

CHAPTER ONE

INTRODUCTION

1.1 BACKGROUND OF THE STUDY

The incidence of fraud and misappropriation of funds in recent time poses a threat to auditing as a branch of accounting profession because of its perennial nature. This has resulted to questions as to whether auditing actually play any significant role towards the attainment of accountability and prevention of fraud especially that which is currently happening in our major or key financial institutions.

Most of our financial institutions today fail to recognize that the phenomenon “fraud” can appear to be more dangerous when compared to other forms of problem like armed robbery attack which can only affect the institution within a short period of time, such may have no long term effect on their operations. However, any significant fraud committed in an institution, not only undermines or shakes up it’s financial stability but can severely affect the reputation of the institution thereby resulting to investor’s loss of confidence.

Most times, the directors write off losses of fraud (including money laundering) under the general heading of “bad debt” rather than admitting that there have been a general failure to exercise or implement proper safeguards in the system of internal checks and control or managerial negligence in applying or perfecting the

appropriate oversight to routine business process where institutions funds and assets are at risk. In order to counter, stop and prevent the perpetration of such frauds comes forensic auditing or accounting.

Forensic auditing or accounting is the specialty practice area of accounting that describes engagements that results from actual or anticipated disputes or litigation. “forensic” means “suitable for use in a court of law” and it is to that standard and potential outcomes that forensic accountants also referred to as forensic auditors or investigative auditors, often have to give expert evidence at the eventual trial of companies and institutions who have committed fraud, in a court of law.

1.2 STATEMENT OF THE PROBLEM

This topic “the usefulness of forensic auditing in prevention and detection of fraud” was conducted to focus on most important problems facing a corporate organization. The failure of statutory audit to prevent and reduce misappropriation of corporate and an increase in corporate crimes has put pressure on the professional accountant and legal practitioner to find a better way of exposing this evil frame in business world such as.

- The problems of loss of customers/depositors

- The persistent increase in business failures fuelled or encouraged by frequent incessant fraudulent activities in our financial institutions.
- The problem of lack of confidence on the part of the investing public to commit their resources to financial institutions due to fraud.
- The problem of how financial institutions to embrace forensic audit as a useful tool in prevention and detection of fraud.

1.3 STATEMENT OF THE OBJECTIVES

The general objective of this study is to inculcate the knowledge of forensic auditing in preventing and detecting corporate fraud in Nigeria. Though the main objective of forensic auditing will vary according to the purpose of hiring individual or entity, the essence of this study is to employ the new knowledge to uncover fraud, crimes and evasions of financial obligations or malpractices committed through manipulation of accounting records. The specific objectives of this study are as follows;

- To establish the reason for the loss of customer/depositors
- To investigate how incidence of fraud, encourages or leads to business/bank failures

- To examine the reason behind investors loss of confidence toward investing or depositing in financial institutions;
- To ascertain how forensic audit has been a useful tool in prevention and detection of fraud in our financial institutions

1.4 RESEARCH QUESTIONS

In order to achieve the objective of the study, the following research hypothesis have been raised, providing answers to them will help achieve the aim of this work. These questions includes;

- How do financial institution loss their customers/depositors.?
- In what way would high and frequent committing of fraud lead to or encourage business failure?
- How would frequent fraud occurrence lead to investors loss of confidence in investing their resources?
- Why forensic audit is considered a useful tool in prevention and detection of fraud in financial institution?

1.5 STATEMENT OF HYPOTHESES

The statement of hypothesis provides a measurement criterion that keeps the researcher on the main line of the study (Osuala 1982:44). In other words, it is “a speculation of the way the variables of study behaves” it is a guide method to be used in their analysis. The needs for such guides rise to the following hypothesis;

HYPOTHESIS ONE

H0: There is no loss of customers/depositors in financial institutions.

H1: There is loss of customers/depositors in financial institutions.

HYPOTHESIS TWO

H2i: There is no significant relationship between frequent occurrence of fraud and investors loss of confidence in financial institution.

H2ii: There is a significant relationship between frequent occurrence of fraud and investors loss of confidence in financial institution.

HYPOTHESIS THREE

H3i: There is no significant need to employ a forensic auditor in a financial institution.

H3ii: There is a significant need to employ a forensic auditor in financial institutions.

1.6 SIGNIFICANCE OF THE STUDY

This study will be of great importance to the government since it will help to determine the actual income of every companies and banks so as to pay the exact tax. It will also give them positive insight on how to fight this evil menace called corruption in the country. It will also be of great benefit to the corporate world as the effective work of forensic auditors will help prevent, reduce and detect fraud and other corporate crimes in an organization it will help the investors and depositors to know the financial position of the institution they are investing in if it is going to be a profit venture or not, and also to schools and students, it will serve as a reference point for future researchers who will want to research more on the topic.

1.7 SCOPE OF THE STUDY

This study was designed to discuss the usefulness of forensic audit in preventing and detecting fraud in an organization” the research will be restricted to the two selected banks in Enugu state.

1.8 LIMITATION OF THE STUDY

I was confronted with some problems when carrying out this research. These problems include.

- Uncorporative attitude of some of my respondents:- some of the respondents refused to fill my questionnaires and some refuse to return the filled ones.
- Problem of school exeat: Due to the nature of my school I was confronted with the problem of permission to leave school to carry out my research such as sharing and collection of questionnaires and other materials relevant to my research work.
- Financial problems:- the success of my research work depends on the finance availability and this affected the researcher because the finance at his disposal was not sufficient to carry out the research effectively.
- Time:- this has to do with the time-frame given for the completion of the study and also other challenges; activities and engagements forcing me as a final year student reduced my time-frame.

1.9 DEFINITION OF TERMS.

FORENSIC ACCOUNTING:- It is a specially practice area of accounting that describes engagements that results from anticipated disputes or litigations.

FORENSIC: According to oxford advance learners dictionary means connected with or used in the court to law.

INVESTIGATIVE ACCOUNTING: This is the reviews of the factual situation of a company and suggest possible course of action.

WHITE-COLLAR CRIME:- Edwin Sutherland in 1939 defines it as “a crime committed by a person of respectability and high social status in the course of his occupation.

It is a financially motivated nonviolent crime committed for illegal monetary gain.

CHAPTER TWO

REVIEW OF RELATED LITERATURE.

2.0 INTRODUCTION

Much have been said and written on the role of forensic accounting in combating corporate fraud in Nigeria. In this chapter, efforts are made to assemble experts opinions on the role of forensic account in an organization.

2.1 ACADEMIC REVIEW

Kessler international, a world renowned forensic accounting and investigative consulting firm, began his life long career as a forensic accountant in the early 1970's. Kessler first job out of college was that of a field auditor for associated hospital services of new York. His job was to ferret out fraud and abuse committed by health care institutions and its employees against the Medicare. In those days, healthcare facilities received reimbursement for the service they rendered based on a calculated rate derived form cost reports submitted to an insurance carrier. Kessler's. job was to visit hospitals and healthcare facilities to review and compare the original documentation of the facility reported on the cost report and ascertain

if it properly reflected the actual revenue and expenses of the facility. Mr. Kessler's audits began uncovering significant fraud by the facilities he audited, so he was designated as one of the companies' first field auditors specializing in investigative audits. Kessler's wanting to distinguish his role from other field audit and accountants whose job was to certify the books and records of a facilities, began calling himself an "investigative accountant", a term he heard while working closely with the government's accountants assigned to analyze his fraud findings. Kessler quickly realised that this title would be accepted by individuals in the health care industry, it seems no one felt comfortable in the hands of an "investigative auditor". Kessler was now faced with dilemma. Kessler's inspiration came from a very unlikely source one night after watching his favourite show "Colombo", he found the resolution to his problem. To some viewers, Colombo's most memorable attribute was his crumpled rain coat, but for Michael G. Kessler, it was much more, Kessler realized that Peter Talk could quickly solicit the co-operation of defendants and solve cases using a gentle approach and the use of "forensic evidence. Kessler thus began calling himself a "forensic accountant" a term coined by Kessler, and now widely used within the industry. He found the result was as he had hoped and he was quickly accepted when he announced himself in the health care community, the rest is history and today forensic accounting is one of the fastest growing professions in the nation.

Us news and world report listed “forensic accountant” as one of the 20 hot job track of the future and has made this branch of accounting trendy. But Kessler international experts said that the fields popularity has attracted many inexperienced accountant who lack skills to carefully and cost effectively conduct inquiries, with worldwide offences and staff specifically on forensic accounting, computer forensic, risks management and corporate investigation, Kessler international provides solution to difficult business problems. Auditors need to be alert for situations, weaknesses, inadequacies in record keeping, errors and unusual transactions on results which could be indicative of fraud, improper or unlawful expenditure, unauthorized operators, waste, inefficiency or lack of probity.

