

## Forensic accounting: A moderator to fraud risk factors in the Nigerian deposit money banks

MAZADU ABDULLAHI SAIFULLAHI

Department of Accounting  
Nuhu Bamalli Polytechnic, Kaduna, Nigeria

SHEHU USMAN HASSAN

Department of Accounting  
Kaduna State University, Kaduna, Nigeria

### Abstract

*The primary role of forensic accountants is assisting in fraudulent litigations before a competent court of jurisdictions. In Nigeria, fraud in public and private sectors of the economy has been seen as one of the major factors of the dwindling economy and resulting to a high mortality rate of business organizations and the consequent losses of revenue. This study investigates the moderating role of forensic accounting on the fraud risk factors in the Nigerian deposit money banks (DMBs). The study employed expo- facto and correlation research designs in a sample of 14 banks for a period of ten years (2006-2015) using ordinary least squares (OLS) multiple regression technique of analysis after correcting for heteroskedasticity. The findings reveal that financial stability and nature of industry are positively impacting on the fraud in the DMBs listed in Nigeria after moderating with the forensic accounting, the moderation of external pressure and ineffective monitoring by the forensic accounting reveals a negative significant influence on fraud in the banks. The study recommended among others that, the management and the board directors of the DMBs listed in Nigeria should use continually forensic accounting experts to prevent and detect fraudulent financial malpractices as caused by the six explanatory variables used in this study.*

### Key words

forensic  
accounting  
DMBs  
pressure  
opportunity  
rationalization

### 1.1 Introduction

Fraud is one of the most negative factors that disturb most societies; it had appeared in ancient times and has not disappeared to this day. The sophistication of information technology and political instability in Nigeria has caused a serious increased in the number of executed fraud in the deposit money banks listed in Nigeria. There have also emerged new types of fraud (cyber fraud) that have been completely unknown before (Abdul-Rasheed, Babaita & Tinusa 2012; Abdullahi 2011). The scope and means by which fraud is been perpetrated goes beyond pilfering and cash suppression, a new method like cyber fraud is now in place. The magnitude of fraud cannot be known for sure, because much of it is undetected and not all that are detected were published. It is also a known fact that the banking system is not immune to fraudsters, not even the security system designed to protect it (Adewumi, 2007; Nwankwo, 2005). Fraud, which is literarily a conscious and deliberate action by perpetrators with the intention of altering the truth or fact for personal gain, is a veritable threat to the entire banking industry. It is indeed

worrisome that while banks are constantly struggling with the demands of monetary authorities to recapitalize up to the stipulated minimum standards, fraudsters are always at work threatening and decimating their financial base. Again, more worrying is the rise in the number of employees involved in fraud, of which many succeeded, thus, encouraging many others to perpetrate fraud (Turner, Mock, & Srivastava 2003)). This situation has been made possible because there are many factors or determinants that lead to or encourage fraud in any system including deposit money banks listed in Nigeria.

Furthermore, it is a known fact that banks associated with high level of risk will usually have low or poor performance compared with firm or bank with low level of fraud occurrences which are expected to perform better. This is because fraud always have a negative effect to company's reputation, value, operation and it asset which will consequently affect it performance. The fraud triangle theory by Cressey (1950) believed that, there are basically three factors which drive individual employee to perpetrate fraud in an organization otherwise known as fraud determinant. According to the profounder pressure, opportunity and rationalizations are the drivers to fraud in an organization.

The perpetrators of fraud in the banking industry usually perpetrate fraud due to serious pressure on them internally or externally without a significant financial compensation. External pressure from family, peer group, and friends are serious threat that may compel an employee to engage in financial malpractice. However, this is because external pressure, especially family pressure are none transferable or share which may force the perpetrators to conceive of themselves as having incurred financial obligation which are considered non- socially sanctionable and which must be satisfied by a private or secret means (Cressey 1950). Moreso, pressure from the employer either as a result of non-conducive working environment, poor salary scale, unbearable working hours, denial of break time, disregard to employee health condition are also core reasons that encourage a common employee especially low cadre employee to engage in financial forgeries. Thus, it may negatively affect the performance of the deposit money banks in Nigeria.

