



Forensic Investigation and Fraud Prevention in the Nigerian Deposit Money Banks

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ABSTRACT

This study investigated forensic investigation and fraud control in Nigerian deposit money banks (DMBs). An organized questionnaire was utilized to collect the necessary data from the respondents for the study, which used a descriptive survey methodology. Key staff of the deposit money banks in the Nigerian states of Lagos and Ogun made up the population. The research revealed that fraud control was significantly impacted by forensic fraud investigation. The study concluded that forensic investigation enhanced the control of fraud in the deposit money banks in Nigeria. In order to combat fraud, the study suggested that DMBs should strengthen their forensic investigation practices. This could be accomplished by routinely and consistently doing forensic audits of financial documents. DMBs should also make sure that any staff members engaging in fraud were promptly investigated and prosecuted

INTRODUCTION

The Nigerian financial structure, management, and administration has become a concern to the technocrats, policymakers, and academics because of the magnitude to which mismanagement of corporate and public funds, as well as financial impunities and improprieties, have been creating economic instability. They continued by saying that this unfavorable situation necessitates an evaluation about the importance of forensic accounting and investigative auditing techniques. In Nigeria's public and private sectors, the establishment of professional discipline, and the use of these practices as a powerful instrument to transpose the overall state of the nation's economy. Investigative auditing and forensic accounting encompass a broad spectrum of certified accounting and auditing fields that currently include the auditing of financial records, the prevention and detection of fraud, commercial litigation, business valuation, contract covenant compliance, and pricing, divorce in marriages, as well as figuring out fair prices for sales and the impairment of productive and non-productive assets, exchange or disposal values that should be taken into account (Adu, Uchehara and Potefa, 2021).

Fraud control is the capacity to recognize and mitigating fraud before it occurs, while forensic accounting involves using of accounting ideas and methods on the way to examine fraud situations. Additionally, they claimed that forensic accounting makes use of accounting, auditing, and computer expert witness techniques to confirm the existence of crimes for control purposes. In the fields of litigation support, expert witnessing, fraud investigation, and consulting, forensic accounting is a discipline that necessitates laborious data gathering and analysis. White-collar fraud investigations can be detected and carried out using forensic accounting. This process, known as "forensic accounting," helps investigators to determine the scope of a crime, the time it was committed, and possibly even the identity of the fraudsters (Abdulrahman, 2019).

As Financial crimes have necessitated the use of forensic accounting to assist with the investigation and prosecution of some prominent ex-governors and politicians in Nigeria who are currently being tried on charges of money laundering, embezzlement, misappropriation of funds, security fraud, and breach of contract in various courts across the country. These individuals include some politicians who diverted public treasury to their own use (Adu, Oke- Potefa and Adeleke, 2023).

In order to reorient the Nigerian economy studied the difficulties and potential of forensic and investigative audit. In order to effectively combat the threat of fraud, he noted the sophistication of the perpetrators and fraud as a challenge to traditional auditors (Adu, Ojo and Ojo, 2015).

However, the occurrences of frauds especially in the banking industry have persisted despite all the measures put in place by the internal control to combat fraud. Beyond the widely held erroneous beliefs, forensic accounting's ability to prevent fraud and fraudulent acts has not received enough attention, particularly in light of survey evidence.

1. Statement of the Problem

Nigeria is not immune to the rise in fraud that has occurred around the world. They said that fraud has increased alarmingly in Nigeria's public and private enterprises. Fraud has detrimental impacts that cannot be understated. A great number of organizations failing and the consequent hardship that followed for the stakeholders can be attributed to the impact of fraud (Adu, 2014).

However, the occurrences of frauds especially in the banking industry have persisted despite all the measures put in place by the internal control to combat fraud. Beyond the widely held erroneous beliefs, forensic accounting's ability to prevent fraud and fraudulent acts has not received enough attention, particularly in light of survey evidence (Ojo and Adu, 2013).

This research work therefore, studies the effectiveness of forensic accounting techniques in preventing the occurrence of fraud in deposit money banks (DMBs) in Nigeria.

2. Objective of the Study

The major objective of the study is to evaluate the effect of forensic investigation on fraud prevention in Nigerian deposit money banks while the other objective is to

3. Research Question

To what extent does forensic investigation affect the fraud prevention in the deposit money banks in Nigeria?

4. Research Hypothesis

H₀: Forensic investigation does not have any significant effect on fraud prevention in the deposit money banks in Nigeria.

