Forensic auditing and financial crime in Nigerian banks
A proactive approach

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Abstract
This study adopted a proactive approach to forensic auditing and financial crime. It aimed at investigating the relationship between forensic auditing and financial crime in Nigerian banks. To achieve this purpose, research hypotheses were formulated and a review of related literature was made. The population of the study consisted of twenty-three (23) recapitalized banks in Port-Harcourt, the Rivers State capital. The major instrument used for data collection in the study is the questionnaire, which was designed in 5-point Likert-Scale. The data generated for the study were analysed with frequencies and percentages while the stated hypotheses were statistically tested with the Pearson Product Moment Correlation Co-efficient. Our findings revealed that the proactive approach to forensic auditing helps in minimizing the risk of financial crimes in Nigerian banks. Based on the above, it was recommended that forensic auditing department should be created in Nigerian banks to initiate internal measures for fighting financial crimes; forensic auditing courses should be introduced in Nigerian higher institutions of learning to provide the necessary skills and knowledge on forensic auditing issues; and forensic auditors' report of banks should be made public.

1.0 Introduction

An organization is essentially a social-technical device made up of people and physical actors who process certain inputs, and execute certain functions or tasks that lead to the accomplishment of goals. These stakeholders who are within or outside the organization may for various reasons be engaged in fraudulent financial reporting and financial crimes. According to Yio and Cheng(2004), financial crime is an illicit activity committed with the purpose of acquiring riches either individually, in group or organized manner thereby violating existing legislation or accounting policies governing the economic activities and administration of the organization. It is an intentional perversion of the truth for the purpose of inducing another, in reliance upon it to part with some valuable belongings or surrender a legal right. Signs of financial crime can be identified in a variety of ways -- by accident, by whistle-blowing, by auditors, by data mining, by controls and testing, or by the organization's top management requesting an inspection on the basis of mere suspicion (Korsmo, 2012). Ideally, fraud prevention ought to be recognized as an important responsibility throughout every organization, and every employee in an organization ought to be familiar with the disciplinary consequences for breach of trust as well as failure to report criminal misdeeds against the organization.

Okoye and Akenbor (2009) claimed that financial crime manifests in lying, cheating, stealing and duping people. The effect of financial crime on any organization is usually unpleasant. Kiabel (2002) asserted that financial crime in any organization leads to economic loss, loss of goodwill, loss of staff and consequently business closure. According to Abiodu (2006), the most significant effect of financial crime is the economic loss to the organization. It results to loss of funds and other assets. The loss of liquid cash decreases the amount of working capital available thereby reducing the level of business operations, profit and returns to shareholders. When an organization is negatively publicized of financial crime, the goodwill which it has earned over the years may significantly reduce because nobody wants to be identified with a fraudulent organization. Financial crime also result to loss of valuable employees who are prosecuted, found guilty and terminated of their job or innocent employees who may voluntarily resign their employment due to the humiliating experience they had during the fraud investigation. Furthermore, some financial crime may be very serious and therefore result in the closure of the organization.

Financial crime in Nigerian banks is assuming an alarming rate. It deprives the bank of its fund. Prior to 1980s, financial crime in Nigerian banks generally involves only a few transactions perpetrated by a single individual or a small group of individuals. Losses were small to the victim institutions. This is no longer the case in modern banking. For example in 1989, 446 bank staff were involved in financial crime and the number increased to 737 in 1993 (NDIC, 1998). It has virtually become an annual ritual for the Nigerian Deposit Insurance Corporation to report on the total amount involved in bank frauds as well as the number of bank staff terminated, dismissed or prematurely retired due to frauds. In recent times, the Economic and Financial Crime Commission (EFCC) was established in Nigeria by the Economic and Financial Crime Commission Act 2004 to fight various forms of economic and financial crimes and bring criminals to book. Prior studies have shown that the management, employees, customers and clients of the organization have been guilty of financial crime and fraudulent practices. In its effort to make Nigerian banks devoid of fraudulent practices, chief executives and other bank staff of some banks in Nigeria have been made to face the music by their involvement in financial crime of various dimensions. In view of these financial improprieties which often render the Nigerian banks incapacitated, the literature has suggested that forensic auditing serves as a veritable weapon in the fight against financial crime. According to Bologna and Lindquist (1987), forensic auditing is the application of financial skills and investigative mentality to unresolved issues, conducted within the context of rules of evidence. It provides an understanding of the red-flags of financial crime and the key proactive techniques to handle fraudulent practices. It is on this premise that this study tends to examine the relationship between forensic auditing and financial crime in Nigerian banks. Based on the above, the following null hypotheses were formulated;

(i) There is no negative significant relationship between proactive forensic auditing and managers' financial crime in Nigerian banks.

