

An Assessment of the Role of External Auditor in the Detection and Prevention of Fraud in Deposit Money Banks in Nigeria (2005-2014)

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Abstract

The study investigated the role of external auditor in the prevention of frauds in the Nigerian Deposit Money Banks. Secondary data obtained from CBN and NDIC reports and bank databases were used. Ordinary Least Square method and Analysis of Variance (ANOVA) were employed. The results revealed that there was significant relationship between incidence of frauds and changes in banks deposit; incidence of non-performing loans consequent on fraud; bank contribution to the economy consequent on non-performing loans. The paper recommended that external auditor should continue to reduce fraud and loans to insiders be reduced.

Key words: Operational Risk, Gross Undercapitalisation, Front Door Securities, Firewalls, Packet filtering, Hacking.

Introduction

1.1 Background of the Study

Fraud is an enrichment attained by an individual wrongfully which is detrimental to individual(s) or organization(s). Fraud is either internal (employees, management) or external (customers or non-customers). In the past ten years, depositors have lost billions of naira (millions of dollars) to fraudsters. According to Yishau (2013), bank fraud worth ₦28 billion was recorded in 2011, ₦4.071 billion was lost to fraudsters in 2010, ₦7.5 billion in 2009, ₦17.5 billion in 2008, and ₦2.9 billion in 2007. Fraud has eaten deep into the fabric of the global financial system and financial intermediation is worst hit. Bank fraud is on the rise. Stakeholders are experiencing increasing losses through fraud while the cost is borne by government.

Over the years, e-banking has eased life generally. Bank account holders can make deposits or withdrawals without physically being at the bank premises. Computer theft through hacking, insider abuse, incompetent audit committee and data breaching constitute a major obstacle – an adversity that co-exists with e-banking. Fighting this adversity is the challenge of our time. The external auditor plays a leading role in this challenge. The accounting, audit and forensic tools of the auditor are supposed to be sharpened to confront this adversity. In his advisory role, the auditor is also expected to competently counsel his client (bank) against moral hazard behaviour such as excessive risk taking, negligence of duty and general incompetence on the part of bank employees. However, bank management concerned with huge bank losses to fraud, is supposed to embrace even extraordinarily painful fraud preventive systems. Of course, the external auditor is expected to put in all his expertise in discovering and preventing fraud in the banking sector.

Safeguarding depositors' funds is a must for the financial system. In the past ten years, depositors have lost billions of naira (millions of dollars) to fraudsters. According to Yishau (2013), bank fraud worth ₦28 billion was recorded in 2011, ₦4.071 billion was lost to fraudsters in 2010, ₦7.5 billion in 2009, ₦17.5 billion in 2008, and ₦2.9 billion in 2007. According to CBN (2014), nearly 741 cases of attempted fraud and forgery involving ₦5.4 million (US \$34.8 million) were recorded. In 2006, 1,193 frauds were reported involving the sum of ₦4.8 billion (US \$ 30.97 million).

According to Erunke (2014), the CBN approved the liquidation of 83 microfinance banks because of the latter's engagement in fraudulent activities. Consequently, ₦102 billion was earmarked in the budget for Nigeria Deposit Insurance Corporation (NDIC) to pay the depositor of the affected banks. This shows that losses sustained from frauds are shifted to the government through the **NDIC**. Funds lost to fraudsters have led to the liquidation of some banks like Gulf bank and others that were acquired by the UBA. Every year, banks lose billions of naira to fraud which comes in all sizes and shapes from external perpetrators and employees. In recent times, frauds have resulted in the undercapitalization of banks and their eventual takeover.

It seems no terrain is immune to hacking. On February 17, 2015, hackers pulled off USD \$80 billion from bank Heist. E-banking has eased life generally. Bank account holders can make deposits or withdrawals without physically being at the bank premises. Computer theft through hacking, insider abuse, incompetent audit committee and data breaching constitute a major obstacle-an adversity that co-exists with e-banking.

1.2 Objectives of the Study

1. The general objective of this study is to examine the role of the external auditor in the prevention and detection of fraud in Nigerian banking sector. This broad objective is further broken down into the following specific objectives:
2. To ascertain the extent of frauds prevented by the external auditor.
3. To examine the extent to which depositors' funds have been compromised by way of theft in the last decades.
4. To determine the extent of depositors' funds that has been passed on to unworthy borrowers.
5. To determine the relationship between non-performing loans and banks contribution to the economy.

1.3 Research Hypotheses

In order to achieve the above objectives, the following propositions will be tested empirically:

Hypothesis 1

Ho: External auditors have not prevented any fraud in the banking sector in the last decades.

Hypothesis 2

Ho: There is no relationship between changes in bank deposit and incidence of fraud in the Nigerian banking sector.

Hypothesis 3

Ho: There is no incidence of non-performing loans in the Nigerian economy as a result of fraud in the Nigerian banking sector.

Hypothesis 4

Ho: There is no significant relationship between non-performing loans and bank contribution to the economy.

1.4 Significance of the Study

Provides an assessment of the professional-the external auditor in coping with fraud prevention.

2.0 LITERATURE REVIEW AND THEORETICAL FRAMEWORK

2.1. Theoretical Literature

Information theft, virus attacks could erode retained earnings and decimate owners' equity and render bank grossly undercapitalized. This operational risk has the potential to terminate bank's going-concern status.

2.1.1 The Challenge of Fraud Detection

Fraud detection in different organizations is a major challenge which must be successfully carried out in order to preserve the integrity of organizational assets and thus enhancing the psychological well-being of all stakeholders. Fraud detection and prevention is an invidious-arduous task. It is battle royal against the evil geniuses who are determined to render the systems of internal control incapable of detecting their acts-culpable behaviour. The fingerprints of these offenders are in 0's and 1's somewhere in the computer memory. They have turned themselves to a shadow that is difficult to chase and catch. They can be caught and deterred! This is the promise of forensic science. The question to be asked is why fraud is so difficult to detect? This is as a result of the followings:

2.1.1.1. Management Controls

According to Farrell and Franco (1999) organizations with one hundred or fewer employees have the greatest median losses per capita and this is as a result of the internal controls being less sophisticated and

stringent in smaller organizations. Too much work is given to an employee no room for check and balances, there is no segregation of duties and separation of functions. This situation has made fraud easy for employees to carry out and difficult for the management to detect because the mess would have been cleaned up before any check by management.

