

**ASSESSING THE PRACTICE OF FORENSIC AUDITING IN
ADDRESSING EMERGING FRAUD SCHEMES IN SELECTED
FINANCIAL INSTITUTIONS IN NIGERIA**

BY

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ABSTRACT

Financial markets in Nigeria are experiencing a large number of advanced, tech-savvy fraud cases that threaten the stability of the financial markets and the confidence of the public. The traditional audit methods that have focused on regulatory compliance and financial reporting have increasingly failed to uncover collusive and complex electronic fraud schemes. In this study the effectiveness of forensic audit in mitigating these emerging threats in selected financial institutions in Nigeria was investigated. The main goal of the study is to assess the methods forensic auditors implement, the institutional constraints to their effective use and the effect of technology integration into fraud prevention. The study was descriptive research with a quantitative approach that gathered the primary data from the major deposit money banks internal auditors and financial control officers in the banks using a structured five point Likert scale questionnaire. The empirical results confirm that forensic audit is much more effective than the conventional approach in detecting non-routine financial crimes. Around 82% of respondents reported that forensic accounting techniques such as data mining and the digital investigation protocols are very effective for detecting fraudulent anomalies in real time. The results of the statistical analysis through regression modelling showed an R-squared of 0.68 which indicates that 68% of the variances of the successful fraud mitigation could be explained through the use of strong forensic audit practices. In addition, the autonomy of forensic units was found to be correlated positively and significantly ($r = 0.72$; $p < 0.001$) with successful misappropriated asset recovery. In spite of this success, the study highlights some challenges such as lack of specialized human capital (SHK) by 45%, and the legal uncertainty of the admission of the digital forensic evidence in the Nigerian judiciary. The study concludes that forensic auditing is a powerful tool for fraud management but faces

limitations due to regulatory deficiencies and the lack of administrative autonomy. To this end, the research calls for the use of artificial intelligence (AI) forensic tools, the development of a uniform legal framework for digital evidence and for the creation of direct reporting lines between forensic units and the Board Audit Committee, in order to avoid management interference and increase the institutional transparency.

Keywords: Forensic Auditing, Financial Institutions, Fraud Detection, Corporate Governance, Digital Forensics, Nigeria, Risk Management.

Introduction

The stability and integrity of the Nigerian financial sector are fundamental to the nation's overall economic growth and development. However, the sector has increasingly become a target for sophisticated financial crimes, threatening public trust and institutional viability. Forensic auditing has emerged as a critical mechanism for addressing these challenges, moving beyond traditional auditing to provide specialized investigative capabilities (Adesina et al., 2020). By integrating accounting, auditing, and investigative skills, forensic auditors play a pivotal role in identifying, documenting, and preventing fraudulent activities that jeopardize the financial ecosystem (Paymaster, 2021). In recent years, the landscape of financial fraud has undergone a significant transformation, necessitating a shift in how institutions approach risk management. The rise of digitalization, while fostering financial inclusion, has simultaneously introduced new avenues for white-collar crime (Oluyide, 2025).

As criminals leverage advanced technology, the traditional internal control systems that once sufficed are frequently rendered obsolete, leaving financial institutions vulnerable to complex manipulation and asset misappropriation (Akinleye & Akadi, 2024). The necessity of forensic auditing is underscored by its ability to act as both a deterrent and a detective tool within the corporate environment. Unlike statutory audits, which prioritize accuracy and compliance, forensic auditing delves deep into financial anomalies to reconstruct events and gather evidence for potential legal proceedings (Oyerogba, 2021). This proactive stance is

essential for maintaining investor confidence and ensuring that shareholders' interests are protected against internal and external malfeasance (Okafor et al., 2025). As financial institutions in Nigeria grapple with the increasing sophistication of financial crime, the adoption of forensic accounting techniques has become a strategic necessity rather than a supplementary practice (Joseph, 2025). Empirical studies continue to highlight the direct correlation between the application of these techniques and the efficacy of fraud prevention strategies (Ajibola & Mlanga, 2025). Without robust forensic oversight, the likelihood of long-term sustainability for these institutions is severely compromised by the persistent threat of financial leakage. Furthermore, the integration of technology into forensic practices has revolutionized the detection of electronic fraud and other cyber-related financial crimes (Osanyinbola, 2024).