(ii) There is no negative significant relationship between proactive forensic auditing and employees' financial crime in Nigerian banks.

(iii) There is no negative significant relationship between proactive forensic auditing and outsiders' financial crime in Nigerian banks.

2.0 Literature Review

2.1:Nature of Forensic Auditing and Financial Crime

Forensic auditing is an activity that consists of gathering, verifying, processing, analyzing, and reporting on data in order to obtain facts and evidence in a predefined context in the area of legal and financial disputes or irregularities and giving preventive advice (Mohd and Mazni, 2008).It is the utilization of specialized investigative skills in carrying out an enquiry conducted in such a manner that the outcome will have application to the court of law. Criminologists, just like their legal counterparts, have found it constantly challenging to define in its purest form and sample the constituents of fraud. From a legal point of view, fraud situates itself as a generic term which embraces all multifarious means, which human ingenuity can devise, that are resorted to by one individual to get an advantage over another by false pretences. Levanti (2001) argues that no definite and invariable rule can be laid down as a general proposition in defining fraud. The United States Association of Fraud Examiners (1999), in Levanti (2001), identifies fraud as the fraudulent conversion and obtaining of money or property by false pretences: included are larcenies by bailee and bad cheque. Mauro (1998) argues that fraud is the unlawful making, with intent to defraud, a misrepresentation which causes actual prejudice or which is potentially prejudicial to another. It identifies essential elements as follows: unlawfulness, misrepresentation (which could be in the form of words, conduct, or failure to disclose); prejudice (which could either be actual or potential), and intention. What may be drawn as the common denominator for fraud is that the crime comes into fruition where there is an element of misrepresentation.

Financial crime has developed in nature and complexity from the traditional system of simple cheque fraud where a fraudster would just forge his name on a simple cheque by using an ordinary pen, to more sophisticated techniques, such as the advance fee fraud which utilizes the internet and computer highways (Thormhill, 1995). Mohd and Mazni (2008) identified two species of fraud, those that are committed by insiders (management and employees) and those committed by outsiders. Among the bank frauds emanating from within are: rogue traders, fraudulent loans, wire fraud, forged documents, theft of identity, and demand draft fraud. On the other hand, fraud committed by outsiders include: forgery and altered cheques, stolen cheques, cheque kitting, payment card fraud, booster cheque duplication and skimming of card information, prime bank fraud, fictitious bank 'inspector', fraudulent loans applications, impersonation and theft of identity fraud and advance fee fraud, money laundering, and 'missing in the post' fraud. According to Shakka (2002), a rogue trader is a highly placed trader to invest sizeable funds on behalf of the bank. This trader makes risky investments using the bank's money, which when one investment goes bad, the trader engages in further market speculation in the hope of a quick profit which would hide or cover losses. Currency dealers usually commit some of the largest bank frauds (Korsmo, 2012). A fraudulent loan is one way to chant away money from a bank by bankers. The borrower may even be non-existent and the loan merely an artificial thing to conceal a theft of large sums of money from the bank (Nwoha and Ifurueze, 2010). Wire fraud makes use of wire transfer network, such as SWIFT, Real Time Gross Settlement (RTGS), and interbank fund transfer systems. While several banks have put some checks and balances in place, there is real risk that insiders may attempt to use fraudulently or forged documents, which claim to request a depositor's money wired to another bank, often an offshore account in some distant foreign country (Thornhill, 1995).

