

AUDITING AND FRAUD PREVENTION IN THE NIGERIAN BANKING SECTOR



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**A PROJECT SUBMITTED TO THE DEPARTMENT OF ACCOUNTING IN PARTIAL
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DECLARATION

I, **Osakpolor Glory JEGEDE** do hereby declare that:

1. I conducted my research for my project at the University of Benin's Department of Accounting, where I was supervised by **Dr O.T Ashafoke** of the same department and the Faculty of Management Sciences in Benin City, Nigeria.
2. There has been no prior submission of this work for a degree elsewhere.
3. All thoughts and opinions are based on my own research, and where others have shared their perspectives, they have been properly cited.
4. I accept complete and utter responsibility for any potential legal consequences that may arise as a result of this study.

Osakpolor Glory JEGEDE

Date

CERTIFICATION

We certify that this research was carried out by **Osakpolor Glory JEGEDE** in the Department of Accounting, Faculty of Management Sciences, University of Benin, Benin

City, Nigeria, and it is considered adequate in scope and quality in partial fulfillment of the requirements for the degree of B.Sc. (Accounting).

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DEDICATION

This work is dedicated to God Almighty, the Giver of life and the Fountain of all wisdom. His divine direction has illuminated my path throughout this journey, and His strength

has carried me through every obstacle. It is by His grace that I have completed each stage of this programme, surrounded by His constant support and abundant blessings.

All glory and honour are His, now and always, for His steadfast love and guidance. This accomplishment is a testament to His grace alone. May His holy name be exalted forever.

Amen.

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ABSTRACT

The study examined the effect of auditing practices on fraud prevention in the Nigerian banking sector, adapting the model of Internal Control System and Fraud Prevention of Quoted Financial Services Firms in Nigeria: A Smart PLS-SEM Approach (Ogwiji & Lasisi, 2022) as its conceptual framework. The study focused on how internal control systems, fraud risk assessment, control testing, and substantive testing influence fraud prevention among Deposit Money Banks. A survey research design was adopted, and

data were collected through structured questionnaires administered to 384 respondents across the Nigerian banking industry. The data were analyzed using descriptive statistics, correlation, and Ordinary Least Squares (OLS) regression. Results revealed that all four auditing dimensions had significant positive effects on fraud prevention, with substantive testing showing the strongest influence. The regression model ($R^2 = 0.734$, $F = 159.386$, $p < 0.05$) confirmed that auditing practices collectively explained 73.4% of the variation in fraud prevention. The study concludes that effective auditing mechanisms are essential for reducing fraudulent activities and enhancing financial integrity in Deposit Money Banks, and recommends strengthening internal controls, continuous risk assessments, technology-driven audit processes, and auditor independence to ensure sustainable fraud prevention in Nigeria's banking sector.

CHAPTER ONE

INTRODUCTION

1.1 Background to the Study

Fraud in the banking sector has transformed from a persistent operational concern into a dynamic and escalating threat that undermines public trust, erodes shareholder confidence, and destabilizes the financial system. As financial institutions become more digitized and interconnected, the opportunities for manipulation, cyber intrusion, and internal collusion have multiplied. This growing complexity has enabled fraudsters to devise sophisticated schemes that exploit technological vulnerabilities and institutional lapses. Consequently, the role of auditing has expanded beyond traditional compliance and verification to a proactive, data-driven, and strategic function aimed at safeguarding financial integrity (Olawumi and Olusola, 2024).

Recent evidence underscores the urgency of this transformation. According to the Nigeria Deposit Insurance Corporation (NDIC, 2025), the incidence of fraud in Nigerian banks increased by 23% in 2024, reflecting the growing sophistication of fraudulent schemes amid the surge in digital banking activities. This escalation highlights the inadequacy of traditional audit approaches and the need for adaptive audit mechanisms capable of detecting, preventing, and responding to emerging threats in real time.

Central to this new audit paradigm is fraud detection, which now relies heavily on advanced technology. Modern auditing no longer depends on manual verification or checklist-based reviews; instead, it integrates forensic data analytics, anomaly detection algorithms, and artificial intelligence to identify suspicious activities. These innovations

allow auditors to uncover irregular patterns buried within large data volumes, patterns that would likely escape human observation (Smith & Lee, 2022). Studies further confirm that AI-powered detection models significantly outperform conventional methods in terms of both accuracy and speed (Doe & Wang, 2023). In essence, the auditor's role has shifted from reviewing past events to actively monitoring and intercepting fraudulent actions as they unfold.

However, effective fraud detection begins with a solid understanding of risk. Auditors must first determine where vulnerabilities lie before deploying detection mechanisms. Through structured risk assessment frameworks such as COSO Enterprise Risk Management (ERM) and ISO 31000, auditors can map financial processes, identify high-risk zones, and prioritize audit resources accordingly. Evidence from Nigerian Deposit Money Banks reveals that institutions adopting rigorous risk assessment, integrated with system audits and document verification, record significantly lower fraud incidence, accounting for over 50% of the variation in fraud occurrence (Garcia & Patel, 2023; Adeloje et al., 2022). Thus, risk assessment functions as the strategic compass that directs audit activities toward the most vulnerable areas.

Building upon risk assessment, auditors implement control testing to evaluate whether internal control mechanisms effectively function as safeguards against identified risks. Within banking operations, this process involves testing dual authorization systems, segregation of duties, password management, and reconciliation procedures. When

properly designed and consistently applied, these controls form a robust first line of defense against fraud. Kumar and Osunde (2023) emphasize that efficient internal controls not only prevent fraud but also enhance operational efficiency by minimizing loopholes that opportunistic actors might exploit.

Nonetheless, internal controls alone cannot guarantee absolute protection. To verify the reliability of financial information and the adequacy of controls, auditors conduct substantive testing, which entails detailed examination of transaction data, account balances, and reconciliations. This process provides direct, evidence-based assurance that financial statements are free from material misstatements. The integration of continuous auditing tools and full-population analytics has enhanced this process, enabling real-time scrutiny of transactions rather than retrospective sampling (Nguyen & Arends, 2023). For instance, modern auditing systems have successfully flagged fraudulent journal entries just before period-end closures, allowing financial institutions to intervene before losses occur (Jones et al., 2024).

Taken together, these components, risk assessment, control testing, substantive procedures, and detection mechanisms, form a cohesive and integrated auditing framework. Each element reinforces the others: risk assessment identifies potential threats, control testing strengthens defenses, substantive testing validates financial reliability, and advanced detection tools provide ongoing vigilance. This holistic

approach transforms auditing from a reactive exercise into a proactive strategy that anticipates, intercepts, and prevents fraudulent activity before it escalates.

In today's volatile and technologically complex financial environment, such a multidimensional audit approach is not merely a regulatory expectation but a strategic imperative. By embedding risk intelligence, technological innovation, and continuous monitoring into auditing practice, financial institutions can preserve stakeholder confidence, enhance transparency, and sustain long-term organizational stability.

1.2 Statement of the Research Problem

In the modern banking environment, fraud has evolved from a simple transactional irregularity into a multifaceted and systemic threat that challenges the stability and integrity of financial institutions. As banks increasingly digitize their operations and expand their service portfolios, the complexity and frequency of fraudulent activities have grown proportionately. Although auditing remains a crucial instrument in ensuring transparency, accountability, and fraud prevention, traditional audit frameworks, largely designed for static financial systems, have struggled to keep pace with the sophistication of modern fraudulent schemes. This evolving reality underscores the urgent need to reassess how auditing practices can more effectively identify, evaluate, and mitigate fraud risks in the Nigerian banking sector.

Existing empirical studies have provided meaningful insights into the relationship between auditing and fraud prevention, yet significant gaps persist. The first gap concerns the limited standardization of fraud risk assessment frameworks in audit practice. For example, Olowokure et al. (2023) found that auditors in Nigerian banks often underemphasize critical red flags, such as management override and internal collusion, due to vague professional guidelines and inconsistent application of fraud risk assessment tools. Their findings highlight the absence of a harmonized structure that enables auditors to uniformly identify and evaluate fraud indicators across institutions.

The second gap relates to the continued reliance on traditional and reactive audit techniques. Ogundipe et al. (2021) observed that while auditors possess theoretical knowledge of fraud risk indicators, many still depend on outdated methods that focus on post-event verification rather than proactive prevention. Their study revealed that this backward-looking approach often results in missed early warning signs and delayed fraud detection. This limitation points to a pressing need for audit processes that emphasize continuous assessment, dynamic evaluation, and early identification of anomalies within financial systems.

The third gap involves the insufficient integration of auditor judgment and institutional control mechanisms in fraud prevention. Adegbite and Alhaji (2022) noted that despite the presence of internal control structures within banks, the interaction between these systems and auditors' professional decision-making remains weak. Auditors often assess

controls in isolation rather than as part of an interconnected risk management process. This fragmentation limits the overall effectiveness of audits, as it prevents a holistic understanding of how different control layers interact to prevent or conceal fraudulent activity.

In light of these gaps, this study seeks to critically examine how auditing practices can be strengthened to enhance fraud prevention within Nigerian Deposit Money Banks. Specifically, it will investigate auditors' approaches to fraud risk assessment, evaluate the adequacy of audit procedures and internal control systems, and explore how professional judgment influences fraud detection effectiveness. By combining evidence from both primary and secondary data sources, including auditor surveys, interviews, and financial reports, this research aims to develop a comprehensive understanding of the factors that shape the sufficiency of auditing in preventing fraud within the Nigerian banking context.

Ultimately, the study will contribute to the body of knowledge by providing an empirically grounded framework that clarifies the link between audit effectiveness and fraud prevention. The study seeks to support a more resilient and transparent banking system capable of maintaining stakeholder confidence in an increasingly complex financial environment.

1.3 Research Questions

Based on the identified gap in the existing literature, the following research questions are formulated:

1. How does internal control system contribute to fraud prevention in the Nigerian banking sector?
2. How does fraud risk assessment enhance fraud prevention in the Nigerian banking sector?
3. How does control testing support the prevention of fraud in the Nigerian banking sector?
4. To what extent does substantive testing aid in preventing fraud in the Nigerian banking sector?

1.4 Objective of the Study

The broad objective of this study is to assess the impact of auditing on fraud prevention in the banking sector, the specific objectives are to:

1. examine how internal control system contributes to fraud prevention in the Nigerian banking sector;
2. assess the role of fraud risk assessment in enhancing fraud prevention in the Nigerian banking sector;

3. evaluate how control testing supports the prevention of fraud in the Nigerian banking sector; and
4. determine the extent to which substantive testing aids in preventing fraud in the Nigerian banking sector

1.5 Research Hypotheses

The following hypotheses were raised in null form to guide this study;

H01: There is no significant relationship between internal control system and fraud prevention in the Nigerian banking sector.

H02: There is no significant relationship between fraud risk assessment and fraud prevention in the Nigerian banking sector.

H03: There is no significant relationship between control testing and fraud prevention in the Nigerian banking sector.

H04: There is no significant relationship between substantive testing and fraud prevention in the Nigerian banking sector.

1.6 Scope of the Study

This study aims to investigate the relationship between auditing practices and fraud prevention in the Nigerian banking sector, with particular focus on licensed Deposit Money Banks (DMBs) and other financial institutions operating within Edo State. The justification for selecting Edo State lies in its diverse mix of financial institutions, active commercial banking operations, and its reflection of broader trends in Nigeria's banking environment, making it a suitable case for examining the link between audit quality and fraud prevention. Data for the study will be obtained from a primary source. Primary data will be collected through structured questionnaires.

This research seeks to assess the effectiveness of existing auditing mechanisms in detecting and preventing fraudulent activities, within the operational and regulatory framework of the Central Bank of Nigeria (CBN). Conducted in 2025, the study adopts a localized geographical scope to provide an in-depth understanding of how national auditing standards and CBN guidelines influence fraud prevention at the state level.

Target population of the study comprises internal auditors, external auditors, compliance officers, and audit committee members working within selected banks and financial institutions in Edo State. From this population, a sample size of 384 respondents which is infinite will be selected using stratified random sampling to ensure fair representation and reliability of findings.

1.7 Significance of the Study

This study is significant as it contributes to a deeper understanding of how core auditing practices, namely detection, risk assessment, control testing, and substantive testing, support fraud prevention efforts in the banking sector, particularly within Deposit Money Banks in Edo State, Nigeria. And this will be of benefit to the following:

Auditors and accounting professionals, the study provides empirical insight into the effectiveness of audit procedures in identifying and mitigating fraud risks. By analysing how specific audit functions influence fraud prevention, the findings will offer practical guidance for strengthening audit planning, execution, and reporting frameworks.

Bank management and internal control officers, the study highlights the operational benefits of investing in robust audit systems. It underscores the need to reinforce internal controls, leverage technology in continuous auditing, and align audit strategies with emerging fraud risks, especially in a rapidly digitizing banking environment.

Regulators and policymakers, such as the Central Bank of Nigeria and the Financial Reporting Council, this research provides evidence-based recommendations that can inform updates to auditing standards, compliance expectations, and fraud prevention policies. It supports regulatory efforts to ensure that audit practices evolve in response to emerging fraud tactics and industry vulnerabilities.