Furthermore, the major objective of every corporate entities especially banks is to maximize profit and minimize losses by efficient and effective internal and external checks. Financial institutions in Nigeria especially the Nigerian deposit money banks are the most common institutions in which currencies and currency equivalent exchange hands or transact daily. Thus, this daily movement of cash and cash equivalent in the Nigerian deposit money banks attract the fraudsters to use any available mechanisms at their disposal to penetrate the system including data breaking techniques. Hence, despite the existence of all the internal checks and internal control system, external (external auditors) as well regulators (Nigerian Deposit Insurance Corporation, Central Bank of Nigeria, Asset Management Company of Nigeria, Economic and Financial Crime Commission) who are there to ensure the security of shareholders' wealth still fraudulent activities are always detected in the banks. The indoor and outdoor preventive mechanisms still the perpetrators of financial malpractices were braking the system such as the case of Oceanic Bank plc, Intercontinental Bank Plc, First Inland Bank among others where financial fraud was perpetrated and lead to decrease performance and the value of

their share price. Thus, it is as a result of the foregoing that fraud triangle approach as was profound by Cressey (1950) to investigate the determinant of fraud which he argued pressure, opportunity and rationalization are the main drivers.

Mounce and Frazer (2002) have noted that forensic accounting is one emerging career and mechanism available to accounting professionals for effective prevention and detection of fraud. It is generally agreed that forensic accounting, also known as forensic investigations, looks beyond the figures in financial records and deals directly with the business reality of the situation at hand (Enyi, 2008; Dhar and Sarkar 2010). Broadly, forensic accounting is the specialty that involves the integration of accounting, auditing and investigative skills. It provides an accounting analysis that is suitable to the court, which will form the basis for discussion, debate and ultimately assists in dispute resolution. It is further argued that this branch of accounting encompasses both litigation support and investigative accounting (Chary, 2005; Kasum, 2008; Owojori and Asaolu 2009).

In Nigeria, fraud in public and private sectors of the economy has been seen as one of the major factors of the dwindling economy (Jeremiah, 2006). Hamilton and Gabriel (2012, p. 112), "fraud and related ills have caused instability in the economy resulting to a high mortality rate of business organizations and the consequent losses of revenue" in Nigeria. This places a demand for forensic accountant. DiGabriele (2009) and Crumbley (2009) the demand for forensic accountants will continue to rise. Therefore, the supply of this kind of experts must be stepped up, especially in countries with high risk of fraudulent activities. Therefore, it is expected that, the moderating or interplay of forensic accounting using forensic accounting index will help reduce the adverse effect of the fraud risk factors in the deposit money banks DMBs listed in Nigeria.

In addition Thanasak (2013); Peterson & Buckhoff, (2004); Rezaee, Crumbley & Elmore, (2004) and Bierstaker, Brody & Pacini (2006) were all of the view that fraud triangle theory of Cressey (1950) affect performance most were as Wolfe & Hermanson (2004); Normah & Hesri (2010); Florenz (2012); Gbegi & Adebisi (2013) are of the contrary view that fraud triangle theory is not enough to determine performance. Thus, to the best of the researchers' knowledge no local study so far that examine the determinant of fraud in the deposit money banks listed in Nigeria using fraud triangle theory (FTT) approach. Consequently, this study is said to fill the gap by investigating the determinant effect of using fraud triangle theory (FTT) on the performance of deposit money banks listed in Nigeria.

The findings of the study will help stimulate forensic accounting education that could ultimately translate into positive result in the nation's bid to prevent, detect and reduce fraud and other forms of corruption. It is therefore hoped that the recommendations of this research, when implemented, would go a long way in reducing the risks of fraudulent financial activities on the deposit money banks listed in Nigerian.

## 1.2 Objective of the Study

- i. To examine the moderating effect of forensic accounting on financial stability and fraud of Deposit Money Banks listed in Nigeria.

- ii. To identify the moderating impact of forensic accounting on external pressure and fraud of Deposit Money Banks listed in Nigeria
- iii. To determine the moderating effect of forensic accounting on total accrual and fraud of Deposit Money Banks listed in Nigeria.
- iv. To find out the moderating influence of forensic accounting on auditor report and fraud of Deposit Money Banks listed in Nigeria.
- v. To investigate the moderating association of forensic accounting on ineffective monitoring and fraud of Deposit money Banks listed in Nigeria.
- vi. To assess the moderating impact of forensic accounting on nature of industry and fraud of Deposit Money Banks listed in Nigeria.