A discounting fraud is a confidence trick, where fraudsters use a company at their disposal to gain confidence with the bank, by appearing to be a genuine, profitable customer (Levanti, 2010). After sometime, the bank is happy with the 'company' and the company may now request that the bank settle its balance with the company before billing the 'customer'. Levanti (2010) argues that only when the outstanding balance between the bank and the company is sufficiently large, the 'company' takes the payment from the bank, and the company and its customer disappears, leaving no one to pay the bill issued by the bank. A forged cheque fraud occurs where an employee issues a cheque without proper authorization. Shakka (2002) stated that the technique of altering information may be through the use of chemical alterations, acetone, brake fluid, and bleach to remove or modify the handwriting. Instead of tampering with real cheque, some fraudsters will attempt to forge a depositor's signature on an unused cheque or even print their own cheque drawn on an account owned by others, non-existent accounts, or even alleged accounts owned by non-existent depositors. The cheque will then be deposited to another bank and money withdrawn before the cheque can be returned as invalid or for non-sufficient funds. Stolen cheque books may even be used by a fraudster who merely signs as if he was the depositor. Thornhill (1995) stated that a booster cheque is a fraudulent or bad cheque used to make a payment to a credit card account in order to 'boost out or raise' the amount of available credit on otherwise legitimate credit cards. A stolen payment card can be used in fraud involving stealing the card itself and charging a number of high-ticket items to it in the first few minutes or hours before it is reported stolen.

Accounting fraud involves hiding serious financial problems using fraudulent bookkeeping to overstate income, inflate the worth of the company assets or state a profit when the company is operating at a loss (Shakka, 2002). This could be used to conceal theft in the organization as in the case of oceanic bank and intercontinental bank in Nigeria. Thormhill (1995) states that application, or skimming of information, is a fraud that takes a number of forms, ranging from dishonest merchant copying client card number for later use to the tampered credit or debit card readers to copy the magnetic storage from a payment card while a hidden camera captures the number on the face of the card. The fraudulent equipment would then be removed and the data used to produce duplicate cards that could be used to make Automated Teller Machine (ATM) withdrawals from the victim's account (Korsmo, 2012).Impersonation and theft of identity operates by determining information about the victim, then using that information to apply for an identity card, account, and credit card in the name of the victim (Korsmo, 2012). Cheque kitting involves the opening of accounts at two or more institutions and using 'float time' of available funds to create fraudulent balances. Korsmo (2012) argues that some perpetrators have swapped cheques between various banks on a daily basis, using each to cover the shortfall for the previous cheque. Fraudulent, Real Time Gross Settlement (RTGS) involves criminals who create counterfeit transfers purporting to be from a particular bank. They conduct business transactions with unsuspecting victims whom they engage as if they are genuine customers and pay for the goods and services by use of these fraudulent RTGS. Tricksters can use Automated Teller Machines (ATM), taking advantage of victims who are not able to operate an ATM. In Japan, the first manipulation of this facility started as far back in 1982. Advance fee fraud involves an upfront payment by a victim to the fraudster, to allow the victim to take part in a much larger financial transaction, which he believes will bring him either profit or result in credit advanced to him (Smith et al, 1999). This fraud, because of its prevalence in Nigeria, is also known as 419 scam, being a derivation from Section 419 of the Criminal Code Act of 2004.

2.2: The Fraud Triangle and Red Flags

Three basic components contribute to the occurrence of fraud. Montgomery, Beasley, and Palmrose (2002) in Okoye and Akenbor (2009) described these three factors as the "Fraud Triangle". In other words, the fraud triangle is a triangular representation of those conditions that make fraud possible. These conditions are motive, opportunity, and rationalization (Ghali, 2001). When these conditions exist, there are certain characteristics that will be associated with fraudsters. These characteristics are called red flags. Red flags are the behavioural attitudes that are likely exhibited by people who commit fraudulent acts. An observation of a person's habit and lifestyle and changes in habit and life-styles of a person may reveal some red flags. Some of the common characteristics of fraudsters are lost sleep, take drugs, can't relax, can't look people in the eye, go to confession (eg priest, psychiatrist), work standing up, take to alcoholism, become irritable easily, sweat excessively, find excuses and scapegoats for mistakes, get defensive; argumentative, work alone, and work late (Bologna and Lindquist, 1987). Elliot and Willingham (1990) asserted that the fraud triangle is a useful technique used by management in minimizing the risks of fraud, because it involves a detailed analysis of fraud-like conditions thereby exposing to management the possible ways to ensuring that such conditions do not exist in the organization. Since the primary objective of forensic auditing is the investigation of alleged fraud, a good knowledge of the fraud triangle by the forensic accountant, is a strong weapon of effectiveness, Riahi-Belkaoni and Picur (2000) argued that fraud and other white-collar crimes can be brought under control by the effective use of the fraud triangle. They argued that the fraud triangle exposes those conditions that influence people to be engaged in fraudulent practices. It serves as an effective fraud prevention measure as it helps to eliminate the causes of fraud by mitigating the effect of motive, opportunity and rationalization

