IMPACT OF FORENSIC ACCOUNTING ON COMBATING FRAUD IN NIGERIAN BANKING INDUSTRY

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Abstract

This study determine the impact of forensic accounting in combating fraudulent activities in order to ensure good corporate governance practice in Nigerian banking sector. Two hypotheses were formulated in line with the objectives of the study. Survey method was adopted and data were collected through the use of questionnaire. Data collected from sample of fifty five (55) respondents from commercial banks in Awka, Anambra state and were analyzed with five point likert's scale. The two hypotheses formulated were tested using t-test statistical techniques with aid of SPSS version 20.0. The study found among others Forensic accounting is an effective tool for addressing financial crimes in the banking system. Also the forensic audit necessitated in ensuring corporate governance in corporate organizations. Based on this, the study recommended among others the apex bank need to engage the service of forensic accounting to compliment efforts of other professional in reducing fraudulent activities in order to ensure corporate governance in financial sector.

Key words: Forensic accounting, financial fraud and banking industry

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INTRODUCTION

Forensic and investigative accounting is the application of financial skills and investigative mentality to unresolved issues, conducted within the context of the rules of evidence. As a discipline, it encompasses fraud knowledge, financial expertise, and a sound knowledge and understanding of business reality and the working of the legal system (Bologna & Lindquist, 1987). Forensic accounting is the tripartite practice of utilizing accounting, auditing and investigative skills to assist in legal matter (Olola, 2016). It is a specialized field of accounting that describes engagements that result from litigation. Forensic accounting can, therefore be seen as an aspect of accounting that is suitable for legal review and offering the highest level of assurance (Apostolou, Hassell & Webber, 2000). Centre for Forensic Studies (2010) report in Nigeria states that forensic accounting could be used to reverse the leakages that cause corporate failures. This can be attributed to the fact that proactive forensic accounting practice look for errors, engage in operational vagaries and deviant transactions before they crystallize into fraud.

Ojaide (2000) noted that there is an alarming increase in the number of fraud and fraudulent activities in Nigeria, clamouring for the services of forensic accountants.

The failure of the major corporate governance mechanism to reduce financial fraud and the increasing sophisticated financial fraud has posed serious threat to investors, government, and general public (Eyisi & Agbaeze 2009). More so, An instance of case of corporate financial statement audit fraud could be drawn from Enron and WorldCom which has capitalized expenses resulting to increased profit which is not in existence by their auditors Andersen and yet such companies audit was unqualified by their auditors resulting to corporate failure of two big companies in USA (Zimbelman 2012). Modugu and Anyaduba (2013), Onuorah and Ebimbowei (2012), Enofe, Okapor and Atube (2013), Okoye and Gbegi (2013), Gbegi and Adebisi (2014), acknowledge in their separate studies the increase incidence of fraud and fraudulent activities in Nigeria.

The issue of forensic accounting and fraud continuingly being debated for the past few years as companies in developed countries such as Enron Corp, WorldCom Inc, and Kmart Corp have been detected and proved of fraudulent conduct (Shaikh & Talha, 2003). These still an issue to be addressed in the business sector as fraud cases have only been detected after massive funds have disappeared from the coffer (Adrian, Lawrence & Cristal, 2009). Owojori and Asoula (2009) states that the failure of statutory audit to prevent and reduce misappropriation of corporate fraud and increase in corporate crime has put pressure on the professional accountant and legal practitioner to find a better way of exposing fraud in business world.

Corporate financial fraud could be drawn from recent bank failure in Nigeria where management has fraudulently given loans without board approval and yet such bank annual report has been unqualified (Eyisi & Ezuwore, 2014). Though, the use of forensic accounting is not yet common in Nigeria, the rate at which financial irregularities in Nigeria is spreading especially in the banking sector has put the focus on the need for forensic accounting techniques to be utilized. Change they say is constant; to response to these changing fraudulent activities that is going on in corporate entities and skills of forensic accountants which include investigators and legal experts to combat this corporate menace is paramount. In view of the above problems, this study examines the extent to which forensic accounting in combating fraudulent activities and impact on corporate governance of corporate organizations.

This study set out to determine the impact of forensic accounting in combating fraudulent activities in order to ensure good corporate governance practice in Nigerian banking industry. Specifically, the study intends to achieve the followings;

1. To ascertain whether forensic accounting is an effective tool for addressing financial crimes in Nigerian banking system.
2. To evaluate the necessity of forensic audit in ensuring corporate governance in banking system.

