ISSN: 2240 - 3855
Volume 8, Number 1, 2023
The Journal of Accounting and Management Research

THE EFFECT OF ACCOUNTING SYSTEM IN PREVENTING FRAUD IN THE BANKING SECTOR IN NIGERIA

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ABSTRACT

The study was conducted to investigate the relationship between accounting control system in ameliorating fraud in the banking sector. The objectives of this study were to determine the influence of accounting standards in preventing misappropriation in the banking sector. To find out the effect of accounting standards on prevention of falsification of records. To determine the relationship between adequate documentation and misappropriation prevention of funds in the banking sector. To find out the influence of adequate documentation in preventing falsification of records. The study used questionnaire instrument and data were analyzed using Statistical Package for Social Sciences (SPSS) version 21. The research questions were analyzed using mean and standard deviation and hypothesis were tested using Simple Bivariate correlation Analysis at a significant level of 0.05. The results of the findings showed that there was a very strong positive significant relationship between accounting standards and fraud prevention measures of banks in Nigeria. Hypothesis one and two tested showed that accounting standards has a very strong positive significance on prevention of misappropriation and a very strong positive significance on accuracy of prevention of falsification of banks in Nigeria. Testing of hypothesis three and four reveal that adequate documentation has a strong positive significant relationship on prevention of misappropriation and accuracy of prevention of falsification. Based on the findings, the following recommendations were made: Banks should comply with accounting standards in their records keeping and transaction in order to enhance them in yielding higher profitability and effective audit performance. Banks should make effort to keep and prepares adequate documentation in order to avoid statutory sanction and enhance profitability. The record keeping of the banks should not only be financially sided but should include all information useful for decision making as statutorily required.

KEYWORDS: Accounting System, Fraud Prevention, Accounting Standard, Adequate Documentation, misappropriation Prevention, Falsification of Records Prevention.

INTRODUCTION

An efficient management system is a precondition for achieving company goals. Such a system indicates careful planning of long-term goals and coherence in realization. Since reaching targets is a complex and dynamic process which may go in the wrong direction, a management system therefore needs qualitative, well-timed and reliable information generated by continuous observation and control of all activities. Monitoring activities should enable detection and timely reaction to possible target-related deviations, without jeopardizing the process of activities. Since partial, occasional and voluntary internal supervision could not respond to such information needs, it has gradually been transformed into a complete and permanent system of internal control of all important functions and processes. Although the function of supervision is a part of the management system and belongs to the exclusive competence of top management, it cannot be expected that management carries out the overall performance supervision. Even if we neglect the fact that management is mainly concentrated in strategy and the future, there still remain the problems of time needed for direct supervision as well as the specific knowledge to ensure qualitative and continuous monitoring of goods and cash flows within the company. However, management is considered responsible for setting up an adequate control environment and control activities to prevent undesirable events in business and reporting. One of the adequate control environments is adopting a suitable and standard Accounting system.

Accounting system represents the key instrument of internal control because of the amount and importance of the data it produces. With its segments (accounting, planning, analysis and supervision), it should develop accounting internal controls because the extent and depth of performance examination by external control depend mainly on the reliability of the accounting internal control. The accounting system Internal control is expected to identify possibilities of better prevention which is more desirable than detection. The role of internal control is determined by the standards of professional practice. According to these standards internal auditors should be aware of intentional violations, mistakes and omissions, inefficiency, spoilage, ineffectiveness, and conflicts of interest. Internal control cannot provide absolute assurance in avoiding irregularities, but it can highlight the probability of faultiness. Standards do not place the responsibility for fraud detection on internal control. Yet these standards require internal auditors to expect potential conditions for fraud, identify the possibility for their existence, and to be aware that fraud might occur during the auditing process. Numerous financial scandals have proven that many financial statement frauds were influenced intentionally or not by external auditors' advice and lack of warning when the risk of fraud existed. Therefore, companies have realized that it is safer and cheaper to establish their own internal control system in order to prevent fraud in the future.

Manipulation of financial statements may shake up even the most developed capital markets, disturb their functioning and lead to a less or more serious financial crisis. Decrease of investments, GDP, and employment also affect a national economy. It is widely known that the decrease in investment attractiveness resulting from uncertainty, higher risks and an inefficient capital market slow down economic activities. Therefore, financial statements can contribute to or threaten the stability of the economic-financial environment. High-quality financial statements do not only represent the interest of investors and accounting profession but also of the regulatory bodies and relevant state institutions.

It is well- known that fraud is rife in the banking industry in Nigeria. According to Okonkwo (1986), "fraud has become another 'Nigeria factor' that is hell- bent on destroying the banking industry in Nigeria." No banking industry in Nigeria is spared of fraud, although the degree of occurrence may differ in these banks. According to Asokwo (1999), "Banks having cash and case equivalents as their principal commodity of trade are highly volatile and susceptible to various devices and manipulations aimed at defrauding them". Activities of fraudster in the banking industry are highly unpredictable and their methods of operation keep on changing with changes in banking operations. There is hardly any area or department in a bank that cannot be associated with one type of fraud or the other.