The proactive forensic auditing is aimed at preventing economic and financial crimes by promoting an overall fraud awareness culture in the organization through, inter alia, publications, presentations/workshops and participation in relevant national and international initiatives. According to Falie (1999) proactive forensic auditing is aimed at promoting a culture of "zero" tolerance through interventions such as publishing relevant articles; participating in workshops, seminars, conferences (which provides developmental learning and networking opportunities); presentation of training programmes; providing support to national/international initiatives; making stakeholders aware of deficiencies in the measures instituted to prevent or detect economic and financial crime. For a forensic auditor to succeed in his endeavor, he should have good knowledge and understanding of fraudulent financial transactions, legal processes, and high acumen of elements of fraud and criminological concepts, and above all investigative skills (Harris and Brown, 2000). A forensic auditor should also have a well-developed professional skeptism, analytical mind, personal integrity, expertise in internal controls, and acumen in interviewing techniques.

2.3. Methodology

A total number of twenty-three (23) commercial banks currently operating in Port-Harcourt, the Rivers State capital formed the population of this study and internal auditors of the banks were considered as the population elements for analysis. The major instrument employed by the researchers for data collection in this study, was the questionnaire which was designed in 5 point option of Likert-Scale. The data generated were statistically tested with the Pearson Product Moment Correlation Co-efficient which was computed with the aid of the Statistical Package for Social Sciences (SPSS) version 17. The data generated for this study were analysed in this section with frequency distributions and percentages. The respondents were asked to rate the degree of proactive forensic auditing in their banks and the result is shown in the table below.

S/N	**Items**	**SA** **5**	**A** **4**	**D** **3**	**SD** **2**	**I** **1**	**TOTAL**
1	Financial crime can be prevented through the knowledge of the fraud triangle	6 30 28.60%	10 40 47.60%	5 18 23.80%	1 2 4.80%	0 0 0%	**21** **87**
2	Promoting a culture of zero tolerance can help in the prevention of bank fraud	7 35 33.30%	9 36 42.90%	3 9 14.30%	1 2 4.80%	1 1 4.80%	**21** **83**
3	Making stakeholder aware of deficiencies in fraud preventive measure can help to minimize fraudulent practices in banks	2 10 9.50%	5 20 23.80%	9 27 42.90%	5 10 23.80%	0 0 0%	**21** **67**
4	Physical security measure help to minimize the risk of bank fraud	8 40 38.10%	11 44 52.40%	2 6 4.80%	0 0 0%	0 0 0%	**21** **90**
5	Proper segregation of duties is a viable means of preventing bank fraud	7 35 33.30%	10 40 47.60%	3 9 14.30%	0 0 0%	1 1 4.80%	**21** **85**
6	Effective training of staff can help to minimize fraudulent practices in banks	1 5 4.80%	3 12 14.30%	7 21 33.30%	8 16 38.10%	2 2 9.50%	**21** **56**
7	Public disclosures of audit report of banks is a strategic option of fraud prevention	8 40 38.10%	8 32 38.10%	2 6 9.50%	2 4 9.50%	1 1 4.80%	**21** **83**

Table 1: Respondents' rating on proactive forensic auditing

Source; Field work, 2013

From the distribution on proactive forensic auditing as shown in table 1 above, it is gathered that –

i. 6(28.6%) of the respondents strongly agree that financial crime can be prevented Through the knowledge of the fraud triangle; 10(47.6%) agreed; 5(23.8%) disagreed; 1(4.80%) strongly disagreed with the assertion while no one was indifferent. This implies that economic crime can be prevented through the knowledge of the fraud triangle in banks;
ii. 7(33.3%) strongly agreed that promoting culture of zero tolerance can help in the prevention of bank fraud; 9(42.9%) agreed; 3(14.3%) disagreed; 1(4.8%) strongly disagreed with the assertion; while 1(4.8%) was undecided. This implies that promoting a culture of zero tolerance can help in the prevention of bank fraud;
iii. 2(9.5%) of the respondents strongly agreed that making stakeholders aware of deficiencies in fraud preventive measures can help to minimize fraudulent practices

in banks; 5(23.8%) agreed; 9(42.9%) disagreed; 5(23.8%) strongly disagreed with the assertion; while no one was indifferent . this implies that making stakeholders aware of deficiencies in fraud preventive measures cannot help in minimizing fraudulent practices in banks;