Formulation of Hypotheses (Null)

1. H_O: Forensic accounting is not an effective tool for addressing financial crimes in the Nigerian banking system.
2. H_O: The forensic audit does not necessitated in ensuring corporate governance in Nigerian banking system.

REVIEW OF RELATED LITERATURE

CONCEPTUAL FRAMEWORK

Forensic Accounting and Accountants

Several scholars have come with various definition of the term ‘Forensic Accounting’. Rezaee *et al* 2004, defined forensic accounting as the practice of rigorous data collection and analysis in the areas of litigation support consulting, expert witnessing, and fraud examination. Degboro and Olofinsola (2007) believe that forensic investigation is about the determination and establishment of fact in support of legal case. That is, to use forensic techniques to detect and investigate a crime in order to expose all it’s attending features and identifies the culprits. In view of Howard and Sheetz (2006), forensic accounting is the process of interpreting, summarizing and presenting complex financial issues clearly, succinctly and factually in a court of law as an expert. Accounting, forensic accounting is sufficiently thorough and complete so that an accountant, in his considered independent professional judgment, can deliver a finding as to accounts, inventories, or the presentation thereof that is of such quality that it would be sustainable in some adversarial legal proceeding, or within some judicial or administrative review”

Forensic accounting is the integration of accounting, auditing and investigative skills (Zysman, 2004). Dhar and Sakar (2010) define forensic accounting as the application of accounting concepts and techniques to legal problems. It demands reporting, where fraud is established and the report is considered as evidence in the court of law or in administrative proceedings.

According to Williams (2002), forensic accounting is recognized as a particular form of professional expertise and endowed with specific attributes. The recognition is ascertained by possessing a formal certification in forensic accounting which provides symbolic value. It concerns with the use of accounting discipline to help determine issues of facts in business litigation (Okunbor & Obaretin, 2010).

According to Bhasin (2007), forensic accountants are trained to look beyond the numbers and deal with the business realities of situations. Analysis, interpretation, summarization and the presentation of complex financial business related issues are prominent features of the profession. He further reported that the activities of forensic accountants involve: investigating and analyzing financial evidence; developing computerized applications to assists in the analysis and presentation of financial evidence: communicating their findings in the form of reports, exhibits and collections of documents; and assisting in legal proceedings, including testifying in courts as an expert witness and preparing visual aids to support trial evidence.

The AICPA defines forensic accounting as services that involve “the application of specialized knowledge and investigative skills possessed by CPAs”. Forensic accounting services utilize the practitioner’s specialized accounting, auditing, economic, tax, and other skills (AICPA 2010). Contributing to the definition of forensic accounting, Singleton and Singleton (2010), posit that forensic accounting is the comprehensive view of fraud investigation. It includes preventing frauds and analyzing antifraud controls It also includes the gathering of nonfinancial information. Crumbley *et al* (2009) distinguish forensic accounting from fraud auditing. A fraud auditor is an accountant especially skilled in auditing…A forensic accountant may take on fraud auditing engagements and may in fact be a fraud auditor, but he or she will also use other accounting, consulting, and legal skills in broader engagements. Stanbury and Paley-Menzies (2010) state that forensic accounting is, the science of gathering and presenting information in a form that will be accepted by a court of jurisprudence against perpetrators of economic crime. Hopwood *et al* (2008) defined forensic accounting as “the application of investigative and analytical skills for the purpose of resolving financial issues in a manner that meets standards required by courts of law”. Thus, forensic accounting includes no explicit reference to fraud, although fraud investigations are a part of forensic accounting.

Forensic accounting is a discipline that has its own models and methodologies of investigative procedures that search for assurance, attestation and advisory perspective to produce legal evidence. Curtis (2008) argues that fraud can be subjected to forensic accounting, since fraud encompasses the acquisition of property or economic advantages by means of deception, through either a misrepresentation or concealment. Bhasin (2007) notes that the objectives of forensic accounting include: assessment of damages caused by an auditor`s negligence, fact finding to see whether an embezzlement has taken place, in what amount, and whether criminal proceedings are to be initiated; collection of evidence in a criminal proceedings; and computation of asset values in a divorce proceedings.