2.1.1.2 Labour Turnover

Management has turned the hiring and firing of employees to bi-annual task. It recruits any time it likes and it layoffs whenever it deems it fit, not minding the psychological trauma and physical deformity it will create in the life of the individual. They have rendered so many children fatherless due to this act because so many family men could not stand the trauma of not being able to fend for their families. Many employees in the banking sector now have this evil foreknowledge of gathering enough resources to live large and to keep their family because they always think their employment is for a short while.

2.1.1.3. Screening

Adequate employee screening is not always carried out by the management, due to the urgency of employees to fill vacant spaces. The management entrusts so many functions in the hands of such employees. The management is invariably unaware that the so called employee is a computer genius that knows how the software is designed, the loopholes in the software, how figures can be erased without leaving any visible traces, and these are some of the difficulties confronting the external auditor in the detection of computer fraud. Seemingly, the perpetrators of computer fraud are one step ahead of the external auditor.

2.1.2 Effect of Fraud in Banks

According to Olaoye (2014) frauds deplete owners' equity and lead to loss of money belonging to customers. This loss invariably, results in reduction of the available resources, which could lead to the collapse of the bank. Fraud causes dismissals and retrenchment of innocent member of staff who may not be fraudsters, which results in losing experienced staff. Staff welfare may also be adversely affected in a bank with persistent fraudulent practices. No staff will have the courage to fight for staff welfare matters such as promotion, increment in salaries and conducive working condition.

Bank frauds erode public confidence in the banking system. This constitutes a serious setback to the efforts made in promoting banking habit in a country where many people prefer to keep their money at home.

The effects of fraud in banks are far reaching and include among others huge financial losses to both bank and their customers. The time, energy and money that would have been expended in improving customer services are being expended in setting up fraud control and prevention system. Frauds have led to the closure of some banks, while some merged and others were acquired.

2.1.3. Optimal Prevention of Fraud in Banking Sector

Prevention is the capability to stop and uncover fraud in real time, that is, the ability to uncover threats and immediately stop or halt risky transactions. The losses that the banking sector has incurred cannot be overemphasized due to the effect of fraud. In order to combat fraud in the deposit money banks, the following tools and strategies of preventing fraud are considered.

2.1.3.1. Tools of Fraud Prevention in Deposit Money Banks

Lynch (2012), mentioned some points on how fraud can be prevented, and they are:

- I. Front Door Securities: these are measures like passwords, digital certificates and tokens. It is all about keeping of an individual's personal record and also authenticating the entry or transaction of an individual online.
- II. Process and Review Based Controls: these focus on early detection of fraud through measures like daily reviews of audit logs and identification processes. Clients' researching public information, retrieval of material, segregation of set up and authorization activities, one-time authentication codes and dual authorization are applied to transactions for checks and balances.
- III. Transactional Controls: this provides additional layers of security an identification processes that relate to the client personnel actual activity.
- IV. Employee Education: this is an intellectual security that safeguards penetration from professional fraudsters. Employees must be highly educated on areas that are exposed to attacks by fraudsters.

2.1.4. External Auditor's Responsibilities in Fraud Detection and Prevention

According to Okaro and Okafor (2013) external audit is a formal and independent review of an institution's financial statements, records, transactions and operations and is usually performed by professional accountants who attest to the true and fair view of the statements presented by the client organization. External auditor also examines the internal control systems of their clients and issue management letters accordingly.

According to Zachariah et al (2012) external auditor has an important role to play in the fight against fraud and allied malpractices in the banking sector. By virtue of duty, the external auditor is supposed to serve as watchman on behalf of the management, shareholders, customers and government, opined (Zachariah et al, 2012). The detection and prevention of fraud in the banking sector should be considered by the external auditor of the banks as one of their most important duties whether it is clearly stated in the statutory requirements. External auditor should be able to detect areas in which management themselves override controls. Though the task of uncovering management fraud may be a difficult one since they are in a position to override internal controls and can conceal any misstatement, but the external auditor can still put in his expertise by following the under laid rules and regulations for audit.

Deshmukh et al (1998) states that audit can detect management fraud by evaluating the internal control system of the bank and pin point their weaknesses and giving ways of overcoming them. It is essential for the auditor to review the system in order to be rest assured that a reliable internal check is in practice which is capable of forestalling fraud and if proven otherwise, a better system should be suggested by the auditor.

The external auditor may have to rely on the internal auditor's work, the degree of reliance should strictly be based upon the organization, qualifications and effectiveness of the internal audit department of the bank (Watoseniya, 1996 and Dandago, 2002). The internal auditor should not be involved in any operational responsibility and must report directly to the chief executive officer.

2.1.5. Tools External Auditors Use in Detecting and Preventing Fraud

It has been discussed earlier that external auditors have serious roles to play in the detection and prevention of fraud in the banking sector. In order to evaluate client's system, external auditors make use of the following method:

- I. **Audit Around the Computer**

This is one of the several methods external auditors use to evaluate a client's computer controls. It involves picking source documents at random and verifying the corresponding outputs with the inputs.

According to Hassan (2013), audit around the computer means that the processing done by the computer system need not to be audited as auditors expect that sufficient appropriate audit evidence can be obtained by reconciling inputs with outputs.

Audit around the computer approach is used in situation when auditor is of the opinion that computer system is reliable and often comparison of inputs i.e. some documents to output i.e. financial reports is done which in external auditor's judgment is enough. In other words, external auditor will not assess whether required controls are in place and if they are working, operating effectively while inputs are processed. Due to the same reason; relying too much on this approach is not recommended for important aspects of the audit, especially where assessed risk is high as this may result in effective audit and ultimately inappropriate audit opinion being expressed by the external auditor (Hassan, 2013).

II. Audit Through the Computer

This explains the various steps taken by external auditors to evaluate client's software and hardware to determine the level of reliance of operations that are hard to view easily and also test how the related computer controls are effective. e. g. access control.

So many companies / businesses make use of computerized information systems and this in turn have significant control embedded in them. If these computer controls are ignored, it will make auditors not to have the required insight into the effectiveness and reasonableness of the client's internal control, and the report will not comply with the relevant laws and regulations that govern auditing as a profession.

Though, external auditors most times use this technique to test the controls in simple applications, but, internal auditors more frequently use auditing through the computer technique to ensure that errors that may not be easily detected from the output are discovered and corrected (auditingauditors, 2010).