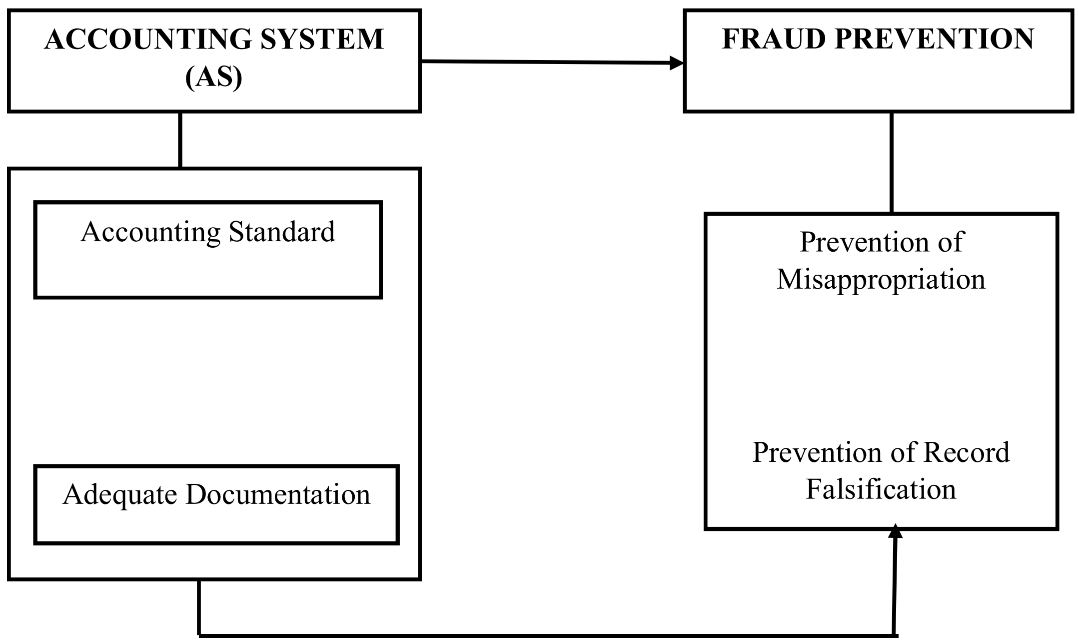
The rate banks go distress in Nigeria attest to this fact, frauds in financial industry became unbearable and led the Federal Government to establish the failed Banks (Recovery of debts) and financial malpractices in Bank decree No. 24 of 1991. According to kierian Enechi who wrote in "The Guardian of Thursday 13th June 1998", "the promulgation of these decrees was in abial to attest executive dishonesty, corruption and similar corporate vices". The position of this project is therefore to provide not just solution but specifically accounting solutions to these frauds. It is to find out what ways accounts are to help in preventing or at least reducing these frauds.

Statement of the Problem

Though the Nigeria banking industry is one of the most profitable within the economy, higher performance could be attained in terms of their private returns and obligations to the society. This must be so if the Banking Industry is to perform a leading role in re-activating the economy. The sub-optimal performance of the Nigeria Banking Industry is due to an array of problems. Of these problems, the issue of fraud in our Banking Industry is one of the most undesired and almost uncontrollable; hence, the need for this study.

Conceptual Framework

This study has two variables, the independent and the dependent. Accounting system is the independent variables whereas, the dependent variable is the fraud prevention of small and medium scale enterprises. This is depicted in Fig. 1.1



Purpose of the Study

The main objective of this study is to determine the role of accounting system in ameliorating fraud in the banking sector. Other specific objectives are to:

1. Determine the influence of accounting standards in preventing misappropriation in the banking sector.
2. Ascertain the effect of accounting standards on prevention of records falsification in the banking sector.
3. Determine the relationship between adequate documentation and misappropriation prevention of funds in the banking sector.
4. Ascertain the influence of adequate documentation on prevention of records falsification in the banking sector.

Research Questions

The following research questions were formulated to guide the study:

1. What is the effect of accounting standards on prevention of fraud in the banking sector in Nigeria?
2. What is the effect of adequate documentation on prevention of fraud in the banking sector in Nigeria?

Research Hypotheses

The hypotheses of this study are formulated and stated in null forms as follows:

$H0_1$: There is no significant influence of accounting standards on the prevention of funds misappropriation in the banking sector.

$H0_2$: There is no significant effect of accounting standards on prevention of record falsification in the banking sector.

$H0_3$: There is no significant relationship between adequate documentation and prevention of funds misappropriation in the banking sector.

$H0_4$: There is no significant influence of adequate documentation on the prevention of record falsification in the banking sector.

LITERATURE REVIEW

Theoretical Review

Everyone has the opportunity to commit fraud, against their employers, against suppliers and customers of their employer, against third parties and against government departments. However, such opportunity is guided or regulated by accessibility of the perpetrator to the accounts, assets, premises and to computer systems, skill required to identify that such opportunity exists and to be used and/or availability of sufficient time to plan and execute the fraud. The following theories relate to this study.

Theory of Concealment

Concealment is an essential ingredient of most systematic fraud. It can be defined as a manipulation of an accounting record or misrepresentation of a physical, personal or commercial reality intended to;

a. Hide, disguise or alter an account/inventory discrepancy before, during or after a fraudulent act.
b. Disguise, confuse, or delay the recognition the perpetrators guilt (to avoid location of blame) or to establish a plausible excuse for dishonesty;
c. Enable the perpetrator to obtain, a dishonest advantage by deception.

The theory explains the fact that the perpetrators deliberately introduce confusion during, or after the act, to conceal it or assist in its omission. Greed motivates this type of fraud to exploit any opportunities available. Self-preservation is crucial when it comes to concealment. The perpetrator usually tries to hide the loss and the evidence which indicates that he is responsible for it. He will strife to conceal the fraud in the best way available to him and may adopt optimum concealment course.

Theory of Deviations

Fraud is deviant behavior and perpetrators often conceal their dishonesty as plausible breaches of rules or procedures. It is a variance from a normal procedure or pertains. More often than not, the perpetrators are limited to the available opportunities and also concentrate on ways to conceal their guilt. Generally deviations from the accepted procedures are the first symptoms of fraud.