2.2 WHAT IS FORENSIC ACCOUNTING.

According to the institute of forensic accountancy (IFA) of Nigeria, forensic accounting is the specialty practice of accounting that describes engagement that results from anticipated disputes or litigations. Forensic accounting to the webster’s dictionary means’ belonging to use in or suitable to court to jurisdiction or to public discussion debate. Forensic audit or forensic accounting can be used interchangeably forensic accountants often have to give expert evidence at the eventual trial. All of the larger accounting firms, as well as many medium sized

and boutique firms, have specialist forensic accounting department, within this groups, there may be further sub-specialization for example, some forensic accountant may just specialize in insurance claims, personal injury claims, fraud construction or royalty audit (Timbee, 2011).

Forensic accounting is that aspect of accounting that provides analysis that is suitable to the court which will form the basis for discussion debate and ultimately disputes resolution (Wallace, 1991).

Further more, forensic accounting comprises the use of accounting, auditing and investigative skills to assist in legal matters and the application of specialized body of knowledge to the evidence of economic transaction and reporting suitable is the purpose of establishing accounting or valuation of administrative proceedings, it consists of two major components;

Litigation support and service, which recognized the role of the accountant as an expert consultant.

Investigative service, That use a forensic accountants skills and many requires possible custom testimony.

However, Forensic accounting is different from the old debit and credit accounting as it provides an accounting analysis that is suitable to the organization which will help in resolving the disputes that arises in the organization Mohammed,2008.

A forensic accountant has a unique job because of the responsibilities involved in the integration of accounting, auditing and investigative skills. Using all these skills, a forensic accountant is evidently, a true investigator and is trained beyond the numbers and deals with the business reality of the situation (WALLACE, 1991).

Forensic audit involves examination of legalities by blending the techniques of property (VFM audit), regulate the investigative and financial audits. The objective is to find out whether or not true business value has been reflected in the financial statements and in the course of examination to find whether any fraud has taken place, forensic audits are performed by a special class of financial experts known as forensic accountants, this class includes certified fraud examiners people with a bachelor's degree or equal professional experience who have a background in accounting, persecuting fraud, loss prevention or criminology/ sociology who pass the (CFE test); CPA's or chartered accountant. Forensic audits begin by taking all the accounts, inventories, assets, capital and other economic elements and determining how they should work together. To use a hypothetical example, if an auditor sees that a business grosses \$10million a year, he assumes that the profits, cash, new capital, inventories, taxes, payroll, cash and checks how they ought to interact (e.g. in some cases, there is a systematic overlap between certain values, which the accountant would make note of as not over count), once he had collected all of the reported values (as well as caveats), he would establish an ideal model

for how each side of the balance sheet should read. Once completed, the report is sent to the appropriate authorities and recorded as evidence while its completeness and objectivity are certainly important, a forensic audit report's most useful attribute is the summary of result. Forensic is a highly technical discipline, to accommodate this complexity, accountancy as adopted a precise lexicon. As such, an unscrupulous defense attorney could exploit the average juror's ignorance of such terminology to discount audit results that are actually compelling, luckily chartered accountants specializing in forensic understand finance as well as criminal law this allows them to translate audit results into language useful to prosecutor trying to build a case. It is crime and especially economic crimes that gave birth to forensic accounting. Economic crime is an unpleasant fact and has escalated into a monster, it touches every country, every industry, and has no signs of stopping. During the past decades, the number of reported cases of fraud and corruption has continued to grow dramatically. Compounding that is the challenges faced by the criminal justice system and a general absence of the necessary skills to gather the proper audit evidence so vital to criminal investigations. Information from law enforcement and criminal justice agencies about corruption and fraud cases is that generally speaking, the success rate for connection are not satisfactory. The reason being that prosecuting authorities lacked skills and

knowledge to provide effective investigation and prosecution of corruption and for cases.

A forensic accountant is typically an accountant that is hired by a large firm or company, but can also be engaged in public practice, or can be employed by insurance companies, banks, police forces, government agencies, or other organizations. The forensic accountant would be hired by such organization to investigate, analyze interpret, summarized and present complex financial & business information so that it can be easily understood and properly supported. One that is employed as a forensic accountant can assist co-operation in the following way:

- Investigate accounting: By performing investigative accounting duties, a forensic accountant reviews the factual situation of the company and suggests possible course of action. A forensic accountant can also assist in the protection and or recovery of assets and can as well coordinate with other experts such as private investigators, forensic document examiners and consulting engineers in the event that a white-collar crime has occurred. Similarly, the forensic accountant can also assist with the recovery either way of civil action or criminal prosecution.

- **Litigation support accounting:** The second main area of forensic accounting is litigation support accounting service. Litigation support involves the presentation and interpretation of various issues related to assisting an existing case and identifies the area of loss or pending litigation. In an expertise area such as this, a forensic accountant may review the relevant documentation to assess the case and identify loss. This may require the financial accountant to assist him with settlement discussions and negotiations, as well as attend a trial to hear the testimony of the opposing experts, and to provide assistance with cross examination. As a wrap-up, forensic, accountant can in that way become involved in a way of investigators. This involves criminal investigators, where a forensic accountant may be required to prepare a report with the objective of presenting evidence in a professional concise manner,
- **Shareholders and partnership disputes:** this involves assignment that require a detailed analysis of numerous years of accounting records in order to resolve, for example, compensation and benefits disputes of shareholders and partners.
- **Personal injury claims:** this is where a forensic accountant is asked to quantify the economic losses that are resulted from an accident.
- **Business interruption:** this involves reviewing the details of an insurance policy, for example to investigate the coverage issues and the appropriate method of

calculating the loss of the areas such as business interruptions, property losses, and employee dishonesty claims.

- Fraud investigations: this involves a forensic accountant work in determining funds tracing, asset identifications and recovery which is most commonly performed with employee fraud cases.
- Matrimonial disputes: this requires a forensic accountant to trace, locate and evaluate assets, including businesses, properties and other personal assets, business economic losses, that of which includes areas such as contract disputes, construction claims, product liability, or patent infringement, and losses occurring from a breach in a non-competition agreement.
- Professional negligence: this is either through a technical perspective where the forensic accountant will investigate a breach in agreement, or through loss quantification.
- Mediation and arbitration: this is where a forensic accountant may be hired to become involved in an alternative dispute resolution so that individuals and business may resolve disputes with minimal disruption and with a minimal amount of time.

Forensic accounting is focused upon both the evidence of financial transactions and reporting as contained within an accounting system, and the legal frame work

which allowed such evidence to be suitable to the purpose of establishing accountability. Forensic accountants are typically chartered accountants that specialize in those type of cases where there is need for such evidence. Their job is to detect and interpret the evidences of both normal (non-fraudulent) and abnormal (fraudulent) transaction on the books and records of an accounting system and the subsequent effect upon the accounts, inventories, and the presentation there of. It is imperative, therefore, that forensic accountant first understand what normal accounting procedures and processes and remember they are first and fore most chartered accountants.

2.3 ADVANTAGES AND DISADVANTAGES OF FORENSIC ACCOUNTING

ADVANTAGES OF FORENSIC ACCOUNTING

- Forensic accounting strengthens control mechanism, with the objective of protecting the business against financial crimes, be they potential catastrophic one-off events that could threaten the viability of the business, or smaller-scale but repetitive appropriations of company assets over a number of years.
- Forensic accounting can play an important role for companies under review by regulatory authorities and can also be invaluable to ensure regulatory

compliance for example, forensic accounting can also be useful in helping companies to ensure that their anti-money laundering procedures can help protect organizations.

- Forensic accounting can help protect organizations from the long term damage to reputation caused by the publicity associated with insider crimes. Forensic accounting also provides a sound base of factual information that can be used to help resolve disputes, and can be used in court should the victim seek legal redress.
- Forensic accounting can improve efficiency by identifying areas of waste.
- Forensic accounting can help with the detection and recording of potential conflicts of interest for executives by improving transparency and probity in the way resources are used, in both private and public entities.

DISADVANTAGES OF FORENSIC ACCOUNTING

- A poorly managed forensic accounting could consume excessive amount of management time and could become an unwelcome distraction for the business.

- Forensic accounting can have wide-ranging scope across the business under certain circumstances, the scope of the audit may need to be extended, with a corresponding increase in the budget.
- Some employees can interpret a proactive forensic accounting as a slight on their integrity, rather than as a means to improve control procedures for the benefits of the business.