Forensic auditors are now required to employ data analytics, forensic software, and digital investigation protocols to keep pace with agile fraudsters (Damulom, 2025). This technological evolution represents a shift toward data-driven decision-making, enabling auditors to identify red flags in real-time before they manifest into catastrophic financial losses (Fanimokun, 2025). The role of the forensic auditor also extends into the realm of corporate governance, where they act as facilitators of transparency and accountability (Adeosun, 2025). By evaluating the adequacy of internal controls and ensuring compliance with regulatory frameworks, forensic professionals reinforce the ethical standards of the organization (Nduka et al., 2025). Their work provides the evidentiary foundation for whistle-blowing investigations, which are crucial in exposing high-level corruption and fraudulent schemes (Apalowowa, 2025).

Addressing financial crime in the Nigerian context requires a multidisciplinary approach, combining legal, accounting, and technological expertise. Forensic audit practices provide the essential analytical framework to navigate the complexities of financial irregularities in diverse business environments, from deposit money banks to microfinance

institutions (Dada, 2024). This study explores how such practices are structured and implemented to counter the ever-evolving tactics of financial predators (Onyemachi et al., 2024). Despite the growing recognition of its importance, the application of forensic auditing in Nigeria faces various implementation barriers, ranging from a lack of technical expertise to the need for modernized regulatory mandates (Olabisi, 2024). Ensuring that these practices are effectively integrated requires a commitment from management to prioritize fraud risk assessment over mere historical reporting (Eko et al., 2020). Such a commitment is vital to building resilient institutions that can withstand both internal and systemic shocks (Appah & Awuji, 2023). The intersection of forensic auditing and digital forensics also represents a burgeoning field that demands immediate attention. As financial transactions migrate to virtual platforms, the scope of the auditor's duties must expand to include the tracking of cryptocurrency-related fraud and sophisticated identity theft (Ogar et al., 2026).

This expansion necessitates continuous professional development and the adoption of cutting-edge forensic tools to ensure that investigators remain a step ahead of criminal networks (Ogunleye & Fanimokun, 2025). Ultimately, this study seeks to assess the practice of forensic auditing within selected Nigerian financial institutions to evaluate its effectiveness in curbing emerging fraud schemes. By analyzing the current methodologies and the challenges faced by practitioners, the study aims to offer actionable insights into how forensic auditing can be optimized to strengthen the financial architecture of the nation (Teibowei, 2025). The research underscores the necessity of a proactive, technology-enabled, and governance-centered approach to fraud management in an era of rapid digital transition.

Statement of the Problem

Despite the introduction of various regulatory measures and internal control systems, financial fraud remains a persistent and evolving challenge for financial institutions in Nigeria. Traditional audit methods, which focus primarily on standard financial reporting and compliance, have proven

inadequate in detecting sophisticated, non-routine, and collusive fraud schemes (Adesina et al., 2020). This gap between traditional auditing and the requirements of modern fraud detection constitutes a major threat to the financial stability of the industry (Paymaster, 2021). The emergence of "new-age" fraud including cyber-fraud, sophisticated electronic banking manipulation, and complex money laundering has outpaced the detection capabilities of many Nigerian financial institutions. Existing systems often struggle to identify these irregularities in real-time, allowing significant losses to occur before they are uncovered (Oluyide, 2025). Consequently, there is an urgent need to evaluate whether current forensic auditing practices are sufficiently advanced to mitigate these dynamic risks (Osanyinbola, 2024). Furthermore, there is a documented concern regarding the uneven application of forensic techniques across the banking sector. While some larger institutions have invested in robust forensic departments, others lag, resulting in systemic vulnerabilities that can be exploited by criminals targeting the weakest links (Oyerogba, 2021). This inconsistency in professional practice hinders the industry's collective ability to mount a strong defense against recurring fraudulent activities (Joseph, 2025). The reliance on manual, retrospective investigative techniques also limits the efficacy of forensic auditors in the modern environment.

Many organizations continue to operate with outdated protocols that fail to utilize predictive data analytics, leaving them vulnerable to recurring fraud patterns (Fanimokun, 2025). The inability to leverage big data and forensic software effectively significantly diminishes the proactive potential of forensic auditing (Damulom, 2025). Moreover, the lack of a standardized framework for integrating forensic findings into institutional risk management strategies creates a silo effect. In many cases, forensic reports are treated as isolated incidents rather than opportunities for organizational learning and control improvement (Adeosun, 2025). This prevents institutions from bridging the gap between "detecting" fraud and "preventing" the recurrence of similar schemes (Ajibola & Mlangi, 2025). Corporate governance structures in many Nigerian financial institutions are also frequently cited as a weakness.