Theory of Fraud Triangle

This theory entails the triangle of different fraud aspects which includes perceived pressure/motives, perceived opportunities and rationalization. The term perceived is important in the context because at times pressure, opportunities and rationalization may not be necessarily real (Chiezey & Onu, 2013; and Ogechuckwu, 2013). Chiezey and Onu (2013) observe that the first temptations to commit fraud are financial and non-financial pressure. Though financial pressure is the major pressure as argued by Ngalyuka (2013), that 95% of frauds committed are due to financial pressure. This pressure can be in form of debts, underpayments, personal family financial challenges of the employees and those that related to work in terms of pressures to perform more than others (Ngalyuka, 2013).

The opportunity to commit fraud in the bank is determined by the undue access of the employees to some basic information which gives them an advantage to commit an unethical behavior and conceal it (Chiezey & Onu, 2013). Kanu and Okafor (2013) argue that these opportunities are due to weak control measures, lack of expectation for punishments which can serve as a deterrence and inadequate infrastructure. The last factor in the fraud triangle is the perceived rationalization. Rationalization is the justification of an unethical behavior within an organization other than a criminal activity. Mahinda (2012) opined that individual who cannot rationalize its unethical behavior might probably not commit fraud.

From the argument above, it is glaring that beyond internal control and corporate governance, strict compliance with banking ethics has great potential for preventing opportunity and rationalization for fraud which in turn break the fraud triangle.

Conceptual Review

Concept of Accounting Control System

Accounting control is the manner in which processes are configured to manage risk within an organization. The targets of accounting control are as follows:

* To guard against the loss of assets
* To ensure that financial statements represent fairly the financial results, position, and cash flows of a business
* To ensure that objectives are met in an effective and efficient manner
* To ensure that laws and regulations are followed

The system of accounting control may contain dozens or hundreds of separate control activities that are intended to work within the specific characteristics of a business. Thus, the accounting controls for a manufacturer are different from those of a distributor or retailer, even though all three firms may operate within the same industry. Management may elect to reduce accounting controls somewhat in order to increase the efficiency of a process. This may call for the creation of new controls elsewhere in order to offset the negative effects of the eliminated control.

Management is faced with the responsibility of designing and maintaining the internal Accounting system that is best suitable for the company as well as the industry. This internal control system will also help in ameliorating fraud. The emergence of internal control over specific segments of activities was associated with management needs for information on business performance and its development. Thus, management was able to more precisely evaluate consistency between the

actual situation and development targets. The original supervision was based on occasional, current and direct inspection of activities or additional inspection of documentation and information related to the work done. Although such an approach is still very important, the practice, however, has showed that management of a contemporary enterprise requires a different attitude toward supervision over processes and information. Modern business is characterized by complexity of goals and processes demanding qualitative, prompt and reliable information. Since occasional, partial and voluntary internal supervision could not meet such information requests, a complete and permanent system of internal controls of all important functions and processes in an enterprise has emerged. Among various definitions of internal control probably the most complete one was provided by the Committee of Sponsoring Organizations of the Treadway Commission: "Internal control is a process, effected by an entity's board of directors, management and other personnel, designed to provide „reasonable assurance" regarding the achievement of objectives in the following categories: effectiveness and efficiency of operations, reliability of financial reporting and compliance with applicable laws and regulations" (Rezaee, 2002, p. 212). International Standards on Auditing states that internal control system "means all the policies and procedures (internal controls) adopted by the management of an entity to assist in achieving management's objective of ensuring, as far as practicable, the orderly and efficient conduct of its business, including adherence to management policies, the safeguarding of assets, the prevention and detection of fraud and error, the accuracy and completeness of the accounting records, and the timely preparation of reliable financial information (Međunarodni standardi i saopštenja revizije: Značenje pojmova, SRRS, Beograd, 2005, p. 144).
Internal control is a gamut of measures that seeks to detect errors, frauds and irregularities, to ensure that all transactions are correctly processed and ensure that all assets are safeguarded through restriction of access to authorized persons only. It also enables work to be performed by a person and any omission or error can be traced to that person and to make the work of the auditors easier (Aguotu, 2002). One of the ways to detect fraud, though, ex-post is through internal audit. Internal audit is the process engaged to check if due process and procedures have been followed in the carrying out the operations of an organization which is carried out regularly and as when needed. According to Gayasi (2000) internal audit functions to provide independent view of financial, accounting and other processes to the management as a basis for protective and constructive service. It performs well if it has sufficient standing and authority within the bank and at the same time operates according sound principles (Bank for International Settlement, 2012). It acts a check on the way in which the operations of the firm or the organization are done. For a country known negatively with corruption perception index, the Nigerian financial environment presents a fraud level in significant figures and increasing in sophistication. The fraudulent practices in the Nigerian banking industry show consistently that outright theft is the commonest with the highest percentage in terms of value and volume (Owolabi, 2010). The paper analyzed in details employee involvement scenarios. The typology of fraud in Nigeria is variously described and detailed out. Owho (2005) and Nwanze (2006) gave different typologies as many as nine in each case, but clearly marked out by the various patterns as mentioned above. On the determinants of fraud in the Nigeria banking system, Ojo (2008) summarizes the causes of fraud in Nigeria banking system to two: Generic, institutional or endogenous factors and exogenous, environmental or social factors. Ajayi (2011) found total amount and number of staff involved as highly significant. This study did not suggest a solution to that problem of staff. A revisit of the study by Ajayi (2003) shows that there is significance in the number of branches of the bank apart from the cadre of workers in the bank, both at 0.01 level. Idolor (2010), in a study adopting primary data makes several conclusions about the state of banking frauds in Nigeria. Chief among the conclusion is that computer fraud now account for significant amount at $t = 70.23$ of banking frauds followed closely by stealing and theft at $t = 27.16$ of a total useable sample of 100 respondents. Abdul Rasheed et al. (2012) uses Pearson product moment correlation and evaluates the reported cases of frauds in Nigerian banks and concludes

that it has insignificant negative impact on banks profitability, and that the highest level of fraud happened in 2009.