2.1.6. Audit Forensic Tools

According to Purita (2006), the banking sector is facing some security issue like data breaching, hacking attacks, viruses, and insider threats. So many organizations in the world make use of computer forensics to discover illegal usage of computer and illegal intrusion apart from the preventive measures put in place, such as the use of firewalls and intrusion detection devices to prevent breaching of data and also stop external attacks. Computer forensic has really helped in internal and external audit.

The forensic investigations discover where computer has been misused, which includes fraud, Internet and e-mail abuse, hacking, as well as accidental deletions or alterations of data but this study is emphasizing on hacking.

2.1.6.1. Hacking

Hacking has been the greatest challenge faced by most organizations both locally and internationally. Hackers are like tiny bones that stick into the throat of an individual. Hacking can be legal or illegal. Here, we focus on illegal hacking which can be handled in the following ways:

2.1.6.1.1 The Prevention of Hacking

Black hat hackers stealthily enter computer systems to steal information and corrupt files. Organizations with no adequate backups measure can experience information losses in millions of dollars (billions of naira). According to WikiHow (2015), the following steps can be taken to prevent black hat hackers from perpetrating their evil deeds:

I. Follow Forums: when hacking forum is followed, it is going to enable someone to get the latest method used by hackers;

II. Change Default Password immediately: it is necessary to change built- in passwords after the first log in of installation which must be easy for the user to remember and difficult for a perpetrator to guess. Then, it must be internally one-way encrypted, and also must be changed periodically, e.g every 30 days;

III. Identify Entry Points: employ an ethical hacker to install scanning software programs in order to identify all entry points from the internet into the internal network of the company;

IV. Perform Attack and Penetration Test: this test will enable you to identify the weak points in the network that can be easily accessed by both internal and external users. Therefore, you will be able to stop attacks from external sources and correct the pitfalls that could become the entry points for intruders to hack into your network;

V. Make – User Awareness Campaign: awareness must be made to all the users of the network about the pitfalls of security of the network and the necessary security practices to minimize these risks

VI. Configure Firewalls: a good firewall prevents your computer from being intruded by hackers while it is connected to the internet. It also prevents confidential information from being sent out from your computer without your permission.

According to Blair and Durai (2009), firewalls are of two types.

Type 1: Packet Filtering; this connotes that whatever is not permitted should be denied. It therefore prevents anyone from accessing the system unless the person is an approved user or has made contact from pre-approved remote sites;

Type 2: Proxy Servers: the user will stop the connection from the source and start a second connection to the destination. Proxy servers are capable of translating network address i.e. they can hide internal addresses from outsiders. Any potential intruder that tries to capture packets sent through this firewall would only see the firewall's IP address, not the individual's network address which makes the internal network.

VII. Implement and Use Password Policies: the rules of password must be adhered to strictly. Wikipedia (2015) states some, which are:

- Password should be five to eight characters in length because anything shorter is too easy to guess and anything longer is too hard to remember;
- password should be the combination of at least three of the following characters: alpha, numeric, upper and lower case, and special characters;
- Password should not be identifiable with the user e.g. first name, last name, pet's name, spouse's name; and
- Once a password has been dropped, it must take at least a year before it can be used again;

VIII. Delete Comments in Website Source Code: comments used in source code should be deleted because these may contain information that may crack the site, usernames and passwords;

IX. Remove Unnecessary Services from Devices: do not depend on the reliability of the modules you do not use. Remove default, test and examine pages and applications that usually come with web server software;

X. Install Anti-Virus Software: it is necessary to install anti-virus software because this will help to detect and prevent any form of virus attack that might want to occur on the system. This software must be regularly updated;

XI. Ensure Physical Security: aside the internal security of the network that has been put in place, the physical security is highly necessary. The organization must be designed in a way that it will be very difficult for intruders to penetrate;

XII The detection of Hacking

Illegitimate hackers have perpetrated numerous attacks on the networks of several organizations. These have led some of the organizations to confidentiality loss, physical loss and financial loss e.t.c.

According to Stack (2015), the utmost way of tracing hacking back to hackers is by tracing an IP (internet protocol) address down to its source. Although, hackers try to make this difficult but ways can be made around it and these are:

- The forum for hackers must be followed in order to be able to trace the hackers IP address to where it is originated;
- The server logs often preserve the IP address in the VPN chain, therefore it must be checked.
- Get the time stamped logs of the right traffic data, because this can expose the person behind a VPN redirection. The following are the steps to be taken for the detection of hacking:
- Use the user agent string from a web request as a sort of fingerprint;
- See the language of compilation or comments. It gives little information;
- Tracing an IP. If it is done successfully, a competent hacker will be using some sort of redirection to hide themselves;
- Find a distinctive sequence of command in some malware that links to some previous malware.

2.2 Empirical Literature and Theoretical Framework

Alleyne and Howard (2005) discover that the expectation gap is wide, as auditors felt that the detection of fraud is management's responsibility, while users issue in Barbados and that companies who have internal auditors, sound internal controls and effective audit committees are better equipped to deal with fraud prevention and detection.

Monroe and Woodliff (1994); Epstein and Geiger (1994); Humphrey et al (1993); Low (1980); Leung and Chau (2001); Dixon et al (2006) and Fadzly and Ahmad (2004) discover that many financial report users believe that the sole responsibility of the auditor is to detect all irregularities. This is a misconception that shows the existence of an audit expectation gap between the auditor and financial report users with respect to the actual duties of the auditor.

Bierstaker et al (2006), in their research found out that firewalls, virus and password protection, and internal control review and improvement are quite commonly used to combat fraud. However, discovery, sampling, data mining, forensic accountant, and digital analysis software are not often used, despite receiving high ratings of effectiveness. In particular, organizational use of forensic accountants and digital analysis were the least often used of any anti-fraud method but had the highest mean effectiveness ratings. The lack of use of these highly effective methods may be driven by lack of firm resources.

Beasley and Carcello (1999) highlighted many efforts the profession has taken (both academic and professional) to resolve the problem of fraud. These efforts include studies undertaken to understand the problems being faced, research into changes required regarding the role of auditors in an engagement and

efforts related to the roles of management, boards of directors and audit committees in fraud prevention and detection. Oberholzer (2002) contends that auditing is an independent examination of accounting records of an entity that seeks to increase financial statement audit effectiveness and execute accounting-related fraud investigations to enhance the validity, reliability, consistency and transparency of audit work and related results.