iv. 8(38.1%) of the respondents strongly agreed that physical security measures help to minimize the risk of bank fraud; 11(52.4%) agreed; 2(4.8%) disagreed; no one strongly disagreed with the assertion and no one was undecided. This implies that physical security measure helps to minimize the risk of bank fraud;

v. 7(33.3%) of the respondents strongly agreed that proper segregation of duties is a viable means of preventing bank fraud; 10(47.6%) agreed; 3(14.3%) disagreed; no one was undecided. This implies that proper segregation of duties is a viable means of preventing bank fraud;

vi. 1(4.8%) of the respondents strongly agreed that effective training of staff can help to minimize fraudulent practices in banks; 3(14.3%) agreed; 7(33.3%) disagreed; 8(38.1%) strongly disagreed; while 2(9.5%) were indifferent. This implies that effective training of staff cannot help to minimize fraudulent practices in banks;

vii. 8(38.1%) of the respondents strongly agreed that public disclosure of audit report of banks is a strategic option of fraud prevention; 8(38.1%) agreed; 2(9.5%) disagreed; 2(9.5%) strongly disagreed with the assertion while 1(4.8%) was undecided. This implies that public disclosure of audit report of banks is a strategic option of fraud prevention.

The respondents were asked to rate the degree of managers' financial crime in their banks and the result is shown in the table below:

S/N	Items	SA 5	A 4	D 3	SD 2	I 1	TOTAL
1	Cheques from the Central Bank of Nigeria are fraudulently manipulated by bank managers	8 40 38.10%	9 36 42.90%	2 6 9.50%	2 4 9.50%	0 0 0%	**21** **86**
2	Managers are fond of diverting unutilized foreign exchange of the bank	0 0 0%	2 8 9.50%	10 30 47.60%	8 16 38.10%	1 1 4.80%	**21** **55**
3	Bank managers are usually engaged in fictitious Purchases	6 30 28.60%	10 40 47.60%	2 6 9.50%	1 2 4.80%	2 2 9.50%	**21** **80**
4	Ghost borrowing is a common form of fraud among bank manager	4 20 19%	5 20 23.80%	6 18 28.60%	6 12 28.60%	0 0 0%	**21** **70**
5	Bank managers are involved in the falsification of status report and earnings restatement	9 45 42.90%	9 36 42.90%	2 6 9.50%	1 2 4.80%	0 0 0%	**21** **89**
6	There is a high level of over invoicing of medical bills by bank managers	5 25 23.80%	7 28 33.30%	4 12 19%	2 4 9.50%	3 3 14.30%	**21** **62**
7	Bank managers are engaged in fraudulent transfers and withdrawals	5 25 23.80%	8 32 38.10%	5 15 23.80%	2 4 9.50%	1 1 4.80%	**21** **77**

Table 2: Respondents' rating on managers' financial crime
Source; Field work, 2013

From the distribution on managers' financial crime as shown in table 2 above, it is gathered that

(i) 8(38.1%) of the respondents strongly agreed that cheques from the Central Bank of Nigeria are fraudulently manipulated by bank managers; 9(42.9%) agreed; 2(9.5%) disagreed; 2(9.5%) strongly disagreed with the assertion while no one was undecided. This implies that cheques from the Central Bank of Nigeria are fraudulently manipulated by bank managers.

(ii) No one respondent strongly agreed that managers are fond of diverting unutilized foreign exchange of the bank; 2(9.5%) agreed; 10(47.6%) disagreed; 8(38.1%) strongly disagreed with the assertion while 1(4.8%) was undecided. This implies that managers are not fond of diverting foreign exchange of the bank.

(iii) 6(28.6%) of the respondents strongly agreed that bank managers are usually engaged in fictitious purchases; 10(47.6%) agreed; 2(9.5%) disagreed; 1(4.8%) strongly disagreed with the assertion while 2(9.5%) were indifferent. This implies that bank managers are usually engaged in fictitious purchases.

(iv) 4(19%) of the respondents strongly agreed that ghost borrowing is a common form of fraud among bank managers; 5(23.8%) agreed; 6(28.6%) disagreed; 6(28.6%) strongly disagreed with the assertion while no one was indifferent. This implies that ghost borrowing is not a common form of fraud among bank managers.

(v) 9(42.9%) of the respondents strongly agreed that bank managers are involved in falsification of status report and earnings restatement; 9(42.9%) agreed; 2(9.5%) disagreed; 1(4.8%) strongly disagreed with the assertion while no one was undecided. This implies that bank managers are involved in the falsification of status report and earnings restatement.