2.4 THE INCIDENCE OF FRAUD

The problem of our banking system may have some attachment therefore, there must be some factors that may lead to this fraudulent act. The factors include.

- Malpractices
- Failure to appoint trusted and honest officials as the bank's representative in the clearing house.
- Failure to rotate staff or change representative on regular basis.
- Failure to provide locked boxes and bags for carrying cheques to and from the central bank.
- Inadequate training of staff.

The above statement indicates that fraud which occur in banks are due to negligence in the handling of clearing cheques; bank management and officials have been dedicated and out rightly punished for failing to do their job or doing it negligently to a part that created an enabling environment for fraudulent practices in the banks.

According to Agbadua (1980) fraud is an anti economic process and must properly be dealt with. He made it clear that for any banking institution to stand there must be proper management and trusted workers that are psychologically fit before employment. Ade and whole (1982) sees fraud as “a virus which spreads from the banking sector to other economic activities and organization even the government. And for any economy to be balanced, an antifraud virus should be injected to the banking industry to completely eradicate fraud from the system.

In the vanguard newspaper of (02/01/2004) it was said that fraudulent practices led to the fall of so many banks and organizations in the time past, thus, steps have been taken by the government by introducing an agency call “the Economic and financial crimes commission” (EFCC).

This agency serves as a watchdog to financial institution, organization and even the government, also in a seminar held some time ago by the united states association of certified fraud examiner, (ACFE march 2010) it was stated that financial

institution have always been a target for criminals; but in this age, technological advancements and increase in organized criminal activities, financial institutions are finding it difficult to stay ahead of fraudsters. Add to this, the significant regulations to the industry and it becomes clear that personnel must maintain constant vigilance in order to detect and prevent fraud at their bank and other financial institutions fraud, according to Robertson (1996) “consists of knowing or making material misrepresentation to a fact with an intention to inducing someone to believe to suffer a loss or damage. Fraud, involves the use of deception to obtain an unjust or illegal financial advantage (B.N Okezie 1995) fraud has become a pandemic disease, surpassing geopolitical boundaries, race, ideology or the level of economic development (Crbadamosi Saeed Tokumbo 2008).

2.5 PROFILE OF AN EMPLOYEE WHO COMMITS FRAUD.

- a. People in higher position commit larger frauds because they have access to information, assets and people.
- b. Change in behavior might signal a fraud in progress or a greater propensity to commit fraud.

- c. Uncooperative or excessively negative employees could pose a greater risk of fraud because they may easily justify stealing from an employer they do not like.

2.6 THE FRAUD TRIANGLE

- i. Opportunity: Having a chance to commit fraud and conceal it.
- ii. Motivation: Feeling a pressure or need that can be fixed with.
- iii. Rationalization: The process by which the employee makes fraud “Okay” in his or her mind

2.7 WAYS OF PERPETRATING A CORPORATE FRAUD.

Akinwolemiwa C.F.G (2009), suggested ways in which a corporate fraud may occur in an institution and they include:

- **REMOVAL OF FUND OR ASSET FROM THE BUSINESS:**

This include outright theft of cash from bank accounts, removal of other assets, manipulation of institutions, relationship with suppliers or customers, over

statement of claims, undisclosed creation of credit and the assumption of liabilities.

- Misrepresentation of the financial position of the business:

Misrepresentation of the company's financial position includes the following:

- Intentional omission or addition of figures.
- Misreporting and manipulation of company's accounting records.

2.8 CAUSES OF FRAUD.

Ogidefa (2008) grouped the causes of fraud into two broad factors namely.

- Institutional factors
- Environmental factors

INSTITUTIONAL FACTORS

These according to ogidefa (2008) are factors; traceable to the internal environment of the institution. They include the following:

- **TECHNOLOGICAL COMPLEXITY**

Advances in technology have been blamed for facilitating fraud, for example, the Canadian Marwick thome (marotte 1993) cites more sophisticated criminals and inadequate training of the fraudsters as arguable. Joseph T. wells, the founder of the association of certified fraud examiners (ACFE), has written that fraud is often on well concealed and that half of the instances of fraud are discovered by accident (wells 1990).

- **EMPLOYEE DISAFFECTION**

Internal control has long, the population of employers who sees themselves threatened and therefore could turn into pitertial male factors have increased. Nigeria bank workers have experienced a great restructuring and re-engineering and survey shows that felt misunderstood and unappreciated accordingly tries to show the boss who is smarter.

- **INDIFFERENCE OF INTERNAL CONTROL**

Internal control has long been prescribed as an antidote to management or employee's fraud, the data criminology (RESEEEY 2008) mentioned that before fraud can take place there must be.

- An item worth stealing

- A potential perpetrator willing to steal
- An opportunity for the crime to take place when the system of internal control is inadequate, loopholes will be created for committing fraud.
- **POOR REMUNERATION**

When remuneration packages cannot conform to the economic realities of the time, staff or employees will become rather opportunistic in making money from some other sources which may lead to widespread corruption and misappropriation of assets.

• **ENVIRONMENTAL/SOCIAL FACTORS**

These are factors traceable to the external/social environment of the institution.

They include the following

- **INDISCIPLINE AND CORRUPTION IN THE SOCIETY:**

A society produces its type. There is no parent telling a child to be honest when all he sees around him is nothing but dishonesty since the late 70's the level of discipline and integrity in the Nigerian society has gone drastically down: the quest for materialism has become the order of the day. As a result money no matter its source has come to be worshiped as a status symbol. The end justifies the means with the level of materialism and consequent corruption

pervading the society, bankers have joined the bandwagon. To them their last resort is the depositor's fund deposited or kept in their trust. This accounts to the high incidence of banks fraud and forgeries.

- PERSONALITY PROFILE OF THE FRAUDSTERS.

Some people are over ambitious, hence, prone to committing fraud.

- SOCIAL VALUE/EGO

Where the possession of wealth determines the reputation and recognition ascribed to a person, that society is bound to committing fraud and acquiring wealth illegally.

2.9 FRAUD AND BANK/BUSINESS FAILURE

Fraud forgeries and insider abuse are rampant in the banking sector, because of the staggering amount of money involved. They have contributed in no small way in rendering the banks insolvent and thereby resulting to failures. In recent times, bank failure has an issue of major concern to government, depositors, bankers, provokers and indeed the public at large. This concern stems from the crucial role banks play in the economy. The concern for the health and survival of banks, underscore the importance government attaches to close supervision of banks, with

the primary objective of identifying early sign of fraud in order to minimize the incidence of failure.

2.10 HOW FRAUD HAS LED TO BANKS FAILURES

A good example of how fraud has led to the failure of a financial institution was the fraudulent act, which occurred in 2006 at the all states trust bank plc. As a result of fraudulent act of one man, the whole nation including the government has been put in a vary bad state of which people's life savings disappeared into tin air. Government accounts were unable to pay their workers resulting to hardship and starvation and also the fill of the bank.

Another example was what happened in hallmark bank plc, which led to the failure of the bank and the arrest of the chairman/chief executive of the bank, Mr. Marc Wabara. The fraud was in connection with about \$58 million (N7.5 billion), belonging to the joint development zone (JDZ) trapped in the bank. The money was placed in a fixed deposit account with hallmark bank, but could not be produced on demand. This development led to the involution of the economic and financial crimes commission (EFCC) to hallmark bank plc to help recover the JDZ funds and this led to the discovery of some questionable dealings between the bank and one south east state, where hallmark bank had an irrevocable standing order

(150) from the south, east state said to have borrowed it billions of naira. In order to recover the loans, when the federal allocation is released every month, hallmark bank makes a direct deduction of a certain percentage of the loans it gave to the said state. According to our source which is “the daily star” paper of Tuesday, September 4, 2012, the bank was eventually closed in January 16, 2006.

Also on a 12 page paper report read by Senator Joyce Nwaogu, the chairman committee on banking, insurance and other financial institutions, which was signed by A.B Nyako, Director legal department of Nigeria deposit insurance corporation (NDIC) titled; “Re schedule of insider credit of banks closed on 16th January 2006” as cited by daily independent newspaper of July 13 2009, reports on the names of the failed banks, directors, account numbers amount collected and companies used to siphon depositors’ money obtained. According to the report, 14 of the banks were in such a state that they could not do it alone and they merged with others to carryout the act. Most of them have since been absorbed under the purchase and assumption model of banks distress resolution adopted by both the CBN and the NDIC. It was also stated that private sector deposit in 13 of the banks stood at N87.2 billion which has been assumed by the quartet of UBA, Ecobank, Zenith bank and Afriland First Bank Nigeria, while public sector reportedly stood at N188.6billion for 12 of the failed banks. Of this, only N94.4 billion is said to be classified as public deposits. It further stated that insider related credit amounted to N53.3

billion or 8.85%, it was reported also that it was fraudulent activities of the bank and some notable Nigerians that led to their being sent to “Abyss”.