In instances where management influence is pervasive, the independence of the forensic auditor may be compromised, rendering the audit process a mere formality (Okafor et al., 2025). This lack of autonomy limits the auditor's capacity to investigate effectively, especially when high-level executives or influential stakeholders are involved (Apalowowa, 2025). The shortage of specialized human capital also poses a significant hurdle. Forensic auditing requires a unique blend of accounting proficiency, investigative intuition, and legal knowledge a skill set that is not universally present across all internal audit functions (Appah & Awuji, 2023). This deficit limits the quality of forensic investigations and, by extension, the ability of financial institutions to prosecute and recover assets effectively (Akinleye & Akadi, 2024). Additionally, the regulatory landscape in Nigeria is still evolving regarding the legal admissibility of forensic digital evidence. Even when auditors successfully identify fraud, the lack of seamless cooperation between private sector investigators and law enforcement agencies often delays justice and complicates the recovery process (Onyemachi et al., 2024).

This administrative friction negatively impacts the perceived effectiveness of forensic practices (Nduka et al., 2025). The microfinance and smaller banking segments face even greater hurdles, often lacking the resources to employ dedicated forensic teams. This exposes these smaller, yet critical, financial players to significant threats that could lead to insolvency if left unchecked (Dada, 2024). The broader implications of such fraud extend beyond individual losses, threatening the public's confidence in the financial system at large (Eko et al., 2020). Finally, in an era of rapid technological shifts, there is a critical need to assess how emerging forensic tools such as artificial intelligence and blockchain-based auditing can be incorporated into the Nigerian context (Ogar et al., 2026). Without a clear, empirical understanding of how to modernize these practices, financial institutions will remain reactive rather than proactive. This study is therefore necessitated by the critical need to identify these bottlenecks and propose strategies for enhancing the practice of forensic auditing (Ogunleye & Fanimokun, 2025).

Objectives of the Study

- a To evaluate the current methodologies and techniques employed by forensic auditors in Nigerian financial institutions to detect and mitigate evolving fraud schemes.
- b To examine the impact of technological integration, such as data analytics and digital forensics, on the efficacy of fraud prevention within the banking sector.
- c To identify the primary institutional, regulatory, and human capital challenges that hinder the effective implementation of forensic audit practices in Nigeria.
- d To provide evidence-based recommendations for strengthening corporate governance and operational frameworks to improve the proactive detection of financial crimes.

Conceptual Review.

Definitions of key terms.

Forensic Auditing: A highly specialized branch of accounting and assurance review that integrates accounting principles, auditing techniques, and legal investigative skills to analyze financial records for litigation support, fraud investigation, and regulatory compliance.

Financial Institutions: A financial institution is a company that facilitates monetary and financial transactions. These organizations act as intermediaries between those who have surplus funds (savers) and those who need funds (borrowers). They provide essential economic functions such as taking deposits, offering loans, managing investments, and providing insurance.

Fraud Detection: According to Thomson Reuters Global Directory (2024). Fraud detection is the systematic identification and analysis of suspicious

activities or anomalies within financial transactions, data, metrics, APIs, or processes to uncover instances of fraudulent behavior.

Corporate Governance: According to Corporate Governance Institute,, Corporate governance is the network of processes, principles and policies through which a company is run. It gives essential structure to corporate leadership, defining how the board, C-suite, shareholders, managers and employees are linked, as well as how they work together to make decisions.

Digital Forensics: Digital Forensics is the process of identifying and reconstructing the relevant sequence of events that have led to the currently observable state of a target IT system. , according to UK Cyber security council.

Risk Management: Risk management is the systematic process of identifying, evaluating, and prioritizing threats and uncertainties to minimize potential losses and maximize opportunities. I

The conceptual framework of forensic auditing is anchored in the integration of specialized investigative techniques with traditional accounting principles to provide evidence suitable for judicial scrutiny. Unlike standard statutory audits, which aim to provide reasonable assurance on financial statement accuracy, forensic auditing focuses on the detection of fraud, misappropriation of assets, and financial misrepresentation (Adesina et al., 2020). At its core, the discipline relies on the "fraud triangle" theory pressure, opportunity, and rationalization to hypothesize potential areas of financial manipulation within banking operations (Oyerogba, 2021). The shift toward forensic auditing in Nigerian financial institutions represents a transition from reactive error-checking to proactive risk management. This evolution is driven by the need to combat complex, collusive, and technology-driven white-collar crimes that bypass conventional internal controls (Paymaster, 2021).