As can be seen from this sample of definitions, not only do they vary, but in cases are contradictory, especially as it pertains to the inclusion of fraud. In his own contribution Crumbley (2009), asserted that, term forensic accounting applies to evaluating accounting information without the constraints of GAAP. Herein lays possibly the most important factor to consider in answering the question, is forensic accounting in the United States becoming a profession. Only CPAs are allowed to express an opinion regarding whether financial statements are presented fairly according to GAAP. However, to the extent that forensic accounting is not constrained by GAAP requirements, then the necessity of having a CPA license in the performance of forensic accounting is rendered superfluous. As noted by Fogarty and Parker (2010), public accounting has a statutory monopoly only over auditing. Public accounting has no monopoly power over non-auditing functions or services. The absence of monopoly power over non-auditing services opens the door for an entirely new profession to emerge separate and distinct from public accounting—forensic accounting. It thus remains only to determine whether forensic accounting fulfills a significant number of the criteria of a profession.

Forensic auditor and forensic accounting

The term forensic means "relating to the application of scientific knowledge to legal problems or usable in a court of law" (Bolgana and Robert 1985) Webster dictionary defines forensic as belonging to; used in, or suitable to courts of judicature or to public discussions and debate. Thus, from the above definition it could be said that forensic Auditors are experts in financial matters who are trained in detecting, investigating and deterring fraud and white collar crimes which are to be presented to court for legal action or to public discussion and debate.

According to AICPA (2008) forensic Accounting services generally involve application of special skills in auditing, accounting, quantitative methods, finance, specific areas of the law, information and computer technologies research and investigative skills to collate, analyze, and evaluate evidential matter which in the forensic area is called the evidence. From the above it could be said that forensic auditor possess expertise skill and can be called to carry out investigation on financial matter which may be used in law court and also he can be called to act in the law court to give evidence on issues relating to financial fraud.

According to Amihud and Mendelson (2000), the liquidity of a company's securities impacts the firm's cost of capital. A major component of liquidity is adverse selection costs, which are reflected in the bid, ask spread and market impact costs.

It is the responsibility of management to put mechanism in place through which internal fraud can be minimize or totally eradicated from the system. A good internal control system will play a veritable role; internal fraud is fraud, waste and abuse that occur within the organization and may involve employees, contract employees, or vendors. Examples of internal fraud are falsifying of figures, pilfery, stores lifting, working with vendors by signing an invoice of items not supplied, etc. The potential for, or occurrence of, fraud and other illegal acts is a significant and sensitive management concern in any organization (Madumere & Onumah, 2013).

Financial Fraud

Financial fraud has been various definitions in the literature. According to Oxford Advanced Learner`s Dictionary, fraud can be defined as the crime of deceiving somebody in order to get money or goods illegally. Wikipedia dictionary describes fraud as crimes against property, involving the unlawful conversion of property belonging to another to one`s own. Williams (2005) describe fraud to include bribes, cronyism, nepotism, political donation, kickbacks, artificial pricing and frauds of all kinds. The array of components of financial crimes, some of which are highlighted above is not exhaustive.

The EFCC Act (2004) attempts to capture the variety of economic and financial crimes found either within or outside the organization. EFCC Act (2004) defines fraud as illegal act that violates existing legislation and these include any form of frauds, narcotic drug, trafficking, money laundering, embezzlement, bribery, looting and any form of corrupt malpractices and child labour, illegal oil bunkering and illegal mining, tax evasion, foreign exchange malpractice including counterfeiting, currency, theft of intellectual property and piracy, open market abuse, dumping of toxic waste and prohibited good etc. This definition is all-embracing and conceivably includes financial crimes in corporate organization and those discussed by various authors (William, 2005 and Khan, 2005).

Karwi (2002) and Ajie and Ezi (2000) are of the view that financial fraud in organizations vary widely in nature, character and method of operation in general. Fraud may be classified into two broad ways: nature of fraudsters and method employed in carrying out the fraud. On the basis of the nature of the fraudsters, fraud may be categorized into three groups, namely; internal, external and mixed frauds. Internal fraud relates to those committed by members of staff and directors of the organizations while the external fraud is committed by persons not connected with the organization and the mixed fraud involves the outsiders colluding with the staff and the directors of the organization. Karwai (2002) reports that the identification of causes of fraud are very difficult. He stated that modern day organizations frauds usually involve a complex web of conspiracy and deception that often mask the actual cause. Ajie and Ezi (2000) are of the opinion that on the average, out of every 10 staff would look for ways to steal if given the opportunity and thus only 4 could be honest.