Accounting Standard

There are varying perceptions over the role and level of assurance that could be expected from auditors especially when it comes to fraud. was defined as a gap between what the public or financial statement s users expect and what they actually receive (Humphrey et al., 1993; Porter, 1993; Monroe and Woodliff, 1993; Epstein and Greiger, 1994; Koh and Woo, 1998; Gay et al., 1998; Alleyne and Howard, 2005). Financial statement users believe auditors are responsible for detecting and preventing fraud, however in fact the responsibility of fraud detection lies upon management and not external auditors. External auditors have a responsibility to plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether caused by error or fraud (SAS No.1, 1997). Thus, auditors are not directly responsible for detecting every fraud in an organization, but only the material misstatements arising from them.

The main reason behind this difference in perception is because the role of the auditor has not been well defined throughout its history. In the early development of the profession (in the nineteenth century), auditors were engaged to provide almost absolute assurance against fraud and intentional mismanagement. By the 1930s, the profession had had a transition from the role of detecting fraud by verifying all transactions and amounts to determining truth and fairness in financial reporting (Lee 1986). This was due to the increase in size and volume of companies' transactions. However, despite this transition, the high expectations among users remained unchanged (Carmichael, 1975; Fadzly and Ahmad, 2004; Alleyne and Howard, 2005).In an effort to narrow the audit expectation gap, audit standards' setters issued a number of standards that directly address the boundaries of external auditors' responsibility for fraud detection. For instance, in 1988, the AICPA issued "Statement on Auditing Standards No.53 (SAS No.53): The auditor's responsibility to detect and report errors and irregularities". The statement held the auditor responsible for detecting errors and irregularities that materially impacted on the financial statements. However, critics of SAS No.53 argue that it did not differentiate between errors and irregularities or how the results of reviewing the factors are translated into a likelihood of fraud (Loebbecke et al., 1989). They also believe the standard gave no attention to the auditors' qualifications, organizational factors, and audit procedures that could be very important in the detection of fraudulent financial reporting (Moyes and Hasan, 1996). Further, Loebbecke and Willingham (1988) developed a model to detect management fraud by considering the content of SAS No.53 in terms of assessing the likelihood of management fraud. They also tested the model against the contents of management fraud cases reported in the Securities and Exchange Commission (SEC) Accounting and Auditing Enforcement Releases (AAERs). Their results indicated that the risk factors in the SAS required some modification. In addition, academic research studies into the audit expectation gap during this period (Humphrey, et al., 1993; Epstein and Geiger, 1994; Sweeney, 1997) found that the standard did not close the expectation gap, especially when it comes to external auditors' fraud detection role.

In 1997, the AICPA issued SAS No.82: "Consideration of fraud in a financial statement audit" to address the weaknesses in SAS No.53. This new standard differentiated between errors and fraud and required auditors to plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatements, whether caused by error or fraud. It also provided guidance on how the auditor should achieve this by looking at areas and categories of heightened risk of fraud, how the auditor should respond, how to evaluate audit test results as they relate to the risk of fraud, and how to communicate about fraud to management, the audit committee, and others. However, critics of SAS No.82 argued that it did not increase the auditors' responsibility to detect fraud, and that auditors' responsibility is still framed by the key concepts of materiality and reasonable assurance (Mancino, 1997). They also believed that the standard could make things worse by creating a checklist mentality which could never cover all possible ways in which fraud could occur (Hoffman, 1998). Others mentioned that factors cited in SAS No.82 are subjective and difficult to assess, and risk factors may exist in circumstances where fraud does not exist, and even when risk factors are present, the auditor's response to them is not definitively prescribed by the standard (Public Oversight Board, POB, 2000, Shelton et al., 2001). Another criticism of SAS No.82 is that it focused on a typical list of fraud risk factors that, in practice, were usually reduced to a checklist that individual auditors completed without practical application and included in their working papers (AICPA, 2007). Further, in a survey study carried out by Johnson and Rudesill (2001) where 1000 questionnaires were mailed to Certified Public Accountants randomly selected from the AICPA to identify the perceived impact of SAS No.82 on audits of small businesses, results showed that SAS No.82 would do little to close the expectations gap.