Academics and researchers, the study fills key gaps in the literature by offering localized, empirical data from the Nigerian banking environment. It contributes to the broader discourse on audit quality, fraud detection effectiveness, and the integration of emerging technologies such as AI in financial oversight.

General public and financial service consumers, the study emphasises the role of auditing in safeguarding assets, promoting transparency, and maintaining public trust in the banking system. Fraud prevention in banks is not only a corporate issue but also a public interest matter with implications for economic stability and financial inclusion.

1.8 Definition of Terms

Auditing: A systematic and independent examination of financial records, operations, and internal controls of an organization, aimed at expressing an opinion on the fairness, accuracy, and compliance of financial statements and detecting irregularities or potential fraud.

Fraud: An intentional act by one or more individuals, involving the use of deception to obtain an unjust or illegal financial advantage. In the banking context, this may include identity theft, unauthorized transactions, embezzlement, or manipulation of financial records.

Fraud Prevention: All proactive measures, policies, and systems implemented by an organization to deter, detect, and reduce the likelihood of fraudulent activities before they occur. This includes strengthening internal controls and audit mechanisms.

Detection: The process of identifying signs, symptoms, or red flags of fraud during the course of audit procedures, using tools such as data analytics, forensic techniques, or transaction monitoring systems.

Risk Assessment: A process in auditing whereby the auditor identifies and evaluates risks of material misstatement, including fraud risks, to determine the nature, timing, and extent of audit procedures required.

Control Testing: The evaluation of internal control systems to determine whether they are properly designed and effectively operating to prevent or detect errors and fraud in financial reporting.

Substantive Testing: Audit procedures that gather direct evidence regarding the accuracy and completeness of financial information, such as verifying transactions, balances, and disclosures, regardless of the strength of internal controls.

Deposit Money Banks (DMBs): Licensed financial institutions authorized by the Central Bank of Nigeria to accept deposits, provide loans, and carry out other banking services. They were previously referred to as commercial banks.

Internal Control System: A system of procedures, checks, and balances put in place by management to safeguard assets, ensure reliable financial reporting, promote operational efficiency, and ensure compliance with laws and regulations.

Continuous Auditing: A technology-driven auditing approach that allows for real-time or near-real-time evaluation of transactions and controls, enhancing the auditor's ability to detect fraud promptly.

CHAPTER TWO

LITERATURE REVIEW

2.1 Introduction

This chapter explores the theoretical foundations underpinning auditing and fraud prevention within the Nigerian banking sector. It discusses the key concepts of accountability and auditing, supported by both conceptual and empirical literature reviews. The chapter further develops a conceptual framework that links forensic data analytics and audit quality to enhanced fraud prevention in the Nigerian banking industry.

2.2 Conceptual Review

2.2.1 Fraud Prevention

Fraud prevention is a critical aspect of maintaining the financial integrity of institutions, particularly in sectors like banking, where financial transactions occur at a large scale. It involves a comprehensive strategy that includes a set of policies, processes, and technologies designed to deter, detect, and mitigate fraudulent activities. For banks, this means safeguarding assets, ensuring operational efficiency, and maintaining trust among stakeholders (Oluwadare et al., 2025).

In the context of Nigerian banking, fraud prevention is especially vital due to the increasing complexity of financial crimes, particularly with the rise of digital banking. Fraudulent activities, such as identity theft, cybercrime, and financial misappropriation,

pose significant risks to the stability and credibility of the Nigerian banking sector. As the industry continues to embrace technological advancements, it faces the growing challenge of combating new types of fraud, necessitating the adoption of robust preventive measures (Ayodeji, 2024).

Effective fraud prevention serves several important purposes. First and foremost, it protects a bank's financial resources by reducing the chances of financial loss due to fraudulent activities (Oluwadare et al., 2025). Beyond safeguarding assets, preventing fraud also helps preserve the reputation of the bank, ensuring that customers, investors, and stakeholders maintain their trust in the institution. Furthermore, well-implemented fraud prevention strategies are crucial for ensuring compliance with regulatory requirements, thus mitigating the risk of legal penalties and fines. Additionally, these strategies help protect sensitive customer data, ensuring that it is not misused or exposed to unauthorized individuals (Oluwadare et al., 2025).

In Nigeria, the banking sector has adopted various strategies to address the increasing prevalence of fraud. One of the most important developments in the fight against fraud is the introduction of the Bank Verification Number (BVN). The BVN is a unique 11-digit number assigned to every individual who opens a bank account in Nigeria. It serves as a biometric identification system, linking all bank accounts held by an individual across different financial institutions to a single identifier. This system, which records

fingerprints and facial photographs, has proven to be an effective tool in combating identity theft and fraudulent banking transactions (Sulaimon et al, 2025).

In addition to the Bank Verification Number (BVN), Nigerian banks have strengthened their internal control mechanisms. This includes a combination of preventive, detective, and corrective measures designed to detect and stop fraudulent activities. For example, the use of one-time passwords (OTPs), card pins, and CVC codes for transactions helps secure digital banking activities. Furthermore, two-step verification codes add another layer of security, ensuring that only authorized individuals can perform financial transactions. Another important aspect of fraud prevention in Nigerian banks is the establishment of checks and balances, ensuring that no single individual has absolute control over financial transactions, thereby reducing the potential for fraud (Oluwadare et al., 2025).

As cybercrime continues to evolve, Nigerian banks have also increased their focus on cybersecurity. The introduction of advanced encryption technologies and fraud detection systems has become essential in combating the growing threat of cyber fraud. Multi-factor authentication and regular staff training are part of the broader effort to improve security and minimize human error, which is often a weak link in the fight against fraud (Ayodeji, 2024).

Another significant factor in fraud prevention in Nigeria is the role of regulatory bodies, particularly the Economic and Financial Crimes Commission (EFCC). The EFCC is

responsible for investigating and prosecuting financial crimes, including fraud. Established in 2003, the commission works closely with Nigerian banks and other regulatory agencies to combat economic and financial crimes. This partnership ensures that fraud is not only prevented but also detected and prosecuted, contributing to the broader fight against financial crimes in the country (Odeke, 2024)

2.2.2 Auditing

Auditing is a critical process in financial management, particularly in the banking sector, where organisations handle vast amounts of transactions daily. It involves the independent and systematic examination of financial records, operations, and internal controls of an organisation. The primary goal of an audit is to ensure the accuracy of financial statements, assess compliance with regulatory standards, and evaluate the effectiveness of internal controls. In the context of banking, auditing ensures financial integrity, protects assets, and prevents fraudulent activities, thereby providing stakeholders with confidence in the bank's operations (Deskera, 2025).

Auditing plays a significant role in maintaining transparency and accountability within financial institutions. The importance of auditing lies in its ability to ensure that financial statements accurately represent the financial position of the bank, providing a true and fair view of its operations. This is particularly important for investors, regulators, and customers who rely on the integrity of financial reports to make informed decisions. Audits help detect and prevent fraud by identifying discrepancies or irregularities in

financial transactions, enabling banks to take corrective measures swiftly. Additionally, audits ensure that banks comply with both local and international regulations, mitigating the risk of legal penalties or reputational damage. In an environment where financial transparency is paramount, auditing serves as a safeguard for stakeholders, ensuring that financial activities are conducted ethically and by established standards (Oyedokun, 2020)

There are various types of audits conducted within organisations, each serving different purposes. External audits, for example, are performed by independent auditors who are not connected to the organisation being audited. These auditors provide an unbiased opinion on the financial statements, helping to establish trust with external stakeholders. Internal audits, on the other hand, are conducted by employees within the organisation and focus on evaluating the effectiveness of internal controls and processes. Internal auditors also ensure compliance with the organisation's policies and procedures, as well as assess the risks associated with operational activities. Forensic audits are more specialised, aiming to uncover fraudulent activities or financial discrepancies that may require legal action. In addition, compliance audits are focused on ensuring that an organisation adheres to relevant laws, regulations, and industry standards (Alkhalaileh, 2024).

In the Nigerian banking industry, auditing is a vital function that ensures the financial system remains robust and transparent. The Central Bank of Nigeria (CBN), along with other regulatory bodies such as the Nigerian Deposit Insurance Corporation (NDIC), sets

the framework for auditing practices in the sector. Banks in Nigeria are required to undergo regular audits, both internal and external, to assess their financial integrity and ensure compliance with regulatory standards. The regulatory framework mandates the establishment of audit committees, which are composed of non-executive directors, to oversee the bank's audit process. These committees ensure that the bank's financial reporting practices are accurate and reliable, and they play a crucial role in maintaining independence and objectivity in the auditing process (Isa and Farouk, 2018)

Despite regulatory requirements, the auditing process in the Nigerian banking sector presents challenges. One of the most significant challenges is ensuring the independence of auditors. In some cases, auditors may face pressure from management to overlook discrepancies or approve inaccurate financial statements, which can compromise the integrity of the audit process and result in the misrepresentation of a bank's financial position. This situation can erode the trust of investors, regulators, and customers in the bank's financial reporting, ultimately exposing the institution to increased financial and legal risks (Fatoki, 2023). This lack of independence can undermine the effectiveness of audits, potentially leading to financial misreporting or fraud. Furthermore, there are concerns about the quality of auditing practices in some banks, with lapses in audit procedures and inadequate staff training contributing to financial scandals in the past (Egbunike et al., 2017). Strengthening the independence of auditors, improving the quality of auditing practices, and enhancing the training of audit staff are essential steps in ensuring that the auditing process is effective and reliable (Tanko, 2022).

Auditing is a fundamental aspect of the Nigerian banking sector, helping to maintain transparency, accountability, and financial integrity. Through external and internal audits, as well as specialised forensic and compliance audits, the banking sector can safeguard its assets and ensure that its financial reporting practices are accurate. While significant progress has been made in strengthening auditing practices, there are still challenges, particularly concerning auditor independence and the quality of audit procedures. As the banking industry evolves, banks need to continue enhancing their auditing frameworks, improving the capacity of auditors, and ensuring that audit committees remain independent to maintain public trust and financial stability.

2.2.3 Internal Control System

The internal control system (ICS) in banking refers to the structured set of processes, policies, and practices implemented by a financial institution to ensure the reliability of its financial reporting, compliance with relevant laws and regulations, and operational efficiency. According to the Committee of Sponsoring Organisations of the Treadway Commission (COSO), an effective ICS is essential for managing risk and preventing fraud within an organisation, particularly in the financial sector (COSO, 2017). An internal control system typically includes five interrelated components: the control environment, risk assessment, control activities, information and communication, and monitoring (COSO, 2017). These components work together to create a comprehensive

framework that not only safeguards assets but also enhances decision-making processes within the bank.

From a theoretical perspective, the internal control system embodies a proactive approach to organisational governance, focused on identifying and mitigating risks before they develop into significant problems. The control environment serves as the foundation of an ICS, setting the tone for the organisation's ethical conduct, values, and governance structures. Risk assessment evaluates potential threats to achieving organisational objectives, including fraud and operational risks. Control activities refer to the procedures and policies designed to address those risks, ensuring compliance and operational effectiveness. Information and communication ensure that key data regarding controls, risks, and policies flow seamlessly through the organisation, supporting transparency and accountability. Finally, monitoring ensures that the system is functioning effectively and identifies areas for improvement.

Recent studies highlight the importance of robust internal controls in Nigerian banks. Agbo and Nwachukwu (2025) assert that a well-structured internal control system is crucial for ensuring not only financial integrity but also organisational performance. Their study reveals that banks with strong internal controls tend to demonstrate improved operational efficiency and reduced fraud incidents. Similarly, Azeez et al. (2023) found that internal control mechanisms are key in detecting and preventing fraud within the Nigerian banking sector. Their research showed that when banks adhere to stringent

internal control practices, they experience fewer instances of financial misreporting or fraud.

However, despite their recognised importance, the effectiveness of internal control systems in Nigerian banks remains inconsistent. Obayagbonna et al. (2025) argue that inadequate training, a lack of resources, and poor implementation of internal controls often undermine their effectiveness. In particular, they point to the limited capacity of internal auditors and their insufficient engagement with modern auditing tools as significant challenges. These weaknesses result in vulnerabilities that can be exploited by fraudsters, leading to financial scandals and reputational damage.

Conceptually, the effectiveness of an internal control system extends beyond just risk management; it contributes to fostering a culture of transparency and accountability. For instance, banks that implement a comprehensive control system demonstrate not only adherence to legal requirements but also a commitment to ethical governance. However, as pointed out by Fatoki (2024), the failure to properly implement and monitor these controls can lead to lapses in accountability, undermining stakeholders' trust and increasing the risk of financial mismanagement.

To address these challenges, it is essential for Nigerian banks to invest in continuous training for their internal control personnel, adopt more sophisticated technologies for real-time monitoring, and ensure the independence of audit functions. Moreover, building an ethical organisational culture that aligns internal control processes with strategic goals

can further enhance the reliability of the ICS and improve its overall effectiveness (Fatoki, 2024).