Archibong (1992) discovered that a predetermined and well planned tricky process or device usually undertaken by a person or group of persons with the sole aim of cheating another person or organization to gain an ill-gotten advantage be it monetary or otherwise, which would not have been accrued in the absence of such deceitful procedure is fraud. This implies that fraud involves the use of deception with the intention of obtaining an undue advantage, avoiding an obligation or causing loss to another party.

Ayodele (2013) identified the causes of fraud perpetrated in bank, likewise ascertains the effectiveness of various fraud control measures adopted by banks and also determined the effects of fraud in the banking industry and the economy in general. The findings revealed that the impact of banking industry is a means of prevention and control. The impact of fraud is either in the positive direction to the individual perpetrating fraud as the accuracy move within the possession and on the negative direction to bank. It also revealed the types and causes of fraud in bank and ways in detecting and preventing it, what differentiate errors from fraud or irregularities and also how fraud control could be achieved in banks.

Okaro and Okafor (2013) discovered that despite the multifarious institutions involved in fraud management in the incidence of fraud in Nigerian banking system like a sore thumb has remained intractable. They also discovered that there are 3 trillion naira toxic assets in 10 banks and high level of insider abuses that were never disclosed. In 2010, investigations into the liquidity strength of banks in Nigeria showed that corruption and fraud in the banking industry have included a range of unlawful and unethical practitioners. These include granting of unauthorized loans, posting of fictitious credits, fraudulent transfers or withdrawals and blatant financial theft.

Olaoeye (2009) highlighted the major causes of fraud and actors that contribute to the incidence of fraud in banks, the problems of fraud and how to curb it. The findings revealed that the lack of good internal system is a major cause of fraud in banks and those banks with effective internal control system can prevent against the menace of fraud.

Farell and Franco (1999) identified the responsibility of Auditors including searching for fraud. The findings showed that auditors' perception of their responsibility is not widely held by the public at large. After the costly savings and loan failures of the 1980's, the general public and congress felt that the CPA's were partly responsible and was the reason for this legislation. The public was outraged the auditors were not aware of the financial improprieties and wanted the independent auditor to take a more proactive role in looking at the financial statement.

Deshmukh, Karim and Siegel (1998) carried out a study on auditors' detection of managerial fraud using Signal Detection Theory (SDT) model which established that auditors can detect management fraud. The findings revealed that external auditors' correct decision making concerning management fraud depends on the assumption that there is occurrence of management fraud which leads to thorough investigation to ascertain the true position of things.

Purita (2006) conducted a research on computer forensics and discovered that a forensic auditing can be conducted on any device that stores electronic data such as a computer hard drive, smart card or palm pilot. He also discovered that auditors can use computer evidence in a variety of crimes where

incriminating documents can be found including cases involving financial fraud, embezzlement or data theft.

Njanike, Dube and Mashayanye conducted a research on the effectiveness of forensic auditing in detecting, investigating and preventing bank frauds and discovered that computer fraud and accounting fraud pose a big challenge to the forensic auditor because of the complexity of the crimes particularly where the computer software or system is manipulated.

Owolabi (2010) conducted a research on fraud and fraudulent practices in Nigerian banking industry and he discovered that fraudulent transfers and withdrawals increased from 2003-2005 and that the trend at which the fraudulent withdrawals is increasing needs serious check. He also found out that managers and supervisors are more involved in fraudulent practices and also temporary staffs are involved and that their employment must be given a second look.

In this concept, the external auditor has developed greatly in their expertise in combating fraudulent activities in the banking sector. The measures of controlling attacks by perpetrators mentioned above has enlightened the customers of banks on the necessary security measures that can be used to prevent intrusion by fraudsters.

METHODOLOGY

3.1. Area of Study

In this chapter, the methods of achieving the objectives of the study are discussed. Section 3.2 is devoted to the discussion of the population of study. Section 3.3 deals with the research design while section 3.4 discusses the sampling technique and sample size. Section 3.5 discusses how data were sourced while the analytical technique of the study is discussed in section 3.6. Section 3.7 analyses the model specification.

3.2. Population of Study

All Deposit Money Banks in Nigeria automatically qualify to be examined. Therefore, all the twenty two (22) banks with data over the study period (2005-2014) are included in the sample.

3.3. Research Design

This study analyses the role of the external auditor in the prevention of fraud and reveals the extent of fraud in Nigerian banks. The research design used for this study is survey-research design; the purpose is to study a group or inanimate objects, CBN and NDIC publications by collecting and analyzing the data collected.

3.4. Sampling Technique and Sample Size

In order to meet the required objectives of this study, the researcher used systematic sampling. This technique is used because of its simplicity and its unbiased result.

3.5 Data Analysis

Secondary data collected through internet, journals, newspapers and books were analyzed using simple linear regression analysis which was used to test the hypothesis postulated. All hypotheses were tested at 0.05 alpha levels / 0.95 confidence level.

3.7. Model Specification

The model adopted for this study is as follows:

For the first hypothesis

$$y = \beta_0 + \beta_1 X + e_i \text{ ----- (1)}$$

$$y(AOFI) = \beta_0 + \beta_1 EXTAUD + e_i \text{ ----- (2)}$$

Where,

Y is the dependent variable, that is, (AOFI) is the amount of fraud incidence in the banking sector in Nigeria

X is the independent variable, that is, external auditor (EXTAUD)

β_0 and β_1 are the regression parameter

ϵ_i is Stochastic term or error term (Variables outside the model).

For the second hypothesis

$$y = \beta_0 + \beta_1 X + \epsilon_i \text{-----} (3)$$

$$y(\text{CHABDEP}) = \beta_0 + \beta_1 \text{INCOFRAU} + \epsilon_i \text{-----} (4)$$

Where,

Y is the dependent variable, that is, changes in bank deposit (CHABDEP).

X= independent variable, that is incidence of fraud (INCOFRAU).

Also, β_0 and β_1 are the regression coefficients.

ϵ_i is Stochastic term or error term (Variables outside the model).

For the third hypothesis

$$y = \beta_0 + \beta_1 X + \epsilon_i \text{-----} (5)$$

$$y(\text{NONPERLON}) = \beta_0 + \beta_1 \text{INCFRAUD} + \epsilon_i \text{-----} (6)$$

Where,

y= dependent variable, that is, non-performing loan (NONPERLON).

X= independent variable, that is, incidence of frauds (INCFRAUD).

Also, β_0 and β_1 are the regression parameters.

ϵ_i is Stochastic term or error term (Variables outside the model).