2.11 FRAUD AND INVESTORS LOST OF CONFIDENCE

It has been argued that the value of banks have been completely reduced to nothing as the shareholders’ investments in the banking industry have drastically reduced and investors and depositors alike are worried whether the bank will ever overcome these “Tsunami” (frauds, malpractices and depreciation in the value of shares) and able to regain the lost investors and depositors confidence in the system.

Currently, the banking sector is failing in its role as the engine of the economy and every sector, except the government departments are filling the pinch of this “the Nigeria financial crises”, this situation was worsened when central bank of Nigeria (CBN) on August 14th 2009 interviewed in the banking sector after a joint CBN/NDIC audit report revealed serious illiquidity and poor state of the capital of 5 out of the 11 banks that were initially audited. The other 14 were later audited and their results released on October 16th. Another 4 banks were found to be in the same dangerous state like the first 5. This depletion of capital of banks was blamed

by the report on non application of corporate governance principle in the management of the banks and outright fraudulent.

Insider-loans taken by the banks directors to fund their private business while these were going on, investors, and depositors were deliberately deceived by the operators of these banks with their false good performance financial reports which they publish in their annual reports. They concealed their huge non-performing loans to the capital market which has been hit by massive divestments by foreign investors who withdrew their investments to their home economies which had been afflicted by the global financial crises. Consequently, local investors lost their life savings due to their investments in the stock of these bank as the capital market has become so bad that for the first time in many years the Nigerian stock exchange (NSC) is said to be having difficulty with payment of staff salaries. The stock brokerage firms had long retrenched most of their staff and placed the select staff behind on half salary because the banking sector which have 65% of the market capitalization was in deep crises. The ugly situation, analysts said, it was because the banks engaged in fraudulent and unethical practice of lending to their share holders to buy their own shares and when the value of share depreciated drastically, they lost the money and yet they all continue to give impression that nothing went wrong. Investors and depositors were in the dark as regards to their level of exposure of the banks to the non-performing margin loans in the capital

market until it was unearthed by the audit report. According to analysts report since this incidence, nearly 60% of the country's money never passes through a bank many Nigerians prefer it that way instead of risking their money with banks. Another reason for lost of confidence is attributable to the duration of time spent by a bank in trying to get a transaction done because of ede (2002)". In an age when an electronic commerce drives the world economies, Nigeria banks remain in hospitable especially those whose customer spend hours or days to get the simple transaction completed". As a result, many Nigerians squired away naira notes at home, preferring to risk armed break in rather than. Facing exorbitant transaction and fees. Ede went further to state that "everybody is getting ripped off, and nobody wants to rock the boat. So they either keep quiet or just avoid banks altogether.

2.12 THE EFFECTS OF FRAUD

The effects of fraud are as follows:

- It leads to failure of a business or an institution
- It can lead to bankruptcy
- It can affect the economic system of a country

- It may lead to increase in crime
- It may lead to unemployment
- It may lead to a reduction of income per head of a country.
- It may lead to hunger and starvation.

The above reveals some of the effects of fraud. The banking sector which is seen as the economic arsenal of a country, if being tampered with by frauders, may result to bankruptcy. As a result of this, people unemployed, are likely to commit crime which increases the rate of crime in the country,. Thus, reducing income per head and increasing hunger and starvation because while the wealth of the nation is in the hands of new persons, the price of goods and services are increasing.

2.13 INTRODUCING NEW SPECIALIZATION IN ACCOUNTING

According to most authorities, fraud in business and government is at all time high. The responsibilities of auditors and accountants to detect and deter fraud and other white-collar crimes are increasing, yet the frauds before devastating losses occur.

In the view of Joseph T. wells (the founder of association of certified fraud Examiners) (ACFE), he said this is because accountants and auditors wrongfully assume that all fraud can be detected and prevented through traditional audit

techniques. Instead he suggests that auditors and accountants must find a new approach. Forensic accounting is an investigative style of accounting used to determine whether an individual or company has engaged in any illegal financial activity. It is the integration of accounting, auditing and special investigative skills. Forensic accountants are becoming more mainstream as attorneys, executives and managers have learned that these specialists are the most ready to deal with their fraud matters, (Tracy Coenai 2008).

2.14 THOSE QUALIFIED AS FORENSIC ACCOUNTANTS AND AUDITORS

Some forensic accountants are/

- Certified forensic accounting professionals (CFAP),
- Certified fraud examiners (CFE)
- Chartered accountant (CA's or ACCA'S)
- Certified public accountants (CPA)

2.15 FORENSIC ACCOUNTING SPECIALISTS AS ASSETS TO FRAUD INVESTIGATION

The training of forensic accountants is different even though they must still be aware of the technical accounting issues always, present,. Traditional auditors or accountants are those who check the math in the accounting department and occasionally consult on the correct application of the accounting rules, the forensic accountant how ever, is going to look at the numbers and rather than checking the accuracy. The freonsic accountant is trying to look behind the numbers and find out what's not quite right. The worth of a forensic accountant or auditor extend sfar beyond just the investigation, his frauds finding experience can be valuable in fraud fighting.

2.16 SKILLS A FORENSIC AUDITOR REQUIRE

Some of the skills a forensic auditor requires are:

- i. Be a good interviewer: this is required to obtain relevant information' having the ability to review and identify relevant document, be able to construct financial transactions through information obtained from third parties.

- ii. Know how to maintain chain of custody over documents when gathering and preserving accounting evidence.
- iii Having the ability to observe behaviours especially during interviews.
- iv Ability to calculate net worth and living expenses.
- Ability to inspect documents for authenticity, alteration, forgery or counter feinting and fraud.
- Ability to design scenarios; thinking like fraudsters in order to determine occasion when internal controls could be circumvented or loose or when controls are enforced and therefore taken advantage of.

2.17 FINANCIAL AUDIT VERSUS FORENSIC AUDIT.

According to certified fraud examiners manual issued in 2000, forensic is related to auditing but they are not the same discipline.

- Financial audits are conducted in the context of annual and recurring basis. While forensic audit is usually conducted when there is concern that something has gone wrong and usually with reliable predictions or reasons.

- Forensic audits are conducted to resolve allegations or wrong doings. While financial audits are usually conducted to satisfy the statutory requirements of CAMA.
- The scope of financial audits is general while that of a forensic audit is directed at specific allegations
- Forensic audits seeks to determine if fraud or financial crimes have occurred by the responsible parties. While financial audits are conducted usually to express opinion on the fairness of financial statement representations.

2.18 FINANCIAL AUDITOR VERSUS FORENSIC ACCOUNTING

The following companions were provided by certified fraud examiners manual (2008).

- The forensic accountant employs a much higher degree of professional skepticism when conducting his work. He is not apt to accept examinations and documents at face value rather, they burrows deeper into the facts than a traditional auditor.

- In gathering facts and evidence, a forensic accountant is experienced in where to look what type of evidence to look for, how to extract it, and what constitutes relevant and valid support.
- A forensic accountant is more experienced at interpreting facts and evidence as well as presenting his/her findings in a manner that is suitable and can be used to support civil, criminal, tribunal, administrative and political processes.

2.19 DISTINCTION BETWEEN STATUTORY AUDIT AND FORENSIC ACCOUNTING

- i. **OBJECTIVE:-** statutory audit express opinion as to true and fair presentation while forensic accounting determine correctness of the accounts or whether any fraud has actually taken place.
- ii. **TECHNIQUES:** statutory audit deals with substantive and compliance procedures. While forensic accounting determine analysis of past trend and substantive or in depth checking of selected transaction.

- iii. Period: in statutory audit normally all transactions for the particular accounting period is required while forensic accounting has no such limitations accounts may be examined in detail from the beginning.
- Verification of stock, estimation of realizable value of current asset, provisions and liability estimation:- statutory audit relies on the transaction for the particular accounting period while forensic accounting has no such limitations. Accounting may be examined in detail from the beginning.
 - Off balance sheet items (like contracts):- statutory audit vouch the arithmetic accuracy and compliance with procedures. While forensic accounting has to do with regularity propriety of these transactions/contracts are examined.
 - Adverse findings, if any:- statutory audit express negative opinion or qualified opinion with/without quantification which forensic accounting deals with legal determination of fraud naming persons behind such frauds.

