

## **Forensic Accounting and Fraud Prevention of Deposite Money Banks in Nigeria**

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### **Abstract**

*Fraudulent practices in Nigeria banks have led to increased losses and collapse of commercial banks, hence the need to use forensic approach services to detect and prevent such fraudulent activities. The objective of this study was to examine the usefulness of forensic approach to bank Auditing in Nigeria, the most prevalent type of fraud and to establish the major areas of application of forensic accounting services. The data collection instrument preferred for the study was a questionnaire. Findings from the study saw that fraud detection and prevention increased when forensic accounting services was employed. The sample size of 179 were used and was chosen among the 9 commercial banks in Nigeria using Bowleys proportional allocation formula Data were analyzed using table and simple percentage, hypothesis were tested using chi-square statistics ( $\chi^2$ ). The study findings indicated that the application of forensic approach services by banks led to increased fraud prevention in the commercial banks and the highest application was on enhancing quality of financial reporting.*

**Keyword:** Forensic, Audit, prevention

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### **I. INTRODUCTION**

Considerable scandals that have been experienced in recent years in commercial banks in Nigeria have reduced the confidence to financial and non-financial statements leading to improved regulations governing both the banking sector and the accounting practices as well. Due to this, forensic accountancy as a profession with its services as litigation support, consultancy expert testimony and fraud auditing (investigation accountancy) filled a large gap in prevention of such frauds. History has shown that despite the presence of Sarbanese-oxley legislation of 2002 in the United States and the publishing Enron and other big companies in US, employees have continued to manipulate even the best internal controls available for their own personal gain. These scandals have financially devastated employees and investors and severely harmed the reputation of auditors, analysts and corporate managers. It is in realization of this that various initiatives have been put into place to enhance and enforce the applicability of forensic accounting services by use of the right people, tools, techniques and insight to prevent and detect fraudulent activities and to ensure that the applicability of such services are effective. Modern Information technology has even increased the pace of electronically manipulated frauds in the complex business environment. According to Fraud Survey of KPMG (2008), the total value of fraud reported was \$301.1 million with an average value for each organization of \$1.5million in Australia and New Zealand of 420 organizations surveyed which represented 20% of the 2018 surveys distributed. In May 2011 in a response to spiralling fraud cases, the CBN demanded an audit of automated payment processing systems operated by commercial banks after their investigations showed the rising cases of fraud were in fact being initiated by bank employees at the point of entry of information into their internal payment systems. Due to this, this study focused on the impact of forensic accounting services on fraudulent practices in the commercial banks in Nigeria. Theoretical prediction indicated that, the application of Forensic Accounting Services helps to prevent fraud occurrence in the commercial banks. According to Gollwitzer (1990), the mind-set of a fraud specialist will lead them to search for pertinent information pertaining to frauds. When people are much aware that their fraudulent activities were to be disclosed by the application of forensic accounting services, they feared to commit fraud in the banking industry. Forensic accounting does not necessary need an understanding of the legal issues of business activities before carrying out his duties but can thus be of assistance in combating corporate fraud in various ways that includes investigation, accounting and litigation support services. It is a very special type of management which requires highly skilled team members who have experience not only in accounting and auditing techniques, but also of the relevant legal frame work. There are numerous different types of fraud that a forensic accountants could be asked to investigate. The investigation is likely to ultimately lead to legal proceedings against one or several suspects and members of the investigative team must be comfortable with appearing in court to explain how the investigation was conducted and how the evidence has been gathered forensic accountants must therefore receive specialist training in such matters to ensure that their credibility and professionalism cannot be undermined during the legal process

## **II. EMPIRICAL LITERATURES**

### **2.1 Evidence of research gap**

The failure of statutory audit to prevent and reduce misappropriation of fund and an increase in corporate crimes have put pressure on the professional accountant and legal practitioner to find a better way of exposing this financial crimes. The problem of incessant financial crimes in the corporate world require regular audit. Forensic auditing should be responsible for digging out frauds committed through application of auditing, accounting, and investigative techniques in order to come up with sufficient evidence that can be used in court proceedings (Albrecht et al, 2001). Although a number of studies had been done on the concept of forensic accounting services, none of them had focused on the impact of forensic accounting services on fraud prevention and detection specifically in commercial banks in Nigeria. Also some of the related study carried out by scholars and researchers in this field has not been able to come to an agreement, hence making this study justifiable as it was to address if such applications had an impact on prevention and detection of fraud in our financial institutions.

### **2.2 Theoretical Review**

A theoretical (or conceptual) definition gives the meaning of a word in terms of the theories of a specific discipline. This type of definition assumes both knowledge and acceptance of the theories that it depends on. To theoretically define is to create a hypothetical construct (Wikipedia Encyclopedia, 2013).