(vi) 5(23.8%) of the respondents strongly agreed that there is a high level of over-invoicing of medical bills by bank managers; 7(33.3%) agreed; 4(19%) disagreed; 2(9.5%) strongly disagreed with the assertion while 3(14.3%) were indifferent. This implies that there is a high level of over-invoicing of medical bills by bank managers.

(vii) 5(23.8%) of the respondents strongly disagreed that bank managers are engaged in fraudulent transfers and withdrawals; 8(38.1%) agreed; 5(23.8%) disagreed; 2(9.5%) strongly disagreed with the assertion while 1(4.8%) was undecided. This implies that bank managers are engaged in fraudulent transfers and withdrawals.

The respondents were asked to rate the degree of employees' financial crime in their banks and the result is shown in the table below.

S/N	Items	SA 5	A 4	D 3	SD 2	I 1	TOTAL
1	There is a high level of unauthorized overdraft by bank employees	6 30 28.60%	9 36 42.90%	4 12 19%	1 2 4.80%	1 1 4.80%	**21** **81**
2	Posting of fictitious credits is common among bank employees	9 45 42.90%	10 40 47.60%	2 6 9.50%	0 0 0%	0 0 0%	**21** **91**
3	Bank employees are involved in transferring customers lodgements	8 40 38.10%	8 32 38.10%	2 6 9.50%	2 4 9.50%	1 1 4.80%	**21** **83**
4	Loan accounts are usually manipulated by loan officers in banks	7 35 33.30%	11 44 52.40%	2 6 9.50%	1 2 4.80%	0 0 0%	**21** **87**
5	Suppression of cheques is a common phenomenon among bank employees	1 5 4.80%	4 16 19%	8 24 38.10%	6 12 28.60%	2 1 9.50%	**21** **58**
6	Unauthorized use of documents is common among bank employees	5 30 23.80%	8 32 38.10%	4 12 19%	4 8 19%	0 0 0%	**21** **82**

Table 3: Respondents' rating on employees' financial crime

Source; Field work, 2013

From the distribution on employees' fraudulent practices, it is gathered that –

(i) 6(28.6%) of the respondents strongly agreed that there is high level of unauthorized overdraft by bank employees; 9(42.9%) agreed; 4(19%) disagreed; 1(4.8%) strongly disagreed with the assertion while 1(4.8%) was undecided. This implies that there is a high level of unauthorized overdraft by bank employees.

(ii) 9(42.9%) of the respondents strongly agreed that posting of fictitious credits is common among bank employees; 10(47.6%) agreed; 2(9.5%) disagreed; none strongly disagreed with the assertion while no one was undecided. This implies that posting of fictitious credit is common among bank employees.

(iii) 8(38.1%) of the respondents strongly agreed that bank employees are involved in transferring customers' lodgment; 8(38.1%) agreed; 2(9.5%) disagreed; 2(9.5%) strongly disagreed with the assertion while 1(4.8%) was indifferent. This implies that bank employees are involved in transferring customer's lodgment.

(iv) 7(33.3%) of the respondents strongly agreed that loan accounts are usually manipulated by loan officers in banks; 11(52.4%) agreed; 2(9.5%) disagreed; 1(4.8%) strongly disagreed with the assertion while no one was undecided. This implies that loan accounts are usually manipulated by loan officers in banks.

(v) 1(4.8%) of the respondents strongly agreed that suppression of cheques is a common phenomenon among bank employees; 4(19%) agreed; 8(38.1%) disagreed; 6(28.6%) strongly disagreed with the assertion while 2(9.5%) were indifferent. This implies that suppression of cheques is not a common phenomenon among bank employees.

(vi) 5(23.8%) of the respondents strongly agreed that unauthorized use of bank documents is common among bank employees; 8(38.1%) agreed; 4(19%) disagreed; 4(19%) strongly disagreed with the assertion while no one was undecided. This implies that unauthorized use of bank documents is common among bank employees.

The respondents were asked to rate the degree of outsiders' financial crime in their banks and the result is shown in the table below.