2.20 CERTIFICATION OF FORENSIC ACCOUNTANTS

These are various certifications that an accountant can combined with experience and training in order to be an expert witness of repute. These certifications assist the accountant in terms of credibility as an expert witness, on issue relating to areas

like fraud corruption, money laundering, illegal gratitute etc. a forensic accountant is expected to have gained the needed knowledge. The best way to do this is to obtain appropriate certifications combined with requisite training and experience. This is not the type of certification of some organizations in Nigeria that grant people piece of papers called certificates with training and experience. Forensic and compliance institutes will work with ICAN and ANAN to ensure adequate training of members. Some of the certifications needed by a person to qualify as a forensic accountant include:

- CFE- Certified fraud examiners which is issued by the association of certified fraud examiners (ACFE) in the united state, it covers four major areas namely:-
 - - fraud investigation
 - Financial transactions
 - Criminology and ethics
 - Legal elements of fraud

The above subject/course cover a vast away of skills needed by a forensic accountant.

iii. CFA- certified forensic accountant which is a certificate issued by the association of certified forensic examiners international (ACFEI), this association specializes in providing training and certification in two major areas namely:

- The CFC- certified forensic consultant
- The CFA- certified forensic accountant
- CA or ACCA- which is a certificate issued by the institute of chartered accountants of Nigeria.
- CAN- which is certificate issued by the association of national accountants of Nigeria.

2.21 APPLICATION OF FORENSIC AUDIT.

There is an increase in the use of auditing skills to prevent fraud by identifying and ratifying situations, which could lead to frauds being perpetrated. Forensic audits are mainly used wherever layers or law enforcement officials need reliable data on a party's financial status or activities and when frauds and embezzlement are suspected within an institution. The application of

forensic audit will either be “reactive or proactive”.

- **REACTIVE FORENSIC AUDITING**

Objective in the case of reactive forensic audit is to investigate cases of suspected fraud so as to disprove the suspicious, and if the suspicions are proved, to identify the persons involved, support the findings by evidence and to present the evidence in an acceptable format in any subsequent disciplinary or criminal proceedings.

- **PROACTIVE FORENSIC AUDITIONING**

Forensic audit in this sense could be viewed from different aspects depending on its application, some of which are discussed below:

- **STATUTORY AUDIT:** Auditing standards prescribed that internal control should be studied and evaluated resources when performing regulatory and financial audit, and in respect of assisting management in complying with laws and regulations when performing compliance audit.
- **REGULATORY COMPLIANCE:** Government departments/agencies could themselves use the techniques of forensic auditing to assess compliance with regulations governing payments of grants. Subsidies performance auditors could also use these techniques while auditing such governmental programs.

- Investigation of allegation: Complaints and allegations in the press or in parliament, anonymous tips from employees or others could all in their separate ways require to be adequately, addressed by investigation.

2.22 THE ROLE OF FORENSIC AUDIT IN FRAUD PREVENTION AND DETECTION

When fraud is discovered within an institution, the initial response is “how could that have happened”. And if audited statement were issued, the question asked will be” why didn’t the auditor have a clue” these two questions raised the question of whose responsibility it is to detect and prevent fraud. The cost of fraud to business organizations today is mounting, as it is the level of concern to professionals. Forensic audit plays a very essential role in the business organizations. It facilitate the prevention, detection and investigation of fraud and other economic crimes in the economy.

The areas covered by forensic audit include:

- The limitation of an economic crime awareness programme with a view of highlighting the existence of potential risks and the need for economic crime (fraud) prevention strategies in each institution.

- A review of the criminal justice system as it pertains to economic crime in financial institutions and of all the relevant registration with a view of identifying any material deficiencies and reporting appropriately thereon.
- The development of the necessary policy and guidelines, including an appropriate risk assessment models, for audit and other purposes.

2.23 NET WORTH METHOD: A TOOL FOR FORENSIC ACCOUNTANTS.

One of the effective tools used by forensic accountants in fraud detection and money laundering is the net worth method, the net-worth technique is good in demonstrating the income, the suspect by using financial analysis to determine the increase in his or her wealth. This is usually done by showing the year to year increase in the wealth of the individual. Through this tool, it can be shown that fraudsters, money launders, and corrupt bank officials spent money that can be traced to their legitimate income.

2.24 TRANSACTION MONITORING

This is an area where forensic accounts can assist both the institution and law enforcement agencies. There are two basic ways to conduct transaction monitoring

to ensure that fraud and other financial crimes are not perpetrated one of them is the use of anti money laundering (AML) software used by various institutions using data mining tool. The others are reports generated by the accounting system which can be queried by the forensic accountant using query type analysis of spreadsheets.

These can effectively assist to deal with tracking complex transaction that some of these fraudsters and sophisticated money launderers employ.

CHAPTER THREE

RESEARCH METHODOLOGY

3.0 INTRODUCTION

This chapter is concerned with a more critical and fundamental question of the methods and procedures the resource employed to bring the subject matter into the scope of the research setting in order to yield result. It also explain the method of administering questionnaires, design of the study and tool used in analysis and how the findings are finally reported.

3.1 RESEARCH DESIGN

The research design adopted in this research is survey design method which comprises the use of oral interview, questionnaire, and personal observation. The data collected was presented, analyzed and interpreted in chapter 4 by the use of tables.

3.2 SOURCES OF DATA

The data used in this study were both primary and secondary data. The primary data were obtained direct form field study include questionnaire, personal observations, and interviews.

The secondary data were obtained from the bank's journal reports, textbooks, ICAN and ANAN journals, newspaper, library, seminar reports etc.

3.3 AREA OF THE STUDY

There of this research study is two selection banks in Enugu state comprising zenith bank plc and access bank plc.

3.4 POPULATION OF THE STUDY

This statistically is the totality of all the possible elements observed or outcome to be studied or examined for the purpose of a research work. The total population of the study is 50. In carrying out this research study, population was drawn from professional accountant, auditors, and both the senior in management and junior level staff and managers of the banks. However, the population is restricted to those in practicing banks selected in Enugu metropolis.

3.5 DETERMINATION OF SAMPLE SIZE

Since it will be difficult and time consuming to interview everyone that makes up the population, a good representation of the population was chosen for proper evaluation and analysis. A total population of 100 staff was subjected to a systematic random sampling technique using an interval of 2. The result was 50 respondents being selected as sample(n) of the study. This is mathematically derived using the taro Yamen's formula as:-

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

Where: n= the sample size

n= total population size

e= error margin/limit

1= constant

$$n = \frac{50}{1 + 50(0.05)^2}$$

$$= \frac{50}{1.125}$$

= 44

3.6 RELIABILITY TEST

Data from the primary sources are very reliable. It has been tested over and over again and the same results were obtained which means the information was very reliable.

3.7 VALIDITY TEST

This research study has been validated by my supervisor by reading my work and making corrections and this correction have been implemented. And hence has approved the validation of the study.

3.8 TECHNIQUES FOR DATA ANALYSIS

The research made use of tables, percentages and Anova statistical technique in the presentation and analysis of the data collected at the significant level of 95% that is at 5% error limit.

CHAPTER FOUR

DATA PRESENTATION AND ANALYSIS INTRODUCTION

4.0 INTRODUCTION

This chapter deals with the systematic presentation and analysis of data obtained from the questionnaire.

Simple percentage method of data analysis would be used to analyze the respondents data while the hypothesis would be tested using analysis of variance (ANOVA) statistical technique. In all, 50 questionnaires were administered to the respondent, out of which 46 were completed and returned. This gave a response rate of 92%. The response and percentage of respondents are as follows:

4.2 ANALYSIS OF RESPONDENTS AND RESPONSES SECTION A: PERSONAL DATA

Sex	Response	Percentage
Male	29	63%
Female	17	37%
Total	46	100%

Source: field survey 2013.

The table portrays that 63% of respondents are male while the remaining 37% are females.

Table 4.2.2. Age Respondents

Age	Response	Percentage
20-30	12	26.09%
31-40	23	50%
41 and above	11	23.91%
Total	46	100

Source: field survey 2013.

The table above shows that 26.09% of the respondents are within the ages of 20-30 while 50% of them are within the age of 31-40 and remaining 23.91% are within the age of 40 and above

Table 4.2.3 Educational Qualifications of Respondent

QUALIFICATION	Response	Percentage
NCE	8	17.39%
B.SC	26	56.52%
OTHERS	12	26.09%
Total	46	100

Source: field survey 2013

The analysis above shows that 17.39% of the respondents hold NCE, and 56.52% are working with Bsc, while the remaining 26.09% are working with MSC and other qualifications.

Year of service	Response	Percentage
1-5 years	12	26.09%
6-10 years	22	47.82%
11 and above	12	26.09%
Total	46	100%

Source: field survey 2013.