The situation became even worse in 2001 with the collapse of Enron as a result of financial statement fraud. This collapse eroded the public's trust in the audit profession and increased the audit expectation gap. In response, the AICPA superseded SAS No.82 by SAS No.99 in 2002. The statement was implemented to expand audit procedures to detect fraud and requested auditors to approach the audit with professional skepticism and to avoid placing excessive reliance on representations from clients. This standard also requires external auditors to discuss among the audit team members the risks of material misstatement due to fraud, identify fraud risk and management incentives, opportunities, to rationalize occurrence of fraud, and design audit tests responsive to the risks of fraud. SAS No.99 lists various fraud risk factors to help the auditor in considering whether fraud is present as in SAS No.82, however in SAS No.99 the fraud risk factors reflected the three factors in the fraud triangle which helps to explains why fraud is committed: Incentives/Pressure, opportunity, and attitude/rationalization. It also introduced a new audit procedure, namely a brainstorming session which external auditors have to perform on every engagement requiring the audit team members to discuss how and where they believe the entity's financial statements might be susceptible to material misstatement due to fraud, and how management could perpetrate and conceal fraudulent financial reporting. The standard also emphasized the importance of enquiries as an audit procedure that increase the likelihood of fraud detection, expanded use of analytical procedures to gather information used to identify risks of the material misstatements due to fraud, and to consider other information such as client acceptance and continuance procedures during the information gathering phase. However, critics (Casabona and Grego, 2003; Wells, 2004 Hoffman et al., 2009) of SAS No.99 believe that it did not mention how auditors can decide on the quality or weights of red flags for fraud. This will make auditors assume that all indicators are equally important, thus limiting the predictive usefulness of the system. Others (Shelton et al., 2001; Pedneault, 2004; Smith and Baharuddin, 2005; Hogan et al., 2008; Sirvastava et al., 2009) argue that the standard omitted specific guidance for responding to fraud once the fraud risk factors are identified and did not require all procedures to be followed but merely suggested that auditors consider implementing them. This might result in an inconsistency in applying those guidelines, as each audit firm has developed its own approach to such assessments. In a study conducted by Marczewski and Akers (2005) to determine Certified Public Accountants' (CPAs) perceptions of the impact of SAS No.99 and the extent to which it differed from SAS No.82. A questionnaire was sent to a random sample of 300 CPAs from the Wisconsin public accounting firms. The results showed that despite the perceived increase in responsibility, there has been no apparent change in the assignment of audit personnel. The overall assessment indicates that the changes to audit procedures due to SAS No.99 would moderately increase the effectiveness of audits, but may not increase the public's confidence in audits. In an experimental study conducted by Hoffman and Zimbelman (2009) to explore potential policies that may improve auditors' effectiveness at detecting fraud, they found that both strategic reasoning and brainstorming lead to more effective audit procedures even if standard audit programmes are used. However, they noted that SAS No.99 did not discuss strategic reasoning but only implied that brainstorming will help auditors achieve the benefits of strategic reasoning.

In 2009, the IAASB issued a revised version of ISA No. 240: "The auditor's responsibilities relating to fraud in an audit of financial statements", which provided similar directions to external auditors as SAS No.99 with respect to fraud. The standard also mentioned that: "The auditor shall maintain professional skepticism throughout the audit, recognizing the possibility that a material misstatement due to fraud could exist, notwithstanding the auditor's past experience of the honesty and integrity of the entity's management and those charged with governance" (paragraph A7-A8).

Adequate Documentation

To ensure that an entity's accounting system effectively meets the entity's accounting, fiscal control, and financial reporting needs, the entity's accounting records and source documents should be:

i. Pre-numbered consecutively and accounted for by someone other than the preparer to facilitate control over missing documents and to aid in locating documents when they are needed at a later date;
ii. Prepared at the time of the transaction or as soon afterward as possible in order to reduce the likelihood of error;
iii. Sufficiently simple so that they can be readily understood;
iv. Designed for multiple use whenever possible, which can help minimize the number of different forms and reduce the duplication of effort;
v. Constructed in a manner that encourages correct preparation and transfer of information through internal checks within the form or record, for example including instructions for proper routing spaces for authorizations and approvals, footing and cross-footing, and pre-printed data; and
vi. Designed to illustrate/document compliance with requirements applicable to financial assistance programs.

Concept of Fraud and Fraud Prevention

It is pragmatically essential to exegesis on the various operational definitions of major concepts of this topic. This will give a clear understanding of the concepts that are very synonymous but never the same, especially the word fraud, forgeries and errors. Different scholars have defined fraud, forgeries and errors in various ways. Fraud is described as an act of deliberate deception with the intention of gaining some benefit, in other words it is the act of dishonestly pretending to be something that one is not. (Chamber English Dictionary, 2002). Wikipedia (2008) defines bank fraud as whenever a person knowingly executes, or attempts to execute, a scheme or artifice (1) to defraud a financial institution; or (2) to obtain any of the moneys, funds, credits, assets, securities, or other property owned by or under the custody or control of, a financial institution, by means of false or fraudulent pretences, representations, or promises. Also from the legal point of view, Fagbemi (1989) perceived fraud as "the act of depriving a person dishonestly of something which is his or something to which he is or would or might but for the perpetration of fraud, be entitled". The view of Adewumi (1986) is that fraud is a conscious premeditated action of a person or group of persons with the intention of altering the truth and or fact for selfish personal monetary gain. It involves the use of deceit and trick and sometimes highly intelligent cunning and know-how. The action usually takes the form of forgery, falsification of documents and authorizing signatures and an outright theft. Almost in the same direction Nwankwo (1991) also opined that fraud occurs when a person in a position of trust and responsibility, in defiance of norms, breaks rule to advance his personal interests at the expense of the public interest, which he has been entrusted to guide and promote. It occurs when a person through deceit, trickery or highly intelligent cunning ways, gains an advantage he could not otherwise have gained through lawful, just or normal process. It is evidence from the multiple-definitions given by various scholars that the word fraud is generic in nature. However fraud is generally considered to be anything calculated to deceive. This include all arts, omissions, and concealments involving a breach of legal or equitable duty, trust or evidence justly reposed which result in damage to another or by which undue and conscienceless advantage is taken of another. Fraud is distinctive from any other term that looks like it such as forgery and errors in that, it shows a more affirmative action, evil in nature such as intentionally and deliberately proceeding or acting dishonestly with a wicked motive to cheat or to deceive another.

Forgery is a type of fraud which is mainly a falsification or manipulation of documents. Generally forgery is characterized by alteration of writing to the prejudice of other rights. Basically, three elements are identified with forgery.

i. There must be a false writing or alteration of an instrument.
ii. The instrument must be apparently capable of defrauding.
iii. There must be intent to defraud.