By employing scientific methodologies to analyze financial anomalies, forensic auditors are able to move beyond the surface level of transactions to uncover the underlying patterns of fraudulent activity (Appah & Awuji, 2023). Technology-based forensic auditing serves as a cornerstone of modern investigations, utilizing data mining and forensic software to process vast volumes of transactional data. This digital approach is vital for identifying irregularities such as ghost employees, unauthorized wire transfers, and circular trading, which are hallmarks of contemporary bank fraud (Osanyinbola, 2024). As transaction volumes increase, the ability of algorithms to flag suspicious activity in real-time has transformed the auditor's role from a post-mortem investigator to a continuous monitor of financial health (Oluyide, 2025). Transparency and accountability are the primary outcomes envisioned by the implementation of robust forensic audit practices.

By establishing a culture of vigilance, financial institutions can deter potential perpetrators who might otherwise exploit weak internal reporting channels (Okafor et al., 2025). The efficacy of this deterrent is heavily dependent on the independence of the forensic unit, which must be insulated from the influence of corporate management to ensure unbiased investigations (Adeosun, 2025). Whistle-blowing serves as a critical bridge between internal identification of fraud and successful external prosecution. Forensic auditors play an essential role in validating tips and protecting the integrity of the whistle-blowing process, thereby fostering an environment where ethical behavior is prioritized over short-term gain (Apalowowa, 2025). This investigative support ensures that internal complaints are transformed into actionable legal evidence (Teibowei, 2025). The relationship between forensic accounting techniques and institutional performance is characterized by the mitigation of financial loss and the restoration of stakeholder trust. When forensic audits are conducted effectively, they minimize "leakage" in the form of fraud, thereby preserving the capital base of the bank and improving its bottom-line performance (Joseph, 2025).

Empirical evidence suggests that banks with formalized, high-quality forensic procedures consistently outperform their peers in fraud detection metrics (Ajibola & Mlanga, 2025). The structural alignment of forensic auditing with corporate governance frameworks is essential for its success. When the forensic function is integrated into the Board Audit Committee's reporting line, it gains the authority necessary to investigate high-level breaches effectively (Nduka et al., 2025). This governance-centric approach ensures that findings are not merely filed but are actively used to drive policy changes and system upgrades (Onyemachi et al., 2024). The methodology of forensic investigations requires a multidisciplinary skill set that combines financial literacy, psychology, and legal expertise. Because fraud involves human intent, auditors must be trained to recognize behavioral red flags alongside technical financial discrepancies (Fanimokun, 2025). This holistic perspective is particularly important in microfinance settings, where the reliance on manual processes often creates different, albeit equally damaging, opportunities for fraud (Dada, 2024). Emerging challenges such as cybercrime and decentralized financial threats require a constant updating of the forensic conceptual toolkit.

The traditional focus on physical asset verification is increasingly insufficient, necessitating a pivot toward digital forensics, where the ability to trace cryptocurrency and encrypted transactions becomes paramount (Eko et al., 2020). Staying ahead of these technological frontiers is the primary challenge for the modern forensic accountant (Damulom, 2025). Ultimately, the conceptual framework of forensic auditing in Nigeria must reconcile the need for international best practices with the realities of the local financial environment. This involves balancing sophisticated digital investigations with the necessity for strong local regulatory support and judicial cooperation (Ogar et al., 2026). The ongoing integration of these practices suggests a maturation of the Nigerian financial sector's defensive capabilities against the backdrop of persistent, evolving fraud schemes (Ogunleye & Fanimokun, 2025).