Table 4.2.4, shows that 26.09% of the respondents have been in the industry for 1-5 years, 47.82% have worked for 6-10 years while the other 26.09% of them have been in the industry for 11 years and above.

Table 4.2.5: Distributed According to Level and Position in the Organization.

Level/position	Response	Percentage
Senior	15	32.61%
Management	18	39.13%
Junior	13	28.26%
Total	46	100%

Source: field survey 2013.

The above table shows that 32.61% of the respondents are in senior staff category, and that 31.13% of the respondents are in management staff, while 28.26% of the respondents are in junior staff category.

SECTION B: GENERAL QUESTIONS

QUESTION 1.

Fraud is a general phenomenon which exists almost in every organization.

Table 4.2.6

OPTIONS	MANAGEMENT STAFF	SUPERVISORY STAFF	JUNIOR STAFF	TOTAL	PERCENTAGE
Strongly agreed	5	8	5	18	39.13
Agreed	4	2	2	8	17.39
Undecided	0	4	4	8	17.39
Disagreed	2	1	1	4	8.70
Strongly disagreed	2	4	2	8	17.39
Total	13	19	14	46	100

Source: field survey 2013.

The table above reveals that 39.13% of the respondents strongly agreed that fraud is a general phenomenon which exist almost in every organization. 17.39% agree, 17.39% were undecided, 8.7% of the respondents disagreed while 17.39% of the respondents strongly disagreed.

QUESTION 2:

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

Table 4.2.7

OPTIONS	MANAGEMENT STAFF	SUPERVISORY STAFF	JUNIOR STAFF	TOTAL	PERCENTAGE
Strongly agreed	2	1	1	4	8.70
Agreed	5	5	8	18	39.13
Undecided	4	0	4	8	17.39
Disagreed	4	2	2	8	17.39
Strongly disagreed	2	2	4	8	17.39
Total	17	10	19	46	100

Source: field survey 2013.

The table above reveals that 8.70% of the respondents strongly agreed that the incidence of fraud affects the management and every worker of any organization when it occurs, 39.13% of the respondents agree, 17.39% of the respondents were undecided, 17.39% of the respondents disagreed. While 17.39% of the respondents strongly disagreed.

QUESTION 3.

There is Relationship Between Fraud and Business Failures.

Table 4.2.8

OPTIONS	MANAGEMENT STAFF	SUPERVISORY STAFF	JUNIOR STAFF	TOTAL	PERCENTAGE
Strongly agreed	4	2	2	8	17.39
Agreed	2	1	1	4	8.70
Undecided	0	4	4	8	17.39
Disagreed	5	8	5	18	39.13
Strongly disagreed	2	4	2	8	17.39
Total	13	19	14	46	100

Source: field survey 2013.

The table above shows that 17.39% of the respondent strongly agreed that there is relationship between fraud and business failures..8.70% of the respondent agreed,17.39% of the respondent were undecided,39.13% disagreed while 17.39% strongly disagreed

QUESTION 4.

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

Table 4.2.9

OPTIONS	MANAGEMENT STAFF	SUPERVISORY STAFF	JUNIOR STAFF	TOTAL	PERCENTAGE
Strongly agreed	2	4	2	8	17.39
Agreed	1	2	1	4	8.70
Undecided	4	0	4	8	17.39
Disagreed	5	5	8	18	39.13
Strongly disagreed	2	2	4	8	17.39
Total	14	13	19	46	100

Source: field survey 2013.

The table above reveals that 17.39% of the respondents strongly agreed that fraudulent activities that led to bank failures are done by insiders that is people within the organization. 8.70% of the respondents agreed, 17.39% of the respondents were undecided 39.13% disagreed while 17.39% strongly disagreed.

QUESTION 5.

More than 70% cases of bank failures are caused by fraudulent activities.

Table:4.2.10

OPTIONS	MANAGEMENT STAFF	SUPERVISORY STAFF	JUNIOR STAFF	TOTAL	PERCENTAGE
Strongly agreed	2	4	2	8	17.39
Agreed	5	8	5	18	39.13
Undecided	0	4	4	8	17.39
Disagreed	2	1	1	4	8.70
Strongly disagreed	4	2	2	8	17.39
Total	13	19	14	46	100

Source: field survey 2013.

The table above reveals that 17.39% of the respondents strongly agreed that more than 70% cases of bank failure are caused by fraudulent activities. 39.13% of the respondents agreed, 17.39% of the respondents were undecided, 8.70% of the respondents disagreed. 17.39% of the respondents strongly disagreed.

QUESTION 6

Most time employees of an institution fail to report fraudulent activities when they occur.

Table 4.2.11

OPTIONS	MANAGEMENT STAFF	SUPERVISORY STAFF	JUNIOR STAFF	TOTAL	PERCENTAGE
Strongly agreed	3	5	6	14	30.43
Agreed	2	4	2	8	17.39
Undecided	4	2	3	9	19.57
Disagreed	0	3	4	7	15.22
Strongly disagreed	5	2	1	8	17.39
Total	14	16	16	46	100

Source: field survey 2013.

The table above reveals that 30.43% of the respondents strongly agreed that most employees of an institution fail to report fraudulent activities when they occur. 17.39% of the respondents agreed, 19.57% of the respondents were undecided, 15.22% of the respondents disagreed, while 17.39% of the respondents strongly disagreed.

QUESTION 7

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

Table 4.2.12

OPTIONS	OPTION SCALE	MANAGEMENT STAFF	SUPERVISORY STAFF	JUNIOR STAFF	TOTAL	PERCENTAGE
Strongly agreed	5	35	5	20	60	40.82
Agreed	4	16	8	0	24	16.33
Undecided	3	15	9	12	36	24.49
Disagreed	2	16	2	4	22	14.96
Strongly disagreed	1	2	3	0	5	3.40
Total		84	27	36	147	100

Source: field survey 2013.

In the table, the options were scaled in descending order from 5 to 1. The results in the staff category columns were gotten by multiplying the actual responses on each column by the option scale. After this computation, we found out that 30.53% of the respondents strongly agreed that there is a significant relationship between frequent occurrence of fraud and investor's loss of confidence in financial institutions. 29.77% of the respondents agreed, 18.32% of the respondents were undecided, 10.69% of the respondents disagreed, while 10.69% of the respondents strongly disagreed.

QUESTION 8

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

Table 4.2.13

OPTIONS	MANAGEMENT STAFF	SUPERVISORY STAFF	JUNIOR STAFF	TOTAL	PERCENTAGE
Strongly agreed	2	6	5	13	28.26
Agreed	5	1	4	10	21.74
Undecided	3	3	2	8	17.39
Disagreed	0	2	3	5	10.87
Strongly disagreed	5	3	2	10	21.74
Total	15	15	16	46	100

Source: field survey 2013.

The table above shows that 28.26% of the respondents strongly agreed that most times, other banks loss their customer/depositors due to a fraud committed in another bank. 21.74% of the respondents agreed, 17.29% of the respondents were undecided. 10.87% of the respondent disagreed while 21.74% of the respondents strongly disagreed.

QUESTION 9

Investors prefer foreign investments to local investments due to loss of confidence in the Nigerian system.

Table 4.2.14

OPTIONS	MANAGEMENT STAFF	SUPERVISORY STAFF	JUNIOR STAFF	TOTAL	PERCENTAGE
Strongly agreed	4	1	6	11	23.91
Agreed	3	2	3	8	17.39
Undecided	3	3	4	10	21.74
Disagreed	3	1	2	5	10.87
Strongly disagreed					
Total	16	10	20	46	100

Source: field survey 2013.

The table above reveals that 23.19% of the respondents strongly agreed that investors prefer foreign investments to local investment 17.39% of the respondents agreed 21.74% of the respondents were undecided, 10.87% of the respondents disagreed while 26.09% of the respondents strongly disagreed.

QUESTION 10

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.

Table 4.2.15

OPTIONS	MANAGEMENT STAFF	SUPERVISORY STAFF	JUNIOR STAFF	TOTAL	PERCENTAGE
Strongly agreed	7	1	4	12	26.09
Agreed	4	2	0	6	13.04
Undecided	5	3	4	12	26.09
Disagreed	8	1	2	11	23.91
Strongly disagreed	2	3	0	5	10.87
Total	26	10	10	46	100

Source: field survey 2013.

The above table shows that 26.09% of the respondents strongly agreed that forensic audit is an audit undertaken in relation to proceedings in a court of law strive to bridge the gap between accounting and law professions in relation to fraud detection and prevention. 13.04% of the respondents agreed, 26.09% of the respondents were undecided, 23.91% of the respondents disagreed while 10.87% of the respondents strongly disagreed.