Forensic Accounting and Financial Fraud

Forensic accountants have been described as experienced auditors, accountants and investigators of legal and financial documents that are hired to look into possible suspicions of fraudulent activity within a company; or are hired by a company who may just want to prevent fraudulent activities from occurring (McKittrick, 2009). Manning (2005) notes that the services of forensic accounting are utilized in areas such as accounting, antitrust, damages, analysis, valuation, and general consulting. Forensic accountants have also been used in divorces, bankruptcy, insurance claims, personal injury claims, fraudulent claims, construction, royalty audits, and tracking terrorism by investigating financial records. Sanusi (2010) made a presentation on the state of some banks operations and provided the sordid details of a number of the banks. Five prominent banks were declared insolvent, chronically illiquid, with the revelation that they had largely eroded their shareholders funds and practically breached all the ratios in banking. CBN unfolded the list of debtors comprising companies and their directors who secured loans worth N747 billion from the affected banks. The question is why some auditors certified these banks financials statement which were presented to shareholders at the annual general meetings; fail to disclose their debt portfolio.

Quite surprisingly, price water house coopers and Akintola Williams Delliote are the auditors of the five troubled banks. Questions were being raised about their accountant's competence and integrity, apart from doubts on the exact standards of corporate governance. Before the CBN announced its findings on the conditions of the five banks and their activities in the Expanded Discount Window (EDW), their auditors were unable to properly scrutinize and bring to public domain the true state of these reports including their loans portfolio which CBN now put at N2.8 trillion.

According to the Centre for Forensic Studies (2010) report, the increasing need for forensic and investigative accounting in the banking sector results from the nature of modern-day banking involves large volume of complex data, which makes it difficult to monitor those transactions by applying manual audit processes. This in turn makes the control utility of auditing ineffectual. Though financial fraud in Nigeria has witnessed highly publicized cases especially in the banking system, Enyi (2009) undertook a study to offer suggestions using real case problem on how to apply forensic accounting in investigating variances and suspected fraudulent activities in manufacturing processes and thus suggest that the application of forensic accounting applies to all scenes where fraud is a possibility.

Okoye and Akenbor (2009) commenting on the application of forensic accounting in developing economies like Nigeria, notes that forensic accounting is faced with so many bottlenecks. Crumbly (2001); Grippo and Ibex (2003) revealed the following challenges confronting the application of forensic accounting.

(i) A significant challenge that faces a forensic accountant is the task of gathering information that is admissible in a court of law.

(ii) The admissibility, of evidence in compliance with the laws of evidence is crucial to successful prosecutions of criminal and civil claims.

(iii) Globalization of the economy and the fact that a fraudster can be based anywhere in the world has led to the problem of inter-jurisdiction.

(iv) The law is not always up to date with the latest advancements in technology. Therefore, lawyers and forensic accountants have to rely on outdated acts, laws that are of general nature, or on acts that have not yet proven their effectiveness in prosecuting fraudsters.

(v) Forensic investigations often wind up as evidence in legal proceedings, including full-fledged trails.

Impact of Forensic Auditor in Corporate Governance

Corporate governance and Audit Function

Statutory Audit is an audit required by law as to lay credence to financial statement and ensure that adequate and proper financial records have been maintained as required by statutes and GAAP and regulations (Eyisi & Ezuwore, 2014).

External auditor by law is required to be appointed by shareholders, most times the management on behalf of the shareholders appoint the external auditor whose book of account is being examined (audited). In view of the above it can be said that the mode of appointment of the external auditor has negatively affected external auditors performances in carrying out its corporate governance function effectively thereby making investors to lose confidence in annual corporate reports of companies (Lee and walker 2001). An instance of this could be draw from Arthur Andersen of Enron and world Com auditor who were indicted for obvious fraudulent financial statement which affected investors and economy of U.S. (Zimbleman etal 2012). The issue of fraud in corporate governance can be reduced due to use of forensic auditor. The forensic auditor with his special skills (that is Analytical, Communication and Technological skill) can reduce fraud and improve corporate governance by in stilling fear both to the management and their employees when carrying out his audit function (Eyisi & Ezuwore, 2014).

According to SAS 99 external auditors are provided guidance that has the potential to improve audit quality in detecting material financial misstatements, whether caused by fraud or error. SAS No. 99 includes the suggestion that an "auditor may respond to an identified risk of material misstatement due to fraud by assigning forensic specialist (AICPA 2002).