Deceit is another prominent nature of fraud or fraudulent practices. Deceit is a kind of fraud, it consisting of any false representation or contrivance whereby one person overreaches and misleads another to his hurt. Most fraud cases are based on false representations or concealment of material facts. False representations are those made directly by an interested party to induce action on the part of another; those made with reference to the subject matter, those made by a third party torching some fact which is not the subject of the contract, and those made under such circumstances as to cause unknown persons to act on them. (IIA 1977)

Fraud and fraudulent practices are of various forms in the banking industry. There are general types of fraud that is more of a common denomination to various organizations e.g. accounts manipulation, deliberate reclassification of accounts to show fictitious profit etc.

Banking fraud is not very convenient to group into types, because it takes various dimensions, nature and forms. Nwanze (2006) submitted that bank fraud can be classified into, executive fraud and other frauds. Ogundeji (2005) as cited by Nwanze (2006) gave the following types of bank fraud, executive, foreign exchange, domestic operations, reconciliation, money market and treasury, risk assets, information technology, financial control, clearing, fund transfer, teller operations and customer services related frauds. Olojo (2006) also described fraud typology as consisting of syndicated fraud, corporate fraud, executive fraud, internal fraud, external fraud, internal/external fraud, computer fraud, electricity failure aided fraud, good boy and good girl syndrome aided fraud, rotten leadership aided fraud, slow judicial aided fraud and survival politics induced aided fraud.

Also, Owho (2005) emphasized the following types of fraud, theft and embezzlement, defalcation, forgeries, suppression, fraudulent substitution, payment against uncleared effects, unauthorized lending, lending to ghost borrowers, kite flying and cross Firing, unofficial borrowing, foreign exchange malpractices, impersonation, over invoicing, manipulation of voucher, fictitious contracts, fictitious accounts, over valuation/under valuation of properties, false declaration of cash shortages, fraudulent use of bank documents, falsification of status report, misuse of suspense account, duplication of cheque books, drafts, mail transfers, interception of clearing cheques, interception and switching of telex messages, inflation of statistical data, laundering, computer frauds, false proceeds of collection, robberies, teeming and lading, fake payment, claim of supernatural influence, and double pledging.

This study will examine typology of fraud under the following headings: executive/corporate fraud, common fraud, and computer aided fraud.

Common Fraud

Common fraud is a classification that embodies various types of fraud that cut across most common departments in the banking industry. Mostly they are categorized into: clearing fraud, advance fee fraud, money transfer fraud, counterfeit securities, Cheque kitting, theft and embezzlement, robberies, forgeries, defalcation and letter of credit fraud.

Clearing Fraud

This is the act of stealing, depriving, duping or exploiting an individual, organization or group of institutions through criminal manipulation of clearing instruments. The clearing fraud takes the following forms:

a) Suppression of Clearing Instruments: - This is perpetrated by paying a cheque drawn on account

with insufficient fund. The appropriate thing would have been to return such cheque, thus, the payment of such cheque is fraud due to suppression.
b) Payment against Unclear Effects: - A direct credit awarded a customer on a cheque deposit which had not been cleared is a fraud. The cheque may be returned unpaid what happens to the credit advantage of the depositor.
c) Conversion of clearing Instruments: - This is common when a cheque or draft drawn in favour of one person gets into the hands of a wrong person by any fraudulent means and coincidentally the wrong person enjoyed the value on the instrument, this is a fraud due to wrong conversion of clearing instruments, that is, accepted by a bank for which it cannot fully guarantee collectability until the institution on which such cheque is drawn has confirmed that funds are available to cover them.

Letter of Credit Fraud
A letter of credit is an undertaking by an issuing bank on behalf of an importer (the applicant) that payment will be made for goods or services supplied by the exporter (the beneficiary) provided that the exporter complies with all the terms and conditions stipulated by the credit (Okororie, 2005). This document passes through many confirmation stages through which a fraudulent banker can manipulate and defraud the bank or the exporter. The common practice is that some beneficiaries to the credits use forged or fraudulent documents. In such there cases, these documents are presented to the confirming or issuing bank. Bank payment is demanded against the credit whether or not; the banks documents appear to comply with the terms of the credit.

Executive Fraud
Executive fraud is characterized by the following tentacles; loan application through fronts, foreign exchange transfer profiteering, Business development and public relations, Loan recovery fraud, cost of fund (Interest padding), property rental frauds, over-invoicing on purchases and other contracts, utilization of bank's time and other resources.

Computer-Aided Fraud
This is a process involving all acts, involving the use of computer through deceit or dishonest manner or approach of depriving person or corporation of their property without their consent. This can take different forms

a. A computer is the main object of fraud
b. The computer creates a unique environment in which fraud takes place.
c. The computer as an instrument for commuting fraud

Computer fraud can be perpetrated through input manipulation, file manipulation program manipulation or operation manipulation. A combination of any of the above methods may end up with the following effects on operations.

- Tampering with computer files
- Manipulation of input data
- Creating fictitious account
- Using password belonging to other staff
- Fixing of dummy applications
- Using master passwords

In almost the same manner E-banking also attracts varieties of fraud such as skimming, (counter fact card fraud) stolen card, fraudulent applications, never received issue, card data manipulation, ATM video, spam mails or denial service, Access swift fraud, money transfer frauds, Inter-Bank clearing frauds, Money Laundering Frauds, and Scam mails.

Empirical Review
Sang (2012) explore determinants of fraud control measures in Kenya commercial banks. Descriptive

research design was used and data was collected through the use of questionnaire and analyzed using descriptive and inferential statistics. The study concluded that the effectiveness of internal control measures was affected by non-adherence to dual control aspect and lack of sufficient time to undertake the various periodic tests with delight. He recommended that comprehensive measure militating against fraud be established and enforcement of compliance of fraud mitigation methods and increase the numbers of staff in key areas.