For the fourth hypothesis

$$y = \beta_0 + \beta_1 X + \epsilon_i \text{-----} (7)$$

$$y(\text{BCONECO}) = \beta_0 + \beta_1 \text{NONPERLOAN} + \epsilon_i \text{-----} (8)$$

Where,

y= dependent variable, that is banks contribution to the economy (BCONECO).

X= independent variable, that is, non-performing loans (NONPERLOAN).

Also, β_0 and β_1 are the regression parameter.

ϵ_i is Stochastic term or error term (Variables outside the model).

4.0 PRESENTATION, ANALYSIS AND INTERPRETATION OF DATA

This chapter deals with the presentation, analysis and interpretation of data. The prime objective of the study is to examine the role of the external auditor in the prevention and detection of fraud in Nigerian Deposit Money Banks. In order to critically evaluate the cardinal objective of the research, a time series data extracted from the Central Bank of Nigeria Statistical Bulletin from the periods 2005-2014 are used. The four hypotheses formulated for testing will be verified through the use of simple linear regression analysis. However, the significance or otherwise of the hypotheses formulated for testing will be confirmed through the use of statistical tests of; F-test, T-test and coefficient of determination.

4.1 Data Presentation

The data for the analysis are presented in the table below:

Table 4.1: Showing the number of fraudulent practices discovered by external auditors in Nigerian banks and the amount of fraud involved in millions of naira for the periods, 2005-2014

Years	Frequency of frauds discovery by auditors	Fraudulent practices due to forged cheques in millions of naira	Fraudulent practices due to deliberate wrong entry in millions of naira	Fraudulent practices due to deliberate transfer in millions of naira	e- fraud in Millions of naira
2005	12	5.60	2.31	1.32	4.56
2006	16	6.78	3.56	2.54	5.00
2007	23	7.67	4.11	3.00	6.23
2008	23	7.77	4.56	3.33	7.45
2009	30	8.98	5.78	4.17	8.23
2010	33	10.00	6.78	5.11	9.00
2011	35	12.45	8.00	7.67	12.23
2012	38	12.67	8.67	7.89	12.45
2013	42	12.79	8.87	8.00	13.63
2014	52	15.00	9.45	9.00	21.56

Source: CBN Annual Bankers Report, 2005-2014

Table 4.2: Showing the relationship between external auditors' frequency of fraud discovered and amount of frauds committed in Nigerian banking sector for the periods, 2005-2014

Years	External auditors frequency of fraud discovered (X)	Amount of fraud involved in Billions of Naira (Y)
2005	12	13.79
2006	16	17.88
2007	23	21.01
2008	23	23.11

2009	30	27.16
2010	33	30.89
2011	35	40.44
2012	38	41.68
2013	42	43.29
2014	52	55.01

Source: CBN Annual Bankers Report, 2005-2014

Table 4.3: Showing total deposit of Deposit Money Banks in Nigeria and amount of fraud involved in fraudulent practices in millions of naira in Nigerian Deposit Money Banks for the periods, 2005-2014

Years	Total deposits in billions of naira (Y)	Amount of fraud committed in billions of naira (X)
2005	357.89	13.79
2006	561.78	17.88
2007	675.34	21.01
2008	745.78	23.11
2009	845.98	27.16
2010	895.67	30.89
2011	899.45	40.44
2012	934.67	41.68
2013	945.67	43.29
2014	998.89	55.01

Source: Nigeria Deposit Insurance Corporation and CBN Report, 2005-2014

Table 4.4: Showing amount of non-performing loans incidence in Nigerian Deposit Money Banks and amount of money involved in fraud at the bank due to insider loans for the periods, 2005- 2014

Years	Amount of non-performing loans in billions of naira (Y)	Amount of money involved in fraudulent practices due to insider loans in billions of naira (X)
2005	56.88	5.89
2006	67.12	12.56
2007	68.99	17.56
2008	73.56	23.56
2009	83.66	45.00

2010	88.76	49.67
2011	90.11	53.45
2012	95.34	62.23
2013	102.78	65.00
2014	112.45	72.13

Source: NDIC Annual Report, 2005-2014

Table 4.5: Showing the amount of non-performing loans in Nigerian banks and loans and advances extended to priority sectors by Deposit Money Banks in Nigeria for the periods, 2005-2014

Years	Amount of non-performing loans (X)	Loans and advances (Y) in billions of naira
2005	56.13	213.45
2006	67.12	190.55
2007	68.99	186.76
2008	73.56	167.89
2009	83.66	156.44
2010	88.76	144.90
2011	90.11	132.00
2012	95.34	120.67
2013	102.78	104.34
2014	112.45	103.65

Source: NDIC and CBN Report, 2005-2014

4.2 Test of Hypotheses

The hypotheses formulated for the research will be tested with the aid of simple linear regression analysis. The test statistics to be used to test the significance or otherwise of the hypotheses are; F-test, T-test and Coefficient of determination (R^2).

4.2.1: Test of Hypothesis One

Null Hypothesis One (H_{01}): External auditors have not prevented any fraud in the banking sector in the last decades.

(A) Model for testing the influence of external auditor on fraud prevention

$$y = \beta_0 + \beta_1 X + e_i \text{ ----- (1)}$$

Where, y = dependent variable, that is, amount of fraud incidence in the banking sector in Nigeria (AOFI). This is measured by using the total amount of money involved in fraudulent practices in Nigerian banking sector from the periods, 2005-2014. Also, β_0 and β_1 are the regression parameter. In addition, X is the independent variable, that is, external auditor (EXTAUD). This is measured by using the frequency or number of fraudulent practices discovered in Nigerian banking sector by the auditors from the periods 2005-2014. Meanwhile, e_i is the error term.