Management Accountability: Management is accountable to shareholder, and other stakeholders. Management of companies are said to be solely responsible for preparing Accounts and maintaining adequate proper financial records (Millichamp, 2002). More so, they are responsible for detecting and preventing fraud in their organization, while the external auditor responsibility is to ensure that account prepared by companies management are in line with general accepted accounting principle (GAAP) and statute. The external auditor has failed to accept responsibility to detect fraud, although the SAS 55 has required the external auditor to report material misstatement and errors arisen due to fraudulent activities. Ramaswamy (2009) states that the failure of the corporate communication structure has made the financial community realize that there is a great need for skilled professionals that can identify, expose, and prevent weaknesses in three key areas: poor corporate governance, flawed internal controls, and fraudulent financial statement.

Nevertheless, the above responsibility functions have not been accepted by auditors; thus resulting to corporate fraud and most times corporate failure and poor corporate governance. In order to ensure proper accountability and prevent fraud by the management the forensic auditor been an expert in financial fraud matters with special skills in scientific knowledge and legal matters have helped management to improve their role by providing soft ware packages which enables management to easily detect and prevent fraudulent activities . The directors being aware that the forensic auditors may be invited to detect and prevent fraudulent activities, they will ensure that their organization has a good internal control system, checks and balances which are transparent, thereby positively influencing corporate governance (Eyisi & Ezuwore, 2014).

THEORETICAL FRAMEWORK

Agency Theory

Agency theory and the internal audit as propounded by Adams (1994) is one of the theoretical framework that guided this study. Agency theory is extensively employed in the accounting literature to explain and predict the appointment and performance of external auditors and financial consultants. He argued that, agency theory also provides a useful theoretical framework for the study of internal auditing function. He also proposed that agency theory not only helps to explain and predict the existence of internal audit but that is also helps to explain the role and responsibilities assigned to internal auditors by the organization and that agency theory predicts how the internal audit function is likely to be affected by organizational change. He concludes that agency theory provides a basis for rich research, which can benefit both the academic community and internal auditing profession. This theory no doubt relates to this study as it helps to explain the role and responsibilities of internal auditors which if methodically applied would help to improve financial performance in tertiary institutions in Nigeria.

According to Anderson, Francis & Stokes (1993), Agency theory describes firms as necessary structures to maintain contracts, and through firms, it is possible to exercise control which minimizes opportunistic behaviour of agents. In order to harmonize the interest of the agent and the principal, a comprehensive contract is written to address the interest of both the agent and the principal; they further explain that the relationship is further strengthened by the principal employing an expert to monitor the agent.

EMPIRICAL REVIEW

Many researchers have attempted to examine the effect of forensic auditing on fraud detection, for example, Madumere and Onumah, (2013) examined the effect of forensic accounting on corporate fraud and performance outcome in the Nigerian manufacturing sector. Using a match sample of 306 manufacturing firms registered with the Manufacturing Association of Nigeria (MAN). Three hypotheses proposed and tested and the findings revealed that corporate fraud is on the increase in this sector of the economy, and the reason is that most managers want to be independent at the expense of their employers. That most managers incorporate firms that supply goods to their company at very high prices thereby increasing cost of production.

Aduwo, (2016) conceptually review the impact of forensic accounting toward utilizing professional judgments, accounting skills, auditing and law procedures to fight the dreaded disease of corporate liquidation and the paper concluded that forensic auditing can go a long way to influence financial scandals in corporate organization.

Eyisi and Ezuwore (2014) on their paper considered the roles of forensic auditors in combating fraudulent activities, distinction of forensic auditor and statutory auditor, characteristic of forensic auditor and impact of forensic auditor on corporate governance. The paper concludes that forensic auditors having improved management accountability, strengthened external auditor's independence and assisting audit committee members in carrying out their oversight function by providing them assurance on internal audit report have impacted positively to corporate governance, thereby reducing corporate failure and impoverishment of investors.

Kosmas et al (2009) investigated the effectiveness of forensic auditing in detecting and preventing bank frauds in Harare, Zimbabwe. The study employed questionnaires, personal interview and documentary review to obtain information from respondents in thirteen commercial banks, four building societies, and four audit firms. The study revealed that forensic auditing department lacked material resources and technical know- how. As well that forensic auditing is confronted with interference from management and the profession has no clear recognition.