#### **2.2.1 Punishment-Deterrence Theory of Punitive Damages**

Damage, was deemed to be the loss caused by one person to another, either to his person, property or relative rights, through design, carelessness or default, while 'damages' are the indemnity recoverable by the injured party from the party who has caused the injury (Putney, 2004). The general theory upon which the law allows damages for the violation of a civil right is based upon the doctrine that where a civil injury has been sustained the law provides a remedy that should be commensurate to the injury sustained. The classic law and economics account of Tort liability: actors will have incentives to take reasonable care (i.e. cost effective reasonable precaution) as long as they are forced to pay for the harms that are caused by their unreasonable risks (Shavel, 1980). Compensation is the fundamental principle governing the award of damages. Damages are given as an indemnity to the person injured, not as a punishment to the wrongdoer. Assumptions of this theory is that,

i) Actors will in fact pay compensatory damages in each instance in which they take unreasonable risks and cause harm to others,

ii) Compensatory damages can be set accurately to reflect the total cost of the harm inflicted and iii) damages are given as an indemnity to the person injured not as a punishment to the wrongdoer. Exemption occurs when, accompanied by fraud, gross negligence, malice or oppression and therefore such damages are sometimes awarded as a punishment to the offender.

Forensic accountant therefore is obliged to value the magnitude of the loss in terms of cost to the person injured.

#### **2.2.2 White Collar Crime Theory of Fraud**

Sutherland (1939) was the first to coin the term White collar crime. It means, a crime committed by a person of respectability and high social status in the course of his occupation. Crimes committed by corporations were also included. Sutherland originally presented his theory in an address to the American Sociological Society in an attempt to study two field, crime and high society which had no previous empirical correlation. White collar criminals attributed different characteristics and motives than typical street criminals. He used the concept to challenge conventional stereotypes and theories. Assumptions of this theory is that prosecutors and judges are more lenient on white-collar as opposed to street criminals. The legal case which advanced this was; He noted that in his time, less than two percent of the persons committed to prison in a year belong to the upper class. His goal was to prove a relation between money, social status and likelihood of going to jail for a white collar crime, compared to more visible, typical crimes.

#### **2.2.3 Labelling Theory of Crime**

It was propounded by Howard Becker in 1963. Labelling theory sees criminal behaviour as being defined by society. It holds that the deviance is not inherent to an act but instead focuses on the tendency of majorities to negatively label the minorities or those seen as deviant from standard cultural norms. According to Becker (1963), deviance is not a quality of the act a person commits but rather a consequence of the application by other rules and sanctions to a defender. Behaviour in this case is not seen as wrong rather as a deviant behaviour. This argument also applies to other groups in society such as the mentally ill. Gove (1975) examines the consequences of labelling-the creation of stigma and the modification of self-image. The criminal is seen as the person to be avoided and treated with suspicion and thus barred from certain types of employment and so the modification of self-image comes about due to the stigma the criminal experiences and therefore he becomes the

person labelled. This theory does not deal with the question why a person becomes a criminal but tells why society labels some people as criminals or deviants. A case which advanced the theory was performed in the United States of America (Reid,1976) in which eight sane persons of varied backgrounds got themselves admitted for feigned mental illness to psychiatric wards of different hospitals in various parts of the country. All gave the same account of their life situation. All but one was labeled schizophrenic. Once labelled insane, they were presumed insane by the staff that interacted with them daily. This theory is pegged on the following assumptions; i) No act is intrinsically criminal, ii) Statistically research can be relied on to be accurate and iii) Deviants are different to normal people. More crimes are committed and the individual forms an identity, that of the criminal along with all its associated values, attitudes and beliefs in process deviance application according to Lemart (1951). Poor diet, mental illness, bad brain chemistry, and even evolutionary rewards for aggressive criminal conduct have been proposed as explanations for crime (Vold, Benard, & Snipes, 1997).

### **2.3 Review of empirical literature**

Emmanuel, Sunday, and Christian (2019) employed secondary data of sixteen Deposit Money Banks (DMBs) listed on the Nigerian Stock Exchange (NSE) and also data published in Nigerian Deposit Insurance Corporations' (NDICs) annual reports of 2013 and 2016 respectively was employed covering from 2012 to 2016, and examined the impact of forensic audit on fraud detection and prevention in the Nigerian banking sector, and discovered that forensic audit has a significant negative impact on number of fraud cases, number of staff involved in bank fraud, and actual amount of bank losses through fraud in the Nigerian banking sector, although forensic auditing has insignificant impact on expected losses generated through fraud activities in the Nigerian bank. Therefore they recommended that, Staff welfare and remunerations should be prioritized since staff are strategic in the prevention of fraud in any organization, including the banks in Nigeria; banks in Nigeria should intensify the application of forensic auditing in the fight against fraud and forgeries in the system; forensic auditing should be focused on detecting number of fraud as well as staff involvement in the Nigerian banking sector.