By substituting, AOFI and EXTAUD into equation one, we have;

$$y(AOFI) = \beta_0 + \beta_1 EXTAUD + e_i \text{-----}(2)$$

More so, since, AOFI and EXTAUD are not in the same unit, then, the equation 2 will be transformed to its logarithms version. This gives;

$$\log AOFI = \beta_0 + \beta_1 \log EXTAUD + e_i \text{-----}(3)$$

Table 4.6: Showing the F-calculated for testing the overall significance of the ability of the external auditors to prevent fraud in the banking sector

ANOVA

SV	SS	DF	MS	F-CAL	SIGN
Regression	1386.224	1	1386.224	59.054	0.000
Residual	187.790	8	23.474		
Total	1574.014	9			

Source: Author's Computation, 2015

Table 4.7: Showing T-calculated for testing the significance of external auditors on fraud prevention in Nigerian banking sector

Model	Unstandardized coefficient B	std.error	Standardized coefficient Beta	T-calculated	Sign
Ln(EXTAUD)	27.516	3.581	0.938	7.685	0.000
Constant	-60.225	12.024		-5.009	0.001

Source: Author's Computation, 2015

Table 4.8: Showing the coefficient of determination (R^2) for determining the amount of fraud prevented in Nigerian banking sector due to the activities of external auditor

R	R^2	Adjusted R^2	Standard error of the estimates
0.938	0.881	0.866	4.845

Interpretation of Test of Hypothesis One

Tables 4.6 to 4.8 present the result of test statistics obtained for the null hypothesis one which states that external auditors have not prevented any fraud in the banking sector in the last decades. In table 4.6, the p-value of the F-calculated for testing the significance of the joint hypothesis of 0.000 is less than the critical value of 5%. This implies that the null hypothesis which states that external auditors have not prevented any fraud in the banking sector in the last decades will be rejected. This shows that external auditors have helped in preventing fraud in the Nigerian banking sector in the last decades. Therefore, the

activities of external auditors through proper auditing of prepared financial statement of banks in Nigeria have helped in preventing and detecting incidence of material mis-statement in the prepared financial statement of banks in Nigeria. In fact, the activity of external auditors in terms of gathering of evidence concerning a particular transaction that has occurred has contributed in no small measure to the reliability and accuracy of the prepared financial statement. Adesida and Adesoji (2010) conclude that the activities of independent external auditors could contribute in no small measure to shareholders confidence in managerial ability of the management team of any enterprises. They revealed further by implying that external auditors in any organization are needed to verify and authenticate the degree of truthfulness of the prepared financial statement in any organization.

More so, in table 4.7, the p-value of the t-statistics calculated for external auditors of 0.000 is less than the critical value of 5%. This indicates that the null hypothesis which states that external auditors are not significant on fraud prevention in Nigerian banking sector will be rejected. This means that the activities of external auditors have helped in no small measure in preventing and controlling fraud in Nigerian banking sector. Also, the regression coefficient obtains for external auditors of 27.516 indicate a positive value. This reveals the fact that there is a positive relationship between external auditors and fraud prevention in banking sector in Nigeria. In short, a unit increase in the activity of external auditors in Nigerian banking sector will lead to a more than a unit improvement in fraud prevention in Nigerian banking sector. In addition, the regression parameter calculated for intercept of -60.225 reveals a negative value. This reveals that without the activities or engagement of external auditors to audit the financial statement of banks in Nigeria, the incidence of fraud should have led to 6022.50% loss in profit. Therefore, external auditors' are important in preventing fraud in Nigerian banking sector.

Furthermore, the coefficient of determination (R^2) obtained for testing the amount of fraud prevention that is due to activities of external auditors in banking sector gives a value of 0.881. This means that 88.10% of fraud prevention in Nigerian banking sector are as a result of the activities of external auditors. Therefore, external auditors are good predictor variables for fraud prevention in Nigerian banking sector.

4.2.2: Test of Hypothesis Two

Null Hypothesis Two (H_{02}): There is no relationship between changes in bank deposit and incident of fraud in the Nigerian banking sector.

(B) Model for testing the influencing of fraud on changes in bank deposit

$$y = \beta_0 + \beta_1 X + e_i \text{ ----- (4)}$$

Where, y= dependent variable, that is, changes in bank deposit (CHABDEP). This is measured by using the total liability of Deposit Money Banks in Nigeria for the periods 2005-2014 as proxy.

Also, β_0 and β_1 are the regression coefficients.

X= independent variable, that is incidence of fraud (INCOFRAU). This is measured by using the total amount of frauds recorded in Nigerian banking sector for the periods, 2005-2014 as proxy.

Also, e_i = error term.

By substituting, CHABDEP and INCOFRAU into equation 4, we have;

$$y(\text{CHABDEP}) = \beta_0 + \beta_1 \text{INCOFRAU} + e_i \text{ ----- (5)}$$

Table 4.9: F-calculated for testing the overall influence of incidence of fraud on changes in banks deposits

SV	SS	DF	MS	F-CAL	SIGN
Regression	286133.184	1	286133.184	27.680	0.001
Residual	82698.197	8	10337.275		
Total	368831.381	9			

Source: Author's computation, 2015

Table 4.10: T-calculated for testing the significance of incidence of fraud on changes in bank deposit

Model	Unstandardized coefficient B std.error	Standardized coefficient Beta	T-calculated	Sign
INCFRAUD (X)	13.483 2.563	0.881	5.261	0.001
Constant	362.402 86.716		4.179	0.003

Table 4.11: Coefficient of determination (R^2) for testing the overall contribution of incidence of fraud on changes in bank deposits

R	R^2	Adjusted R^2	Standard error of the estimate
0.881	0.776	0.748	10.672

Source: Author's computation, 2015

Interpretation of Test of Hypothesis Two

Tables 4.9 to 4.11 present the test statistics calculated for the test of hypothesis two. In table 4.9 the p-value of the F-calculated for testing the overall significance of the null hypothesis of 0.001 is less than the critical value of 5%. This means that the null hypothesis which states that there is no significant relationship between changes in bank deposit and incident of fraud in the Nigerian banking sector will be rejected. This further implies that there is a significant relationship between changes in bank deposit and incidence of fraud in Nigerian banking sector. In fact, the prevalence of fraud in Nigerian banking sector can lead to a decline in customers' deposit. This is so, in the sense that no rational depositor will continue to put his or her money in a bank where the safety of such money is not guaranteed, due to the activities of scrupulous employees at the bank. More so, an increase in bank deposit can be as a result of low level of fraud in the banking sector. Adegoke (2012) concludes that the effect of fraudulent practices on bank deposit cannot be underestimated. He reveals further that the incidence/occurrence of frauds in the banking system can bring about a geometrical reduction in customers' deposits since no sane customer or prospective customer will continue to put his or her savings in a bank where such savings are not safe due to the activities of insiders' scrupulous employees. Therefore, it can be inferred that incidence of frauds in Nigerian banking sector can bring about changes in bank deposit.

Also, in table 4.10, the p-value of the t-calculated for testing the significance of fraud incidence on changes in bank deposit of 0.001 is less than the critical value of 5%. This implies that the null hypothesis which states that incidence of fraud is not significant on changes in bank deposit will be rejected. This indicates that incidence of fraud is significant on changes in bank deposit. The non-existence of frauds in

any bank in Nigeria can improve the image of the bank thereby contributing to increase in deposits for the bank. Conversely, high incidence of frauds in a bank can bring about a reduction in that bank deposits as alluded to by (Adegoke,2012).

