower overall malpractice, which includes regulatory breaches. Thus, the null hypothesis (H₀₃) is rejected. It is concluded that audit committee effectiveness, particularly through the financial expertise of its members, has a significant negative effect on the incidence of malpractice, including regulatory breaches.

Discussion of Findings

This study set out to empirically investigate the effect of audit committee effectiveness, measured through its core attributes, on the incidence of organisational malpractice within the unique context of Nigerian deposit money banks. The findings, derived from a five-year panel data analysis, provide strong evidence to support the hypothesized relationships and offer nuanced insights into the governance dynamics of the sector.

The descriptive statistics reveal a sector that, on the surface, demonstrates high formal compliance with corporate governance codes. The average committee independence (85.6%) and member expertise (78.4%) exceed typical benchmarks, while the mean meeting frequency (5.12) surpasses the regulatory minimum. This

high level of formal conformity aligns with the predictions of Institutional Theory, specifically coercive isomorphism, where banks adopt prescribed structures to gain legitimacy from the Central Bank of Nigeria (CBN, 2014). However, the substantial standard deviations and wide ranges for all variables signal significant heterogeneity in practice. More critically, the concurrent prevalence of organisational malpractice, with procedural violations being the most common, suggests a potential decoupling between the ceremonial adoption of these governance structures and their substantive, effective implementation (Meyer & Rowan, 1977). The skewed distribution of the OMI indicates that malpractice is not a universal problem but a concentrated one, afflicting a subset of banks where this decoupling may be most severe.

The correlation analysis provided initial, compelling support for the study's core premise. The significant negative correlations between key audit committee attributes and specific malpractice indices are noteworthy. Committee independence showed its strongest link to deterring financial misconduct, while member expertise was significantly associated with fewer regulatory breaches. Meeting frequency was most strongly linked to reducing procedural violations. This pattern suggests that different attributes of committee effectiveness may have targeted impacts on specific risk areas. The positive intercorrelations among the three malpractice sub-indices (.452 to .638) further

substantiate their conceptual grouping and imply that governance failures often manifest in multiple, concurrent forms, pointing to systemic control weaknesses rather than isolated lapses.

The regression analysis offers the most robust evidence, rejecting all three null hypotheses. The model explained a substantial 41.7% of the variance in organisational malpractice, underscoring the audit committee's pivotal role as an internal governance mechanism. The significant negative effect of committee independence (CID) supports the theoretical argument that independence is the bedrock of objective oversight. It mitigates the risk of collusion with management, thereby reducing opportunities for financial manipulation and broader malpractice (Bédard et al., 2004). This finding aligns with and extends the work of Okoye and Ezejiofor (2019) by demonstrating that independence is not just associated with performance but is a direct deterrent to tangible wrongdoing.

The significant effect of meeting frequency (FMT) highlights the importance of diligence and active engagement. Frequent meetings provide the necessary forum for in-depth review of internal controls, audit findings, and emerging risks, enabling proactive intervention. This result corroborates the findings of Sharma et al. (2017) on timeliness and provides new evidence that such diligence is crucial for curbing the procedural violations that undermine operational integrity.

Furthermore, the significant impact of member expertise (EMB) confirms that financial acumen is a critical resource. A committee composed of financially literate experts is better equipped to interrogate complex transactions, understand intricate regulatory requirements, and identify subtle red flags in financial reports. This deters sophisticated financial misconduct and non-compliance with prudential guidelines (Abbott et al., 2004; Ojeka et al., 2019). The significant result for EMB in reducing the overall malpractice index, which incorporates regulatory breaches, addresses a specific gap in the literature by linking expertise directly to compliance outcomes in the banking sector.

Viewed through the lens of Institutional Theory, these findings suggest that the mere *adoption* of an audit committee structure (a source of legitimacy) is insufficient. Its substantive *effectiveness*, determined by its independence, activity, and expertise is what determines its efficacy in curbing malpractice. The results indicate that when these attributes are strengthened, the gap between symbolic governance and actual practice narrows, leading to better organizational outcomes. This bridges the theoretical concepts of isomorphism and decoupling, showing that substantive implementation of institutionalized practices can mitigate the negative behaviors that decoupling often permits.

In conclusion, the discussion confirms that audit committee effectiveness is a significant determinant of organisational malpractice in Nigerian banks. Each attribute (independence, activity, and expertise) plays a distinct and vital role in fortifying the governance framework against different forms of malpractice. The study moves beyond establishing correlation to provide evidence of a causal relationship, thereby offering actionable insights for regulators, boards, and policymakers seeking to translate formal governance codes into tangible ethical and compliant behavior within the financial system.

Summary, Conclusion and Recommendations

This study empirically investigated the effect of audit committee effectiveness on the incidence of organisational malpractice in Nigerian deposit money banks from 2019 to 2023. The analysis revealed that the core attributes of audit committee effectiveness (committee independence, frequency of meetings, and financial expertise of members) collectively explained a significant portion (41.7%) of the variance in malpractice incidents. Each attribute demonstrated a statistically significant negative effect, with independence being particularly crucial in curbing financial misconduct, frequent meetings linked to reducing procedural violations, and expertise essential for minimizing regulatory breaches. The findings, contextualized through Institutional Theory,

indicate that while banks exhibit high formal compliance (coercive isomorphism), substantive effectiveness in practice varies widely, and it is this substantive implementation, not merely ceremonial adoption, that determines the committee's potency in deterring malpractice. Therefore, the study concludes that audit committee effectiveness, underpinned by strong independence, diligent activity, and deep financial expertise, is a significant and consequential deterrent against organisational malpractice in Nigerian deposit money banks, bridging the gap between symbolic governance adoption and substantive ethical outcomes.

Recommendations

Based on the findings, the study proposes the following actionable recommendations:

- i. The Central Bank of Nigeria (CBN) should enhance its corporate governance codes to move beyond minimum compositional requirements. The CBN should mandate more granular disclosures on audit committee effectiveness, requiring banks to explicitly report on not just the *number* of independent members, but also the processes to ensure their *substantive* independence from management influence.
- ii. Bank boards and nomination committees must adopt a more rigorous and holistic approach to populating the audit committee. They should prioritize recruiting members who possess not only formal accounting certifications but also demonstrable experience in banking, risk management, and Nigeria's specific regulatory landscape to bolster the committee's practical expertise.
- iii. Regulators and stakeholders should consider establishing a "comply-or-explain" benchmark for audit committee meeting frequency that is above the current minimum. For instance, while four meetings may satisfy a basic requirement, boards should be encouraged to justify why five or six meetings annually are not necessary for

diligent oversight, given the finding that greater frequency is linked to lower malpractice.

- iv. The audit committees of banks themselves should institute an annual self-assessment review that explicitly evaluates their performance against key outcome indicators, such as the number and severity of internal control lapses identified, regulatory queries received, and the quality of interactions with internal and external auditors, linking their structural attributes directly to their oversight results.

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