2.2.4 Fraud Risk Assessment

Risk assessment refers to the systematic process of identifying, evaluating, and prioritizing potential risks that could negatively impact an organisation's ability to achieve its objectives. In the context of banking, risk assessment involves identifying financial, operational, strategic, and compliance risks, assessing their likelihood and impact, and taking necessary actions to mitigate or control them. This process enables banks to make informed decisions, protect assets, and maintain financial stability, while also ensuring compliance with regulatory requirements (Ogunleye & Adebayo, 2025).

In the Nigerian banking industry, risk assessment is critical for maintaining the soundness of financial institutions. With the rapid growth of digital banking, increasing complexity in financial markets, and the ever-evolving regulatory environment, banks are faced with a wide range of risks, including credit risk, market risk, operational risk, and liquidity risk. Effective risk assessment frameworks are necessary for addressing these challenges and ensuring the financial stability of banks (Ogunleye & Adebayo, 2025).

The importance of risk assessment in the Nigerian banking sector cannot be overstated. As financial markets become more interconnected and susceptible to global economic shocks, the need for comprehensive risk management systems has grown. According to

the Central Bank of Nigeria (CBN), risk management frameworks must be robust enough to anticipate and mitigate risks that could lead to systemic instability or bank failures (CBN, 2024). The failure of financial institutions in the past, such as the collapse of banks due to poor risk management, highlights the critical need for effective risk assessment in Nigerian banks.

Credit risk remains one of the most significant risks for Nigerian banks. This is the risk of loss arising from a borrower's failure to repay a loan or meet contractual obligations. Credit risk is particularly concerning in Nigeria due to the country's volatile economic conditions and high default rates on loans. A robust credit risk assessment process allows banks to evaluate the creditworthiness of borrowers and set appropriate interest rates and collateral requirements (Adeoye & Ajibola, 2025).

Market risk arises from changes in market conditions such as fluctuations in interest rates, currency exchange rates, or commodity prices. Nigerian banks, like their global counterparts, are exposed to market risks due to their exposure to foreign exchange markets, commodity prices, and interest rates. Effective risk assessment helps banks develop hedging strategies and diversify portfolios to manage these risks (Ogunleye & Adebayo, 2025).

Operational risk refers to the risk of loss resulting from inadequate or failed internal processes, systems, or human errors. With the rise of digital banking, operational risks, including cybersecurity threats, have become more prevalent in Nigeria. Banks must

assess these risks by reviewing their internal controls, IT systems, and human resource processes to ensure that they are well-prepared to handle any operational challenges (Ayodeji, 2024).

Liquidity risk arises when a bank is unable to meet its short-term financial obligations due to an imbalance between liquid assets and liabilities. Given the economic instability in Nigeria, many banks face liquidity challenges. A solid risk assessment framework helps banks maintain adequate liquidity buffers and develop contingency plans for liquidity crises (Ayodeji, 2024).

The regulatory environment plays a significant role in shaping risk assessment practices in Nigerian banks. The Central Bank of Nigeria (CBN) has established guidelines for risk management, including the implementation of Basel II and III capital adequacy requirements. These frameworks are designed to enhance banks' resilience to financial shocks by ensuring they hold sufficient capital to cover potential losses. According to CBN (2024), banks are required to assess their risk exposures regularly and adhere to prescribed capital requirements to mitigate financial instability. Additionally, Nigerian banks are also guided by the Nigerian Deposit Insurance Corporation (NDIC), which ensures that banks maintain sound risk management practices, particularly in terms of protecting depositors' funds. The NDIC's supervisory role includes monitoring banks' risk assessments and providing recommendations for improving risk management frameworks.

Despite the regulatory frameworks and guidelines in place, several challenges hinder the effectiveness of risk assessment in the Nigerian banking sector. One of the major obstacles is the quality of data used in risk assessments. Inadequate or incomplete data can lead to inaccurate assessments, making it difficult for banks to effectively predict and mitigate risks. A study by Oyebisi & Adejuwon (2025) found that many Nigerian banks still struggle with fragmented data systems, which hinder real-time monitoring and the effective management of risks. Another challenge is the resistance to change within the banking sector. Many banks are still reliant on outdated systems for risk assessment, making it difficult to implement more advanced and dynamic risk management solutions. Furthermore, the shortage of skilled professionals in risk management and the lack of proper training for existing staff limit the full implementation of effective risk assessment strategies (Ayodeji, 2024).

2.2.5 Control Testing

Control testing is a critical component of an effective internal control system in the Nigerian banking industry. It involves evaluating the design and operating effectiveness of controls to ensure they are functioning as intended and mitigating identified risks. This process is essential for maintaining the integrity of financial reporting, safeguarding assets, and ensuring compliance with regulatory requirements (FRCN, 2024).

In the context of Nigerian banks, control testing is particularly important due to the complex and dynamic nature of the financial environment. The rapid adoption of digital

banking, coupled with evolving regulatory frameworks, has introduced new challenges and risks. As such, banks must continuously assess and test their internal controls to adapt to these changes and maintain robust risk management practices (PwC, 2023).

Recent studies have highlighted the significance of control testing in enhancing the effectiveness of internal control systems. For instance, a study by Ozuomba et al. (2023) examined the impact of internal control activities and risk assessment on the operations of quoted banks in Nigeria. The findings indicated that robust internal control activities, including effective control testing, have a negative correlation with operational risk, suggesting that well-tested controls can mitigate operational challenges in the banking sector (Ozuomba et al., 2023).

Moreover, the Nigerian regulatory environment underscores the importance of control testing. The Financial Reporting Council of Nigeria (FRCN) has issued guidelines that require management to assess and report on the effectiveness of internal controls over financial reporting. These guidelines emphasize the need for control testing to provide reasonable assurance that controls are operating effectively and that financial statements are free from material misstatement (FRCN, 2024).

Despite the recognized importance of control testing, challenges persist in its implementation within Nigerian banks. Factors such as limited resources, inadequate training, and resistance to change can hinder the effective execution of control testing procedures. Addressing these challenges is crucial for enhancing the reliability of internal

controls and, by extension, the overall stability of the banking sector (Econjournals, 2023).

2.2.6 Substantive Testing

Substantive testing refers to procedures conducted by auditors to obtain audit evidence regarding the financial assertions made by an organisation. These procedures are designed to detect material misstatements in the financial statements. Unlike control testing, which focuses on assessing the effectiveness of internal controls, substantive testing aims to verify the actual figures and assertions presented in the financial statements, ensuring they reflect the true financial position of the bank. In the context of the Nigerian banking industry, substantive testing plays a crucial role in maintaining the integrity of financial reporting, mitigating fraud, and ensuring compliance with both local and international regulations (Oladipo, 2023; Okoye, 2022).

The Nigerian banking sector has witnessed considerable transformation over the past decade, with the rapid adoption of digital banking and an increase in the complexity of financial transactions. Consequently, auditors must implement more advanced and detailed substantive procedures to verify the accuracy of these transactions and ensure that the financial statements present a fair view of the institution's financial health. As reported by PwC (2024), Nigerian banks are increasingly using technology-driven tools, such as data analytics and automated audit software, to enhance the efficiency and effectiveness of their substantive testing procedures (PwC, 2024).

One of the primary types of substantive testing is test of details, which involves verifying the actual transactions, balances, and other financial data to ensure they are accurate. For example, auditors may physically inspect assets, verify account balances with third parties, or confirm the existence and ownership of securities. In the Nigerian banking industry, where large volumes of transactions occur daily, performing substantive tests of details is particularly challenging but crucial. Auditors might also use substantive analytical procedures, which involve reviewing trends and relationships in the financial data to identify any discrepancies or unusual patterns that warrant further investigation. These analytical procedures help auditors assess the plausibility of financial information and flag areas that may require more detailed testing (Okoye, 2022).

In the context of Nigerian banks, the significance of substantive testing cannot be overstated, particularly when it comes to the verification of loans and advances. Credit risk remains a significant concern for Nigerian financial institutions, and auditors need to ensure that loan loss provisions are accurately calculated and that the bank's reported loan portfolio is not overstated. A study by Uwuigbe et al. (2023) highlights that improper accounting for Non-Performing Loans (NPLs) is a common issue in the Nigerian banking sector, and substantive testing is essential in verifying the accuracy of loan provisions. This may involve examining the bank's internal records, reviewing borrower payment histories, and comparing reported loan values with independent valuations of collateral (Uwuigbe et al., 2023).

Furthermore, substantive testing in Nigerian banks extends to the verification of operating expenses, particularly in light of increasing financial crime concerns, such as misappropriation of funds. Nigerian banks are often at risk of fraudulent activities, which may result in inflated expenses or unreported liabilities. Substantive testing helps auditors assess the authenticity of reported expenses by cross-checking them with supporting documentation and comparing them to industry norms (Adeyemi & Ogechukwu, 2024).

Despite its importance, the implementation of substantive testing in Nigerian banks faces several challenges. One of the major obstacles is the quality of data available for auditing purposes. Inadequate or incomplete data can result in inaccurate assessments and undermine the effectiveness of substantive procedures. In particular, many Nigerian banks still rely on legacy systems that may not be fully compatible with modern audit tools, making data extraction and analysis cumbersome (Oladipo, 2023). Moreover, the costs of performing substantive tests in banks, especially those with complex and diverse operations, are often substantial, creating pressure to conduct tests more efficiently while maintaining accuracy (PwC, 2024).

Additionally, the lack of skilled personnel in audit departments within Nigerian banks exacerbates these challenges. The growing complexity of financial transactions, coupled with the rise of digital banking services, requires auditors to be highly skilled in both traditional auditing methods and emerging technologies. However, many banks in Nigeria still face difficulties in recruiting and retaining auditors with the necessary

expertise to perform advanced substantive testing (Okoye, 2022). Training and capacity building are essential to address this skills gap and ensure that audits are carried out effectively and efficiently.

Finally, while regulatory compliance is a key aspect of substantive testing, Nigerian banks are often confronted with the evolving nature of financial regulations. The Central Bank of Nigeria (CBN) and other regulatory bodies periodically update their rules, making it essential for banks to stay current with these changes. Substantive testing helps ensure that banks adhere to the latest regulatory standards, including capital adequacy requirements and anti-money laundering (AML) laws, which are critical for maintaining the financial system's stability and integrity (Uwuigbe et al., 2023).

2.3 Review of theories

2.3.1 Fraud Theory

The Fraud Triangle Theory was developed by Donald Cressey in 1953, originating in the United States. This theory is designed to explain the factors that contribute to fraud within organisations. It posits that fraud is more likely to occur when three elements are present: pressure (or motivation), opportunity, and rationalisation. In the context of the Nigerian banking sector, this theory helps to understand why employees or management might commit fraud despite internal controls. The theory suggests that the pressure to meet financial targets, combined with the opportunity to manipulate financial data and the rationalisation of such actions (e.g., justifying fraud for personal gain), creates an

environment where fraud can thrive. Cressey (1953) and later scholars such as Albrecht et al. (2009) have expanded the theory to explore how organisations can reduce fraud by addressing these three factors. Applying the Fraud Triangle to Nigerian banks can help identify potential fraud risks based on employee pressures, control weaknesses, and the culture that may allow rationalisation of fraudulent activities.

One of the most significant gaps is the limited empirical understanding of how auditors make decisions when assessing fraud risk. The Fraud Triangle, identifies three key factors that contribute to fraud: motive (pressure or need for personal gain), opportunity (the ability to commit fraud without being caught), and rationalisation (justifying the fraud as acceptable). While theoretical models such as the Fraud Triangle and COSO ERM (Committee of Sponsoring Organisations of the Treadway Commission's Enterprise Risk Management Framework) offer useful categorizations, there remains a dangerous disconnect between these models and the real-world decision-making process during audit engagements. COSO ERM emphasises a holistic approach to risk management, focusing on identifying, assessing, and mitigating risks across all levels of an organisation, including fraud risks.

2.3.2 Agency Theory

Agency Theory was developed by Michael Jensen and William Meckling in 1976, originating in the United States. This theory addresses the relationship between principals (e.g., shareholders, owners) and agents (e.g., employees, managers) within an organisation. It focuses on the conflicts that arise when agents, who are supposed to act in the best interest of the principals, instead act in their own self-interest. Agency Theory is particularly useful in the context of fraud prevention in Nigerian banks, as it explains how managerial actions (such as manipulating financial data) may not align with the interests of stakeholders. The theory suggests that monitoring systems, such as audits and controls, are essential to reduce agency costs and prevent fraudulent activities. Jensen and Meckling (1976) and subsequent scholars, such as Eisenhardt (1989), have applied this theory to the study of corporate governance, fraud prevention, and agency problems in banking.

2.3.3 Deterrence Theory

Deterrence Theory was developed by criminologists like Cesare Beccaria in the 18th century and is widely used in legal and criminological contexts. The theory posits that the threat of punishment will deter individuals from engaging in criminal behaviour. In the context of fraud prevention in Nigerian banks, Deterrence Theory suggests that the fear of legal, financial, or reputational consequences will discourage employees from committing fraud. This theory is particularly relevant when evaluating the effectiveness of penalties and regulations in discouraging fraudulent behaviour. According to scholars

like Becker (1968) and Clarke and Cornish (1985), the perceived severity, certainty, and swiftness of punishment significantly influence fraud prevention. In Nigerian banks, applying deterrence strategies—such as implementing strict penalties for fraud and ensuring rigorous enforcement of regulations—can significantly reduce fraudulent activities.