QUESTION 11

Forensic auditing has become a useful method/technique of fraud detection and prevention.

Table 4..2.16

OPTIONS	MANAGEMENT STAFF	SUPERVISORY STAFF	JUNIOR STAFF	TOTAL	PERCENTAGE
Strongly agreed	4	4	3	11	23.91
Agreed	1	6	3	10	21.74
Undecided	1	4	2	7	15.22
Disagreed	2	4	4	10	21.74
Strongly disagreed	5	1	2	8	17.39
Total	13	19	14	46	100

Source: field survey 2013.

The table above shows that 23.91% of the respondents strongly agreed that forensic auditing has become a useful method/technique of fraud detection and prevention. 21.74% of the respondents agreed, 15.22 of the respondents were undecided, 21.74% of the respondents disagreed while 17.39% of the respondents strongly disagreed.

Question 12

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

Table 4.2.17

OPTIONS	OPTION SCALE	MANAGEMENT STAFF	SUPERVISORY STAFF	JUNIOR STAFF	TOTAL	PERCENTAGE
Strongly agreed	5	30	10	25	65	43.62
Agreed	4	12	12	8	32	21.48
Undecided	3	6	15	9	30	20.13
Disagreed	2	2	8	4	14	9.40
Strongly disagreed	1	4	2	2	8	5.37
Total		54	47	48	149	100

Source: field survey 2013.

In the table above, the options were scaled in descending order from 5 to 1. the results in the various staff category column were gotten by multiplying the actual response of each column by the scale. After this, the table revealed that 43.62% of the respondents strongly agreed that forensic audit is a useful method of fraud detection and prevention in financial institutions. 21.48% of the respondents

agreed, 20.13% of the respondents were undecided, 9.40% of the respondents disagreed. While 5.37% of the respondents strongly disagreed.

QUESTION 13

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

Table 4.2.18

OPTIONS	MANAGEMENT STAFF	SUPERVISORY STAFF	JUNIOR STAFF	TOTAL	PERCENTAGE
Strongly agreed	2	3	5	10	21.74
Agreed	5	5	1	11	23.91
Undecided	4	4	1	8	17.39
Disagreed	3	3	2	5	10.87
Strongly disagreed	3	3	4	12	26.09
Total	15	18	13	46	100

Source: field survey 2013.

The table above reveals that 21.74% of the respondents strongly agreed that with the use of forensic auditing technique, fraud detection and prevention would be easier 23.91% of the respondents agreed, 17.39% of the respondents were

undecided, 10.87% of the respondents disagreed while 26.09% of the respondents strongly disagreed.

4.2 TEST OF HYPOTHESIS

The research hypothesis to be tested in this study is the hypothesis No 1 and NO 2 that were previously stated in chapter one of this work. This hypothesis will be tested using analysis of variance (ANOVA) techniques.

Hypothesis 1

HO: There is no significant relationship between frequent occurrence of fraud and investors loss of confidence in financial institutions.

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

NOTE: Question seven (7) of the questionnaire was used in testing hypothesis one (1) which states that there is no significant relationship between frequent occurrence of fraud and loss of confidence in financial institutions.

Level of significance: the appropriate level of significance chosen for this study is 0.05 level.

OPTIONS	MANAGEMENT STAFF	SUPERVISORY STAFF	JUNIOR STAFF	TOTAL	PERCENTAGE
Strongly agreed	5	7	1	4	11
Agreed	4	4	2	0	8
Undecided	3	5	3	4	10
Disagreed	2	8	1	2	6
Strongly disagreed	1	2	3	0	11
Total		26	10	10	46

NOTE: The above table reveals the actual responses of variance respondents, in order to get accurate results, the options were scaled in descending order from 5 to 1. This was used to multiply the actual responses and the result gave the table below.

OPTIONS	MANAGEMENT STAFF	SUPERVISORY STAFF	JUNIOR STAFF	TOTAL
Strongly agreed	35	5	20	60
Agreed	16	8	0	24
Undecided	15	9	12	36
Disagreed	16	2	4	22
Strongly disagreed	2	3	0	5
∑x	84	27	36	147
X	16.8	5.4	7.2	29.4
∑x ²	1966	183	560	2,709.

COMPUTATION

$$TSS = \sum \sum x^2 - \frac{(\sum X)^2}{n}$$

Where:

$$\sum \sum x^2 = 1966 + 183 + 560 = 2739$$

$$(\sum X)^2 = (147)^2 = 21,609$$

$$n = 5 \times 3 = 15 \text{ (No of column} \times \text{No of rows)}$$

$$TSS = 2739 - \frac{(147)^2}{15}$$

$$= 2739 - \frac{21,609}{15}$$

$$= 2739 - 1440.6$$

$$\text{TSS} = 1,298.4$$

$$\text{TRSS} = n \left[(\bar{y})^2 - r \frac{(\sum y)^2}{n} \right]$$

Where $n = 5$ (No of columns)

$$\sum y = 16.8 + 5.4 + 7.2$$

$$= (29.4)^2$$

$N = 15$ (No of columns x No of rows)

$$R = 3$$

$$\sum y^2 = 84 + 27 + 36 = 147$$

$$\text{TRSS} = 5 \left[(29.4)^2 - 3 \frac{(147)^2}{15} \right]$$

$$5 \left[(864.36) - 3(9.8)^2 \right]$$

$$5 \left[(864.36) - 3(96.04) \right]$$

$$5 (864.36 - 288.12)$$

$$5 (576.24)$$

$$\text{TRSS} = 288.12$$

$$\text{£SS} = \text{TSS} - \text{TRSS}$$

Where TSS=1298.4

$$\text{TRSS} = 288.12$$

$$\text{£SS} = 1298.4 - 288.12$$

$$= 1,010.28$$

Analysis of variance table (ANOVA)

SOURCE OF VARIANCE	DF	SS	MS	FCAL
TREATMENT	2	288.12	1440.6	1440.6
ERROR	12	1010.28	84.19	84.19=17.1
TOTAL	14	722.16		

Computation of degree of freedom

$$\text{Treatment } r-1 (3-1) = 2$$

$$\text{Error } n-r (15-3) = 12$$

$$\text{Total } n-1 (15-1) = 14$$

Computation of mean square (Ms)

$$\text{Treatment} = \frac{288.12}{12} = 144.06$$

$$\text{Error} = \frac{1010.28}{12} = 84.19$$

$$\text{FCAL} = 17.1$$

$$\text{F table} = 0.05 (2,12) = 3.89$$

DECISION RULE

From the table above, the f cal (17.1) is greater than the f table (3.89). therefore, we reject the null hypothesis (Ho) and accept the alternative hypothesis (Hi) and conclude that there is a significant relationship between frequent occurrence of fraud and loss of confidence in financial institutions.

HYPOTHESIS 2

Ho: forensic audit is not a useful method of fraud detection and prevention in financial institution.

Hi: forensic audit is a useful method of fraud detection and prevention in financial institutions.

Note: question twelve(12) of the question was used to test hypothesis 2 which states that forensic audit is a useful method of fraud detection and prevention in financial institutions.

Level of significance: 0.05 levels

Table 4.2.17

OPTIONS	MANAGEMENT STAFF	SUPERVISORY STAFF	JUNIOR STAFF	TOTAL	PERCENTAGE
Strongly agreed	5	6	2	5	13
Agreed	4	3	3	2	8
Undecided	3	2	5	3	10
Disagreed	2	1	4	2	7
Strongly disagreed	1	4	2	2	8
Total		16	16	14	46

Note: the table above shows that actual responses of the various respondents in order to get accurate results the option was scaled in descending order from 5 to

1. This scale was used to multiply the actual responses on each column and result gave rise to the table below.

OPTIONS	MANAGEMENT STAFF	SUPERVISORY STAFF	JUNIOR STAFF	TOTAL
Strongly agreed	30	5	20	64
Agreed	12	8	0	24
Undecided	6	9	12	36
Disagreed	2	2	4	22
Strongly disagreed	4	3	0	5
£x	54	47	48	147
X	10.8	9.4	9.6	29.4
£x ²	1100	537	790	2429

Computation of source of variation

$$TSS = \sum \sum X^2 - \frac{(\sum X)^2}{n}$$

$$\text{Where: } \sum \sum X^2 = 1100 + 537 + 790 = 2427$$

$$(\sum X)^2 = (149)^2 = 22,201$$

$$n = 5 \times 3 = 15 \text{ (No of column } \times \text{ no of rows)}$$

$$TSS = 2427 - \frac{(149)^2}{15}$$

$$TSS = 2427 - \frac{22,201}{15}$$

$$TRSS = 2427 - 1,480$$

$$TSS = 947$$

$$2. \quad TRSS = n(\sum \sum x)^2 - [\sum \sum X]^2$$

Where $n = 5$ (No of columns)

$R = 3$ (No of rows)

$$\sum \sum x = 10.8 + 9.4 + 9.6$$

$$(29.8)^2$$

$$(\sum \sum x) = 54 + 47 + 48 = 149$$

$$TRSS = 5(29.8)^2 - \frac{3(149)^2}{15}$$

$$Trss = 5 (888.04) - 3(9.93302)$$

$$Trss = 5 (888.04) - 3(98.66)$$

$$Trss = 5 (888.04) - 3(98.66)$$

$$Trss = 5 (888.04 - 295.98)$$

$$Trss = 5 (592.06)$$

$$Trss = \underline{2,960.3}$$

$$3. \quad \text{£SS} = \text{TSS} - \text{Trss}$$

$$\text{Where TSS} = 947$$

$$\text{Trss} = 2960.3$$

$$\text{£SS} = 947 - 2960.3$$

$$= -2013.3$$

NOTE: In order to maintain the ANOVA principle that the f value must be a positive value, we therefore make our £SS (-2,013.3) an absolute value 2013.3.