### 1.3 Hypothesis of the Study

Base on the above objectives the following hypotheses were formulated in null form.

- H<sub>01</sub>: Financial stability has no significant impact on the fraud of Deposit Money Banks listed in Nigeria.
- H<sub>02</sub>: external pressure has no significant influence on the fraud of Deposit Money Banks listed in Nigeria.
- H<sub>03</sub>: total accrual has no significant effect on the fraud of Deposit Money Banks listed in Nigeria.
- H<sub>04</sub>: auditor report has no significant impact on the fraud of Deposit Money Banks listed in Nigeria.
- H<sub>05</sub>: ineffective monitoring has no significant impact on the fraud of Deposit Money Banks listed in Nigeria.
- H<sub>06</sub>: Nature of industry has no significant influence on the fraud of Deposit Money Banks listed in Nigeria.

The remaining parts of the paper cover four sections- section two contains theory and evidence where arguments are presented and previous literatures are reviewed, methodology is discussed in section three. In addition, results, policy implications and conclusion are presented in section four and five respectively.

### 2.1 Literature Review

Fraud is a universal issue which is not peculiar to Nigeria. As a result of its negative impact on bank financial performance researchers' over the world put so much effort to examine the level of its impact on financial performance. Kanu & Okorofofor (2013) tested the attributes of the theory of diffusion of innovation empirically, using automated teller machines (ATMs) as the target innovation. The study found that attitudinal dispositions significantly influence the use of ATM in any bank and thereby affecting the performance of the bank. In a study by Adewunmi (2007) explain that bank fraud happens as a result of lapses in the socio-economic and misplacement of societal values, the unquestioning attitude of society towards the sources of wealth, the rising societal expectations from bank staff and the subsequent desire of the staff to differentiate his life style among his peers in the society are also the contributing factors to fraud. In addition the level of job involvement has function of three factors: motivation,

identification and feeling of pride that people achieve in their job (Akindele, 2011). Greediness and arrogance plays an important role to staff at a specific cadre to engage in financial malpractices (Okezie 2012).

Pressure in this regard refers to the factors that lead to unethical behavior of financial irregularities. Every fraud perpetrator faces some pressure to commit unethical behavior (Abdullahi & Mansor, 2015a). These pressures can either be financial or non-financial pressures. Albrecht et al. (2006) pointed out that, were a staff is of the believed that they were pressurized; this belief could lead to fraud. Pressure can exist in various ways, especially in non-sharable financial need. Financial pressure is recognized as the most common factor that lead an entity to engage in an illegal action. Specifically, about 95% of all fraud cases have been perpetrated due to the fraudster's financial pressures (Albrecht et al., 2006). However, Lister (2007) stated that pressure is a significant factor to commit fraud. He determines three types of pressure which are personal, employment stress, and external pressure. Vona (2008) further examines personal and corporate forces as motivations' proxies for fraud commitment. Examples of pressure include greed, living beyond one's means, large expenses or personal debt, family financial problem or health, drug addiction and gambling (Lister 2007). In a study conducted by Murdock (2008) he argued that pressure could be related to financial, non-financial, political and social. Political and social pressure occurs in a situation whereby a person feels and believes that they cannot afford to fail due to their status or reputation. According to Rae and Subramanian (2008) pressure relates to employees' motivation to commit fraud because of greed or personal financial pressure. Along the same line, Vona (2008) and Rasha & Andrew (2012) believed that personal and corporate pressures are the key motive to commit fraud. The interaction of the elements above causes an individual to commit fraud (Rosefield, 1988; Vona, 2008; Okezie, 2012 and Rasha and Andrew, 2012). Chen and Elder (2007) recognized six basic categories for pressure as a transgression of obligations, personal problems, corporate inversion, position achievement and relationship between employees. Albrecht *et al.* (2008) categorized pressure in four groups including economic. Hooper and Pornelli (2010) opine that pressure can be a positive or negative force to performance.