Okoye (2011) in his examination of forensic accounting as a tool for fraud detection and prevention used primary and secondary sources of data. 370 questionnaires were administered to staff of 5 selected ministries in Kogi area. Tables and simple percentages were used to analyze the data. The statistical tool used to test hypotheses was Analysis of Variance (ANOVA). Among the findings was that, the use of forensic accounting do significantly reduce the occurrence of fraud cases in the public sector and therefore can help better in detecting and preventing fraud cases in the public sector organization.

Okunbor & Obaretin (2010), a total of 140 statistically sampled respondents of ten companies from five sectors quoted in Nigerian Stock exchange. Using the simple regression model and descriptive statistics for the purpose of data analysis. The result showed that the application of forensic accounting by quoted companies in Nigeria is not effective in curbing fraudulent activities. The general consensus was that it had not been effective as revealed by the frequency scores of those who disagreed.

Ebimobowei (2011) examined the effect of forensic accounting services in fraud detection. The primary data was collected with the help of a well-structured questionnaire of three sections administered to twenty four banks in Port Harcourt, the capital of Rivers State and the data collected from the questionnaires were analysed with descriptive statistics, Augmented Dickey-fuller, ordinary least square and Granger Causality. The result reveals that the application of forensic accounting services affects the level of fraudulent activities of banks.

Islam, Rahman and Hossan (2011), in their study concentrated on issues relevant to the current status of the application of forensic accounting in Bangladesh and how efficiently it works as a fraud detection tool. They established that forensic accounting as a fraud detection tool has relevance to efforts for combating fraud and corruption in Bangladesh. They say that forensic accounting now appears as one of the strategic tool for the management of all types of corruption.

Gottschalk (2010) used a structured questionnaire of 517 potential respondents only 141 responses were completed and used for the analysis with the help of descriptive statistics. The results reveal that control is the most important means by which fraud is prevented and controlled. However, some respondents believe that influence is more important in terms of ethical guidelines and other measures.

Mthusamy (2010) utilized Partial Least Square technique, a component of Structural Equation Modeling (SEM). A questionnaire was formulated, refined, and subsequently used in the pilot study. A list comprising 9642 large Malaysian companies was generated with data obtained from the Inland Revenue of Board Malaysia. The survey was distributed to 20% or 1982 companies that were chosen through random sampling. Only 305 returned surveys were useable. The result was that, the present conceptual model confirmed both perceived benefits and perceived risks as significant direct antecedents of attitude.

Njanike et al. (2009) used the questionnaire which consisted of three parts that is personal, detection and investigation sections designed to capture information on the forensic auditing status quo and the

suggestions on the way forward. A sample of thirty forensic auditors from thirteen commercial banks, four building societies and four audit firms in Zimbabwe. Result was that forensic audit departments suffer from multiple challenges, amongst them being lack of materials resources, technical knowhow, interference from management and unclear recognition of profession. Taking a different perspective, Boritz et al (2008) investigated forensic accountants and auditors in terms of the relative merits of involving fraud specialist during the planning stage in assisting auditors by developing an audit plan that will effectively identify fraud. They found that involving the fraud specialists in the risk assessment process leads to better results than simply consulting with them by providing summery risk assessments and asking for input.

Koh (2009) in his study, examined forensic accounting in the dimension of public acceptance towards occurrence of fraud detection, in his study ,the most emphasized important subject was that the forensic accounting is conducted to improve the understanding in detecting and reducing accounting fraud. The author thinks that it has been practiced by audit firm as one of the tools to investigate a company's financial statements for fraudulent activities as requested by certain parties. In conclusion in terms of their study, they emphasized that the forensic accounting activities such as investigative accounting and litigation support will enrich the organizational performance.

Kaya (2005), while explaining the profession of forensic accountancy in detail, also dealt with its essentiality and applicability for Turkey. He indicates that, with forensic accountancy professional education using a procedure suitable for the conditions of Turkey, in averting suffered losses of firms due to fraud and corruption, effective results can be achieved.

In addition, Stoel, Havelka and Merhout (2009) in their study, while emphasizing the increasing importance of information technologies in accounting auditing, they also dealt with the data mining technique that the forensic accountant can benefit from when facing with arising corruption when technology is being used for vicious purposes and struggle with this corruption.

Singleton et. al. (2006) in their study, laid weight on forensic accounting and fraud auditing.