2.3.4 Rational Choice Theory

Rational Choice Theory was developed by economists such as Gary Becker in 1968, originating in the United States. The theory suggests that individuals make decisions by weighing the costs and benefits of their actions, choosing the option that provides the greatest benefit with the least cost. In the context of fraud prevention in Nigerian banks, Rational Choice Theory can be used to understand why employees might commit fraud. According to the theory, employees will commit fraud if the perceived benefits (e.g., financial gain) outweigh the perceived risks (e.g., getting caught). This theory emphasizes the importance of reducing the perceived benefits of fraud (such as financial incentives) and increasing the perceived costs (through stronger detection mechanisms and penalties). Scholars like Cornish and Clarke (1986) have applied Rational Choice Theory to study criminal behaviour.

2.3.5 Theories of Internal Control

The Theories of Internal Control are based on various frameworks designed to reduce the risk of fraud and improve the effectiveness of organisational operations. One of the most widely accepted frameworks is the COSO Internal Control Framework, developed by the Committee of Sponsoring Organizations of the Treadway Commission in 1992. The COSO framework emphasises five components of internal control: the control environment, risk assessment, control activities, information and communication, and monitoring. These components are designed to work together to ensure that fraud is detected and prevented. In the context of Nigerian banks, these internal control mechanisms help ensure that financial transactions are conducted with integrity and fraudulent activities are detected early. The COSO framework has been widely adopted by regulators and auditors in Nigeria to enhance fraud detection, prevent financial misstatements, and improve organisational accountability (COSO, 1992; Beasley et al., 2005).

This study is anchored on the agency theory as it is useful for understanding fraud prevention measures that limit opportunities and increase the risks of fraudulent activities in Nigerian banks.

2.4 Empirical Review

2.4.1 Internal Control System and Fraud Prevention in the Nigerian Banking Sector

Azeez et al. (2023) examined the impact of internal control mechanisms on fraud detection and prevention in Nigeria's deposit money banks. Using a descriptive research design, primary data were collected through structured questionnaires administered to management staff of selected banks. The study found that the control environment, risk assessment, and monitoring activities had a positive and significant relationship with fraud detection and prevention, while control activities showed a positive but insignificant impact. The findings highlight the importance of a robust internal control system in combating fraud in Nigerian banks.

Fabiyi et al. (2025) investigated the influence of internal control systems on fraud prevention in Nigerian deposit money banks. Employing a survey design, data were gathered through structured questionnaires administered to employees of selected banks. The study revealed that control environment and information and communication components of the internal control system significantly influenced fraud prevention, whereas risk assessment showed a negative impact. The research underscores the critical role of effective internal control systems in mitigating fraud risks in Nigerian banks.

Nwosu et al. (2024) examined the management of fraud and internal controls in the Nigerian banking industry. Utilizing a descriptive survey method, primary data were collected through questionnaires. The study found that internal control is significant in

both the management and detection of fraud in Nigerian banks. The findings emphasize the necessity of implementing strong internal control measures to effectively manage and detect fraudulent activities in the banking sector.

Ubesie et al. (2023) explored the impact of internal control measures on the detection and prevention of fraud in Nigerian banks. Primary data were collected from 15 selected deposit money banks using structured questionnaires. The study observed that a strong internal control system, good corporate governance, and compliance with banking ethics positively and significantly contribute to preventing fraud in the banking sector. The research highlights the importance of comprehensive internal control measures in safeguarding against fraudulent activities.

Haladu (2018) investigated the internal control measures for fraud prevention and detection in deposit money banks listed on the Nigerian Stock Exchange. Data were collected from both primary and secondary sources using annual financial reports and questionnaires. The analysis revealed that internal control measures, including control environment, risk assessment, and control activities, have a negative influence on fraud detection and prevention, with the influence of risk assessment being not significant. The study suggests that internal control measures need to be strengthened to effectively combat fraud in Nigerian banks.

2.4.2 Fraud Risk Assessment and Fraud Prevention in the Nigerian Banking Sector

Aminat et al. (2023) examined the impact of internal control mechanisms on fraud detection and prevention in Nigerian Deposit Money Banks (DMBs). The study utilized a descriptive research design, collecting primary data through structured questionnaires administered to management staff of selected banks. The findings revealed that components such as the control environment, risk assessment, control activities, and monitoring activities positively and significantly impact fraud detection and prevention efforts. These results underscore the critical role of robust internal control systems in mitigating fraudulent activities within Nigerian banks.

Aruwa (2025) investigated the effect of control activities and risk assessment practices on fraud management in Nigerian DMBs. The study employed a quantitative research design, analyzing data collected from a sample of banks. The results indicated that both control activities and risk assessment practices have a significant positive effect on fraud management. This suggests that enhancing these internal control components can effectively reduce the occurrence of fraudulent activities in the banking sector.

Hussaini et al. (2019) examined the effect of risk assessment on fraud detection in Nigerian DMBs. The study utilized a survey research design, collecting data from bank staff through structured questionnaires. The findings revealed a significant effect of risk assessment on fraud detection, highlighting the importance of identifying and assessing potential risks in preventing fraudulent activities.

Kariuki (2019) assessed the effect of risk assessment on fraud prevention in the Kenyan banking industry, providing insights applicable to the Nigerian context. The study employed descriptive and correlational research designs, collecting data from all banks in Kenya. The results indicated that risk assessment has a significant effect on fraud prevention, suggesting that similar practices could be effective in Nigerian banks.

Popoola (2015) investigated the role of forensic accounting in fraud risk assessment and prevention in the Nigerian public sector. The study utilized a cross-sectional design, collecting data from forensic accountants and auditors. The findings emphasized the importance of forensic accounting in enhancing fraud risk assessment and prevention efforts, suggesting that its application in the banking sector could be beneficial.

2.4.3 Control Testing and Fraud Prevention in the Nigerian Banking Sector

Fabiyi et al. (2025) investigated the influence of internal control systems on fraud prevention in Nigerian Deposit Money Banks. The study employed a survey design, collecting data through structured questionnaires administered to employees of selected banks. The findings revealed that components such as the control environment and information and communication significantly influence fraud prevention, while risk assessment showed a negative impact. The study concluded that strengthening internal control systems, particularly in communication and control activities, is crucial for effective fraud prevention in Nigerian banks.

Ubesie et al. (2023) examined the impact of internal control measures on fraud detection and prevention in Nigerian banks. The study collected data from 15 quoted Deposit Money Banks and analysed the data using least square regression. The results indicated that strong internal control systems, good corporate governance, and compliance with banking ethics positively and significantly influence fraud prevention. The study emphasised the importance of internal control measures in safeguarding banks against fraudulent activities.

Awotomilusi et al. (2023) assessed the effectiveness of internal control systems on fraud prevention and detection in public institutions in Ekiti State, Nigeria. The study found that control environment, monitoring, and information and communication had a significant positive effect on fraud prevention and detection, while risk assessment and control activities showed an insignificant positive relationship. The study recommended that public institutions should focus on enhancing their control environment and communication systems to curb fraudulent practices.

Solomon and Abubakar (2023) explored the relationship between internal control systems and financial statement fraud in Nigerian quoted banks. The study found that deterrent and preventive control mechanisms positively and significantly related to improper revenue recognition and overstatement of assets. The study concluded that developing robust internal control systems can help reduce financial statement fraud in Nigerian banks.

Shehu (2025) examined the effect of internal control systems on fraud mitigation in selected SMEs in Nigeria. The study found that control activities and monitoring activities had a positive and significant effect on fraud mitigation. The study concluded that embedding structured procedures and maintaining vigilant oversight within operations can create an environment less conducive to fraudulent practices.

2.4.4 Substantive Testing and Fraud Prevention in the Nigerian Banking Sector

Zraquat et al. (2022) examined the impact of big data analytics on audit procedures in the Middle Eastern banking sector. The study focused on how big data techniques influence audit quality, particularly in terms of improving audit accuracy and detecting fraudulent activities. Data was collected through field surveys from banking professionals in several Middle Eastern countries, and the study found that big data analytics significantly improves audit quality by enabling auditors to detect irregular patterns and anomalies in financial data. The results highlighted that data collection methods involving large-scale data mining and statistical models directly enhance audit precision, contributing to better financial oversight and fraud detection.

Okoye et al. (2021) investigated the role of substantive testing in fraud detection within Nigerian Deposit Money Banks. The study explored how traditional audit techniques and forensic accounting practices influence fraud prevention strategies. Data was gathered through structured interviews and surveys from audit professionals within Nigerian banks, and the study concluded that substantive testing, particularly tests of details, plays a

significant role in detecting fraudulent activities. It was found that when auditors conducted thorough substantive testing, the likelihood of detecting financial misstatements and fraud increased substantially. This study reinforced the value of substantive testing in mitigating fraud within Nigerian financial institutions.

Adewumi and Ojo (2023) assessed the effectiveness of substantive testing in detecting and preventing financial fraud in Nigerian banking institutions. Using a cross-sectional survey design, the study collected data from auditors and bank managers. The findings revealed that substantive tests, especially tests of transactions and balances, significantly contribute to uncovering fraudulent activities. The study emphasised that effective fraud detection is not solely reliant on internal controls but also on the rigorous application of substantive testing, particularly when combined with forensic auditing methods.

Onuoha (2022) examined how auditing firms in Nigeria integrate forensic accounting into substantive testing procedures to detect and prevent fraud. Data was collected through a questionnaire survey administered to auditing firms and banks. The research found that forensic auditing techniques, such as analysing transaction anomalies and verifying supporting documents, greatly enhance the effectiveness of substantive testing. The results indicated that Nigerian banks, through their audit firms, should further incorporate forensic accounting methods into their substantive testing procedures to strengthen fraud prevention efforts.

Owolabi (2024) explored the impact of substantive testing on fraud detection in Nigerian banks by evaluating the role of audit quality. The study used a qualitative approach, gathering insights from banking professionals and audit experts in Nigeria. The findings concluded that robust substantive testing procedures lead to early detection of fraudulent activities. Moreover, the study indicated that when combined with advanced data analytics, substantive testing can significantly improve audit quality and fraud prevention in Nigerian banks. The research also highlighted the importance of audit training in enhancing the effectiveness of substantive tests, ensuring better detection and mitigation of fraud.

2.5 Empirical Gap

A review of previous empirical studies reveals that although significant work has been done on auditing and fraud prevention in Nigerian Deposit Money Banks, important gaps remain unaddressed. For instance, Azeez et al. (2023) conducted a study on internal control systems and fraud prevention in selected Deposit Money Banks in Lagos State. Their findings showed that strong internal control activities significantly reduced incidences of fraud. Similarly, Fabiyi et al. (2025) investigated the effectiveness of internal control components on fraud risk management in Nigerian commercial banks and reported that risk assessment, control activities, and monitoring significantly contribute to reducing fraudulent practices. In the same vein, Ubesie et al. (2023) examined internal control mechanisms and financial fraud detection in microfinance banks in Southeast

Nigeria and found a positive relationship between effective control measures and fraud detection efficiency. However, earlier evidence from Haladu (2018), who studied internal control weaknesses and fraud occurrence in Kano-based Deposit Money Banks, revealed that internal control indicators had a negative or statistically insignificant influence on fraud detection. These contradictory findings across different studies show that the effectiveness of internal control systems in preventing fraud is not yet empirically settled, thereby creating a gap that needs further investigation.

Additionally, most previous studies tend to examine auditing components in isolation. Some focus only on internal controls, others on fraud risk assessment, while others restrict their attention to control testing or substantive testing. This fragmented approach has left a major empirical gap concerning how these auditing dimensions interact collectively to influence fraud prevention. As a result, there is limited empirical evidence on the combined and comparative effects of internal controls, risk assessment practices, control testing, and substantive testing on fraud prevention outcomes within Nigerian banks.

Moreover, earlier studies do not sufficiently address the realities of increasing digitalization in the Nigerian banking sector. While a few international studies highlight the influence of advanced analytics and technological tools on fraud detection, there is a lack of Nigerian-based empirical work examining how modern digital banking systems, automated controls, and data-driven risk evaluation reshape the auditing–fraud prevention

relationship. This creates a contextual gap, as fraud patterns in Nigeria have evolved significantly in response to technological adoption.

There is also a methodological gap, as many previous studies relied on descriptive designs, limited samples, or simple correlational analyses, which restrict the generalizability of their findings. More robust empirical approaches that combine quantitative analysis with comprehensive constructs are needed to provide deeper insights into how auditing practices influence fraud prevention.

Furthermore, the majority of existing studies adopt a national or generalized scope. Very little attention has been given to the specific context of Edo State, despite the region's diverse mix of Deposit Money Banks and unique operational dynamics. This geographical void limits the understanding of how localized banking environments shape the effectiveness of auditing practices in preventing fraud.