Opportunity is created by ineffective control or governance system that allows an individual to commit organizational fraud. In the field of accounting, this is termed as internal control weaknesses. The concept of opportunity suggests that people will take advantage of circumstances available to them (Kelly & Hartley, 2010). The nature of opportunity is like pressure in the sense that the opportunity does not have to be real. However, opportunity exists in the perception and belief of the perpetrator. In most cases, the lower the risk of being caught, the more likely it is that fraud will take place (Cressey 1953). Several factors lead to the existence of an opportunity to commit fraudulent activities in an organization. Wilson (2007) explains "opportunity" as the ability to override fraud controls. Rae & Subramanian (2008) alarm that opportunity refers to the ability and power of an employee to realize the weaknesses of the organizational system and taking advantage of it by making fraud possible and easier. Furthermore, Srivastava, Mock and Turner (2005) and Hooper et, al. (2010) argue that, even when the pressure is extreme, financial fraud cannot occur unless an opportunity is present.

Chen & Elder (2007); Fazli, Mohd & Muhammad (2014) used three proxies based on the Thailand Statement of Audit Standard No. 43 to measure an opportunity to commit fraud. The proxies used including related party transactions, CEO duality and the difference between control and cash flow rights.

The rationalization is the third element of the fraud triangle theory (FTT). This concept indicates that the perpetrator must formulate some morally acceptable idea to him/her before engaging in unethical behavior (financial forgeries). Rationalization refers to the justification and excuses that the immoral conduct different from criminal activity. If an individual cannot justify dishonest actions, it is unlikely that he or she will engage in fraud. Rationalization is difficult to notice, as it is impossible to read the mind of the fraud perpetrator. Individuals who commit fraud possess a particular mind-set that allows them to justify or excuse their fraudulent actions (Hooper and Pornelli, 2010). The propensity to commit fraud depends on ethical values as well as on their personal attitudes of individuals (Kenyon and Tilton, 2006). Hassan & Musa (2015) concluded that a bridge between incentive/pressure and opportunity is created when an individual can rationalize the fraudulent behavior. Theoretically, fraud triangle theory (FTT) of Cressey (1950) is the theory that underpins this study. Fraud triangle theory suggests that three factors must be present before any fraud to be successful. On the other hand the theory postulate that there are three main drivers that normally engineered staff to commit financial malpractice in an organization which may consequently have negative effect on the performance of an organization.

### 3.1 Methodology and Model Specification

Ex-post facto and correlation research design is adopted for the purpose of this study. This design is suitable because the data to be extracted were not meant for the purpose of this research but for other purposes and the correlation research design has the ability of finding the established relationship or association between two or more variables. In addition, considering the approach of the research- quantitative, any element of quasi-experimental research design is suitable of which expo-facto and correlation were among. The population of this study comprises of the fourteen (16) deposit money banks listed on Nigerian Stock Exchange as at 31<sup>st</sup> December 2015 of which 14 were taken as sample size using criteria that any bank that merged within the period of the study is eliminated of which 2 were eliminated. Secondary sources of data collection is adopted were the annual audited report and account of this banks and the Nigerian deposit insurance corporation annual report and account is used to extract the relevant data for the study. Longitudinal multiple linear regression technique is used to examine the relationship between all pairs of variables of the sample banks. The power of this technique to examine the effect of one variable (dependent) against two or more independent variable was behind the choice of this technique. Therefore in order to test the hypotheses formulated and achieve the objectives of the study, the following parsimonious longitudinal panel model is specified:

$$FRD_{it} = \beta_0 + \beta_1FS_{it} + \beta_2PFN_{it} + \beta_3TAC_{it} + \beta_4ADTRPT_{it} + \beta_5IEM_{it} + \beta_6OGST_{it} + \beta_7FRA_{it} + \beta_8FS_{it} * FRA_{it} + \beta_9PFN_{it} * FRA_{it} + \beta_{10}TAC_{it} * FRA_{it} + \beta_{11}ADTRPT_{it} * FRA_{it} + \beta_{12}IEM_{it} * FRA_{it} + \beta_{13}OGST_{it} * FRA_{it} + \beta_{14}FRA_{it} + e_{it} \dots \dots \dots i$$

Where:

- $\beta_0$  = Constant intercept
- $\beta_1$ -  $\beta_7$  = Coefficient of the parameters
- it = firm and year
- e = error term
- FRD = Fraud
- FS = Financial stability
- PFN = Personal financial need
- TA = Total accruals
- ADTRPT = Auditor report
- IEM = Ineffective monitoring
- NI = Nature of industry
- FRA = Forensic accounting

**4.1 Result and Discussion**

This section present and discusses the correlation matrix, robustness test and finally the summary of the regression result.