In the book they wrote, while they emphasized fraud auditing and basic concepts of forensic accounting, in protection from fraud they concentrated on topics such as responsibility of the auditors, red tags and fraud detection, protection from fraud and control, forensic accounting with the dimension of expert testimony.

Rose et al.(2012) using graphical representation of 15 fraud cues found preliminary evidence that fraud preliminary evidence that fraud specialist s organized red flags in memory differently than auditors. They found out that the auditors who adapted the fraud specialist pattern of knowledge of organization improved their accuracy of risk assessment

Kasum (2009) in his mixed exploratory research study of bibliotheca and empiric, attempted to compute whether forensic accountants are more needed in private or government sector in struggle with financial crimes experienced in developing countries. In the conclusion of his study, it ensured that government sector needs forensic accountants much more.

### **III. METHODOLOGY**

#### **3.0 Research methodology**

In this section the methods and procedures adopted in carrying out the study was discussed. It contains research design, sources of data, population of the study, sample size determination, description of the research instrument, validity of the instrument, reliability of the instrument and method of data analysis.

#### **3.1 Research Design**

Ikeagwu (1988), research design is the structure and planning of the entire approach to a problem for research. It is a plan for collecting and analyzing data in order to answer the investigators question.

In this research, a survey research method was used because it is cost effective, useful in describing a large population and dependable. This research method is dependable because it makes it possible for respondents to be as open and honest as possible with their answers. The survey research method involved the use of questionnaire and oral interview to obtain information from respondents.

#### **3.2 Population**

The target population of this study is made up of junior and senior staff of the following banks: Access Bank, Ecobank, Zenith Bank, Keystone Bank, Union Bank, and United Bank of Africa, Diamond Bank, First Bank and GT Bank all in Enugu State. The total population of the study is 324. The reason for this number of banks is because the researcher wants to get different ideology of the usefulness of forensic approach to Bank auditing and investigations. The researcher used judgmental sampling technique to select the banks.

**Table 3.1 Population of study**

Organizations	Number of Population
Access Bank	32
Ecobank	29
Zenith Bank	43
Keystone Bank	48
Union Bank	24
United Bank of Africa	41
Guarantee Trust Bank	38
Diamond Bank	43
First Bank	46
Total	324

### 3.3 Sampling and Sample Techniques

Sample is the portion of the population selection for observation (Baridan 1987). Based on the total population of the study, the sample size was determined at 5% error tolerance and 95% degree of confidence using Yamane's formula.

$$n = \frac{N}{1 + N(e)^2}$$

Where,

n = the sample size

N = the number of workers in the establishment

e<sup>2</sup> = error of tolerance

1 = constant

The sample size is computed as follows:

Through substitution of values from the above formula we have that:

$$n = \frac{324}{1 + 324(0.05)^2}$$

$$= \frac{324}{1 + 324 \times 0.0025}$$

$$= \frac{324}{1.81}$$

$$= 179 \text{ approximately}$$

$$= 179$$

$$= 179$$

$$= 179 \text{ approximately}$$

Therefore, the sample size used for the study was two hundred and thirty eight (179)

using the Bowler's Proportion allocation formula.

The Bowler's Proportion formula is stated thus:

$$n_1 = \frac{n_1(n)}{N}$$

Where n<sub>1</sub> = the population of each element.

n = the sample size of the study.

N = the population for the study

Through substitution of values from the above formula we have that

#### **Access Bank**

$$(n_1) = \frac{32(179)}{324}$$

$$= \frac{5,728}{324}$$

$$= 18 \text{ copies of the questionnaire}$$

#### **Ecobank**

$$(n_2) = \frac{29(179)}{324}$$

$$= \frac{5,191}{324}$$

$$= 16 \text{ copies of the questionnaire}$$

#### **Zenith Bank**

$$(n_3) = \frac{43(179)}{324}$$

$$= \frac{7,697}{324}$$

$$= 24 \text{ copies of the questionnaire}$$

**Keystone Bank**

$$(n4) = \frac{28(179)}{324}$$

$$= \frac{5,012}{324}$$

= 15 copies of the questionnaire

**Union Bank**

$$(n5) = \frac{24(179)}{324}$$

$$= \frac{4,296}{324}$$

= 13 copies of the questionnaire

**United Bank of Africa**

$$(n6) = \frac{41 (179)}{324}$$

$$= \frac{7,339}{324}$$

= 23 copies of the questionnaire

**GT Bank**

$$(n7) = \frac{38(179)}{324}$$

$$= \frac{6,802}{324}$$

= 21 copies of the questionnaire

**First Bank**

$$(n8) = \frac{46 (179)}{324}$$

$$= \frac{8,234}{324}$$

= 25 copies of the questionnaire

**Diamond Bank**

$$(n9) = \frac{43 (179)}{324}$$

$$= \frac{7,697}{324}$$

= 24 copies of the questionnaire

**Table 3.2: Allocation of sample size**

Organization	Number of Population	Number of Questionnaire
Access	32	18
Ecobank	29	16
Zenith Bank	43	24
Keystone Bank	28	15
Union Bank	24	13
United Bank of Africa	41	23
Guarantee Trust Bank	38	21
Diamond Bank	43	24
First Bank	46	25
Total	324	179

**3.4 Method of Data Analysis**

The data collected were presented in tables to present the frequency of responses to the questionnaire. The researcher made use of simple percentage to analyze the data collected to ensure that results arrived at were valid and not out of chance while chi-square was used for testing the hypothesis.