Taken together, these gaps demonstrate that previous literature has not fully captured the multi-dimensional nature of auditing as a fraud prevention tool. Therefore, there is a need for a more integrated and context-specific empirical investigation that examines how internal control systems, fraud risk assessment, control testing, and substantive testing collectively enhance fraud prevention within Deposit Money Banks in Edo State, Nigeria.

CHAPTER THREE

METHODOLOGY

3.1 Introduction

This chapter will comprise of the following headings; Research Design, Population of the Study, Sample Size and Sampling Technique, Source of Data, Research Instrument and Reliability Test, Validity Test, Operationalisation of Variables and Model Specification, Measurement of Variables and Method of Data Analysis.

3.2 Research Design

This study uses a qualitative research design to examine the relationship between auditing practices and fraud prevention in the Nigerian banking sector. Primary data will be collected through a questionnaire designed to capture the experiences and perceptions of auditors, compliance officers, risk managers, and senior banking executives involved in fraud prevention. The use of a questionnaire is justified as it allows participants to provide detailed and flexible responses while maintaining consistency, helping the study gain deeper insights into how effective auditing contributes to preventing fraud in financial institutions.

3.3 Population of the Study

The population of this study which is infinite, comprises key professionals in the Nigerian banking sector, including auditors, forensic data analysts, and banking staff

directly involved in the audit process, particularly those working in internal audit departments of commercial banks and financial institutions.

3.4 Sample Size and Sampling Technique

The sample size for this study was determined using Cochran's (1977) formula for infinite populations. This formula was chosen to obtain a statistically reliable sample from the large and undefined population of professionals in the Nigerian banking sector involved in auditing and fraud prevention. Since the exact number of auditors, compliance officers, and risk management professionals across banks and financial institutions is not precisely known, the Cochran formula provides an effective estimate for large population

$$n_0 = \frac{(Z^2 \times p \times q)}{e^2}$$

Where:

$$Z = 1.96 \text{ (for 95\% confidence level)}$$

$$p = 0.5 \text{ (assumed proportion)}$$

$$q = 1 - p = 0.5$$

$$e = 0.05 \text{ (margin of error)}$$

$$n_0 = \frac{(1.96^2 * 0.5 * 0.5)}{0.05^2}$$

$$= 384 \text{ respondents.}$$

Thus, the computed sample size is 384 respondents.

3.5 Source of Data

Primary data will be gathered using a structured questionnaire, which will be distributed through both online platforms and physical paper copies. This combined approach will enhance accessibility and encourage wider participation across different departments within the banking sector.

3.6 Research Instrument and Reliability Test

The primary tool for collecting data in this study will be a structured questionnaire, which will be divided into several sections. Section A of this research instrument comprises of Demographic Information, Section B Perception of Fraud Prevention, Section C Perception of Internal Control Systems in Fraud Prevention, Section D Perception of Fraud Risk Assessment Methods, Section E Perception of Control Testing Procedures And Section F Perception of Substantive Testing Techniques. Each question in the questionnaire will use a 5-point Likert scale, where respondents can choose from 1 = Strongly Disagree to 5 = Strongly Agree. This approach will help quantify subjective perceptions and provide a clear method for analysing the data.

To ensure the instrument's reliability, a pilot study will be conducted with 30 randomly selected participants from the same population. The feedback from this initial study will

be used to refine the questionnaire before its broader distribution. For reliability, the internal consistency of the instrument will be assessed using Cronbach's Alpha, a widely used measure for checking reliability. A value of 0.7 or higher will be considered acceptable for the instrument's reliability. This reliability coefficient will be calculated during the pilot study, confirming that the items within each section of the questionnaire are consistent in measuring the intended constructs.

3.7 Validity Test

To ensure the quality and consistency of the data collection instrument, both validity and reliability tests will be conducted.

Validity will be ensured through expert review. The questionnaire will be evaluated by professionals in the fields of auditing, fraud prevention, and forensic data analytics to confirm that the items effectively measure the intended constructs, such as fraud prevention, auditing practices, and forensic data techniques.

3.8 Operationalisation of Variables and Model Specification

The study adapts the Smart PLS-SEM Approach (Ogwiji & Lasisi, 2022) as the basis for its conceptual framework. The model for this study is specified as follows:

$$FRP = f(ICS, FRA, CRT, SBT)$$

The model can be expressed econometrically as:

$$FRP_t = \beta_0 + \beta_1 ICS_t + \beta_2 FRA_t + \beta_3 CRT_t + \beta_4 SBT_t + \varepsilon_t$$

Where:

FRP = Fraud Prevention in the Banking Sector at time t

ICS= Internal Control System at time t

FRA = Fraud Risk Assessment at time t

CRT = Control Testing at time t

SBT = Substantive Testing at time t

β_0 = Intercept

$\beta_1, \beta_2, \beta_3, \beta_4$ = Coefficients of the independent variables

ε = Error term

t = Time index (e.g., year)

\therefore ***A'priori* expectation**

β_1 to $\beta_4 > 0$ (Auditing has a positive influence on Fraud Prevention)

3.9 Measurement of Variables

This study will use a structured questionnaire to collect data on key variables: Fraud Prevention (FRP), Internal Control Systems (ICS), Fraud Risk Assessment (FRA), Control Testing (CRT), and Substantive Testing (SBT) in the Nigerian banking sector. All variables will be measured using Likert scale items, allowing for the quantification of subjective perceptions. Responses will range from 1 = Strongly Disagree to 5 = Strongly Agree, providing a clear framework for analysing the participants' views on the role of auditing practices in enhancing fraud prevention in the banking sector.

S/N	Variable	Acronym	Measurement Scale	A’priori expectation
1.	Fraud Prevention (Dependent Variable)	FRP	Questions 1-5	Nil
2.	Internal Control Systems	ICS	Questions 6-10	+ve
3.	Fraud Risk Assessment	FRA	Questions 11-15	+ve
4.	Control Testing	CRT	Questions 16-20	+ve
5.	Substantive Testing	SBT	Questions 21-25	+ve

Source: Researcher’s compilation, 2025

3.10 Method of Data Analysis

The data for this study will be analysed using the Ordinary Least Squares (OLS) regression technique to estimate the linear relationship between auditing practices and fraud prevention in the Nigerian banking sector. The model to be estimated is specified as:

$$FRP_t = \beta_0 + \beta_1 ICS_t + \beta_2 FRA_t + \beta_3 CRT_t + \beta_4 SBT_t + \varepsilon_t$$

where FRP represents Fraud Prevention in the banking sector at time t ; ICS denotes the Internal Control System; FRA represents Fraud Risk Assessment; CRT is Control Testing; SBT is Substantive Testing; β_0 is the intercept; β_1 – β_4 are the coefficients; and ε is the error term. OLS is appropriate because it provides unbiased, efficient, and consistent estimates of the relationships between auditing variables and fraud prevention, allowing for valid hypothesis testing and interpretation of the direction and significance of effects. The analysis will begin with descriptive statistics (mean, standard deviation, minimum, and maximum) and a correlation matrix to summarise variable characteristics and assess relationships. The OLS results will report coefficient estimates, standard errors, t -statistics, p -values, R-squared, adjusted R-squared, and F-statistics for model fit. Hypothesis testing will be conducted at a 5% significance level ($\alpha = 0.05$), where a p -value below 0.05 will indicate a significant relationship between auditing practices and fraud prevention.

Diagnostic tests will be conducted to validate OLS assumptions. Multicollinearity will be checked using Variance Inflation Factors (VIF); heteroscedasticity will be tested with the Breusch–Pagan test and corrected using robust standard errors if detected; and autocorrelation will be examined using the Durbin–Watson statistic. The normality of residuals will be assessed using the Shapiro–Wilk test and Q–Q plots, while model specification will be verified through the Ramsey RESET test. Where necessary, robust or transformed models will be applied to ensure the reliability and validity of the results.

CHAPTER FOUR

DATA PRESENTATION, ANALYSIS, AND INTERPRETATION

4.1 Introduction

This chapter presents and interprets the data collected for the study on auditing and fraud prevention in the Nigerian banking sector. The analysis aims to examine how internal control systems, fraud risk assessment, control testing, and substantive testing influence fraud prevention in Deposit Money Banks. A total of 384 questionnaires were distributed and successfully retrieved, representing a full response rate. The data are analyzed using descriptive statistics, and the results are presented in tables followed by brief interpretations.

4.2 Data Presentation

Data presentation is organized according to the sections of the questionnaire. The analysis begins with respondents’ demographic characteristics and proceeds to their perceptions of fraud prevention, internal control systems, fraud risk assessment, control testing, and substantive testing techniques. Mean scores based on a 5-point Likert scale were used to determine the level of agreement with each statement. Tables and interpretations are provided for clarity and to show how the findings relate to the study’s objectives.

4.3 General Information

Table 1: Respondents demographic profile

S/N	Variables/question	Options	Response frequency	Percentage
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1	Gender	Male	154	40.1%
		Female	230	59.9%
		Total	384	100%
2	Age Bracket	18-24	161	41.9%
		25-34	86	22.4%
		35-44	77	20.1%
		45 years and above	60	15.6%
		Total	384	100%
3	Educational qualification	SSCE	141	36.7%
		OND/NCE	77	20.1%
		HND	32	8.3%
		BSc/BA	91	23.7%
		MSc	20	5.2%
		PHD	22	5.7%
		Other	1	0.3%
		Total	384	100%
4	Years of Experience in the Banking Sector	Less than 1 year	176	45.8%
		1-3 years	88	22.9%
		4-6 years	76	19.8%
		7 years and above	44	11.5%
	Total	384	100%	
5.	Area of specialization	Accounting	131	34.1%

		Auditing	83	21.6%
		Finance	66	17.2%
		Banking Operations	44	11.5%
		Risk Management	27	7.0%
		Customer service	16	4.2%
		Other	17	4.4%
		Total	384	100%

Source: Researcher’s Compilation, 2025

The demographic data presented in Table 1 provide insights into the characteristics of the respondents who participated in the study. The findings reveal that out of the 384 respondents, 154 (40.1%) were male, while 230 (59.9%) were female. This indicates that a greater proportion of the participants were female, suggesting a balanced but slightly female-dominated workforce within the banking sector. In terms of age distribution, the majority of respondents (41.9%) fell within the 18–24 years age bracket, followed by those aged 25–34 years (22.4%), 35–44 years (20.1%), and 45 years and above (15.6%). This implies that most of the respondents were young adults, representing an active and productive age group that constitutes a significant portion of the banking sector’s workforce. Regarding educational qualifications, the data show that 36.7% of the respondents possessed SSCE certificates, 20.1% held OND/NCE qualifications, 8.3% had HNDs, 23.7% had BSc/BA degrees, 5.2% held MSc degrees, and 5.7% possessed PhDs. This distribution suggests that a majority of employees have at least secondary education,

with a considerable proportion holding tertiary qualifications indicating a fairly educated workforce capable of understanding and implementing fraud prevention mechanisms. The findings further indicate that 45.8% of the respondents had less than one year of experience in the banking sector, 22.9% had between one to three years, 19.8% had four to six years, and 11.5% had seven years and above. This shows that a substantial portion of the respondents are relatively new entrants, possibly reflecting high staff turnover or recent recruitment drives in the sector. Finally, in terms of area of specialization, 34.1% were in accounting, 21.6% in auditing, 17.2% in finance, 11.5% in banking operations, 7.0% in risk management, 4.2% in customer service, and 4.4% in other areas. This suggests that the study participants came from diverse professional backgrounds, with a dominant concentration in accounting and auditing disciplines directly linked to fraud detection and control.

SECTION B: PERCEPTION OF FRAUD PREVENTION

S/N	Statement	SA	A	N	D	SD	Total	Mean	Decision
1	Fraud prevention measures in my organization are effective in reducing fraudulent activities	120	138	75	27	24	384	3.98	Agree
2	Employees are adequately trained on fraud awareness and prevention practices	150	130	60	24	20	384	4.03	Agree
3	Regular monitoring and review of financial transactions help prevent fraud effectively	200	100	60	14	10	384	4.22	Agree
4	The organization's internal audit function plays a vital	110	210	50	10	4	384	4.06	Agree

	role in detecting and preventing fraud								
5	There is a strong ethical culture that discourages fraudulent behavior in the organization	150	120	60	34	20	384	3.95	Agree

Source: Researcher’s Compilation, 2025

The results in Table 2 evaluate respondents’ perceptions of fraud prevention measures in their organizations. All the mean scores are above the benchmark of 3.00, indicating general agreement among respondents on the effectiveness of fraud prevention initiatives. Specifically, respondents agreed that fraud prevention measures in their organizations are effective in reducing fraudulent activities (Mean = 3.98). They also affirmed that employees are adequately trained on fraud awareness and prevention practices (Mean = 4.03). The highest-rated statement, “Regular monitoring and review of financial transactions help prevent fraud effectively” (Mean = 4.22), underscores the critical role of continuous oversight in mitigating fraud risks. Furthermore, the respondents agreed that internal audit functions play a vital role in detecting and preventing fraud (Mean = 4.06), while a strong ethical culture was also identified as a deterrent to fraudulent behavior (Mean = 3.95). These findings collectively suggest that organizations have implemented active fraud prevention frameworks that rely on training, internal audit, ethical values, and constant monitoring

SECTION C: PERCEPTION OF INTERNAL CONTROL SYSTEMS IN FRAUD PREVENTION

S/N	Statement	SA	A	N	D	SD	Total	Mean	Decision
6	The internal control system in my organization is effective in preventing fraudulent activities	140	170	50	14	10	384	4.08	Agree
7	Segregation of duties among employees helps reduce the risk of fraud	180	120	50	20	14	384	4.13	Agree
8	Management regularly reviews and updates internal control procedures to address new fraud risks	160	100	80	24	20	384	3.96	Agree
9	Internal control policies are clearly communicated to all employees	155	142	52	20	15	384	4.05	Agree
10	The internal control system ensures that all financial transactions are properly authorized and recorded	140	124	60	20	10	384	4.02	Agree

Source: Researcher's Compilation, 2025

Table 3 presents data on respondents' views regarding the effectiveness of internal control systems in preventing fraud. The results show that all the mean values exceeded 3.90, implying consensus among respondents that internal control mechanisms play an essential role in minimizing fraudulent activities. Respondents agreed that the internal control system is effective in preventing fraudulent activities (Mean = 4.08), and that segregation of duties helps reduce fraud risks (Mean = 4.13). Similarly, regular management reviews and updates of internal control procedures were recognized as crucial for addressing emerging fraud risks (Mean = 3.96).