**4.2 Correlation Matrix**

The following table 3 present the correlation matrix table where the relationship of the independent variables and the dependent variable is analyse and also between independent variables and themselves.

**Table 2:**

Variables	FRD	FS	EP	TAC	ADRPT	IEM	NI	FRA
FRD	1.000							
FS	0.0207	1.0000						
EP	-0.0701	-0.0371	1.0000					
TAC	0.0450	-0.0445	-0.0241	1.0000				
ADRPT	0.2592	0.1522	0.3083	-0.1106	1.0000			
IEM	-0.0447	0.0854	-0.0497	0.1100	0.0070	1.000		
NI	-0.2803	-0.0260	0.1805	-0.0133	-0.0427	0.10338	1.0000	
FRA	-0.2397	0.2246	0.0062	-0.1323	-0.1111	0.1121	0.0262	1.0000

**SOURCE: STATA OUTPUT 2016. Correlation Matrix**

The results in table 2 show the degree of association between fraud (FRD) and all pairs of independent variables individually between them selves and cumulatively with the dependent variable (FRD) of the study in the deposit money Banks listed in Nigeria. The table presents a positive relation between fraud (FRD) and financial stability (FS) from the correlation coefficient of 0.0207. This relationship implies that as the proportion of financial stability (FS) increases in the sample deposit money banks (DMBs) the fraud in the DMBs will also increases. Table 3

shows that there is negative association between fraud (FRD) and external pressure (EP) in the deposit money banks (DMBs) from the correlation coefficient of  $-0.0701$  which is statistically insignificant at all levels of significance. This relationship implies that as the proportion of external pressure increases the likely occurrences of fraud in the deposit money banks (DMBs) will reduce.

Moreover, the table also indicates a positive association between fraud (FRD) and total accruals (TAC) from a correlation coefficient of  $0.0450$  which is statistically insignificant at all levels of significance. This relationship implies that as the total accruals in the deposit money banks (DMBs) increases, there may be a likely increase in the fraud in deposit money banks (DMBs) listed in Nigeria. In addition, the analysis of the relationships between the auditor report (ADRPT) and the fraud in the DMBs, a positive correlation was existing from the correlation coefficient of  $0.2592$  which is significant at 5%. This association indicates that, as the auditor unqualified report with additional language increase in the DMBs, this will go in the same direction with the fraud in the deposit money banks (DMBs) listed in Nigeria. Similarly, a negative correlation was established between ineffective monitoring and the fraud in the Deposit Money Banks (DMBs) listed in Nigeria. In addition, the relationship between nature of industry and the fraud in the deposit money banks (DMBs) was proved to be negative as revealed by the correlation coefficient of  $-0.2803$  which is statistically significant at 5% level. The correlation coefficients of  $-0.2397$  was given between forensic accounting and the fraud in the deposit money banks (DMBs) listed in Nigeria as depicted in table 2 above. This association indicated that, as the quality of forensic accounting improves in the deposit money banks (DMBs) listed in Nigeria, the likely occurrences of fraud in the DMBs will reduce significantly. Finally, the analysis and the relation between the independent variables and themselves indicated that is mostly positive. However, to conclude the relation and the impact of the dependent variable (FRD) and all the pairs of independent variables (financial stability, external pressure, total accruals, auditor reports, ineffective monitoring and the nature of industry) of the Deposit Money Banks listed in Nigeria in the regression model of the study is analyzed in the following section.

### 4.3 Summary of the Regression Result

The Summary of the regression result will be presented and discuss in the following table 5 below:

**Table 3**

Variables	Coefficients	Z-values	p-values	MP-values	VIF	Tolerance
FS	1.639861	2.10	0.036	0.000	1.10	0.905303
EP	-1.958702	-3.04	0.002	0.000	1.17	0.851479
ADRPT	-2.098808	-1.36	0.173	0.688	1.20	0.829960
TAC	5.335525	5.74	0.000	0.168	1.05	0.948426
IEM	-5.540657	-3.24	0.001	0.000	1.05	0.949631
NI	0.2053748	3.84	0.000	0.007	1.06	0.942170
FRA	-0.0539082	-7.97	0.000	0.063	1.12	0.891827
Constant	2.611402	2.59	0.010	0.000		