LITERATURE REVIEW

Conceptual Review

1. Concept of Forensic Accounting

Forensic accounting as the process of conducting investigations and employing analytical skills to settle financial disputes in a way that complies with legal standards. They also stated that forensic accounting serves other purposes aside from financial investigation that leads to legal prosecution. It was viewed forensic accounting as a process which helps investigators to determine the scope of a crime, the time it was committed, and possibly even the identity of the fraudsters (Okafor and Agbiogwu, 2020)

It is pertinent to understand that a forensic accountant's responsibilities differ from those of a typical auditor. As is well known, an auditor assesses compliance with auditing standards and takes fraud into account. Forensic accountants offer litigation support services, which include giving accounting-related support in connection with ongoing or upcoming lawsuits in the area of evaluating economic losses brought on by infringements of contract and quantifying economic damages (Okoye and Adah, 2019)

Investigative knowledge and abilities: these include surveillance techniques, interviewing techniques, and questioning techniques. This integrates the legal and financial parts of forensic accounting, which helps the forensic accountant beyond the skills connected to auditing (Olaoye and Dada, 2019).

2. Concept of Fraud

Fraud is an intentional behavior which results in damage to an entity, typically in the kind of financial losses. Fraud is a socially acceptable practice that has serious harms to the economy, businesses, and people. When greed and the potential for falsehoods combine, it becomes an opportunistic infection). In addition, financial fraud is the intentional misrepresentation of records or figures by criminally motivated individuals for the intent of defrauding a business or an individual. Fraud is the intentional and planned use of a process or device to deceive another person or organization in order to gain an unfair advantage that would not have been possible without the use of such deceptive method. Fraud is most often committed by an individual or group of individuals (Okoye, Maimako, Jugu and Jat, 2017). Fraud is when someone makes a false representation through their words or actions in order to acquire a material advantage. In order to mislead or fool a business or individual, it is permissible to intentionally distort the truth. This behaviour is referred to as fraud. Fraud occurs when someone is deceived into making an error in judgment or entering a contract. It includes surreptitiously decreasing an asset's value or worth in order to enrich oneself. Fraud by senior management may be involved when organizations encounter serious financial problems and file for bankruptcy (Adu, Olusesi, Akomolafe, and Ezeugonwa, 2024).

3. Forensic Accounting Investigation and Fraud Prevention

A financial investigation is the process of discovering and recording the movement of benefits (money) prior to, during, and following a crime. It establishes a connection between the origin of the money, the individual or individuals who receive it, the time it was received, and the location(s) where it was stored or placed. This can identify and trace assets (for assets forfeiture purposes), offer proof of illegal conduct like illegal laundering of money, racketeering, corruption, and financing of terrorist activities, and help recover earnings of illegal action or illegally obtained assets (Olukowade and Balogu, 2015). Fraud prevention is the expectation, identification, and evaluation of the risk of crime occurrence. It also involves the implementation of countermeasures to eliminate or minimize the event of crime and fraudulent activities. It is specifically applied to government and additional concerned authorities' attempts to lower crime, implement the law, and sustain the integrity of the criminal justice system (Adu, Uchegara and Oke-Potefa, 2023).

4. Quantity and Cost of Frauds and Forgeries in DMBs

The Nigerian Deposit Insurance Company's analysis of the quantity and cost of frauds and forgeries committed in Deposit Money Banks between 2014 and 2018 in Nigeria reveals an increase in these crimes.

According to the table below, there was a considerable rise in the quantity and frequency of fraud and forgery instances reported in 2018. The number of recorded cases of attempted frauds and forgeries in the country's banking business increased significantly from 26,182 in 2017 to 37,817 in 2018, a rise of 11,635 or 44.42%. The money involved also climbed dramatically, rising from N12.01 billion in 2017 to N38.93 billion in 2018, an increase of approximately 224%. In contrast to N2.37 billion and N2.40 billion in 2017 and 2016, respectively,

the actual amount lost to fraud occurrences in 2018 dramatically increased to N15.15 billion.

Table1. Reported Frauds and Forgeries in Dmbs for the Year 2014 Through 2018

Year	Total No of Fraud Cases (N'm)	Total Amount Involved (N'm)	Total Loss Incurred (N'm)	Proportion of Total Loss to Amt Involved (%)
2018	37,812	38,936	15,151	38.92
2017	26,182	12,012	2,372	19.75
2016	16,751	8,683	2,396	27.6
2015	12,278	18,021	3,173	17.61
2014	10,621	25,608	6,192	24.18

Source: NDIC's 2018 Annual Report.