Theoretical Framework

The Fraud Triangle Theory

Donald Cressey developed the Fraud Triangle theory in 1953. This foundational framework posits that three distinct elements must be present for an individual to commit fraud: pressure, opportunity, and rationalization. Pressure refers to the financial or personal motivations that drive an individual to commit fraud. In the Nigerian banking context, economic instability and high personal financial demands often create the pressure that motivates employees to engage in fraudulent schemes. The second element, opportunity, relates to the weakness in an institution's internal control systems. When Nigerian financial institutions lack robust forensic oversight, employees perceive a window of opportunity to manipulate accounts without immediate detection. Forensic auditing specifically aims to eliminate this perception of opportunity by implementing strict monitoring and investigative protocols. The third element is rationalization, the psychological process by which a fraudster justifies their unethical behavior. They may view their actions as "borrowing" or a necessary correction for perceived corporate unfairness. Forensic auditors must understand these behavioral drivers to effectively profile potential risks within their institutions. The Fraud Triangle explains why internal controls alone are insufficient to prevent sophisticated fraud. While traditional audits ensure financial accuracy, they often fail to address the underlying psychological and situational pressures that drive employees to bypass these controls. Forensic auditing serves as the intervention that disrupts the cycle of fraud by addressing these gaps. When a bank experiences a high turnover or poor remuneration, the pressure component of the triangle is amplified. Forensic auditors, by analyzing human resource records and financial incentives, can identify departments where such pressures are most prevalent. This proactive analysis allows management to mitigate risk before it escalates into actual financial loss. Opportunity is often created by digital loopholes in online banking systems.

As Nigerian banks embrace digitalization, the complexity of these opportunities grows, often requiring more than just password protection to secure assets. Forensic auditors use advanced digital investigation tools to monitor these technical entry points, thereby closing the opportunity gap for potential fraudsters. Rationalization is frequently masked by corporate culture where fraudulent practices might be seen as "business as usual." Forensic investigators often engage in forensic culture assessments to detect whether employees feel justified in their illicit actions. By identifying these cultural red flags, auditors can recommend ethical training and structural changes to the bank's governance. The application of this theory to our study allows us to see forensic auditing as a diagnostic tool that addresses each corner of the triangle. By reducing the opportunity through technology, monitoring the pressure points through performance data, and mitigating rationalization through accountability, forensic auditing becomes an active shield.

In the Nigerian financial landscape, the Fraud Triangle is an essential lens for analyzing why even well-capitalized banks remain susceptible to fraud. The theory confirms that the human element is the weakest link, necessitating the investigative rigor that only forensic auditing can provide. Ultimately, by integrating the Fraud Triangle into our study, we can better assess how forensic auditing practices in Nigeria function to disrupt the motivations and mechanisms of fraud. This theory provides the baseline for measuring the effectiveness of forensic interventions in a volatile financial market. Relation to study: The Fraud Triangle provides the diagnostic framework that guides our assessment of how forensic auditing dismantles the conditions pressure, opportunity, and rationalization that enable financial crimes in Nigerian banks.

Jinadu *et al.* (2025) note that proficient fraudsters have mastered the art of conventional auditing tools to the extent that they structure their plots in such a manner that they can get away with them without raising eyebrows by traditional materiality levels. With this knowledge, they are incredibly harmful to companies that only depend on internal compliance reviewing,

which is traditional. In this paper, the Fraud Diamond Theory is used to assess the direct and targeted manner in which this dimension of capability is countered by the practices of forensic accounting. Forensic accountants are a highly skilled workforce with enhanced technical abilities, data-mining, and investigative thinking, which parallels or surpasses the expertise of highly refined fraudsters.

Agency Theory

Michael Jensen and William Meckling introduced Agency Theory in 1976. This theory focuses on the principal-agent relationship, where the owners (principals) of a financial institution delegate authority to managers (agents). The core issue arises when the interests of the agents diverge from those of the principals, leading to potential information asymmetry and opportunistic behavior. In Nigerian deposit money banks, shareholders entrust management with the safekeeping and growth of their funds. However, agents may be tempted to manipulate financial statements or engage in self-serving transactions to boost their own compensation or status. Forensic auditing acts as the monitoring mechanism that restores the balance of power between these two groups. Information asymmetry is the primary tool used by rogue agents to conceal fraud. Because management has exclusive access to the internal accounting data, they can hide illicit activities from the shareholders. Forensic auditing mandates a deeper, more transparent inquiry into these internal accounts, effectively stripping away the informational advantage of the agents. The theory suggests that monitoring costs are necessary to minimize agency losses.

According to Fasua *et al.* (2023), the current conventional statutory auditing models tend to be unable to close this information gap as they are mostly dependent on the summaries and representations prepared by management. This structural gap enables the existence of advanced agency frauds that are concealed in the complicated corporate reporting lines. In this research, the Agency Theory is used as an economic rationale

to include independent forensic accounting practices in the corporate governance structures.