Formula for chi-square:

$$X^2 = \frac{(fo - fe)^2}{fe}$$

Where  $X^2$  = calculated value of Chi-square

$\Sigma$  = Summation

Fo = Observed frequency



Fe = Expected frequency  
 Df= Degree of freedom(c-1)(R-1) or (Colume-1)(Row-1)

**Decision Rule**

In the taking a decision, the null hypothesis and alternative hypothesis is accepted if the critical or table value is greater than the compared value of  $\chi^2$  alternatively, if the computed value of  $\chi^2$  is greater than the critical value; That is if  $\chi^2 > \chi^2_e$  reject - Ho (null hypothesis)  
 if  $\chi^2 < \chi^2_e$  accept - Ho (alternative hypothesis)  
 where  $\chi^2$  = critical or table value  
 $\chi^2_e$  = calculated value

**IV. DATA PRESENTATION AND DATA ANALYSIS**

**4.0 Data presentation**

This chapter deals with presentation and analysis of data collected by the use of questionnaire. Each question is analyzed separately. The data were got from crossed section of selected banks in Enugu State.

**Table 1: Frequency distribution of respondents by sex**

Sex	Frequency	percentage
Male	59	37.58
Female	98	62.42
Total	157	100

The result in table 1 shows that 59 (37.58) of the respondent are male while 98 (62.42) are female

**Table 2: Age distribution of respondents**

Option	Frequency	Percentage %
Below 10 years	10	6.7
20 – 29 years	82	52.23
30-39 years	55	35.03
40 and above	10	6.37
Total	157	100

The above table shows that 6.7% representing 10 respondents fell within the age of below 10 years, 52.23% representing 82 respondents fall within the age 20 -29 years, and 35.03% representing 55 respondent fell within the age of 30 - 39 years while 6.37% representing 10 respondent fell with the age of 40 and above.

**Table.3: Academic Qualification of respondents**

Option	No of Respondent	Percentage %
NCE/OND	20	12.74
HND/BSC	84	53.50
Others higher certificate	53	33.76
Total	157	100

The above table indicates that 12.74% representing 20 respondent were NCE/OND holders, 53.50% representing 84 respondents were HND/BSC holders and 33.76% representing 53 respondents were holding other higher certificate respectively

**Table 4: Length of service of respondents**

Option	Frequency	Percentage %
Less than 5years	25	15.92
5-9	73	46.50
10-19	51	32.48
20 and above	8	5.10
Total	157	100

The above table shows that 15.93% representing 25 respondents fell within the years of less than 5 years, 46.50% representing 73 respondent fell within the years of 5-9, 32.48% representing 51 respondents fell within the years of 10-19 and 5.10% representing 8 respondents are fell within the years of 20 and above.

**Table 5: Management level**

Option	Frequency	Percentage %
Top	8	5.10
Middle	32	20.38
Low	117	74.52
Total	157	100

Table 5 above indicates that 8( 5.10% ) of respondents belong to top management level, while 32 (20.38% ) belong to middle level and majority of the respondents belong to low management level with frequency 117 (74.52 % ).

**Table 6: Fraud is a general phenomenon which exists almost in every organization.**

Option	Frequency	Percentage %
Yes	155	98.73
No	0	0
Undecided	2	1.25
Total	157	100

The table above shows that 155 representing 98.73% respondents agreed that fraud exists almost in every organization. None was of contrary opinion and only 2( 1.25 % ) were undecided.

**Table 7: The incidence of fraud affects the management and every worker of an organization when it occurs.**

Option	Frequency	Percentage %
Yes	102	64.97
No	29	18.47
Undecided	24	15.29
Total	157	100

The table above shows that 102 representing 64.97% respondents Yes that incidence of fraud affects the management and every worker of an organization when it occurs while 29(18.47% ) was of contrary opinion and only 24( 15.29 % ) were undecided.