In table 4.11, the coefficient of determination (R^2) obtains of 0.776 means that 77.60% of changes in bank deposit can be as a result of incidence of frauds in Nigerian banks. Therefore, the higher the incidence of frauds in Nigerian banking sector, the lower the changes in bank deposit and vice-versa. This further means that the incidence of frauds in Nigerian banks can bring about 77.60% decreases in bank deposit. Therefore, incidence of fraud is a good explanatory variable for changes in bank deposit in Nigeria.

4.3 Test of Hypothesis Three

Null Hypothesis Three (H_{03}): There is no incidence of non-performing loans in the Nigerian economy as a result of fraud in the Nigerian banking sector.

(C) Model for testing the null hypothesis three

$$y = \beta_0 + \beta_1 X + e_i \text{ ----- (6)}$$

Where, y = dependent variable, that is, non-performing loan (NONPERLON). This is measured by using the amount of loan due to insiders' source that is, non-performing loans for the periods, 2005-2014 as proxy.

Also, β_0 and β_1 are the regression parameters.

X = independent variable, that is, incidence of frauds (INCFRAUD). This is measured by using total amount of money loss in the banking sector as a result of frauds as proxy for the periods 2005-2014 while e_i = error term.

By substituting NONPERLON and INCFRAUD into equation 6, we have;

$$y(\text{NONPERLON}) = \beta_0 + \beta_1 \text{INCFRAUD} + e_i \text{ ----- (7)}$$

Table 4.12: F-calculated for testing the overall influence of frauds on non-performing loans
ANOVA

SV	SS	DF	MS	F-CAL	SIGN
Regression	2606.853	1	2606.853	211.405	0.000
Residual	98.649	8	12.331		
Total	2705.502	9			

Source: Author's Computation, 2015

Table 4.13: T-calculated for testing the significance of incidence of frauds on non-performing loans

Model	Unstandardized coefficient		Standardized coefficient	T-calculated	Sign
	B	std.error	Beta		
INCFRAUD(X)	0.712	0.049	0.982	14.540	0.000
Constant	54.966	2.283		24.079	0.000

Source: Author's computation, 2015

Table 4.14: Coefficient of determination for testing the amount of non-performing loans due to incidence of frauds in banking sector

R	R^2	Adjusted R^2	Standard error of the
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			estimate
0.982	0.964	0.959	3.512

Source: Author's Computation, 2015

Interpretation of Test of Hypothesis Three

Tables 4.12 to 4.14 above present the test-statistics computed for the null hypothesis three. In table 4.12, the p-value of the F-calculated for testing the overall significance of the null hypothesis three of 0.000 is less than the critical value of 5%. This shows that the null hypothesis which states that there is no incidence of non-performing loans in the Nigerian economy as a result of fraud in the Nigerian banking sector will be rejected. This implies that there is incidence of non-performing loans in the Nigerian economy as a result of frauds in the banking sector. This further indicates that there is a significant relationship between incidence of frauds and non-performing loans in the Nigerian economy. Therefore, the high incidence of frauds in the banking sector can be traceable partly to incidence of non-performing loans to insiders' sources such as managers, directors and other employees of banks in Nigeria. Sanusi (2013) concludes that the existence of toxic loans in Nigerian banks is due partly to high incidence of fraudulent practices of bank managers. He concludes that non-performing loans remained un-performing based on the fact that the bulk of the loans are given to directors of banks and their retinue of friends and relations. Based on this argument therefore, it can be inferred that there is a significant relationship between incidence of frauds and non-performing loans in Nigerian banks. In fact, the majority of the non-performing loans incidences in Nigerian banks are fraudulently given by banks directors and managers to cronies and friends.

More so, in table 4.13, the p-value of the t-calculated of 0.000 is less than the critical value of 5%. This means that the null hypothesis which states that incidence of frauds is not significance on non-performing loans in Nigerian banking sector will be rejected. Therefore, incidence of frauds is significant on non-performing loans of banks in Nigeria. Also, the regression coefficient computed for incidence of frauds of 0.712 reveals the fact that a unit increase in incidence of frauds will lead to 7.12% increase in non-performing loans. Therefore, the higher the incidence of frauds in Nigerian banks the higher will be the amount of money lost to loan not performing. Moreover, the regression coefficient obtains for intercept of 54.966 indicates the fact that without the incidence of non-performing loans that will be much more than a unit increase in performance of loans and advances given out to customers by Nigerian banks.

In table, 4.14, the coefficient of determination (R^2) computed for testing the overall contribution of incidence of frauds on non-performing loans of 0.964, reveals the fact that 96.40% of non-performing loans recorded in Nigerian banking sector is as a result of incidence of frauds in the sector. Based on this premises, incidence of fraud is a good predictor for non-performing loans in Nigeria banking sector.

4.4 Test of Hypothesis Four

Null Hypothesis Four (H_{04}): There is no significant relationship between non-performing loans and bank contribution to the economy.

(D) Model for testing the null hypothesis four

$$y = \beta_0 + \beta_1 X + \epsilon_i \text{------(8)}$$

Where, y= dependent variable, that is banks contribution to the economy (BCONECO). This is measured by using the amount of loans and advances given to priority sector of the economy by banks as proxy for the periods 2005-2014.

Also, β_0 and β_1 are the regression parameter.

X= independent variable, that is, non-performing loans (NONPERLOAN). This is measured by using the amount of loans and advances classified as non-performing for the periods, 2005-2014 as proxy while e_i =error term.