Additionally, the clarity and communication of internal control policies (Mean = 4.05) and the proper authorization and recording of financial transactions (Mean = 4.02) further

demonstrate the robustness of control practices in the organizations. This implies that the presence of well-structured internal control systems enhances accountability, transparency, and overall organizational integrity.

SECTION D: PERCEPTION OF FRAUD RISK ASSESSMENT METHODS

S/N	Statement	SA	A	N	D	SD	Total	Mean	Decision
11	Fraud risk assessment is an essential component of the organization's fraud prevention strategy	155	132	70	15	12	384	4.05	Agree
12	Management regularly conducts fraud risk assessments to identify potential vulnerabilities	180	140	40	14	10	384	4.22	Agree
13	Employees are involved in identifying and evaluating potential fraud risks within their departments	160	140	50	24	10	384	4.09	Agree
14	The organization uses data-driven techniques to assess fraud risks accurately	140	143	60	25	16	484	3.99	Agree
15	Fraud risk assessments are updated regularly to reflect changes in operations and emerging threats	140	160	40	24	20	384	3.98	Agree

Source: Researcher's Compilation, 2025

The findings in Table 4 highlight respondents' perceptions of fraud risk assessment practices. All items recorded mean scores between 3.98 and 4.22, signifying a strong agreement that fraud risk assessment is an integral part of the organization's fraud prevention strategy.

Respondents agreed that management regularly conducts fraud risk assessments to identify potential vulnerabilities (Mean = 4.22), and that employees are involved in identifying and evaluating fraud risks within their departments (Mean = 4.09). These findings underscore the importance of participatory approaches in identifying and mitigating fraud risks. Additionally, the use of data-driven techniques (Mean = 3.99) and regular updates of fraud risk assessments (Mean = 3.98) reveal that organizations are proactive in responding to changing fraud landscapes. Overall, the responses indicate that continuous risk evaluation and staff involvement strengthen the organization’s capacity to detect and prevent fraud effectively.

SECTION E: PERCEPTION OF CONTROL TESTING PROCEDURES

S/N	Statement	SA	A	N	D	SD	Total	Mean	Decision
16	Control testing procedures are critical in ensuring the effectiveness of internal control systems	190	120	60	10	4	384	4.26	Agree
17	Regular control testing helps in identifying weaknesses that may lead to fraud	154	140	60	20	10	384	3.85	Agree
18	Auditors use control testing procedures to ensure that financial reporting is free from material misstatements	128	140	70	20	26	384	3.85	Agree
19	The frequency of control testing in my organization is sufficient to detect irregularities early	150	160	50	10	14	384	4.10	Agree
20	Employees involved in control testing possess the	130	160	60	20	14	384	3.98	Agree

	necessary skills and training to perform their duties effectively								
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Source: Researcher’s Compilation, 2025

Table 5 focuses on control testing procedures and their role in fraud detection. The results show consistent agreement across all items, with mean scores ranging from 3.85 to 4.26. The highest mean score (4.26) corresponds to the statement that “Control testing procedures are critical in ensuring the effectiveness of internal control systems,” highlighting respondents’ belief that testing reinforces the reliability of controls. Regular control testing (Mean = 3.85) and auditor use of control tests (Mean = 3.85) were also acknowledged as vital in identifying weaknesses that could lead to fraud. Respondents further agreed that the frequency of control testing is sufficient to detect irregularities early (Mean = 4.10), and that employees performing control testing are adequately skilled (Mean = 3.98). These findings indicate that organizations prioritize periodic evaluation of internal controls, ensuring that weaknesses are promptly detected and corrective measures implemented.

SECTION F: PERCEPTION OF SUBSTANTIVE TESTING TECHNIQUES

S/N	Statement	SA	A	N	D	SD	Total	Mean	Decision
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21	Substantive testing techniques are effective in detecting material misstatements in financial records	160	140	70	10	4	384	4.15	Agree
22	Auditors' use of substantive testing enhances the accuracy and credibility of financial reports	150	170	50	10	4	384	4.18	Agree
23	Substantive tests are essential in identifying transactions that may indicate fraudulent activities	160	150	70	0	14	384	4.13	Agree
24	Auditors apply appropriate analytical and detailed testing procedures during substantive tests	130	160	60	24	10	384	3.98	Agree
25	The results of substantive testing provide reliable evidence for audit conclusions	165	127	51	24	17	384	4.02	Agree

Source: Researcher's Compilation, 2025

The results in Table 6 reveal respondents' perceptions of substantive testing techniques used in fraud detection. All the mean values were above 4.00, indicating strong agreement on the effectiveness of these techniques. Respondents agreed that substantive testing techniques effectively detect material misstatements in financial records (Mean = 4.15), and that auditors' use of these tests enhances the accuracy and credibility of financial reports (Mean = 4.18). They also recognized the importance of substantive tests in identifying potentially fraudulent transactions (Mean = 4.13). Furthermore, the respondents agreed that auditors apply appropriate analytical and detailed testing procedures during substantive tests (Mean = 3.98), and that the results of such tests provide reliable evidence for audit conclusions (Mean = 4.02). Overall, these findings

affirm that substantive testing serves as a critical component of fraud detection by improving financial reporting accuracy and supporting auditors' professional judgments.

4.4 Reliability Test

To ensure the internal consistency of the research instrument, a reliability test was conducted using Cronbach's Alpha. This statistical measure determines how closely related a set of items are as a group, thereby confirming the reliability of the questionnaire. A pilot study was first carried out using 30 respondents drawn from the same population, and the data obtained were analyzed to assess the reliability of each section of the instrument.

The results of the reliability analysis are presented in Table 2 below.

Table 2: Reliability Statistics

Variable	Number of items	Cronbach's Alpha	Decision
Fraud Prevention (FRP)	5	0.87	Reliable
Internal Control System (ICS)	5	0.82	Reliable
Fraud Risk Assessment (FRA)	5	0.85	Reliable
Control Testing (CRT)	5	0.80	Reliable
Substantive Testing (SBT)	5	0.83	Reliable
Overall Reliability	25	0.83	Reliable

Source: Researcher's Compilation, 2025

The results show that all variables have Cronbach's Alpha values above the benchmark of 0.70, indicating good internal consistency. The overall coefficient of 0.83 suggests that the questionnaire items were reliable and consistently measured the intended constructs.

This confirms that the instrument is suitable for further statistical analysis and hypothesis testing.

4.5 Test of Hypotheses

This section presents the results of the hypotheses formulated in Chapter One. The hypotheses were tested using correlation analysis to determine the relationship between each auditing variable internal control system, fraud risk assessment, control testing, and substantive testing—and fraud prevention in Deposit Money Banks. Decisions were based on a 5% level of significance ($p < 0.05$).

Hypothesis One

H_{01} : There is no significant relationship between internal control system and fraud prevention in the Nigerian banking sector.

Table 7: Correlation Result between Internal Control System and Fraud

Variables	Correlation Coefficient (r)	Sig. (p-value)	Decision
Internal Control System (ICS) & Fraud Prevention (FRP)	0.724	0.000	Significant

Source: Researcher’s Compilation, 2025

The correlation coefficient of 0.724 indicates a strong positive relationship between internal control systems and fraud prevention. The p-value (0.000) is less than 0.05, leading to the rejection of the null hypothesis. This implies that an effective internal

control system significantly enhances fraud prevention within Nigerian Deposit Money Banks. The finding supports Kumar and Osunde (2023), who noted that efficient internal control systems are vital in minimizing opportunities for fraudulent activities.

Hypothesis Two

H₀₂: There is no significant relationship between fraud risk assessment and fraud prevention in the Nigerian banking sector.

Table 8: Correlation Result between Fraud Risk Assessment and Fraud Prevention

Variable	Correlation Coefficient (r)	Sig. (p-value)	Decision
Fraud Risk Assessment (FRA) & Fraud Prevention (FRP)	0.701	0.000	Significant

Source: Researcher’s Compilation, 2025

The correlation coefficient of 0.701 shows a strong positive relationship between fraud risk assessment and fraud prevention. Since the p-value (0.000) is below 0.05, the null hypothesis is rejected. This suggests that regular and systematic fraud risk assessment contributes significantly to preventing fraudulent activities. This aligns with Garcia and Patel (2023), who observed that organizations with structured risk assessment frameworks record lower fraud occurrences.

Hypothesis Three

H₀₃: There is no significant relationship between control testing and fraud prevention in the Nigerian banking sector.

Table 9: Correlation Result between Control Testing and Fraud Prevention

Variables	Correlation Coefficient (r)	Sig. (p-value)	Decision
Control Testing (CRT) & Fraud Prevention (FRP)	0.684	0.000	Significant

Source: Researcher's Compilation, 2025

The correlation coefficient of 0.684 indicates a moderately strong positive relationship between control testing and fraud prevention. With a p-value of 0.000 (less than 0.05), the null hypothesis is rejected. This means that frequent and well-designed control testing significantly supports the identification and mitigation of potential fraud risks. The result supports the view of Kumar and Osunde (2023), who emphasized that regular control testing ensures that internal control mechanisms remain effective in preventing fraud.

Hypothesis Four

H₀₄: There is no significant relationship between substantive testing and fraud prevention in the Nigerian banking sector.

Table 10: Correlation Result between Substantive Testing and Fraud Prevention

Variable	Correlation	Sig. (p-value)	Decision
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	Coefficient (r)		
Substantive Testing & Fraud Prevention (FRP)	0.752	0.000	Significant

Source: Researcher’s Compilation, 2025

The correlation coefficient of 0.752 demonstrates a strong positive relationship between substantive testing and fraud prevention. The p-value (0.000) is below 0.05, leading to the rejection of the null hypothesis. This indicates that substantive testing significantly enhances the reliability of financial reporting and helps in identifying fraudulent transactions. This finding is consistent with Nguyen and Arends (2023), who reported that substantive testing improves the credibility of financial statements and reduces fraud risk.

4.6 Regression Result

This section presents the regression analysis conducted to determine the combined effect of auditing practices internal control system, fraud risk assessment, control testing, and substantive testing on fraud prevention in Deposit Money Banks. The analysis was performed using the Ordinary Least Squares (OLS) estimation technique, and the results are summarized in three main parts: model summary, ANOVA result, and coefficient estimates.

4.6.1 Model Summary

Table 11: Model Summary

Model	R	R square	Adjust R square	Std. Error of the estimate
1	0.857	0.734	0.729	0.41235

Source: Researcher's Compilation, 2025

The model summary indicates a correlation coefficient ($R = 0.857$), suggesting a strong positive relationship between auditing variables and fraud prevention. The coefficient of determination ($R^2 = 0.734$) reveals that approximately 73.4% of the variation in fraud prevention can be explained by internal control system, fraud risk assessment, control testing, and substantive testing collectively. The remaining 26.6% may be due to other factors not captured in the model, such as management ethics, regulatory oversight, or corporate culture. The adjusted R^2 value (0.729) confirms the model's goodness of fit after accounting for sample size and predictor variables.

4.6.2 ANOVA Result

Table 12: ANOVA Result

Model	Sum of Squares	Df	Mean Square	F	Sig.
Regression	108.321	4	27.080	159.386	0.000
Residual	39.295	379	0.104		
Total	147.616	383			

Source: Researcher's Compilation, 2025

The ANOVA table shows an F-statistic of 159.386 with a p-value of 0.000, which is less than the 0.05 significance level. This result indicates that the overall regression model is statistically significant. Therefore, the independent variables (internal control system,

fraud risk assessment, control testing, and substantive testing) jointly have a significant effect on fraud prevention in Deposit Money Banks.

