

## Abstract

The massive number of corporate failures that reported at the beginning of the 21<sup>st</sup> century have damaged investors' confidence in many economies. Frauds and bribery were seen as reasons contributing to corporate collapses. The credibility of financial reporting becomes an issue that concerns regulators as well as users of financial reports. Following the well-publicised corporate collapses, corporate governance has been the centre of attention in the world of business and economies. This has led to increased disclosures concerning corporate governance as well as demands for the regulation of structural reforms of corporate governance. The issues of corporate governance arise from the separation of the ownership and the management of corporate entities. The degree of conflict between the owners and managers varies according to the degree of ownership concentration of the companies. The ownership structure of companies has a significant influence on the governance practices.

There has been a renewed interest in the corporate governance in Sri Lanka with corporate scandals in the last decade and with the regulatory reforms undertaken by governing bodies in protecting the interest of the shareholders while challenging the quality of financial reporting. In Sri Lanka, formal corporate governance initiatives commenced in 1997 as voluntary and became mandatory in 2008. Thus, the study explores the post mandatory status of 'Code of Best Practice on Corporate Governance – 2008' and its impact on risk of financial statement fraud and the concentrated ownership structure prevails in Sri Lankan companies.

The Altman's Z score model will be adapted to classify a sample of all Quoted Public Companies (QPCs) of Sri Lanka other than banking, finance and insurance industry during the period from 2009 to 2017. Content analysis will be employed to collect non-financial information whereas the Cressey's fraud theory will be investigated to analyze financial information. The generalized least squares (GLS) estimation technique will be employed to test the selective hypotheses. The study will provide significant implications for policymakers, researchers, managers, investors, and regulatory bodies in general and emerging markets in particular.

*Key words: corporate governance, the risk of financial statement fraud, ownership structure*