<b>R<sup>2</sup> Overall</b>			<b>0.7543</b>			
<b>Wald Chi2</b>			<b>666(0.000)</b>			
<b>Mean VIF</b>			<b>1.11</b>			
<b>Hetttest</b>			<b>69.04(0.000)</b>			
<b>Hausman</b>			<b>6.93(0.4366)</b>			
<b>LM test</b>			<b>1.59(.1036)</b>			

**SOURCE: STATA OUTPUT 2016. Summary of the regression result**

The cumulative R<sup>2</sup> Overall (0.7543), which is the multiple coefficient of determination, gave the proportion of the total variation in the dependent variable explained by the independent variable jointly. Hence, it signified that 75% of the total variation of fraud in the Deposit Money Banks (DMBs) listed in Nigeria by financial stability, external pressure, total accruals, auditor report, ineffective monitoring and nature of industry.

The Wald chi<sup>2</sup> of 66668.35, which is significant at 1%, indicated that the fraud and fraud risk factors with a moderating effect of forensic accounting model was fit. This indicates that the model is fit and the independent variables are properly selected, combined and used. This implies that for any changes in fraud risk factors in DMBs the fraud will be directly affected. The value of Wald Chi<sup>2</sup> which is statistically significant at a level of 0.000 means that there is a 99.9 percent probability that the relationship between the variables was not accidentally. All the robustness test reported are favorable and not for vibrate.

Table 3 shows that financial stability has a z-value of 2.10 with a beta coefficient of 1.639861 which is significant at 5% levels of significance. This indicates that financial stability has a positive impact on the fraud in the deposit money banks (DMBs) listed in Nigeria. This further explained that an increase in the gross profit margin as a measure of financial stability in the DMBs will increase the fraud in the deposit money banks (DMBs) by 1.639861 kobo. The result is not surprising considering the fact that, increase in the profitability (gross profit margin) will give the perpetrators of fraud avenues especially the managers who prepare the financial statement to incorporate unnecessary items of expenses and deductions in a bid to benefit privately which amount to fraudulent financial practices. In addition, profitability is a sign of good management and well doing for the firms thereby; managers may seize that opportunity to divert a portion of the gross profit by way of increase compensation, bonuses or extra performance bonuses to themselves and the other employees. More so, lack of proper remuneration especially to the junior staffs and contract staffs of deposit money banks Nowadays is an important factor that support the findings of this study, majority of the junior staffs and the contract staffs are just given a stipend amount of money as their monthly salary while declaring a huge amount of billions as profit earn by this Banks without making any attempt by either the top management or the board of the Banks to increase the junior staffs well being. The above reason is an important reality happening in the deposit money banks (DMBs) that support the findings of this study. In addition, pilfering and cash suppression by staffs was as a result of the Banks failure to meet the staffs expectation in terms of salary and other financial and non-financial benefit of the staffs while declaring billions as profit for the year which help account for the significant positive relationship between financial stability and the fraud in the deposit money banks (DMBs) listed in Nigeria.

The result in respect of the moderator (forensic accounting) shows that after moderating the financial stability, the p-value significant at 1 percent. This implies that if the financial stability is moderated with the forensic accounting, managers may be skeptic in engaging in financial malpractices indicating that, forensic accounting plays a prominent role in determining financial stability of the deposit money banks (DMBs) listed in Nigeria. Hence, this finding serve as an evidence of rejecting the null hypothesis one of the studies, thus,  $H_{O1}$  is rejected. This finding contradicts the findings of Thanasak (2013); Peterson & Buckhoff, (2004) and supports the findings of Vance (1983), Kenyon & Tilton (2006).

The regression result reveals that, external pressure as depicted in table 3 has a z-value of -3.04 and a beta coefficient value of -1.958702 with a significant p-value of 0.002. This signifies that, external pressure has negatively, significantly and statistically impacted on the fraud (FRD) of Deposit Money Banks (DMBs) listed in Nigeria. This indicates that for every ₦1 increase in the level leverage as a measure of external pressure (EP) in the DMBs, the fraud in the DMBs will reduce significantly by -1.958702. This result is not surprising as it did not contradict study's expectation that considering the debt covenant of the debt holder's managers may be constraint to perpetrate financial malpractices. In addition, leverage or debt holders are always a watch dog to the manager's activity in a corporation because of their interest in the Bank by way of leverage. Similarly, the presence of external parties fund by way of debt in a corporation may constrain the managers for squandering the Banks funds. This is a result of fear by the mangers for the debt holders' funds withdrawal which will have a negative consequence on the profitability and the general performance of the deposit money banks (DMBs) listed in Nigeria. The implication of this finding is that, more leverage in the deposit money banks (DMBs) listed in Nigeria less fraudulent financial malpractices. However, the result improve when moderated with forensic accounting which shows that forensic accounting is negatively, strongly and statistically significant at 1 percent level in explaining the relationship between the external pressure and the fraud of the deposit money banks (DMBs) listed in Nigeria. The implication of this result is that the more external pressure is moderated by the forensic accounting the less response to commit fraudulent financial practices n the deposit money banks (DMBs) listed in Nigeria. However, as a result of the significant negative association between external pressure and the fraud, hypothesis two of the study is hereby rejected, thus,  $H_{O2}$  is rejected. This finding is in line with the findings of Peterson & Buckhoff, (2004); Persons (1995).