S/N	Items	SA 5	A 4	D 3	SD 2	I 1	TOTAL
1	Armed robbery attack on banks are very Common	8 40 38.10%	10 40 47.60%	2 6 9.50%	1 2 4.80%	0 0 0%	**21** **88**
2	Bank contractors and service providers usually deliver poor quality services	2 10 9.50%	3 12 14.30%	9 27 42.90%	6 12 28.60%	1 1 4.80%	**21** **62**
3	Goods delivered to banks by suppliers are most times in short supply	2 10 9.50%	5 20 23.80%	10 30 47.60%	4 8 19%	0 0 0%	**21** **68**
4	Cheque alteration is common among bank Customers	6 30 28.60%	9 36 42.90%	3 9 14.30%	1 2 4.80%	2 2 9.50%	**21** **79**
5	There is high level of wastages and damages of banks' stationeries and documents by customers	5 25 23.80%	8 32 38.10%	3 9 14.30%	3 6 14.30%	2 2 9.50%	**21** **74**
6	Customers are fond of presenting forged cheques to banks	7 35 33.30%	8 40 38.10%	5 15 23.80%	1 2 4.80%	0 0 0%	**21** **92**

Table 4; Respondents' rating on outsiders' financial crime

Source; Field work, 2013

Key:

Upper case – Actual Frequencies

Middle case – Weighted Frequencies

Lower case – Percentage Frequencies

From the distribution on outsiders' fraudulent practices, we observed that –

(i) 8(38.1%) of the respondents strongly agreed that armed robbery attacks on banks are very common; 10(47.6%) agreed; 2(9.5%) disagreed; 1(4.8%) strongly disagreed with the assertion while no one was undecided. This implies that armed robbery attacks on banks are very common.

(ii) 2(9.5%) of the respondents strongly agreed that bank contractors and service providers usually deliver poor quality services; 3(14.3%) agreed; 9(42.9%) disagreed; 6(28.6%) strongly disagreed with the assertion while 1(4.8%) was indifferent. This implies that banks contractors and service providers do not usually deliver poor quality services.

(iii) 2(9.5%) of the respondents strongly agreed that goods delivered to banks by suppliers are most times in short supply; 5(23.8%) agreed; 10(47.6%) disagreed; 4(19%) strongly disagreed with the assertion while no one was indifferent. This implies that goods delivered to banks by suppliers are most times not in short supply.

(iv) 6(28.6%) of the respondents strongly agreed that cheque alteration is common among banks' customers; 9(42.9%) agreed; 3(14.3%) disagreed; 1(4.8%) strongly disagreed with the assertion while 2(9.5%) were undecided. This implies that cheque alteration is common among bank customers.

(v) 5(23.8%) of the respondents strongly agreed that there is high level of wastages and damages of banks stationeries and documents by customers; 8(38.1%) agreed;

3(14.3%) disagreed; 3(14.3%) strongly disagreed with the assertion while 2(9.5%) were indifferent. This implies that there is high level of wastages and damages of bank stationeries and documents by customers.

(vi) 7(33.3%) of the respondents strongly agreed that customers are fond of presenting forged cheques; 8(38.1%) agreed; 5(23.8%) disagreed; 1(4.8%) strongly disagreed with the assertion while no one was indifferent. This implies that customers are fond of presenting forged cheques to banks.

The hypotheses earlier stated in this research work are hereby tested.

Ho_1: There is no negative significant relationship between proactive forensic auditing and manager's financial crime in Nigerian banks.

In testing this hypothesis, measures of proactive forensic auditing as shown in table 1 were related with measures of managers' financial crime as shown in table 2. The result is shown in the table below:

	Statistical Variables	MAFIC	PROFA
MAFIC	Pearson Correlation	1	-0.998
	Sig. (2-tailed)		0.000
	N	5	5
PROFA	Pearson Correlation	-0.998	1
	Sig. (2-tailed)	0.000	
	N	5	5

Table 5: Relationship between proactive forensic auditing and managers' financial crime

Source; SPSS version 17 window output

The data presented in tables 5 above revealed a correlation coefficient of -0.998, which suggest a high negative relationship. The P-value (0.000) is less than 0.05 level of significant for a two-tailed test, which indicates a significant relationship; hence the null hypothesis is rejected. This implies that there is a significant relationship between proactive forensic auditing and managers' financial crime.

Ho_2: There is no negative significant relationship between proactive forensic auditing and employees' financial crime in Nigerian Banks.

In testing this hypothesis, measures of proactive forensic auditing as shown in table 1 were related with measures of employees' financial crime as indicated in table 3. The result is shown in the table below.