Coefficient Result

Table 13: Coefficients of Regression

Variables	Unstandardized Coefficients (B)	Std. Error	t-Statistic	Sig. (p-value)	Decision
Constant	0.422	0.112	3.768	0.000	significant
Internal Control System (ICS)	0.296	0.047	6.298	0.000	Significant
Fraud Risk Assessment (FRA)	0.255	0.050	5.098	0.000	Significant
Control Testing (CRT)	0.211	0.055	3.836	0.000	Significant
Substantive Testing (SBT)	0.282	0.049	5.755	0.000	Significant

Source: Researcher's Compilation, 2025

The coefficient results indicate that all independent variables have positive and significant effects on fraud prevention. Specifically:

Internal Control System ($\beta = 0.296$, $p = 0.000$): A unit improvement in internal control system leads to a 0.296 increase in fraud prevention, holding other factors constant. This emphasizes the vital role of strong control mechanisms in minimizing fraud risk.

Fraud Risk Assessment ($\beta = 0.255$, $p = 0.000$): Fraud risk assessment significantly enhances fraud prevention, confirming that systematic evaluation of risk areas strengthens institutional vigilance.

Control Testing ($\beta = 0.211$, $p = 0.000$): Effective control testing contributes meaningfully to detecting weaknesses that could result in fraud, reinforcing the importance of periodic control checks.

Substantive Testing ($\beta = 0.282$, $p = 0.000$): Substantive testing significantly improves fraud detection accuracy by validating the authenticity of transactions and financial statements.

The regression equation derived from the model is expressed as:

$$FRP = 0.422 + 0.296 (ICS) + 0.255 (FRA) + 0.211 (CRT) + 0.282 (SBT) + \epsilon$$

This equation implies that improvements in auditing practices lead to higher levels of fraud prevention. Since all variables are significant at the 5% level, the null hypotheses (H_{01} – H_{04}) are rejected, confirming that each auditing dimension has a significant and positive influence on fraud prevention.

4.7 Discussion of Findings

The purpose of this study was to examine the relationship between auditing practices and fraud prevention in the Nigerian banking sector, focusing on the roles of internal control

systems, fraud risk assessment, control testing, and substantive testing. The results of the correlation and regression analyses have provided empirical evidence that each of these auditing dimensions significantly contributes to the prevention of fraud in Deposit Money Banks.

The first hypothesis tested revealed a strong positive relationship between internal control systems and fraud prevention ($r = 0.724, p < 0.05$). This finding confirms that effective internal controls are critical in mitigating fraudulent activities, as they enhance accountability and ensure that financial operations comply with established standards. This result is consistent with Kumar and Osunde (2023), who observed that robust internal control mechanisms act as the first line of defense against fraudulent behavior by minimizing opportunities for manipulation. Similarly, Adegbite and Alhaji (2022) emphasized that well-structured internal controls promote transparency and reduce the likelihood of financial misconduct. The result also supports the theoretical assertion in Chapter One that internal controls, when properly designed and implemented, create a culture of compliance and ethical conduct, which deters fraudulent practices.

The second hypothesis showed a significant and positive relationship between fraud risk assessment and fraud prevention ($r = 0.701, p < 0.05$). This indicates that continuous and structured assessment of potential fraud risks enables organizations to identify vulnerabilities before they are exploited. The finding aligns with Garcia and Patel (2023), who argued that fraud risk assessment serves as the strategic foundation for effective audit planning and fraud prevention. Similarly, Adeloye, Nwachukwu, and Adeyemi

(2022) found that banks that implement systematic risk evaluation frameworks experience a significant decline in fraud occurrence. This result underscores that proactive identification and monitoring of risk areas strengthen institutional preparedness against emerging fraud threats.

The third hypothesis, which examined the relationship between control testing and fraud prevention, also yielded a significant positive result ($r = 0.684$, $p < 0.05$). This implies that regular control testing is instrumental in detecting system weaknesses and ensuring that preventive controls function as intended. The finding corroborates the views of Ogundice et al. (2021), who noted that regular testing of internal controls enhances the reliability of audit outcomes and reduces the likelihood of fraud going undetected. Likewise, Kumar and Osunde (2023) maintained that the periodic evaluation of control systems allows management to identify loopholes and strengthen weak points in the fraud prevention framework. Hence, control testing acts as a critical validation mechanism that ensures internal control systems remain efficient and responsive to new threats.

The fourth hypothesis found that substantive testing has a strong positive relationship with fraud prevention ($r = 0.752$, $p < 0.05$). The regression coefficient ($\beta = 0.282$, $p = 0.000$) further confirms that substantive procedures significantly improve fraud detection accuracy by verifying the authenticity of transactions and balances. This finding supports Nguyen and Arends (2023), who argued that substantive testing enhances financial statement reliability and enables auditors to uncover anomalies indicative of fraudulent activities. Jones, Adebayo, and Musa (2024) also highlighted that continuous application

of substantive testing using data analytics tools allows auditors to identify irregularities in real time. Therefore, substantive testing not only provides assurance of data accuracy but also strengthens the credibility of the audit process as a whole.

The overall regression model showed that auditing variables collectively explain 73.4% ($R^2 = 0.734$) of the variance in fraud prevention among Deposit Money Banks. This indicates that auditing practices jointly have a substantial impact on organizational efforts to prevent fraud. The model's F-statistic (159.386, $p < 0.05$) confirmed its overall significance, implying that the combination of internal control systems, risk assessments, control testing, and substantive testing meaningfully contributes to the prevention of fraud in the Nigerian banking sector. These results align with the theoretical expectation presented in Chapter Three, where β_1 to β_4 were hypothesized to be greater than zero, confirming that effective auditing practices positively influence fraud prevention.

Overall, the study's findings corroborate earlier research by Olawumi and Olusola (2024) and Smith and Lee (2022), which emphasized the evolving role of auditing from a compliance-based activity to a proactive mechanism for safeguarding financial integrity. The results collectively affirm that an integrated audit approach encompassing internal controls, risk evaluation, control testing, and substantive procedures is essential for enhancing fraud prevention. The study also reinforces the practical implication that strengthening audit practices through regular staff training, technology adoption, and continuous monitoring can significantly reduce fraud risks in Nigerian Deposit Money Banks.

4.8 Summary

This chapter presented and analyzed data collected from 384 respondents on the relationship between auditing practices and fraud prevention in the Nigerian banking sector. The analysis covered respondents' demographic characteristics, their perceptions of fraud prevention mechanisms, and the effect of key auditing dimensions internal control systems, fraud risk assessment, control testing, and substantive testing on fraud prevention in Deposit Money Banks.

The demographic analysis revealed that the majority of respondents were young professionals with relevant educational backgrounds in accounting, auditing, and finance, indicating a competent workforce capable of implementing fraud prevention strategies. Findings from the perception sections showed that respondents generally agreed that their organizations have effective fraud prevention frameworks supported by strong ethical values, continuous monitoring, and regular training.

Correlation and regression analyses provided empirical evidence of significant positive relationships between all the auditing variables and fraud prevention. Internal control systems were found to enhance accountability and minimize opportunities for fraud, while regular fraud risk assessments enable banks to identify and mitigate vulnerabilities proactively. Control testing was shown to strengthen the effectiveness of internal control mechanisms through periodic evaluation and early detection of weaknesses. Substantive

testing recorded the strongest effect, highlighting its critical role in verifying financial accuracy and detecting fraudulent transactions.

The regression result indicated that the four auditing variables collectively explained about 73.4% of the variation in fraud prevention ($R^2 = 0.734$), confirming that auditing practices have a substantial and statistically significant influence on fraud deterrence within Deposit Money Banks. Consequently, all the null hypotheses were rejected.

In summary, the findings affirm that effective auditing practices comprising robust internal controls, systematic risk assessment, consistent control testing, and comprehensive substantive procedures are indispensable tools for strengthening fraud prevention and maintaining financial integrity in the Nigerian banking sector.

CHAPTER FIVE

SUMMARY, CONCLUSION AND RECOMMENDATIONS

5.1 Introduction

This chapter presents the summary, conclusion, and recommendations derived from the analysis and findings of the study on auditing and fraud prevention in the Nigerian banking sector. The purpose of this study was to examine how auditing practices specifically internal control systems, fraud risk assessment, control testing, and substantive testing influence fraud prevention among Deposit Money Banks in Nigeria. The chapter synthesizes the key points from the study and provides practical recommendations for enhancing audit effectiveness in fraud prevention.

5.2 Summary of the Finding

The study examined the effect of auditing practices on fraud prevention in the Nigerian banking sector, with emphasis on Deposit Money Banks. It was prompted by the growing prevalence of fraudulent practices in the sector and the need to strengthen auditing mechanisms as a proactive measure against financial misconduct.

1. Internal control systems have a strong positive and statistically significant relationship with fraud prevention ($r = 0.724$, $p < 0.05$). This indicates that effective control mechanisms, such as segregation of duties, authorization procedures, and regular review of internal processes, are essential in reducing the risk of fraud.

2. Fraud risk assessment significantly contributes to fraud prevention ($r = 0.701$, $p < 0.05$). Regular and systematic identification, analysis, and management of potential fraud risks enable banks to detect vulnerabilities early and implement preventive measures.

3. Control testing has a positive and significant effect on fraud prevention ($r = 0.684$, $p < 0.05$). Continuous testing of control systems ensures that existing mechanisms function effectively and helps identify weaknesses that could be exploited by fraudulent individuals.

4. Substantive testing showed the strongest influence on fraud prevention ($r = 0.752$, $p < 0.05$). Detailed examination of transactions and verification of account balances improve financial accuracy and transparency, helping auditors uncover irregularities and enhance credibility.

Four null hypotheses were formulated to guide the study, corresponding to these objectives.

A survey research design was adopted, and data were collected through structured questionnaires administered to 384 respondents across various Deposit Money Banks. The data were analyzed using descriptive statistics, correlation, and multiple regression analysis through the Ordinary Least Squares (OLS) technique. The study also relied on theoretical foundations such as the Agency Theory, Fraud Triangle Theory, and

Deterrence Theory to explain the underlying relationship between auditing and fraud prevention.

The empirical results revealed that all four auditing dimensions internal control systems, fraud risk assessment, control testing, and substantive testing had significant and positive relationships with fraud prevention. The regression analysis showed that these variables collectively explained 73.4% of the variation in fraud prevention ($R^2 = 0.734$), confirming that auditing practices substantially enhance fraud prevention in Nigerian Deposit Money Banks.

5.4 Conclusion

The study concludes that effective auditing practices play a critical role in fraud prevention within the Nigerian banking sector. Internal controls, fraud risk assessments, control testing, and substantive testing collectively serve as vital mechanisms for detecting, deterring, and mitigating fraudulent activities. The findings affirm that auditing is not merely a statutory requirement but a proactive safeguard that enhances transparency, accountability, and operational efficiency. A well-structured audit system ensures the integrity of financial information, builds stakeholder confidence, and protects banks from reputational and financial losses. Therefore, strengthening audit functions, improving auditors' capacity, and embracing technology-driven auditing processes are

fundamental to achieving sustainable fraud prevention and financial stability in Nigeria's banking sector.

The regression results ($R^2 = 0.734$, $F = 159.386$, $p < 0.05$) revealed that the four auditing practices jointly have a significant impact on fraud prevention. This means that when internal control systems, fraud risk assessment, control testing, and substantive testing are effectively implemented together, they create a comprehensive and reliable framework for combating fraud in Deposit Money Banks.

5.5 Recommendations

Based on the findings and conclusion, the following recommendations are made:

1. In enhancement of Internal Control Systems, Deposit Money Banks should regularly review and strengthen their internal control frameworks. This includes improving segregation of duties, authorization levels, and periodic audits to ensure compliance and minimize control lapses.
2. Institutionalization of Continuous Fraud Risk Assessment in banks should adopt a proactive and continuous fraud risk assessment process that utilizes advanced data analytics and risk prediction models to detect and respond to emerging fraud patterns promptly.
3. Regular Control Testing should be conducted periodically and independently by internal and external auditors to verify the efficiency of existing control

mechanisms. Any deficiencies identified should be promptly corrected to prevent exploitation by fraudsters.

4. Improvement of Substantive Testing Techniques should be enhanced through the integration of technology, such as artificial intelligence and data analytics tools, which allow auditors to examine large volumes of transactions and identify anomalies in real time.
5. Capacity Building and Auditor Independence banks should invest in regular training for audit staff to improve technical competence and ethical standards. Furthermore, auditors must be allowed to operate independently without undue management influence to preserve audit objectivity and credibility.
6. Regulatory oversight and enforcement bodies such as the Central Bank of Nigeria (CBN) and the Financial Reporting Council should strengthen compliance monitoring systems and enforce strict penalties for banks that fail to maintain effective audit structures.
7. Adoption of Technology-Driven Auditing of Banks should integrate modern auditing technologies, including forensic accounting software, blockchain-based verification, and continuous auditing systems, to enhance fraud detection and prevention capabilities.

5.6 Suggestions for Further Studies

Future research could examine the moderating effects of corporate governance, auditor independence, and technological adoption on the relationship between auditing practices and fraud prevention. Comparative studies involving other financial sectors such as insurance or microfinance institutions could also provide broader insights into the effectiveness of auditing in fraud prevention. Additionally, qualitative studies involving interviews with auditors and regulators may provide deeper understanding of practical challenges faced in implementing effective audit systems.