**Table 8: There is Relationship between Fraud and Business Failures.**

Option	Frequency	Percentage %
Yes	133	84.71
No	17	10.83
Undecided	7	4.46
Total	157	100

The table above shows that 133 representing 84.39% of the respondent agreed that there is relationship between fraud and business failures while 17 representing 10.83% of the respondent said No and 7 representing 4.46% of the respondent were undecided.

**Table 9: Most fraudulent activities that led to bank failure are done by insiders. That is people within the organization.**

Option	Frequency	Percentage %
Yes	91	57.96



No	47	29.94
Undecided	19	12.10
Total	157	100

Table 9 above shows that 91 representing 57.96% of the respondent agreed that Most fraudulent activities that led to bank failure are done by insiders. That is people within the organization, while 47 representing 29.94% of the respondent said No and 19 representing 12.10% of the respondent were undecided.

**Table 10: More than 70% cases of bank failures are caused by fraudulent activities.**

Option	Frequency	Percentage %
Yes	89	56.69
No	41	26.11
Undecided	27	17.20
Total	157	100

Source field survey- 2015

Table above shows that 89 representing 56.69% of the respondent agreed that More than 70% cases of bank failures are caused by fraudulent activities. while 41 representing 26.11% of the respondent said No and 27 representing 17.20% of the respondent were undecided.

**Table 11: Most time employees of an institution fail to report fraudulent activities when they occur.**

Option	Frequency	Percentage %
Yes	74	47.13
No	56	35.67
Undecided	29	19.11
Total	157	100

The table above shows that 74 representing 47.13% of the respondent agreed that Most time employees of an institution fail to report fraudulent activities when they occur. while 56 representing 35.67% of the respondent said No and 29 representing 19.11% of the respondent were undecided.

**Table 12: There is a significant relationship between frequent occurrence of fraud and investors loss of confidence in financial institutions.**

Option	Frequency	Percentage %
Yes	121	77.07
No	27	17.20
Undecided	9	5.73
Total	157	100

The table above shows that 121 representing 77.07% of the respondent agreed that there is a significant relationship between frequent occurrence of fraud and investors loss of confidence in financial institutions. While 27 representing 17.20% of the respondent said No and 9 representing 5.73% of the respondent were undecided.

**Table 13: Most times, other banks loss their customers/depositors due to a fraud committed in another bank.**

Option	Frequency	Percentage %
Yes	85	54.14
No	37	23.57
Undecided	35	22.29
Total	157	100

Table 13 above shows that 85 representing 54.14% of the respondent agreed that Most times, other banks loss their customers/depositors due to a fraud committed in another bank. While 37 representing 23.57% of the respondent said No and 35 representing 22.29% of the respondent were undecided.

**Table 14: Investors prefer foreign investments to local investments due to loss of confidence in the Nigerian system.**

Option	Frequency	Percentage %
Yes	71	45.22
No	52	33.12
Undecided	34	21.66
Total	157	100

Table 14 above shows that 71 representing 45.22% of the respondent agreed that Investors prefer foreign investments to local investments due to loss of confidence in the Nigerian system. While 52 representing 33.12% of the respondent said No and 34 representing 21.66% of the respondent were undecided.

**Table 15: Forensic audit which is an audit undertaken in relationship to proceedings in a court of law, strive to bridge the gap between accounting and law profession in relation to fraud detection and prevention.**

Option	Frequency	Percentage %
Yes	63	40.13
No	52	33.12
Undecided	42	26.75
Total	157	100

The table above shows that 63 representing 40.13% of the respondent agreed that Investors prefer foreign investments to local investments due to loss of confidence in the Nigerian system. While 52 representing 33.12% of the respondent said No and 42 representing 26.75% of the respondent were undecided.

**Table 16: Forensic auditing has become a useful method/technique of fraud detection and prevention.**

Option	Frequency	Percentage %
Yes	107	68.15
No	39	24.84
Undecided	11	7.01
Total	157	100

The table above shows that 107 representing 68.15% of the respondent agreed that Forensic auditing has become a useful method/technique of fraud detection and prevention. While 39 representing 24.84% of the respondent said No and 11 representing 7.01% of the respondent were undecided.

**Table 17: Forensic audit is a useful method of fraud detection and prevention in financial institutions.**

Option	Frequency	Percentage %
Yes	107	68.15
No	39	24.84
Undecided	11	7.01
Total	157	100

The table above shows that 107 representing 68.15% of the respondent agreed that Forensic audit is a useful method of fraud detection and prevention in financial institutions. While 39 representing 24.84% of the respondent said No and 11 representing 7.01% of the respondent were undecided.

**Table 18: With the use of forensic auditing techniques, fraud detection and prevention will become easier.**

Option	Frequency	Percentage %
Yes	100	63.69
No	37	23.57
Undecided	20	12.74
Total	157	100

The table above shows that 100 representing 63.69% of the respondent agreed that Forensic audit is a useful method of fraud detection and prevention in financial institutions. While 37 representing 23.57% of the respondent said No and 20 representing 12.74% of the respondent were undecided.