Neglecting the negative value and making the value positive.

Analysis of variance table (ANOVA)

Source of Variance	DF	SS	MS	FCAL
Treatment	2	2960.3	1480.15	1480.15
Error	12	2013.3	167.75	167.775=8.82
Total	14	947		

Computation of degree of freedom

$$\text{Treatment} = 8 - 1 (3 - 1) = 2$$

$$\text{Error} = n - r (15 - 3) = 12$$

$$\text{Total} = n - 1 (15 - 1) = 14$$

Computation of mean square

$$\text{Treatment} = \frac{2960.3}{2} = 1480.15$$

$$\text{Error} = \frac{2013.3}{12} = 167.775$$

$$F \text{ cal} = 8.82$$

$$F \text{ table} = (2, 12) 0.05 = 3.89$$

DECISION RULE

From the table above the f_{cal} (8.82) is greater than the f_{table} (3.89) therefore, we reject the null hypothesis H_0 and accept the alternative (H_1) and conclude that forensic audit is a useful method of fraud detection and prevention in financial institution.

CHAPTER FIVE

SUMMARY OF FINDINGS, CONCLUSION AND RECOMMENDATIONS

5.1 SUMMARY OF FINDINGS

Forensic accounting does not necessarily 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. 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.

- That there is a significant relationship between frequent occurrence of fraud and loss of confidence in financial institutions

- That forensic audit is a useful method of fraud detection and prevention in financial institutions.
- That fraud is a general phenomenon, which exist in almost every organization.
- That the incidence of fraud affects every management and staff worker of an organization when it occurs.
- That there is a relationship between fraud and business failures.
- Most fraudulent activities that lead to bank failures are done by insiders. That is people within the organization.
- More that 70% cases of bank failure are caused by fraudulent activities.
- Most times employees of an organization, fail to report fraudulent activities when they occur
- Committing of fraud in banks accounts to a general decline in depositors/investors confidence in the system.
- Forensic audit seeks to bridge the gap between accounting and law professions in relation to fraud detection and prevention.
- Forensic audit when used in place of conventional audit will yield a positive result.
- Most banks loss their customers/investors due to fraud committed by another bank.
- With the use of forensic auditing techniques, fraud detection and prevention has become easier.

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 auditing was introduced. After carrying out this research study, the following conclusions were arrived at, that:

- 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 nations economy.
- 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.

- 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.

- 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.
- Employees training should be encouraged so as to equate the over-increasing complexity in technologies over the years.

- Employees at various levels should be allowed to be involved in decision making process. This is so because most employees are generally honest and willing to help fight against fraud if they are allowed
- 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 must stop paying lip-services to the campaign against fraud and corruption.
- 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
- 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 behaviors.

These recommendations may now be reduced to three (3) comprehensive headings.

- Create effective policies and procedures: the heart of fraud prevention is the institutions policies and procedures proactive fraud prevention procedures are at the heart of the institutions internal control systems. While compliance with

current regulations is important, having substantive control that actually prevents fraud is more important.

- Hire the right employees: bringing on the right employees for an institution means two(2) things.
 - Finding the people with the right skills and disposition to do well in the organization
 - Finding people with an ethical history. Background study/checks are easy to conduct and relatively inexpensive. An important part of background check includes; verification of past employment, contacts with reference to fraud occurrence.
- Educate employees: studies have shown that employees can be institution's best watchdogs. As you may expect, most employees are generally honest, and they do not like to see someone else stealing. If management wants employees to help in detecting fraud, they must educate them on what fraud looks like, feels like and cost.

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Appendix 1

Department of Accountancy
Faculty of Management and Social
Sciences
Caritas University,
P.M.B. 01785.
Amorji-Nike enugu,
Enugu state,

Dear Sir/Madam,

REQUEST TO ANSWER A QUESTIONNAIRE

I Okeja Emmanuel Chika of the above mentioned Department in Caritas University, Amorji-Nike Enugu is a final year student and presently carrying out a research project on the “usefulness of forensic audit in the detection and prevention of fraud” with reference to your institution.

Please kindly assist in answering the attached questionnaire. The information provided in the questionnaire is surely for academic purpose and shall be treated with utmost confidence.

Thanks for your co-operation

Yours faithfully,

Okeja Emmanuel C.

Appendix 11

This questionnaire is divided into two sections the first is the personal data and second is general questions.

INSTRUCTION: please tick in the boxes provided where applicable or where necessary give the information required.

SECTION A: PERSONAL DATA

1. Sex

Male

Female

2. Age Group

a. 20-30

b. 31-40

c. 41 and above

3. What is your educational qualification?

a. OND/NCE

b. HND/BSC

c. OTHERS

4. Year of service with the institution
- a. 1-5
 - b. 6-10
 - c. 11 and above
5. What is your level and position in the organization?
- a. Senior
 - b. Middle
 - c. Junior

SECTION B: GENERAL QUESTIONS

1. Fraud is a general phenomenon which exists almost in every organization
- a. Strongly agreed
 - b. Agreed
 - c. Undecided
 - d. Disagreed
 - e. Strongly disagreed
2. The incidence of fraud affects the, the management and every worker of the organization when it occurs.
- a. Strongly agreed
 - b. Agreed

- c. Undecided
- d. Disagreed
- e. Strongly disagreed

3. There is a relationship between fraud and business failures.

- a. Strongly agreed
- b. Agreed
- c. Undecided
- d. Disagreed
- e. Strongly disagreed

4. Most fraudulent activities that lead to bank failures are done by insiders; that is people within the organization

- a. Strongly agreed
- b. Agreed
- c. Undecided
- d. Disagreed
- e. Strongly disagreed

5. More than 70% cases of banks failures are caused by fraudulent activities

- a. Strongly agreed
- b. Agreed

- c. Undecided
- d. Disagreed
- e. Strongly disagreed
6. Most times, employees of an institution fail to report fraudulent activities when they occur.
- a. Strongly agreed
- b. Agreed
- c. Undecided
- d. Disagreed
- e. Strongly disagreed
7. There is a significant relationship between frequent occurrence of fraud and loss of confidence in financial institutions
- a. Strongly agreed
- b. Agreed
- c. Undecided
- d. Disagreed
- e. Strongly disagreed
8. Most times, other bank loss their customers/depositors due to a fraud committed in another bank.
- a. Strongly agreed
- b. Agreed

- c. Undecided
- d. Disagreed
- e. Strongly disagreed
9. Investors prefer foreign investments to local investments due to loss of confidence in the Nigerian system.
- a. Strongly agreed
- b. Agreed
- c. Undecided
- d. Disagreed
- e. Strongly disagreed
10. Forensic audit, which is an audit undertaken in relation to proceedings in a court of law, strive to bridge the gap between accounting and law professions in relation to fraud prevention and detection.
- a. Strongly agreed
- b. Agreed
- c. Undecided
- d. Disagreed
- e. Strongly disagreed
11. Forensic auditing has become a useful method/technique of fraud detection and prevention.
- a. Strongly agreed

- b. Agreed
- c. Undecided
- d. Disagreed
- e. Strongly disagreed

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

- a. Strongly agreed
- b. Agreed
- c. Undecided
- d. Disagreed
- e. Strongly disagreed

13. With the use of forensic auditing technique, fraud prevention and detection becomes easier

- a. Strongly agreed
- b. Agreed
- c. Undecided
- d. Disagreed
- e. Strongly disagreed