Moreover, Table 3 show that auditor report of deposit money banks listed in Nigeria has negative reduces the fraud of deposit money banks (DMBs) listed in Nigeria. It has a beta coefficient of -2.098808, z-value of -1.36, and a p value of 0.173. This signifies that, impact of auditor report (ADTRPT) on the fraud of deposit money banks (DMBs) listed in Nigeria is negative and statistically insignificant at all levels of significance (1%, 5% and 10%) significance level. This suggests an inverse relationship between fraud and auditor report. This implies that, if auditor report is unqualified report but with some additional explanation it reduces the willingness of managers in the DMBs listed in Nigeria to perpetrate fraud. This negative relationship may be as a result of the fear the result may pose to the managers of loosing investors confidence and the adverse effect it may result to the agency relationship with their

principals. This fear may definitely induce the managers to deceive from any suspicious act. This result did not contradict the researcher's expectations, as this unqualified report with additional information is posing a serious threat to the management not to compromise any act of fraudulent financial malpractice as it will portray a bad image of their bank to the outside world and their principals (shareholders) thereby, acting diligently to avoid any serious loss by losing investors, customers and other prospective investors which will have a serious negative impact on their performance. In addition, the incidence of qualifying a report is also increasing. Therefore, to avoid such happening they most avoid any symptoms of fraudulent activities. Similarly, the result is not different when moderated with forensic accounting which shows a negative and insignificant association in explaining and the relationship between auditor report and the fraud in the deposit money banks (DMBs) listed in Nigeria. However, the result of this study gives an evidence of failing to reject hypothesis three of the study. Thus,  $H_{03}$  is failed to be rejected.

In addition, the result of the total accruals (TAC) reveals a z-value of 5.74 and a beta coefficient value of 5.335525 with a p-value of 0.000. This signifies that for every ₦1 increase in the total accruals, the fraud in the deposit money banks (DMBs) listed in Nigeria will increase by 5.335525k. This result implies that, the fraud of DMBs listed in Nigeria increases as a result of increase in total accruals (TAC). This result is not surprising as it is in line with the study's expectation as the component of the total accruals are mostly the financial statement items used by the managers to manage earnings opportunistically in the deposit money banks (DMBs) listed in Nigeria. However, the result in respect of the moderator which is the forensic accounting is however, different as it has an insignificant association with the fraud and it may be because the manipulation of accruals normally using loan loss provisions by the managers of deposit money banks (DMBs) listed in Nigeria is no more yielding fruit as a result of the non-performing loans takeover by the Asset Management Company of Nigeria (AMCON). Hypothesis four of this study is failed to be rejected by the findings of this study.

The regression result reveals that, ineffective monitoring (IEM) as depicted in table 3 has a z-value of -3.24 and a beta coefficient value of -5.540657 with a significant p-value of 0.000. This indicates that ineffective monitoring has negative, significantly and statistically impacted on the fraud (FRD) of the deposit money banks (DMBs) listed in Nigeria. This finding explains that, board composition as a measure of ineffective monitoring impact negatively on the fraud perpetrated in the deposit money banks listed in Nigeria. This indicates that, for every 1% increase in ineffective monitoring (IEM) in the deposit money banks (DMBs) listed in Nigeria, the fraud perpetrated will also reduce significantly by 5.540657. This result signifies that, as the ratio of independent directors on board increases, the fraud perpetrated in the deposit money banks listed in Nigeria will reduce. This result is not surprising as it did not contradict researchers' expectation that, effective monitoring by the non-executive directors goes in line with reduce incidence of fraudulent practices either from outside or internally by the staffs or management of the deposit money banks (DMBs) listed in Nigeria. Non-executive directors are people with upright personal skills and experience therefore, possessing better skills to detect and prevent fraudulent practices. In addition, non-executive directors are people with good

