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1.1 BACKGROUND OF THE STUDY

Nigeria is one of the largest black country in the world with a population of one hundred and eighty-eight million, seven hundred and fifty thousand and eight hundred and fifty people (188,750,850), based on the latest United Nations estimates on Friday, November 18, 2016. The trends to events has been changing due to changes in the cultural, social, political and economic status over the years, however, the country has undergone differentiation and integration in its economic growth and development in the country and this has resulted to a demand for banking services over the years.

Banking industries in Nigeria have over the years experienced a remarkable growth and expansion that the traditional approach of business management is no longer adequate to meet the heavily bordered company management in maintaining control over the wide spread operations. The increase in regular activities, the trend towards decentralization and greater geographical dispersion have in themselves posed serious challenges to management control. When this is added, the fact that in any representation of financial information or in the operation of internal activities, individuals could be guilty of self-interest, carelessness and dishonesty. There is the need for an outstanding performance for all levels of management, these new problems have made it necessary for management to delegate responsibilities and authority to many levels of supervision.

The banking industry has witnessed tremendous growth over the years and as such some dubious individuals or group of individuals siphon resources through false presentation of facts. The deviation of such resources from their rightful owners or holders leads to financial crisis and the process of siphoning resources is known as **FRAUD**.

Fraud means a conscious premeditated action of a person or group of persons with the intention of altering the truth for personal gains (Wole, 1986). It can also be said to be a trick or deceit practised in an effort to conceal otherwise honest errors or to create an appearance of good performance when such is not the case, for instance, by inflating the reported profit figure of a branch or omitting certain expenses incurred within a department. As such, the activities of a bank should continually be reviewed by a third party other than the preparer and the user of the information to establish its accuracy and reliability, thus the process is known as **AUDITING**.

Auditing is an independent examination and expression of opinion on the financial statement of an enterprise by an appointed auditor in pursuance of that appointment and in compliance with any relevant statutory obligation (Williams, 1974). Any effort, towards determining the accuracy and reliability of an information and or data in a bank by an auditor is auditing. It is the determination of the effectiveness, reliability, and the accuracy of the financial statement of a bank towards achieving its goals and objectives.

An individual or group of individuals perpetrating a fraud will try to hide it, therefore, fraud is likely to be more difficult to detect than either errors or irregularities. Any fraud perpetrated have an element of forge whether real forging or forging by principle and the responsibility of detecting fraud is not vested on the auditor, but the effectiveness and efficiency of the auditor in carrying out his duty may prevent or control fraud by designing and evaluating his work with a view to detecting, controlling and preventing fraud which might impair the truth and fairness of the view given by the financial statement (Fakiyesi, 1997). The auditor will be responsible for frauds which he failed to detect because of negligence audit work, therefore, the auditor should investigate any apparent irregularity or error he finds in the course of his audit work, but, it should be known that the current auditing practice does not normally involve the auditor in establishing the authenticity of original documents and audit procedures that will usually be effective for detecting a misstatement that is intentional and, is concealed through collusion between clients, personnel and third parties or among management or employees of the bank (Adeleke, 1996).

Management responsibilities do not end with allocation of duties, it has to turn to a control specialist, **AUDITOR**, for assistance in maintaining a close watch over the management control network. Without auditors' guide, management could not rely on financial statement as a guide in making any decision and the auditor (external) cannot rely on the internal control system without greatly increasing his test and the extent of his auditing procedure. The role of auditors incorporates generally studying the efficiency of functions within the organization which includes financial checks, operational accounting, evaluation and reviewing of the system of internal control. The auditors appraise financial and control periodically summarises the results of continuous investigations, prepare recommendations for better procedure and report the results of his findings to top management. The auditors, both external and internal auditors, perform the same functions except that external auditors perform their investigation on periodic basis usually once or twice in a year. The regulatory examination is done by central banks and business activities to ensure that banks conform with the laid down rules and regulations.

1.2 STATEMENT OF THE PROBLEM

The bank has made effort to sustain and protect its operations effectively, through banking reforms and corporate governance instituted by the Central Bank of Nigeria (CBN) to meet the demand of the challenges in the industry, its customers and the change in government policies, yet, despite the protection and monitoring of the activities in the bank, false and unreliable statements of financial information have been a 'canker worm' in its operations which leads to fund diversion. Fraud in Nigerian banks has remained an unavoidable problem and has not only become incessant in the recent pasts. It results in huge financial losses to financial institutions, such as banks, and their customers, depletion of shareholder funds and capital base as well as loss of confidence in financial institutions. This hydra headed monster (fraud) has negatively affected the profitability position of Nigerian banks and the general confidence repose in the banking industry has become eroded.