**Testing of Hypotheses**

This section is devoted to the testing of three hypotheses stocked in chapter one in order to validate the usefulness of forensic auditing in preventing and detecting corporate fraud in Nigeria. From the questions that have been previously analyzed, those directly related to the hypotheses will be applied in testing them. As indicated earlier in chapter three, the testing will be done using chi-square ( $\chi^2$ ) at 5% level of significances.

The hypothesis is tested using the chi-square statistical tools.

$$\chi^2 = \sum \frac{(f_o - f_e)^2}{f_e}$$

Where  $\chi^2$  = calculated of Chi-square

$\sum$  = Summation

$F_o$  = Observed frequency

$F_e$  = Expected frequency

The testing procedure will follow the some decision rule, that is to reject the null hypothesis ( $H_o$ ) if the computed  $\chi^2$  value is greater than the tabulated  $\chi^2$  value otherwise accept the null hypothesis. In other words, reject  $H_o$ , if  $\chi^2_{cal} > \chi^2_{tab}$  and if  $\chi^2_{cal} < \chi^2_{tab}$ . Hence, the value of  $\chi^2$  obtained using the chi-square  $\chi^2$  obtained using the chi-square  $\chi^2$  formula is compared with the valued of  $\chi^2$  from the table of value at 5% levels of significance with a computed degree of freedom.

**Hypothesis One**

**$H_o$ :** There is no significant need to employ a forensic auditor in a financial institution.

This hypothesis was verified by analyzing table 17 in research question.

Forensic audit is a useful method of fraud detection and prevention in financial institutions.

Option	Frequency	Percentage %
Yes	107	68.15
No	39	24.84
Undecided	11	7.01
Total	157	100

$$\chi^2 = \sum \frac{(f_o - f_e)^2}{f_e}$$

Level of significant = 0.05

Degree of freedom = (k-1) = (3-1) = 2

Critical value of  $\chi^2$  = 5.991

Computation of the chi-square test statistic

Options	$F_o$	$F_e$	$F_o - F_e$	$(F_o - F_e)^2$	$\frac{(f_o - f_e)^2}{f_e}$
Yes	107	52.3	54.7	2992.09	57.21
No	39	52.3	13.3	176.89	3.38
Undecided	11	52.3	41.3	1705.69	32.61

Total	157		93.2
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Checking the chi-square ( $X^2$ ) distribution table with 5% level of significance and 2 degree of freedom, the tabulated value of  $X^2$  is 5.991. Comparing the test statistic with the critical value, we have  $93.2 > 5.991$ .

**Decision**

Since the calculated  $x^2$  value (93.2) is greater than the critical value of  $X^2$  tab. (5.991), we reject  $H_0$  and accept  $H_1$

Therefore, we conclude that there is need to employ a forensic auditor in a financial institution.

**Hypothesis Two**

**H<sub>0</sub>:** There is no relationship between the type of among commercial banks in Nigeria.

This hypothesis was verified by analyzing table 13 in research question.

Most times, other banks loss their customers/depositors due to a fraud committed in another bank.

Option	Frequency	Percentage %
Yes	85	54.14
No	37	23.57
Undecided	35	22.29
Total	157	100

$$X^2 = \sum \frac{(fo-fe)^2}{fe}$$

Level of significant = 0.05

Degree of freedom = (k-1) = (3-1) = 2

Critical value of  $x^2$  = 5.991

Computation of the chi-square test statistic

Options	F <sub>o</sub>	F <sub>e</sub>	F <sub>o</sub> - F <sub>e</sub>	(F <sub>o</sub> - F <sub>e</sub> ) <sup>2</sup>	$\frac{(fo-fe)^2}{fe}$
Yes	85	52.3	32.7	1069.29	20.45
No	37	52.3	15.3	234.09	4.48
Undecided	35	52.3	17.3	299.29	5.72
Total	157				30.65

Checking the chi-square ( $X^2$ ) distribution table with 5% level of significance and 2 degree of freedom, the tabulated value of  $X^2$  is 5.991. Comparing the test statistic with the critical value, we have  $30.65 > 5.991$ .

**Decision**

Since the calculated  $x^2$  value (30.65) is greater than the critical value of  $X^2$  tab. (5.991), we reject  $H_0$  and accept  $H_1$ . Therefore, we conclude that there is relationship between the types of fraud among commercial bank in Nigeria.

**Hypothesis Three**

**H<sub>0</sub>:** Application of forensic accounting in banks has no significant impact on bank audit.

This hypothesis was verified by analyzing table 18 in research question.