Ajala, Amuda and Arulogun (2013) examine the evaluation of internal control system as a preventive measure of fraud in Nigerian banking sector. Data was sourced from five commercial banks audited and published financial statements and were analyzed with the use of product moment correlation coefficient and regression analysis. They find out that internal control system has significantly prevented and curbed frauds in Nigerian banks. They concluded that bad corporate governance was responsible for improper designing of internal control system which could have led to corporate performance of Nigerian banks.

Zuraidah, Mohd and Yusarina (2015) investigated fraud schemes in the banking institutions and the preventive measure to avoid severe financial loss. The study was conducted among management levels in Malaysia banking institutions, with a focus on branch managers and assistants' managers who handles mortgage loan and hire purchase loan. The study finds out that perpetrators of fraud always have insight of the procedure and had taken advantage and capitalize on the process to penetrate and commit fraud. They concluded that it is impossible to achieve zero fraud risk in the banking institutions because fraudster will always find their ways, therefore that the fundamental functions of banking institutions' staffs should be better emphasized to make their roles more visible in combating fraud.

Etengu R.O & Amony M. (2016) investigated the role of internal control system in the financial performance of non-governmental organizations in Uganda. They found a significant relationship between control environment, control activities, monitoring, and financial performance. They recommended that control environment, control activities, and monitoring should be enhanced in order to further improve the financial performance of International Union for Conservation of Nature. Additionally, performance standards should be established and communicated to employees of International Union for Conservation of Nature in a bid to improve financial performance. Kiumars N.A*. et. al*., (2016) evaluated the relationship between internal control systems with the financial performance of Medical Sciences University of Golestan. They found that from the view of financial employees of University, there has a positive and significant association between the internal control system and financial performance in Medical Sciences University of Golestan and dimensions of internal control had an association with control environment, control activities and internal audit with financial performance. Michael O.O. (2016) investigated the issue of controls and frauds by assessing whether churches have effective internal controls and if such can prevent fraud. They concluded that the trace of internal control in place, churches need to work particularly on the authorization and personnel controls to avoid the incidence of fraud. Magu J.K. & Kibati P. (2016) aimed to establish the influence of internal control system on the financial performance of KFA Ltd. They revealed that the staffs have been not trained to implement the accounting and financial management systems; and that the security systems do not identify and safeguard organizational assets. They also found that there is a positive relationship between internal control systems and financial performance of KFA Ltd. Okechukwu, E. O. Umebali, E.E & Ugeh Scholastica (2016) evaluated the performance of cooperative societies in Delta State focusing on the degree of adoption and application of internal control systems. They revealed that internal control system has a significant influence on the performance of co-operatives, the internal control system being used by co-operatives are majorly physical control, financial authorization, arithmetic, and accounting. Adagye I.D. (2015) assessed the effectiveness of internal control system in tertiary educational institutions in Nasarawa State, Nigeria with a specific focus on the Nasarawa State Polytechnic, Lafia. They recommended that transparency should be seen as significant; as the institution work toward meeting its objectives, it, therefore, means that the right staff is assigned the right job and regular checking of the subordinates by their superiors ensue. Channar Z.A., Khan M. & Shakri I.H. (2015) investigated the functionality of each of the five internal control components, the effectiveness of the control system and its relationship with financial performance. Results showed that internal control effectiveness is strongest in private banks, followed by public banks and weakest in Islamic banks, although the difference is not statistically large, slight variation exists. Dimitrijevic D., Milovanovic V. & Stancic V. (2015) aimed of this work is to show how the overall quality of control and company performance is improved through implementation of preventive methods by internal controls, and to indicate that a developed system of internal control represents a protective barrier against various kinds of data manipulation and fraud inside the companies. They recommended that companies should be treated with much attention because their adequate implementation increases the quality of business performance and control. Internal control should gradually implement new methods for fraud prevention. Nevertheless, internal control should at least consult other controls while handling fraud in order to increase the quality of a company's defense mechanisms.

METHODOLOGY

Population of the Study

The theoretical population will consist of all deposit money banks in Nigeria. The target population for this study comprises all senior staff of deposit money banks in Nigeria. From this population, four (4) senior staff were selected from each of the twenty-two (22) deposit money banks for this study resulting to eighty-eight (88) individual respondents.

Method of Data Analysis

The collected data was analyzed using simple percentages for the questionnaire items; the spearman's rank order of correlation coefficient (RHO) was adopted by the use of Statistical Package for Social Science (SPSS) Version 21 was used to analyze the stated hypotheses. This as a tool, is considered to be more flexible and it is not limited or confined to parameters statistical assumption such as applicable in the Pearson's product moment correlation.

ANALYSIS AND CONCLUSION

Relationship between Accounting standard and Prevention of Fraud

Table 4.13 shows the result of correlation matrix obtained for Accounting standard and Prevention of Fraud. Also displayed in the table is the statistical test of significance (p - value), which makes us able to generalize our findings to the study population.

Table 4.13 Correlations for Accounting standard and Prevention of Fraud

			Accounting Standard	Prevention of misappropriation	Prevention of Falsification
Spearman's rho	**Accounting Standard**	Correlation Coefficient	1	.962**	.889**
		Sig. (2-tailed)		.000	.000
		N	122	122	122
	Prevention of misappropriation	Correlation Coefficient	.962**	1	.569**
		Sig. (2-tailed)	.000		.000
		N	122	122	122
	Prevention of Falsification	Correlation Coefficient	.976**	.976**	1
		Sig. (2-tailed)	.000	.000	
		N	122	122	122

**. Correlation is significant at the 0.05 level (2-tailed).

Source: Research Data , 2023 (SPSS output, version 21.0)

Table 4.13 illustrates the test for the two previously postulated bivariate hypothetical statements.