previous records when in service and a tangible achievement also serves at different levels including management level of other establishment, this widen their horizon and in better position to prevent any financial misappropriation in the deposit money banks (DMBs) serving as non-executive directors. However, the result of the moderator is not contrary in terms of direction and the significance, indicating that, ineffective monitoring when moderated with the forensic accounting reduces fraudulent activity significantly at 1% significance level. The fifth hypothesis of the study which states that, ineffective monitoring has no significance relationship with the fraud is hereby, rejected by the findings of this study.

In testing hypothesis six, the regression result reveals that, nature of industry (NI) has a z-value of 3.84 with regression coefficient of 0.2053748 with a p-value of 0.000, which is statistically significant, at 1% significance level. This signifies that, for every 1% increase in the nature of industry (receivables) in the deposit money banks listed in Nigeria, it will have a statistical and significant positive influence on fraud. This implies that, managers of most deposit money banks (DMBs) listed in Nigeria manipulate their receivables (Interest and other incomes) which is amount to fraudulent practice, thereby, improving the quantum of fraud perpetrated in the DMBs. However, the result is not surprising because deposit money banks are financial institutions that trade in money therefore, nature of industry may significantly account for a positive and significant association.

This result is not surprising as it is in line with the priori expectation of the study that increase in interest and other incomes positively influence the fraud in the DMBs. The finding may be as a result of the fact that, the interest and other income is a sign of good management and well doing for the firms thereby; managers may seize that opportunity to divert the excess funds by way of bonuses or extra performance bonuses to themselves and the other employees. The influence is positive because most the DMBs Top management and middle line management are of this habit for diverting a huge amount of money out of the profit earn to share among themselves by way of end of year bonus or extra performance bonus which is a fraud in actual sense. In addition, desire to increase compensation package by the managers may also help accounts for this significance positive impact between nature of industry and the fraud in the deposit money banks (DMBs) listed in Nigeria. However, the statistical significance impact have reduces from 1% significance level before the moderation to 5% level of significance when moderated with the forensic accounting. Hence, hypothesis six is hereby rejected by the finding of this study.

Finally, the result did not deviate when forensic accounting was used to moderate the relationship between fraud risk factors and fraud of the deposit money banks (DMBs) listed in Nigeria. The result indicated that forensic accounting has strongly, statistically and significantly moderated financial stability, external pressure, ineffective monitoring and nature of industry at 1% significant level. Therefore it can be concluded that forensic accounting is one of the major preventive and detective device to be considered by the Management of the deposit money banks (DMBs) listed in Nigeria for fraud prevention.

### 5.1 Conclusions and Recommendations

This study has empirically investigated the moderating effect of forensic accounting on fraud risk factors and fraud in The Deposit Money Banks listed in Nigeria. Export-factor and correlation research design was used as a research design and a longitudinal balanced panel model was used to examine the relationship between the explanatory variable on the explained variable and account for the individual heterogeneity of the panel attributes. It has developed a longitudinal balanced panel model. The study provides positive and statistical relationship between financial stability, nature of industry and fraud in the deposit money banks (DMBs) listed in Nigeria before and after the moderation. In addition a negative and statistical association was also established for external pressure, and ineffective monitoring and fraud in the deposit money banks (DMBs) listed in Nigeria. However, base on the findings of the study it is finally concluded that, forensic accounting play a prominent role in helping to detect and prevent fraudulent activities in the deposit money banks (DMBs) listed in Nigeria. Therefore, In line with the findings and conclusions of the study, it is recommended that, the management and the board of the deposit money banks (DMBs) listed in Nigeria should use continually use forensic accounting examiners (expert) in order to prevent and detect fraudulent financial malpractices as caused by the six explanatory variables used in this study.

### 5.2 Limitation and direction for further research

The findings and recommendations of this study are limited to the domain of listed deposit money banks in Nigeria and the variables use in this study. Thus, any other firm not from this domain and variable outside this study is excluded from this research. Therefore, future studies may consider other non-financial firms and include other fraud variables like condition, capability and motive.

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