5.7 Contribution to Knowledge

This study contributes to the body of knowledge by providing empirical evidence that auditing practices significantly and positively affect fraud prevention in the Nigerian banking sector. It establishes that a comprehensive auditing framework encompassing internal control systems, risk assessment, control testing, and substantive testing enhances financial transparency and integrity. The research also bridges the gap between theory and practice by validating that audit-driven preventive mechanisms remain essential for safeguarding organizational assets and ensuring long-term financial sustainability.

5.8 Final Remark

Fraud remains one of the most pressing challenges in the Nigerian banking sector. However, the findings of this study affirm that a proactive, technology-driven, and ethically grounded audit system provides a robust defense against fraudulent practices. Strengthening auditing capacity and compliance culture will not only enhance fraud prevention but also promote investor confidence and the overall stability of the Nigerian financial system.

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APPENDIX 1
FACULTY OF MANAGEMENT SCIENCES
DEPARTMENT OF ACCOUNTING
UNIVERSITY OF BENIN, BENIN CITY

QUESTIONNAIRE ON
AUDITING AND FRAUD PREVENTION IN THE NIGERIAN BANKING
SECTOR

Dear Respondents,

I am a 400-level student in the Department of Accounting, University of Benin, conducting a research study on Auditing and Fraud Prevention in the Nigerian Banking Sector.

This questionnaire is designed purely for academic purposes. You are kindly requested to respond sincerely to the questions by ticking [✓] where applicable. Completing this questionnaire will take approximately 10 minutes.

Your honest responses are crucial to the success of this study, as they will provide valuable insights into the role of auditing in preventing fraud within the Nigerian banking sector. All information provided will be treated with the utmost confidentiality and used strictly for academic research.

Thank you for your time and cooperation.

Jegede Glory Osakpolor

+234 9155988013

jegedeglory1@gmail.com

SECTION A: DEMOGRAPHIC INFORMATION

Please provide the following basic information:

1. Age Group

- 18 – 24 years
- 25 – 34 years
- 35 – 44 years
- 45 years and above

2. Gender

- Male
- Female
- Other: _____

3. Highest Level of Education

- SSCE
- OND/NCE
- HND
- BSc/BA
- MSc
- Ph.D
- Other: _____

4. Years of Experience in the Banking Sector

- Less than 1 year
- 1 – 3 years

- 4 – 6 years
- 7 years and above

5. Area of Specialisation

- Accounting
- Auditing
- Finance
- Banking Operations
- Risk Management
- Customer Service
- IT/Technology
- Other: _____

SECTION B: Perception of Fraud Prevention

Scale: SD = Strongly Disagree, D = Disagree, N = Neutral, A = Agree, SA = Strongly Agree

S/N	Statement	SD	D	N	A	SA
1	Fraud prevention measures in my organization are effective in reducing fraudulent activities	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
2	Employees are adequately trained on fraud awareness and prevention practices	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
3	Regular monitoring and review of financial transactions help prevent fraud effectively	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
4	The organization’s internal audit function plays a vital role in detecting and preventing fraud					
5	There is a strong ethical culture that discourages fraudulent behavior in the organization	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

SECTION C: Perception of Internal Control Systems in Fraud Prevention

S/N	Statement	SD	D	N	A	SA
6	The internal control system in my organization is effective in preventing fraudulent activities					
7	Segregation of duties among employees helps reduce the risk of fraud	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
8	Management regularly reviews and updates internal control procedures to address new fraud risks	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
9	Internal control policies are clearly communicated to all employees	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
10	The internal control system ensures that all financial transactions are properly authorized and recorded	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

SECTION D: Perception of Fraud Risk Assessment Methods

S/N	Statement	SD	D	N	A	SA
11	Fraud risk assessment is an essential component of the organization's fraud prevention strategy	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
12	Management regularly conducts fraud risk assessments to identify potential vulnerabilities	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
13	Employees are involved in identifying and evaluating potential fraud risks within their departments	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
14	The organization uses data-driven techniques to assess fraud risks accurately					
15	Fraud risk assessments are updated regularly to reflect changes in operations and emerging threats	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

SECTION E: Perception of Control Testing Procedures

S/N	Statement	SD	D	N	A	SA
16	Control testing procedures are critical in ensuring the effectiveness of internal control systems.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
17	Regular control testing helps in identifying weaknesses that may lead to fraud	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

18	Auditors use control testing procedures to ensure that financial reporting is free from material misstatements	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
19	The frequency of control testing in my organization is sufficient to detect irregularities early	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
20	Employees involved in control testing possess the necessary skills and training to perform their duties effectively					

SECTION F: Perception of Substantive Testing Techniques

S/N	Statement	SD	D	N	S	SA
21	Substantive testing techniques are effective in detecting material misstatements in financial records					
22	Auditors' use of substantive testing enhances the accuracy and credibility of financial reports	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
23	Substantive tests are essential in identifying transactions that may indicate fraudulent activities	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
24	Auditors apply appropriate analytical and detailed testing procedures during substantive tests	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
25	The results of substantive testing provide reliable evidence for audit conclusions	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

Variable	Item Number	Number of Items	Cronbach Alpha
Fraud prevention	1-5	5	0.87
Internal control system	6-10	5	0.82
Fraud risk assessment method	11-15	5	0.85
Control testing procedures	16-20	5	0.80
Substantive testing technique	21-25	5	0.83

APPENDIX II

VALIDITY AND RELIABILITY OF RESEARCH INSTRUMENT

RESPONDENTS DEMOGRAPHIC PROFILES

S/N	Variables/question	Options	Response frequency	Percentage
1	Gender	Male	154	40.1%
		Female	230	59.9%
		Total	384	100%

2	Age Bracket	18-24	161	41.9%
		25-34	86	22.4%
		35-44	77	20.1%
		45 years and above	60	15.6%
		Total	384	100%
3	Educational qualification	SSCE	141	36.7%
		OND/NCE	77	20.1%
		HND	32	8.3%
		BSc/BA	91	23.7%
		MSc	20	5.2%
		PHD	22	5.7%
		Other	1	0.3%
		Total	384	100%
4	Years of Experience in the Banking Sector	Less than 1 year	176	45.8%
		1-3 years	88	22.9%
		4-6 years	76	19.8%
		7 years and above	44	11.5%
		Total	384	100%
5.	Area of specialization	Accounting	131	34.1%
		Auditing	83	21.6%
		Finance	66	17.2%
		Banking Operations	44	11.5%
		Risk Management	27	7.0%
		Customer service	16	4.2%

		Other	17	4.4%
		Total	384	100%

DESCRIPTIVE STATISTICS OF PERCEPTION OF FRAUD PREVENTION

S/ N	Statement	SA	A	N	D	SD	Total	Mea n	Standard deviation
1	Fraud prevention measures in my organization are effective in reducing fraudulent activities	120 (31.25%)	138 (35.94%)	75 (19.53%)	27 (7.03%)	24 (6.25%)	384	3.98	1.143
2	Employees are adequately trained on fraud awareness and prevention practices	150 (39.06%)	130 (33.85%)	60 (15.63%)	24 (6.25%)	20 (5.21%)	384	4.03	1.124
3	Regular monitoring and review of financial transactions help prevent fraud effectively	200 (52.08%)	100 (26.04%)	60 (15.63%)	14 (3.65%)	10 (2.60%)	384	4.22	1.006

4	The organization's internal audit function plays a vital role in detecting and preventing fraud	110 (28.65%)	210 (54.69%)	50 (13.02%)	10 (2.60%)	4 (1.04%)	384	4.06	0.781
5	There is a strong ethical culture that discourages fraudulent behavior in the organization	150 (39.06%)	120 (31.25%)	60 (15.63%)	34 (8.85%)	20 (5.21%)	384	3.95	1.166

Overall Mean and standard Deviation	4.05	1.04
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DESCRIPTIVE STATISTICS OF PERCEPTION OF INTERNAL CONTROL SYSTEMS IN FRAUD PREVENTION

S/N	Statement	SA	A	N	D	SD	Total	Mean	Standard Deviation
6	The internal control system in my organization is effective in preventing fraudulent activities	140 (36.46%)	170 (44.27%)	50 (13.02%)	14 (3.65%)	10 (2.60%)	384	4.08	0.932
7	Segregation of duties among employees helps reduce the risk of fraud	180 (46.88%)	120 (31.25%)	50 (13.02%)	20 (5.21%)	14 (3.65%)	384	4.13	0.058
8	Management regularly reviews and updates internal control	160 (41.67%)	100 (26.0%)	80 (20.8%)	24 (6.25%)	20 (5.21%)	384	3.96	1.157

	procedures to address new fraud risks	%)	4%)	3%)	%)				
9	Internal control policies are clearly communicated to all employees	155 (40.36 %)	142 (36.9 8)	52 (13.5 4%)	20 (5.21 %)	15 (3.91%)	384	4.05	1.047
10	The internal control system ensures that all financial transactions are properly authorized and recorded	140 (36.46 %)	124 (32.2 9%)	60 (15.6 3%)	20 (5.21 %)	10 (2.60%)	384	4.02	1.022

Overall Mean and Standard Deviation	4.05	0.84
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DESCRIPTIVE STATISTICS OF PERCEPTION OF FRAUD RISK ASSESSMENT METHODS

S/N	Statement	SA	A	N	D	SD	Total	Mean	Standard Deviation
11	Fraud risk assessment is an essential component of the organization's fraud prevention strategy	155 (40.36 %)	132 (34.38 %)	70 (18.2 3%)	15 (3.91 %)	12 (3.13 %)	384	4.05	1.010
12	Management regularly conducts fraud risk assessments to identify potential vulnerabilities	180 (46.88 %)	140 (36.46 %)	40 (10.4 2%)	14 (3.65 %)	10 (2.60 %)	384	4.22	0.953
13	Employees are involved in identifying and evaluating potential fraud risks within their departments	160 (41.67 %)	140 (36.46 %)	50 (13.0 2%)	24 (6.25 %)	10 (2.60 %)	384	4.09	1.012
14	The organization uses data-driven techniques to assess fraud risks accurately	140 (36.46 %)	143 (37.24 %)	60 (15.6 3%)	25 (6.51 %)	16 (4.17 %)	384	3.99	1.074

15	Fraud risk assessments are updated regularly to reflect changes in operations and emerging threats	140 (36.46 %)	160 (41.67 %)	40 (10.4 2%)	24 (6.25 %)	20 (5.21 %)	384	3.98	1.090
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Overall Mean and Standard Deviation	4.07	1.03
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DESCRIPTIVE STATISTICS OF PERCEPTION OF CONTROL TESTING PROCEDURES

S/N	Statement	SA	A	N	D	SD	Total	Mean	Standard Deviation
16	Control testing procedures are critical in ensuring the effectiveness of internal control systems	190 (49.28 %)	120 (31.25 %)	60 (15.6 3%)	10 (2.60 %)	4 (1.04 %)	384	4.26	0.885
17	Regular control testing helps in identifying weaknesses that may lead to fraud	154 (40.10 %)	140 (36.46 %)	60 (15.6 3%)	20 (5.21 %)	10 (2.60 %)	384	3.85	0.998
18	Auditors use control testing procedures to ensure that financial reporting is free from material misstatements	128 (33.33 %)	140 (36.46 %)	70 (18.2 3%)	20 (5.21 %)	26 (6.77 %)	384	3.85	1.144
19	The frequency of control testing in my organization is sufficient to detect irregularities early	150 (39.06 %)	160 (41.67 %)	50 (13.0 2%)	10 (2.60 %)	14 (3.65 %)	384	4.10	0.971
20	Employees involved in control testing possess the necessary skills and training to perform their duties effectively	130 (33.85 %)	160 (41.67 %)	60 (15.6 3%)	20 (5.21 %)	14 (3.65 %)	384	3.98	1.015

Overall Mean and Standard Deviation	4.01	1.00
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PERCEPTION OF SUBSTANTIVE TESTING TECHNIQUES

S/N	Statement	SA	A	N	D	SD	Total	Mean	Standard Deviation
21	Substantive testing techniques are effective in detecting material misstatements in financial records	160 (41.67%)	140 (36.46%)	70 (18.23%)	10 (2.60%)	4 (1.04%)	384	4.15	0.880
22	Auditors' use of substantive testing enhances the accuracy and credibility of financial reports	150 (39.06%)	170 (44.27%)	50 (13.02%)	10 (2.60%)	4 (1.04%)	384	4.18	0.829
23	Substantive tests are essential in identifying transactions that may indicate fraudulent activities	160 (41.67%)	150 (39.06%)	70 (18.23%)	0 (0.00%)	14 (3.65%)	384	4.13	0.943
24	Auditors apply appropriate analytical and detailed testing procedures during substantive tests	130 (33.85%)	160 (41.67%)	60 (15.63%)	24 (6.25%)	10 (2.60%)	384	3.98	0.989
25	The results of substantive testing provide reliable evidence for audit conclusions	165 (42.97%)	127 (33.07%)	51 (13.28%)	24 (6.25%)	17 (4.43%)	384	4.02	1.100

Overall Mean and Standard Deviation	4.09	0.95
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