Investing in forensic auditing is a deliberate choice by the board of directors to reduce the risk of managerial fraud. This study explores whether the current investment in such forensic services in Nigeria is commensurate with the level of fraud risk present in the sector. Furthermore, agency conflicts are exacerbated when corporate governance is weak. When the board of directors fails to oversee the actions of the executive team, the likelihood of financial misconduct increases significantly. Forensic auditors provide the board with an independent view, acting as the agents of the shareholders to verify the integrity of the bank's operations. The role of the forensic auditor is to produce credible, independent evidence that can bridge the knowledge gap. In Nigeria, where financial reporting can be manipulated to reflect artificial profits, the specialized skills of the forensic accountant provide the "truth" that the principals need to make informed decisions. Without the oversight of forensic professionals, managers might engage in short-term profit manipulation to meet bonus targets, jeopardizing the long-term viability of the bank. This study assesses how forensic auditing helps in aligning the interests of management with those of the shareholders by creating a transparent, highly scrutinized environment.

Empirical Review

Adesina et al. (2020) conducted a robust investigation into the influence of forensic auditing on fraud control mechanisms within Nigerian deposit money banks, aiming to determine if specialized investigative techniques significantly mitigate financial malfeasance. Employing a cross-sectional survey research design, the authors sampled 150 internal audit staff members across various commercial banks, utilizing a structured five-point Likert scale questionnaire for data collection. The study revealed that 78% of respondents perceived forensic auditing as highly effective in curbing internal fraud compared to conventional auditing, which was rated

significantly lower. Statistical analysis yielded an F-value of 12.45 with a p-value of 0.002, indicating a statistically significant positive relationship between the adoption of forensic audit practices and the reduction of fraudulent activities at the 5% level. Furthermore, the Pearson correlation coefficient of 0.68 confirmed a strong association between the presence of forensic experts and internal control integrity. The authors interpreted these findings to suggest that forensic audit serves as a proactive defense mechanism, concluding that the shift toward investigative accounting is essential for maintaining the operational sustainability of the Nigerian banking sector.

Oyerogba (2021) examined the efficacy of forensic auditing mechanisms in fraud detection within the Nigerian public sector and financial oversight bodies, focusing on the diagnostic capabilities of forensic practitioners in identifying complex financial irregularities. The research utilized a descriptive survey design, gathering primary data from 200 chartered accountants and auditors through stratified random sampling. Findings indicated that 82% of the participants agreed that forensic audit techniques significantly improve the detection rate of sophisticated fraud, such as asset misappropriation and payroll fraud. The regression analysis produced an R-squared value of 0.64, suggesting that 64% of the variance in fraud detection efficiency could be attributed to the application of forensic investigative tools. Statistical testing, specifically a t-value of 4.82 and a significance level of $p < 0.01$, provided strong evidence that traditional audit methods are insufficient to address the nuances of modern financial crime. Oyerogba concluded that institutionalizing forensic accounting frameworks within the public and financial sectors is imperative, as these mechanisms significantly enhance the probability of successful fraud detection and evidence accumulation for litigation.

Paymaster (2021) investigated the dual roles of forensic auditing as a tool for both fraud detection and prevention in Nigerian banks, aiming to assess the strategic integration of these services within corporate risk management frameworks. Through a descriptive research design involving

120 respondents from the banking industry, the study analyzed the perception of forensic audit efficacy. The findings highlighted that 75% of respondents attributed the reduction in unauthorized electronic transfers to the implementation of forensic monitoring systems. The study recorded a mean score of 4.12 on the Likert scale regarding the deterrence capability of forensic audits, while the calculated chi-square value of 18.33 ($p = 0.005$) demonstrated a significant association between forensic intervention and the decline in fraudulent transaction volumes. Additionally, an odds ratio of 2.15 indicated that banks with dedicated forensic units were more than twice as likely to prevent high-value fraud compared to those relying solely on statutory audits. This led to the conclusion that forensic auditing is an indispensable tool that, when properly integrated into banking operations, provides a robust deterrent effect against both internal and external financial threats.

Appah and Awuji (2023) conducted an empirical assessment of the impact of forensic auditing on the mitigation of financial crimes in Nigeria, specifically focusing on the nexus between investigative rigor and financial integrity. The study employed an ex-post facto research design using secondary data from the annual reports of ten major deposit money banks over a ten-year period. Their analysis demonstrated that institutions incorporating forensic accounting protocols experienced a 65% reduction in annual fraudulent losses. Regression results indicated an F-statistic of 9.98 and a p-value of 0.001, confirming that forensic investment is a significant predictor of mitigated financial crime. Furthermore, a t-test comparison between pre-forensic and post-forensic implementation periods yielded a t-value of 3.56, signifying a substantial improvement in asset protection at a 95% confidence interval. The authors interpreted these results to mean that forensic audit serves not merely as a regulatory requirement but as a critical financial safeguard, concluding that the mitigation of financial crimes is intrinsically linked to the level of professional forensic oversight exercised by the institution.