METHODOLOGY

1. Sampling Size and Sampling Technique

For the purpose of this research work, the population size is the twenty-one (21) deposit money banks in Nigeria especially those operating in Lagos and Ogun States in which 14 of the banks in the Lagos metropolis and Ogun state area were selected to bring the population to a manageable size. The study employed Cochran formula to determine the sample size since the sample size of the population was unknown.

$$n = \frac{Z^2 Pq}{e^2}$$

where:

Z = value of Z table at 95% confidence level = 1.96

P = maximum variability of population at 50% = 0.5

q = 1-P = 0.5

e = sampling error at 5%

$$n = \frac{(1.96)(0.05)(0.05)}{0.052}$$

$$n = 384$$

Therefore, the population size = 384

Out of the 384 copies of questionnaire which were administered, 300 copies were returned and therefore used for analysis and testing.

2. Source of Data

This section reveals the source of data and instruments of data collection. The research instrument used for this research work is primary data in order to ascertain the effectiveness of forensic accounting practices as a tool for fraud control in the deposit money banks in Nigeria, the research instrument used for this research work was primary data. The primary data used in this project work was obtained from well-structured questionnaire which was shared to the respondents and responses were analyzed to arrive at the result. The researcher

used the drop and pick later in the distribution and collection of the research questionnaires. The use of this method was to reduce potential nonresponse bias. However, the research instrument for this research work was adapted from the work of Okoye E. & Ndah, E. N (2019) in their research work, forensic accounting and fraud prevention in manufacturing companies in Nigeria.

3. Method of Data Analysis

In order to determine the extent of the relationship between the key variables, this research work used two key statistical methods – descriptive and Regression. The descriptive method was used to analyze the demographic data from the questionnaire. Here, the data were summarized and presented in tables and percentages. Regression, which measures nature of contributions of variables, was used to test the hypothesis formulated in this research work. The level of significant is set at 0.05 alpha levels. The multiple regression technique was used to test the data. In doing so, the independent variable was tested to arrive at the result.

RESULT AND DISCUSSION

Testing of Hypothesis

Multiple Linear Regression analysis was employed to investigate the effect forensic Investigation on fraud prevention in the deposit money banks in Nigeria in the table below. The result shows that R Square is .569 with the Adjusted R Square of .560, suggesting that the independent variable (Forensic Accounting Practices) explains 56.7% of the variability in the dependent variable (Fraud Control). The analysis shows that the Adjusted R Square which is an estimate of the size, at .560 (56.0%) is indicative of high effect size, suggesting that Forensic Investigation Practices significantly affected Fraud prevention . It also showed that the model is fit at $F = 64.014$, $P < 0.05$ to predict Fraud Control. This analysis shows that there is a positive relationship between the variables under study. The level of significant probability for Forensic Investigation was .000. This implies that forensic investigation has a significant effect on fraud control.

Table 2. Regression Analysis on Effect of Forensic Investigation on Fraud Prevention

Variables	R Square	Adjusted R Square	Beta	f-stats	T	Sig.
Fraud Investigation	0.569	0.56	-0.761	64.186	9.096	0

a. Dependent Variable: Fraud Prevention

The table above on Forensic Investigation shows that the t value is 9.096, and with probability significant of .000 ($P < 0.05$), therefore, the null hypothesis (H_0 : Forensic investigation does not have any significant effect on fraud prevention in the Deposit Money Banks in Nigeria) is rejected and we conclude that Forensic Investigation has a significant effect on fraud prevention in the deposit money banks in Nigeria.

5.0 Summary

The belief is that fraud will be decreased if forensic investigators and specialists are more actively involved with oversight of the business of Nigeria's deposit money banks.

CONCLUSIONS AND RECOMMENDATIONS

The outcome demonstrates the critical role that forensic investigations play in preventing fraud in Nigeria's deposit money banks. This is so that potential fraud investigations serve as a deterrent against fraud. If employees are aware that forensic investigators will be notified in the event of a fraud suspicion, they will take additional measures and avoid performing any acts that might throw them in the centre of a bank fraud investigation.

From the Findings above, the Following Measures are Recommended

- a. Making forensic examination of financial records an orderly and frequent practice help in this direction.
- b. Forensic accounting experts should be on the payroll of the DMBs in Nigeria. By so doing, they will help to strengthen the internal control system in place.

FURTHER STUDY

This research is still pending, so it is necessary to conduct further research on the topic of Forensic Investigation and Fraud Prevention in the Nigerian Deposit Money Banks to improve this research and add insight for readers

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