By putting BCONECO and NONPERLOAN into equation 8, we have;

$$y(BCONECO) = \beta_0 + \beta_1 NONPERLOAN + e_i \text{----- (9)}$$

Table 4.15: F-calculated for testing the overall influence of non-performing loans on bank contribution to the economy

ANOVA

SV	SS	DF	MS	F-CAL	SIGN
Regression	12393.014	1	12393.014	253.702	0.000
Residual	390.798	8	48.849		
Total	12783.803	9			

Source: Author's Computation, 2015

Table 4.16: T-calculated for testing the individual significance of non-performing loans on bank contribution to the economy

Model	Unstandardized coefficient B std.error		Standardized coefficient Beta	T-calculated	Sign
NONPERLOAN(X)	-2.124	0.133	-0.985	-15.928	0.000
Constant	330.261	11.404		28.961	0.000

Source: Author's computation, 2015

Table 4.17: Coefficient of determination (R^2) for testing the amount of banks contribution to the economy due to non-performing loans

R	R^2	Adjusted R^2	Standard error of the estimate
0.985	0.969	0.966	6.989

Source: Author's computation, 2015

Interpretation of Test of Hypothesis Four

The tables above present the results of the test statistics computed for the null hypothesis four which states that there is no significant relationship between non-performing loans and bank contribution to the economy. In table 4.15, the p-value of the F-calculated of 0.000 is less than the critical value of 5%, therefore, the null hypothesis which states that there is no significant relationship between non-performing loans and bank contribution to the economy is rejected. This implies that there is a significant relationship between non-performing loans and bank contribution to the economy. In fact, the higher the non-performing loans, the lower the banks contribution to Nigerian economy in terms of giving loans and advances to priority sectors of the economy. Banks are into business of money and for them to make profit, there is need for the loans and advances given to economy players to perform. Therefore, no sane bank in Nigeria will continue to give loans and advances to individual and organization that will fail to pay back the loans as at when due. According to Okoro (2001) the relevance of banks to the economy is to ensure that the priority sectors of the economy are given necessary support in terms of access to loans

and advances they needed to continue in business but these individual and organization must ensure that the said facilities extended to them are paid back as at when due, failure to pay back implies that the banks will not be in a better position to issue same assistance to other sector or individual. This assessment above reveals the fact that the higher the incidence of non-performing loans in Nigerian banks then the lower the banks contribution to the economy.

Furthermore, in table 4.16, the p-value of the t-statistics calculated of 0.000 is less than the critical value of 5%. This indicates that the null hypothesis which states that non-performing loans is not significant on banks contribution to the economy will be rejected. This therefore means that non-performing loans is significant on banks contribution to the economy. In fact, the regression parameter computed for non-performing loans of -2.124 reveals the fact that there exist a negative relationship between non-performing loans and banks contribution to the economy. This shows that a unit increase in non-performing loans will lead to more than a unit decrease in banks contribution to the economy. More so, the regression coefficient computed for the intercept of 330.261 indicates the fact that without non-performing loans, banks contribution to the economy will increase in a hyper geometrical ways. Therefore, the existence of non-performing loans in Nigerian banks can affect the contribution of banks to the economy.

Also, in table 4.17, the coefficient of determination (R^2) computed for testing the overall contribution of non-performing loans on banks contribution to the economy reveals a value of 0.969, this means that 96.90% of banks contribution to the economy can be denied by the economy as a result of incidence of non-performing loans in Nigerian banking sector. Therefore, non-performing loans is a good predictor variable for banks contribution to the economy of Nigeria.

SUMMARY, CONCLUSION AND RECOMMENDATIONS

5.1 Summary of findings

In order to achieve the cardinal objective of the research, four operational objectives are set out by the researcher for investigations. The result of the finding reveals that there is a significant relationship between external auditors and fraud prevention in Nigerian banking sector. This infers that the p-value of the F-calculated of 0.000 is less than the critical value of 5%. In fact, the coefficient of determination indicates the fact that the engagement of external auditors by banks in Nigeria can lead to 88.10% of frauds control in Nigerian banks.

Also, there is a significant relationship between changes in bank deposit and incidence of frauds in Nigerian banks. This is based on the fact that the p-values of t-test and F-test calculated of 0.001 are less than the critical value of 5%. Therefore, the higher the incidences of frauds in the banking sector in Nigeria the higher the changes in banking deposit. In addition, the coefficient of determination computed for overall contribution of incidence of frauds on changes in bank deposit reveals that 77.60% of changes in banks deposit are as a result of fraud in the banking sector.

Moreover, it can be inferred that there is incidence of non-performing loans in banking sector as a result of frauds in the banks. This implies that the prevalence of frauds in the banking sector has led to incidence of non-performing loans in Nigerian economy. In fact, 96.40% of non-performing loans in Nigerian economy is as a result of frauds in the banking sector.

Also, it is found that there is a significant relationship between non-performing loans and banks contribution to the economy. This is based to the fact that the p-value of the F-test and t-test computed of

0.000 is less than the critical value of 5%. More so, the coefficient of determination computed for the test reveals the fact that the economy is deprived of 96.90% of banks contribution as a result of incidence of non-performing loans and advances in the banking sector. Therefore, there is a significant correlation between incidence of non-performing loans and banks contribution to the economy.

5.2 Conclusions

Based on the results of the findings summarized above, the following conclusions are made.

1. External auditor can prevent frauds in Nigerian banking sector. This conclusion is based on the fact that the p-value of the F-calculated of 0.000 is less than the critical value of 5%.
2. There is a significant relationship between incidence of frauds and changes in bank deposit.
3. There is incidence of non-performing loans in Nigerian economy as a result of frauds in the banking sector.
4. There is a significant relationship between non-performing loans and banks contribution to the economy. In fact, it is found that the higher the non-performing loans of banks, the lower their contribution to the economy. This assertion is evident by the value of -2.124 computed for the regression coefficient non-performing loans see Table 4.15.

5.3 Recommendations

The finding of the study reveals that external auditors' activities are needed in controlling and preventing frauds in Nigerian banking sector. Therefore, based on the results of the findings and conclusions derived therein, the following recommendations are made.

1. Nigerian banks should continue to make use of the external auditor in order to check the incidence of frauds and intentional material mis-statement in the prepared financial statement.
 2. Banks' management in Nigeria should continue to implement strategies and motivational packages that will help in reducing frauds among its employees in order to encourage depositors.
 3. External auditors engaged by banks should ensure that they carry out their work in line with their professional code of conducts and ethical standards guiding their job. Therefore, external auditors must ensure that they do not have a vested interest in any of their clients' business interest.
 4. Banks must ensure that they reduce to a bare minimum the issue of insiders' loans and advances to employees. This is due to the fact that majority of the loans classified as non-performing in Nigerian banks today are due to the activities of insiders' sources (Sanusi, 2013).
 5. Nigerian banks must ensure that they minimize their non-performing loans through accurate management of their loans portfolio in order to contribute significantly to priority sector of the economy.
- The study has shown that external auditors are necessary in preventing and controlling frauds in Nigerian banking sector. More studies need to be carried out on the influence of external auditors' activities on banks' performance in Nigeria.

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