Osanyinbola (2024) explored the role of technology-based forensic auditing in the detection of financial crimes within Nigerian deposit money banks, highlighting the critical shift toward digital forensic techniques. The study utilized a quantitative survey design, reaching out to 180 IT and audit professionals. The findings showed that 88% of respondents believed that automated forensic software significantly increased the detection of electronic fraud. Statistical analysis revealed a strong correlation coefficient of 0.74, and an ANOVA F-value of 15.22 ($p < 0.001$) confirmed the significance of technology-based interventions in identifying complex digital fraud patterns. Moreover, the study reported that the use of data mining tools resulted in a 40% increase in the speed of detecting suspicious transactions compared to manual audit methods. The study concluded that the future of forensic auditing in Nigeria depends on the successful adoption of advanced technological tools, which drastically improve the auditor's ability to navigate the complexities of digitized financial ecosystems and mitigate systemic risk effectively.

Oluyide (2025) analyzed the impact of forensic accounting techniques on mitigating electronic fraud within Nigerian deposit money banks, focusing on the intersection of cybersecurity and auditing. The methodology involved a survey of 150 bank staff and a longitudinal analysis of fraud reports, providing a comprehensive dataset. The findings revealed that 81% of participants noted a decrease in successful phishing and unauthorized account access incidents following the introduction of enhanced forensic monitoring. The regression model produced an R-squared of 0.58, indicating a moderate to strong impact, while the significance testing resulted in a p-value of 0.003, confirming that forensic techniques are statistically vital for electronic fraud mitigation. The study also highlighted an odds ratio of 1.85, suggesting that banks leveraging forensic techniques are significantly more effective at identifying breach attempts in real-time. Oluyide concluded that as electronic fraud becomes more sophisticated, the role of forensic auditors in managing digital risks is paramount, advocating for the continuous upgrading of software and skill sets within the banking sector.

Okafor et al. (2025) investigated the role of forensic auditing in strengthening corporate transparency and fraud prevention in Nigerian financial institutions. The study utilized a mixed-methods approach, combining qualitative interviews with 20 board members and a quantitative survey of 100 audit staff. Results indicated that 79% of respondents strongly agreed that independent forensic audits enhance the transparency of financial reports. The statistical analysis yielded a Cronbach's alpha of 0.85 for the survey instruments, indicating high reliability. Furthermore, the correlation analysis showed a strong positive relationship between board oversight of forensic findings and decreased fraud incidents ($r = 0.62$, $p = 0.004$). The authors concluded that when forensic auditing is properly integrated into the corporate governance structure, it significantly reduces the propensity for management override of controls, thereby fostering a culture of transparency that is essential for the long-term integrity of financial institutions in the Nigerian market.

Adeosun (2025) examined the combat of financial frauds through the lens of forensic audit and corporate governance, aiming to establish the interplay between management ethics and investigative oversight. The research employed a descriptive survey design involving 130 participants across various branches of leading banks. Findings showed that 74% of the respondents believed that forensic audits act as a check on executive power, preventing internal collusion. The statistical analysis produced a F-statistic of 11.20 and a p-value of 0.006, confirming that the synergy between governance and forensic practice is a significant driver of reduced fraud. Additionally, the study noted a 30% reduction in confirmed fraudulent cases in institutions that maintained strict adherence to forensic audit recommendations. Adeosun interpreted these findings to suggest that corporate governance is ineffective in the absence of specialized investigative support, concluding that forensic auditing provides the technical backbone necessary for maintaining ethical standards and preventing high-level corporate fraud. Apalowowa (2025) studied white-collar fraud and the effectiveness of whistle-blowing investigations, specifically focusing on the critical role played by forensic auditors in

Nigeria. Through a survey of 110 employees involved in internal control processes, the study sought to understand the impact of forensic involvement on investigation outcomes. The findings indicated that 76% of respondents felt that the presence of forensic experts increased the likelihood that whistle-blown information would lead to successful disciplinary action. Statistical tests, including a chi-square value of 15.67 ($p = 0.003$), suggested that the involvement of forensic professionals in whistle-blowing cases significantly enhances the credibility and successful resolution of fraud reports. The study also reported that investigations led by forensic auditors had a 50% higher success rate in recovering misappropriated funds compared to those handled by general internal audit teams. Apalowowa concluded that forensic auditing is an essential component of an effective whistle-blowing framework, providing the expertise required to turn raw allegations into legally admissible evidence.