The objectives of auditing as stated in the Company and Allied Matters Act (CAMA 1990) is to express an opinion as to the truth and fairness of the financial statement as presented by the companies. The reason why and to prevent and detect fraud in banking industries and its implication for auditor is bone of public contention in the country today, this is why as academicians and concerned citizens of this country, the researcher has taken it as a challenge to make it clear to the public the role of auditors in the prevention of fraud in banking industries in order to settle the misconception of the public in regards to auditors' roles.

1.3 RESEARCH QUESTIONS

The following research questions guided this study:

i. In what ways does lack of incentive and motivation cause employees to commit fraud in banks?
ii. In what ways do bank frauds contribute to the lack of trust in financial institutions by customers?
iii. In what ways does lack of both internal and external audit affect the financial statements of banks?
iv. Why does the public have a negative notion towards the role of auditors?

1.4 OBJECTIVES OF THE STUDY

The general objective of the study is to determine the role of auditors in the prevention of fraud in the banking industries. The specific objectives which this study is designed to achieve include:

i. To identify the types of fraud perpetrated in the banking industries
ii. To examine the causes of fraud in banks

iii. To identify the various ways employed in defrauding banks

iv. To identify the roles of auditors in the prevention of fraud

v. To make it clear to the public the roles of auditors

vi. To recommend measures aimed at preventing, controlling and detecting the incidence of fraud in banking industries.

1.5 STATEMENT OF HYPOTHESIS

A problem is just a question and it is not testable therefore, it is important to put a research problem into hypothesis form to be tested. The hypothesis statement helps in guiding the researcher on the relevant data collected, how to analyse them and finally come to conclusion.

Both the null hypothesis and the alternate hypothesis are used in this research work to either reject or accept the hypothesis at the end of the research work. The hypotheses formulated by the researcher are;

Null Hypothesis (Ho) – There is no significant relationship between the role of auditors and the prevention of fraud in the banking industries.

Alternate Hypothesis (Hi) – There is significant relationship between the role of auditors and the prevention of fraud in the banking industries.

1.6 SIGNIFICANCE OF THE STUDY

The significance of this study can be seen from the key areas – Practical and Academic.

1.6.1 PRACTICAL SIGNIFICANCE

The study will be significant to, and practically assist in boarding the understanding of the following:

i. The Bank Officials/Management: It will enlighten them on key areas where attention should be concentrated in order to minimise the perpetration of fraud.
ii. Bank Customers: It will expose them to the knowledge of dealing with their bank instruments such as cheques, deposit slips, ATM cards, etc. in order to reduce the incidence of fraud in the banking industry.
iii. The research will aid in enacting laws that will not only be effective but also revealing ways of curtailing the social vice fraud.

1.6.2 ACADEMIC SIGNIFICANCE

From academic standpoint, the study will be significant in the following ways:

i. It will serve as a reference material for further studies by other researchers
ii. It will contribute to the enrichment of existing literatures on the role of auditors in the prevention of fraud in banking industries
iii. It will proffer ways (of interest to academics) based on empirical evidence on how the canker worm (fraud) can be minimised in the banking system.

1.7 SCOPE OF THE RESEARCH

The role of auditors in the prevention of fraud in the banking industries is an extensive topic that would have been best carried out in several commercial banks, but the researcher has streamlined the study to just two banks; Zenith Bank plc, Wuse branch Abuja and Union Bank plc.

The study intends to cover the types, causes and the effects of fraud, elements that perpetrate fraud and the effectiveness, and efficiency of the role of auditors in the prevention of fraud in banking industries.

1.8 LIMITATIONS OF THE STUDY

In the course of this research work, the following are the limitations:

i. Access to Information: Due to complexity of the topic, it was not easy getting the information from the case studies because the respondents were not willing to provide useful information as regards to the topic.

ii. Availability of Data: Most private organisations, particularly banks, are known for been sceptical about releasing data and information to outsiders. The employees of the banks chosen for this research work refused to give the valuable data and information that was required as such is highly classified.

1.9 DEFINITION OF TERMS

FRAUD: Fraud is an act of dishonesty, deceit, falsifications and manipulations perpetrated to gain under monetary and or non-monetary benefits.

AUDITOR: An auditor is one who is appointed and authorized to examine accounts and accounting records, compare the charges with the vouchers, verify balance sheet and income items, and state the result.

INTERNAL CONTROL: This refers to the whole system of control, financial and otherwise, established by the management in order to carry on the business of the enterprise in an orderly manner, safeguard its asset and secure as far as possible the accuracy and reliability of its records.