H_{o1}: There is no significant relationship between **Accounting standard** ***and*** **Prevention of misappropriation** ***of the banks in Nigeria.***

From the result in the table above, the correlation coefficient (rho) shows that there is a significant and positive relationship between accounting standard *and* Prevention of misappropriation. The *correlation coefficient* 0.962 confirms the magnitude and strength of this relationship and it is significant at p 0.000<0.05. The correlation coefficient represents a moderate correlation between the variables. Therefore, based on empirical findings the null hypothesis earlier stated is hereby rejected and the alternate upheld. Thus, there is a significant relationship between Accounting standard *and* Prevention of misappropriation in banks in Nigeria*.*

H_{o2}: There is no significant relationship between Accounting standard and Prevention of Falsification ***of the banks in Nigeria.***

From the result in the table above, the correlation coefficient (rho) shows that there is a significant and positive relationship between Accounting standard and Prevention of Falsification. The *correlation* coefficient of 0.889 confirms the magnitude and strength of this relationship and it is significant at p 0.000<0.05. The correlation coefficient represents a high correlation indicating also a strong relationship between the variables. Therefore, based on empirical findings the null hypothesis earlier stated is hereby rejected and the alternate upheld. Thus, there is a significant relationship between Accounting standard and Prevention of Falsification in banks in Nigeria.

Relationship between Adequate Documentation and Prevention of Fraud

Table 4.14 shows the result of correlation matrix obtained for Adequate Documentation and Prevention of Fraud. Also displayed in the table is the statistical test of significance (p - value), which makes us able to generalize our findings to the study population.

Table 4. 14 Correlation Matrix for Adequate Documentation and Prevention of Fraud

			Adequate Documentation	Prevention of misappropriation	Prevention of Falsification
Spearman's rho	**Adequate Documentation**	Correlation Coefficient	1	.838**	.569**
		Sig. (2-tailed)		.000	.000
		N	122	122	122
	Prevention of misappropriation	Correlation Coefficient	.838**	1	.569**
		Sig. (2-tailed)	.000		.000
		N	122	122	122
	Prevention of Falsification	Correlation Coefficient	.569**	.569**	1
		Sig. (2-tailed)	.000	.000	
		N	122	122	122

Source: Research Data, 2023 (SPSS output, version 21.0)

Table 4.14 illustrates the test for the two previously postulated bivariate hypothetical statements.

H_{o3}: There is no significant relationship between Adequate Documentation and Prevention of misappropriation of banks companies in Nigeria.

From the result in the table above, the correlation coefficient (rho) shows that there is a significant and positive relationship between *Adequate Documentation and Prevention of misappropriation*. The *correlation coefficient* 0.838 confirms the magnitude and strength of this relationship and it is significant at p 0.000<0.05. The correlation coefficient represents a very high correlation indicative of a very strong relationship between the variables. Therefore, based on empirical findings the null hypothesis earlier stated is hereby rejected and the alternate upheld. Thus, there is a significant relationship between Adequate Documentation and Prevention of misappropriation in banks in Nigeria.

H_{o4}: There is no significant relationship between Adequate Documentation and Prevention of Falsification of banks in Nigeria.

From the result in the table above, the correlation coefficient (rho) shows that there is a significant and positive relationship between Adequate Documentation and Prevention of Falsification. The *correlation* coefficient of 0.569 confirms the magnitude and strength of this relationship and it is significant at p 0.000<0.05. The correlation coefficient represents a moderate correlation between the variables. Therefore, based on empirical findings the null hypothesis earlier stated is hereby rejected and the alternate upheld. Thus, there is a significant relationship between Adequate Documentation and Prevention of Falsification of banks in Nigeria.

Table 4.15 Decision summary

Hypotheses	**Decision**	**Basis for decision**	**Remark**
H_{o1}: There is no significant relationship between Accounting standard and Prevention of misappropriation.	The null hypothesis was rejected	Relationship was significant based on rho=0.962; p= 0.000 <0.05.	Relationship was very strong.

H_{o2}:	There is no significant relationship between Accounting standard and Prevention of Falsification	The null hypothesis was rejected	Relationship was significant based on rho=0.989; p= 0.000 <0.05.	Relationship was very strong.
H_{o3}:	There is no significant relationship between Adequate Documentation and Prevention of misappropriation.	The null hypothesis was rejected	Relationship was significant based on rho=0.838; p= 0.000 <0.05.	Relationship was very strong.
H_{o4}:	There is no significant relationship between Adequate Documentation and accuracy of findings.	The null hypothesis was rejected	Relationship was significant based on rho=0.976; p= 0.000 <0.05.	Relationship was very strong.

Source: Research data summary, 2023

CONCLUSION

In a globally dynamic business environment, adequate accounting system is a key driver of Prevention of Fraud in the 21st century organizations. In today's challenging environment, no financial institution cannot claim to keep adequate records without complying to the statutory requirement. It is, therefore, imperative to inspire, encourage and motivate banks to enhance fraud prevention. Good and adequate documentation such as statutory compliance in record keeping and sufficient disclosures do not only helps in enhancing fraud prevention, but also provide reliance for decision making. The specific organizational objectives should be clear, effective supervision, coupled with equality and fairness, recognition. The study concludes that accounting system through accounting standard and adequate documentation significantly influences Prevention of Fraud by way of preventing misappropriation and falsification.

RECOMMENDATIONS

Based on the discussion and conclusion above, the following recommendations are hereby made:

i. Banks should comply with accounting standards in their records keeping and transaction in order to enhance them in yielding higher profitability and effective fraud prevention.
ii. Banks should make effort to keep and prepares adequate documentation in order to avoid statutory sanction and enhance Prevention of Fraud.
iii. Banks should strengthen their internal control system as this is a one of the major driver in prevention of fraud.

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