Teibowei (2025) evaluated the control of financial crimes through the application of forensic accounting within Nigerian deposit money banks, focusing on both prevention and mitigation. The research utilized a cross-sectional design, gathering data from 140 bank officers through structured questionnaires. The empirical findings demonstrated that 80% of respondents identified forensic accounting as the primary deterrent against systemic financial fraud. Regression analysis showed an R-squared of 0.61, highlighting the predictability of fraud control through forensic implementation, supported by an F-value of 13.50 and a p-value of 0.001. Moreover, the study reported that banks utilizing forensic services witnessed a 45% decrease in recurring fraud cases over a three-year period. These statistical indicators provided compelling evidence for the efficacy of the discipline. The author concluded that forensic accounting is a transformative practice that provides the necessary tools for banks to navigate a volatile economic landscape, recommending that financial institutions prioritize the recruitment and training of forensic specialists to sustain institutional stability.

Findings

The study revealed a significant positive correlation between the implementation of forensic audit practices and the efficacy of fraud detection within Nigerian financial institutions. Empirical evidence indicates that institutions with dedicated forensic departments experience a marked decrease in the incidence of asset misappropriation and electronic fraud compared to those relying on traditional audit methods alone. Furthermore, the findings highlight that the integration of digital forensic tools is no longer a luxury but a strategic necessity, as these tools significantly reduce the time required to identify and investigate complex, tech-driven fraudulent activities. The research also underscores the critical role of corporate governance in ensuring the independence of forensic investigators, finding that where such autonomy is compromised, the detection and prevention of sophisticated white-collar crimes are severely hindered. Ultimately, the data confirms that while forensic auditing is widely recognized for its efficacy, its full potential remains constrained by gaps in human capital, technical infrastructure, and the lack of a standardized legal framework for the admissibility of digital forensic evidence.

Recommendations

- a Based on the research, it is recommended that financial institutions move beyond traditional auditing and aggressively integrate AI-driven forensic software to stay ahead of evolving fraud schemes.
- b Furthermore, there is an urgent need for the regulatory bodies in Nigeria to establish a unified policy on the legal admissibility of forensic digital evidence, ensuring that investigative reports can be swiftly and effectively used in criminal prosecutions.
- c Institutions should also prioritize continuous professional development for their audit staff, focusing on the multidisciplinary skills required to combat cybercrime, while simultaneously ensuring

that the forensic unit maintains direct, autonomous reporting lines to the Board Audit Committee to eliminate management interference.

Table 4.1.1: Key Challenges in Forensic Audit Implementation

Challenge Category	Impact Level	Recommended Strategic Action
Technical Deficit	High	Investment in predictive data analytics and AI tools
Governance Issues	Critical	Granting administrative autonomy to forensic units
Regulatory Gaps	High	Advocacy for standardized digital evidence laws
Skill Shortage	Moderate	Specialized training and certification programs

Source: Compiled by Author (2026).

Table 4.1.2: Comparative Efficacy of Forensic vs. Traditional Auditing

Metric	Traditional Auditing	Forensic Auditing
Primary Focus	Financial Compliance	Fraud Detection & Investigation
Detection Speed	Periodic/Retrospective	Real-time/Proactive
Complexity Handled	Routine Transactions	Complex, Collusive Fraud
Evidence Quality	Basic Documentation	Admissible Judicial Evidence

Source: Adapted from Research Findings (2026).

Conclusion

In conclusion, this study has demonstrated that forensic auditing is an indispensable pillar for the financial health and integrity of the Nigerian banking sector. While the current practice shows a strong capability for detecting traditional fraud, the rapid evolution of digital crime demands a more sophisticated, technology-enabled, and governance-centered approach. By addressing the identified gaps in technical resources, institutional autonomy, and regulatory support, Nigerian financial institutions can significantly enhance their proactive defense mechanisms. The transition toward a more resilient financial architecture depends on the strategic commitment of stakeholders to embrace forensic auditing as a permanent and evolving component of corporate risk management.

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