In the current empirical study, Modugu and Anyaduba (2013) examined forensic accounting and financial fraud in Nigeria. The study employed survey design in a sample size of 143 consisting of accountants, management staff, practicing auditors and stakeholders. The authors employed binomial test for data analysis and found that there is significance agreement amongst stakeholder on the effectiveness of forensic accounting in fraud control, financial reporting and internal control quality.

Okunbor and Obaretin (2010) examined the effectiveness of the application of forensic accounting services in Nigerian corporate organization in a sample of ten companies quoted in the Nigerian Stock Exchange by employing simple regression model for the test of hypothesis. The study revealed that the application of forensic accounting services by corporate organization in Nigeria is not effective in determine fraudulent activities.

Onuorah and Ebimobowei (2011) employed survey design to examine the effect of forensic accounting services in fraud detection in Nigeria banks by the use of Augmented Dickey- fuller, ordinary least square and Granger Causality test. The result revealed that the application of forensic accounting services affect the level of fraudulent activities of banks.

Adegbie and Fakile (2012) employed Chi- square and statistics package for social science to empirically evaluate forensic accounting as antidote to economic and financial crime in Nigeria. They tested four hypotheses. The study revealed that forensic accounting is a financial strategy to curb and resolve economic and financial crimes in Nigerian economy.

Okoye and Gbegi (2013) employed simple mean and standard deviation to investigate forensic accountants to planning management fraud risk detection procedures. They also used multivariate analysis of variance and analysis of variance ANOVA to compare their study with that of Asare and Wright (2004). The authors found that forensic accountants effectively modify the extent and nature of audit test when the risk of management fraud is high. They also found that forensic accountant should be involved in the risk of management fraud assessment process than consulting them.

Bressler (2011) studied the perception of attorney and judges in the court system as to what might enhance understanding of the role of forensic accountants in fraud investigation. The researcher employed conceptual analysis and found that forensic accountants must be well trained in the rules of evidence, financial data, accounting information system, software and communication skills.

Enofe, Utomwen and Danjuma (2015) examine the role of forensic accounting in curbing financial crimes. The study adopts a survey research design. The population of the study comprises of staffs of selected banks. Primary data was used for the purpose of this research. This research work employed the use of structured questionnaire in eliciting the required data needed to test the formulated hypotheses. Regression analysis was utilized as the method of data analysis and the results will be used in testing the hypotheses specified in the study. The study reveals that there is need for forensic accountants in the Nigerian banking system, Forensic accounting is an effective tool for addressing financial crimes in the banking.

Imoniana, Antunes and Formigoni (2013) aimed at analyzing the characteristics of forensic accounting services performed by accounting firms in Brazil, using an exploratory approach. Their findings conclude that the idea that frauds have been least detected by auditors begins to gain shape as auditors are more adequately trained to detect frauds instead of emphasizing the traditional segregation of duties and safeguard of assets.

Many researchers have attempted to examine the effect of forensic auditing on fraud detection, for example, Madumere and Onumah, (2013) revealed that corporate fraud is on the increase in this sector of the economy, and the reason is that most managers want to be independent at the expense of their employers. Aduwo, (2016) concluded that forensic auditing can go a long way to influence financial scandals in corporate organization. Modugu and Anyaduba (2013) found that there is significance agreement amongst stakeholder on the effectiveness of forensic accounting in fraud control, financial reporting and internal control quality. Okunbor and Obaretin (2010) showed that the application of forensic accounting services by corporate organization in Nigeria is not effective in determine fraudulent activities. Onuorah and Ebimobowei (2011) revealed that the application of forensic accounting services affect the level of fraudulent activities of banks. Adegbie and Fakile (2012) revealed that forensic accounting is a financial strategy to curb and resolve economic and financial crimes in Nigerian economy. Okoye and Gbegi (2013) authors found that forensic accountants effectively modify the extent and nature of audit test when the risk of management fraud is high. Bressler (2011) found that forensic accountants must be well trained in the rules of evidence, financial data, accounting information system, and software and communication skills.