With the use of forensic auditing techniques, fraud detection and prevention will become easier.

Option	Frequency	Percentage %
Yes	100	63.69
No	37	23.57
Undecided	20	12.74
Total	157	100

$$X^2 = \sum \frac{(fo-fe)^2}{fe}$$

Level of significant = 0.05

Degree of freedom = (k-1) = (3-1) = 2

Critical value of  $\chi^2 = 5.991$

Computation of the chi-square test statistic

Options	F <sub>o</sub>	F <sub>e</sub>	F <sub>o</sub> - F <sub>e</sub>	(F <sub>o</sub> - F <sub>e</sub> ) <sup>2</sup>	$\frac{(f_o - f_e)^2}{f_e}$
Yes	100	52.3	47.7	2275.29	43.50
No	37	52.3	15.3	234.09	4.48
Undecided	20	52.3	32.3	1043.29	19.95
Total	157				67.93

Checking the chi- square ( $\chi^2$ ) distribution table with 5% level of significance and 2 degree of freedom, the tabulated value of  $\chi^2$  is 5.991. comparing the test statistic with the critical value, we have  $67.93 > 5.991$ .

**Decision**

Since the calculated  $\chi^2$  value (30.65) is greater than the critical value of  $\chi^2$  tab. (5.991), we reject H<sub>0</sub> and accept H<sub>1</sub>. Therefore, we conclude that application of forensic accounting n banks has impact on bank audit.

**V. SUMMARY, FINDINGS, CONCLUSION AND RECOMMENDATIONS**

**5.1 Summary of findings**

The empirical analysis of data in the study revealed the following. Which were in line with the previous studies reviewed earlier on, in the study. Hence the findings are summarized below:

1. That there is a significant relationship between frequent occurrence of fraud and loss of confidence in financial institutions.
2. That forensic audit is a useful method of fraud detection and prevention in financial institutions.
3. That fraud is a general phenomenon, which exist in almost every organization.
4. That the incidence of fraud affects every management and staff worker of an organization when it occurs.
5. That there is a relationship between fraud and business failures.
6. Most fraudulent activities that lead to bank failures are done by insiders. That is people within the organization.
7. Most times employees of an organization, fail to report fraudulent activities when they occur
8. Committing of fraud in banks accounts to a general decline in depositors/investors' confidence in the system.
9. Forensic audit seeks to bridge the gap between accounting and law professions in relation to fraud detection and prevention.
10. Forensic audit when used in place of conventional audit will yield a positive result.

**5.2 Conclusion**

There is a need to provide a comprehensive framework involving the use of forensic auditing methodology particularly in the areas of audit planning and execution, and for a uniform reporting practice that would spread out the implementation control failures including failure of senior management in implementing prescribed controls. Fraud and white collar crime have increased considerably over the past years, and experts believe that the trend is likely to keep on growing if adequate measures are not taken to curb this perfidy. So in the quest to combat this economic monster (fraud), the concept of forensic accounting and audit was introduced. After carrying out this research study, the following conclusions were arrived at, that:

- i. Fraud gave birth to forensic auditing and the incessant occurrence of fraud in our financial or banking sector has become the major reasons behind bank failures in the country and that the effects of the fraud cuts across every sector is the economy, because the financial sector is the custodian and engine house of every nation's economy.
- ii. Nigerian investors have lost confidence in the Nigerian system, thereby having preference to making their investments abroad rather than risking their resources in the country where fraud perpetration is seen by most people as the easiest way to get rich and undue advantage quickly.
- iii. Forensic audit has been playing a vital role in fraud detection and prevention and also been regarded as a useful technique in unearthing and prevention of fraud in the business world. Based on my findings, the researcher hereby concludes that forensic accounting is a better way to combat fraud in Nigeria. It will enhance Nigerians professionals' success in their fight against corporate fraud and corruption

### 5.3 Recommendations

After a thorough considerations, consultations and meditation on the facts and findings of the study, the following recommendations are proffered.

1. The internal control system of every institution must be strengthened so as to be able to check fraud occurrence. An example of such internal control system is the segregation of duties so that one person does not have total control over an area of the institution.
2. The fight against corruption and fraud must be sincere and purposeful. In this regard, there should be no sacred cows in the punishment of culprits and the government and management of firms most stop paying lip-services to the campaign against fraud and corruption.
3. The budget monitoring and implementation mechanic must be put in place with appropriate sanctions. Such sanctions must be applied against any misappropriation or misapplication of the appropriated funds of budgetary provisions
4. Organizations should have clear lines of authority. Employees should know who they report fraud suspicions to who is next person on the chain of command. Let employees know how you handle complaints about suspicious behaviours.

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