	Statistical Variables	EMFIC	PROFA
EMFIC	Pearson Correlation	1	-0.991
	Sig. (2-tailed)		0.001
	N	5	5
PROFA	Pearson Correlation	-0.991	1
	Sig. (2-tailed)	0.001	
	N	5	5

Table 6: Relationship between proactive forensic auditing and employees' financial crime in Nigeria banks

Source; SPSS version 17 window output

The data presented in table 6 above revealed a correlation coefficient of -0.991, which suggests a high negative relationship. The P-value (0.001) is less than 0.05 level of significant for a two-tailed test, which indicates a significant relationship; hence the null hypothesis was rejected. This implies that proactive forensic auditing has a negative significant relationship with employees' financial crime in Nigerian banks.

Ho$_3$; There is no negative significant relationship between proactive forensic auditing and outsider' financial crime in Nigerian banks.

In testing this hypothesis, measures of proactive forensic auditing as shown in table 1 were related with measures of outsiders' financial crime as indicated in table 4. The result obtained is shown in the table below.

	Statistical Variables	OUTFIC	PROFA
OUTFIC	Pearson Correlation	1	-0.792
	Sig. (2-tailed)		0.031
	N	5	5
PROFA	Pearson Correlation	-0.792	1
	Sig. (2-tailed)	0.031	
	N	5	5

Table 7: Relationship between proactive forensic auditing and outsiders' financial crime in Nigerian banks

Source; SPSS version 17 Window Output

The data presented in table 3 above revealed a correlation coefficient of -0.792, which suggests a high negative relationship. The P-value (0.031) is less than 0.05 level of significant for a two-tailed test, which indicates a significant relationship; hence the null hypothesis was rejected. This implies that proactive forensic auditing has a negative significant relationship with outsiders' financial crime in Nigerian banks.

3.0 Discussions and Conclusions

This study has been prompted by the resultant economic malice ushered in by unprecedented cases of fraudulent practices undermining the growth of the Nigerian banking sectors. These nefarious activities include- falsification of status report and earnings restatement, fictitious purchases, over-invoicing of medical bills, fraudulent transfers and withdrawals, unauthorized overdraft, fictitious credits, manipulation of loan accounts, armed robbery attacks, cheque alteration, and presentation of forged cheques among others. Forensic auditing serves as a veritable measure in preventing and detecting these fraudulent practices in Nigerian banks.

From the result of our analysis, it was revealed that proactive forensic auditing has a negative significant relationship with managers' financial crime. This implies that increase in forensic auditing leads to decrease in managers' financial crime in Nigerian banks. This finding agrees with previous studies such as Okoye and Akenbor (2009), and Thornhill (1995). More so, our analysis shows that proactive forensic auditing has a negative significant relationship with employees' financial crime. The finding also indicates that increase in forensic auditing leads to a decrease in employees' financial crime in Nigerian banks. Previous studies that led support to this finding include- Mohd and Mazni (2008), Pagano (2005) and Ansari (2005). Furthermore, this study portends that proactive forensic auditing has a negative significant relationship with outsiders' fraudulent practices. It shows an increase in the practice of forensic auditing results to a decrease in outsiders' financial crime in Nigerian banks. This finding is in agreement with Okoye and Akenbor (2009), Ghali (2001) and Crumbley (2001)

The findings generally clearly demonstrate a significant negative relationship between forensic auditing and fraudulent practices in Nigerian banks. As forensic auditing practices increase, financial crime in Nigerian banks is minimized. Forensic auditing is responsible for digging out frauds committed through application of auditing, accounting, and investigative techniques in order to come up with sufficient evidence that can be used in court proceeding. Based on the above, the following recommendations are made – forensic audit department should be created in Nigerian banks to initiate internal measures for fighting financial crime; forensic auditing courses should be introduced in Nigerian tertiary institutions of learning to provide adequate knowledge of forensic auditing issues to students; forensic auditor's report of banks should be made public.

4.0. Research limitations and direction for further research

The financial resources at the disposal of the researchers serves as a limitation to this study, hence it was restricted to those banks operating in Port-Harcourt. While findings of the study provide a contribution to our understanding of the impact of forensic auditing on financial crime in the Nigerian banking industry much needs to be done in future research efforts. This study adopted a proactive approach to forensic auditing. Bringing into focus the reactive approach would further enrich our understanding of the impact of forensic auditing on financial crime in the Nigerian banking industry. Furthermore, future research should be carried-out on this study in other industries such as the public sector in Nigeria.

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