Enofe, Utomwen and Danjuma (2015) reveals that there is a need for forensic accountants in the Nigerian banking system, Forensic accounting is an effective tool for addressing financial crimes in the banking system and finally that Conventional accounting techniques are not effective in curbing financial crimes. Imoniana, Antunes and Formigoni (2013) conclude that the idea that frauds have been least detected by auditors begins to gain shape as auditors are more adequately trained to detect frauds instead of emphasizing the traditional segregation of duties and safeguard of assets. Most of these studies have explored forensic accounting to an extent but there is need to examine the extent of forensic auditor in combating fraudulent activities in order to impact on corporate governance of Nigerian corporate organizations. Other, instance of corporate financial fraud could be drawn from recent bank failure in Nigeria where management has fraudulently given loans without board approval and yet such bank annual report has been unqualified. From the above it could be said that the external auditors have continued to certify fraudulent financial statement as unqualified audit report thus, leads to detriment of investors and most times corporate collapse and economic crisis.

METHODOLOGY

Research Design

This study involves survey research. The reason for this is that it involves investigation of opinion of large number of people and it involves inferences drawn from such investigation. The study covered Awka, Anambra state of Nigeria. The area was chosen since the research is a survey designs that needs people's opinion, the researcher choose these areas for easy accessibility in order to administer questionnaires to the respondents.

Population of the Study

The population for the study consists of 11 commercial banks (First Bank, Eco Bank, UBA, Fidelity Bank, Access Bank, Zenith Bank, FCMB, GTBank, Skye Bank, Sterling Bank Diamond Bank) operating in Awka metropolis. The elements of the population consists of 5 key officials in each bank, namely the Head of operations, Resident internal control officials, Fund transfer officials and Cash officials. The total number of the entire officials is 55.

The researcher used convenient sampling to pick the eleven commercial banks in Awka. Consequently and considering the population size which is not much, the researcher used all the population size for the study.

Method of Data Analysis

Data collected for the study were analyzed by the researcher using five point likert scales. The three hypotheses formulated for the study were tested with t-test with aid of Statistical Package for Social Sciences (SPSS) version 20.0 software package.

Decision rule:

Using SPSS, 5% is considered a normal significance level. The accept reject criterion was based on the computed t-Value.

If t-value is equal or greater than "Sig" value there is significant interaction effect or significant difference i.e. t-value value $\geq$ sig value we reject Null and accept alternate hypothesis.

DATA PRESENTATION AND ANALYSIS

Questionnaire Distribution and Collection

The researcher distributed fifty five (55) copies of questionnaires, and forty nine (49) were returned, the rate of returned questionnaires represents 89%.

Data Presentation

Table 1: summary of Research question one

S/N	Statements	SA	A	UN	D	SD	Total
1	The forensic auditor has the ability of combating fraudulent activities and ensures sanity in corporate organization.	20	20	3	6	0	49
2	Forensic auditor specialized in fraud detection, particularly in for successful criminal prosecution; able to work in complex regulatory and litigation environments.	15	20	4	7	3	49
3.	Forensic Auditor assist reduces the occurrence of fraud cases in the banking sector.	28	11	4	5	1	49
4.	Forensic Accounting can help in detecting and preventing fraud in the banking Sector.	21	18	3	7	0	49
5.	The practice of forensic accounting helps to mitigate the financial fraud.	28	10	5	6	0	49

Source: Field survey, 2016

Table 2: Summary of Research question two

S/N	Statements	SA	A	UN	D	SD	Total
6	Forensic audit necessitated in ensuring that management is more diligent in carrying out its function effectively to ensure corporate governance in corporate organizations.	24	15	3	7	0	49
7	Forensic auditor makes management accountable to shareholder, and other stakeholders to ensure good corporate governance.	10	33	0	6	0	49
8	Failure of internal auditor has resulting to corporate fraud and most times corporate failure and poor corporate governance.	20	20	0	6	3	49
9	With the application of forensic auditor, management of organizations are said to be solely responsible for maintaining adequate proper financial records.	28	11	6	4	0	49
10	Forensic auditor being an expert in financial fraud matters with special skills in scientific knowledge and legal matters have helped to improve good corporate governance.	17	18	3	7	4	49

Source; field survey, 2016

TEST OF HYPOTHESES (NULL)

Hypothesis One

H_O: Forensic accounting is not an effective tool for addressing financial crimes in the Nigerian banking system.

One-Sample Statistics

Questions	N	Mean	Std. Deviation	Std. Error Mean
1	5	9.80	9.550	4.271
2	5	9.80	7.396	3.308
3	5	9.80	10.803	4.831
4	5	9.80	9.257	4.140
5	5	9.80	10.780	4.821

One-Sample Test

Questions	Test Value = 0					
	t	df	Sig. (2-tailed)	Mean Difference	95% Confidence Interval of the Difference	
					Lower	Upper
1	2.295	4	.083	9.800	-2.06	21.66
2	2.963	4	.041	9.800	.62	18.98
3	2.029	4	.112	9.800	-3.61	23.21
4	2.367	4	.077	9.800	-1.69	21.29
5	2.033	4	.112	9.800	-3.58	23.18

Decision:

From the above one sample t-test table, the outcome from the questions tested shows that the calculated t-values are higher than the table t- values. This means that the forensic auditor has the ability of combating fraudulent activities and ensures sanity in corporate organization and assist reduces the occurrence of fraud cases in the banking sector. Since the calculated t-value is 11.687 and the table t-value is 1.812; it means that calculated t-value is greater than the table t-value. We therefore reject null hypothesis and uphold alternative hypothesis which states that Forensic accounting is an effective tool for addressing financial crimes in the Nigerian banking system.

Hypothesis Two

H_O: The forensic audit does not necessitated in ensuring corporate governance in Nigerian banking system.

One-Sample Statistics

Questions	N	Mean	Std. Deviation	Std. Error Mean
1	5	7.20	6.017	2.691
2	5	9.80	13.646	6.102
3	5	9.80	9.550	4.271
4	5	9.80	10.918	4.883
5	5	9.80	7.190	3.216

One-Sample Test

Questions	Test Value = 0					
	t	df	Sig. (2-tailed)	Mean Difference	95% Confidence Interval of the Difference	
					Lower	Upper
1	2.676	4	.055	7.200	-.27	14.67
2	1.606	4	.184	9.800	-7.14	26.74
3	2.295	4	.083	9.800	-2.06	21.66
4	2.007	4	.115	9.800	-3.76	23.36
5	3.048	4	.038	9.800	.87	18.73

Decision:

From the above one sample t-test table, the outcome from the questions tested shows that the calculated t-values are higher than the table t- values. This means that the forensic auditor has the ability of combating fraudulent activities and ensures sanity in corporate organization and assist reduces the occurrence of fraud cases in the banking sector. Since the calculated t-value is 10.632 and the table t-value is 1.812; it means that calculated t-value is greater than the table t-value. We therefore reject null hypothesis and uphold alternative hypothesis which states that the forensic audit necessitated in ensuring corporate governance in Nigerian banking system.

Discussion of Findings

The results from the analysis tested in relation to the forensic auditing, the study discovered that out of three hypotheses tested, hypothesis one indicates Forensic accounting is an effective tool for addressing financial crimes in the banking system. Hypothesis two revealed that challenges of forensic auditing application affect its fighting corporate fraud in Nigerian corporate organization. While three shows that the forensic audit necessitated in ensuring corporate governance in corporate organizations.

This result is in line with that of Aduwo, (2016) who concluded that forensic auditing can go a long way to influence financial scandals in corporate organization. Also in agreement with Modugu and Anyaduba (2013) whose study found that there is significance agreement amongst stakeholder on the effectiveness of forensic accounting in fraud control, financial reporting and internal control quality. Okunbor and Obaretin (2010); Onuorah and Ebimobowei (2011) revealed that the application of forensic accounting services affect the level of fraudulent activities of banks.

Adegbie and Fakile (2012) revealed that forensic accounting is a financial strategy to curb and resolve economic and financial crimes in Nigerian economy.

CONCLUSION AND RECOMMENDATIONS

Conclusion

This study set out to determine the impact of forensic auditing in combating fraudulent activities in order to ensuring corporate governance in Nigerian banking system. Previous studies were reviewed and responses were analyzed and tested. Based on this, the study discovered that Forensic accounting is an effective tool for addressing financial crimes in the banking system. Also the forensic audit necessitated in ensuring corporate governance in corporate organizations. Thus, the forensic auditor is an effective tool for combating financial crimes in the banking system. After all, the forensic auditors are expert thus, can easily detect and prevent fraudulent activities in Nigerian banking system irrespective of the challenges they faced in carrying out their professional duties.

Recommendations

Based on the finding of the study, the following are therefore recommended:

1. The apex bank need to engage the service of forensic auditors to compliment efforts of other professional in reducing fraudulent activities in order to ensure corporate governance in financial sector.

2. Nigerian banks should embrace integrity, fairness, accountability etc. as a moral duty to reduce the level of fraudulent activities in the banking industry.

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