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IMPACT OF FORENSIC ACCOUNTING ON THE PROFITABILITY OF COMMERCIAL BANKS IN NIGERIA

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ABSTRACT

The study examined the impact of forensic accounting on the profitability of commercial Banks in Nigeria. The data were gathered from sample of Guaranty trust bank and Access Bank Plc's annual reports and accounts for (5) five years (2017-2021). The research work made use of multiple regression per share (DPS method. Forensic audit (FAUD) was used as proxy for forensic accounting and the variables, net profit margin (NPM), Profit after tax (PAT) and dividend per share using multiple regression technique, E-view 9.0 software package was used as tool for data analysis. The result of the analysis shows that forensic audit has significant effect on the net profit margin of selected Nigerian commercial banks banks. It was also observed that forensic audit influenced profit after tax of Nigerian banks. The study also revealed that forensic audit has significant effect on retained earnings and also dividend per share of Nigerian banks. Based on the findings of this study, the researcher recommends that the management of the commercial banks should emphasize and enhance use of forensic financial information as this will help in increasing the profitability.

Keywords: Accounting, Forensic, Impact, Nigeria ,Profitability, Quoted Banks,

1.0 INTRODUCTION

Forensic accounting, which is also called investigative accounting or extortion review, is a merger of criminological science and accounting. Legal science as per Crumbley (2003) "might be characterized as utilization of the laws of nature to the laws of man" and alludes to measurable researchers as analysts and mediators of proof and realities in lawful cases and offers specialists' feelings with respect to their discoveries in the courtroom. The science being referred to here is accounting science, implying that the examination and understanding will be of monetary data.

Fraud is an endemic problem that is gradually becoming a normal way of life in both public and private sectors, from the presidential cabinets, down to the political officers, to the ward councilors, from managing directors of companies, through middle management cadre and to lower managers in Nigeria (Gbegi & Adebisi,2014). Financial fraud has for long been categorized as a menace that led to the collapse of many reputable institutions in the world which include Enron, Bernie Mad off scandals, World Com, Lehman Brothers, Tyco International Ltd, and Adelphia Communications Corporation in the USA, Parmalat crises in Italy and HIH Insurance Ltd in Australia. In Nigeria, the cases of Afribank Nigeria Plc and

Oceanic Bank Nigeria Plc, were relatively caused by massive fraud (Sule *et al,* 2019). Despite the several legislations put in place to reduce, alleviate and if possible eliminate the occurrence and incidences of fraud, it is worrisome that incidences of fraud have become so widespread that it is fast assuming an epidemic proportion in Nigeria. In fact, fraud has become a daily occurrence in Nigeria firms.

Forensic accounting is the tripartite practice of utilizing accounting, auditing and investigative skills to assist in legal matters. It is a specialized field of accounting that describes engagements that result from actual or anticipated disputes or litigation. Forensic accounting can, therefore, be seen as an aspect of accounting that is suitable for legal review and offering the highest level of assurance (Apostolou et al, 2000)

Ehioghiren and Atu (2016) opined that forensic accounting encompasses three major areas, investigation, dispute resolution and litigation support. Forensic accounting has been identified as a tool in detecting and implementation of white-collar Investigations(Hansen, 2009). Degboro and Olofinsola (2007) described forensic accounting as the application of criminal list methods, and integration of accounting investigative activities and law procedures to detect and investigate financial crimes and related accounting misdeeds. Gbegi and Adebisi, (2014) observed that the forensic accounting skills and techniques could help to investigate fraud occurrence since the external auditors do not or may not have the required training to be able to tackle modern frauds like white collar crimes such as security fraud, embezzlement, bankruptcy, contract disputes, and possible criminal financial transaction. Fraud has become a reoccurring trend in Nigeria. In fact, Federal Bureau of Investigation (2018) report shows that Nigeria is among the top 5 hub of fraudsters as most perpetrators come from the country. Central Bank of Nigeria (2018) report and Nigeria Deposit Insurance Commission (2018) report both reported high amount of monies lost by banks to fraud annually. Collaborating with this is Economic and Financial Crime Commission (2018) report that big companies in Nigeria and influential individuals have continued to fall victim of fraudsters losing large amount of money in the process. In recent times, series of fraud have been committed both in the public sector and private sector of the economy. These in no doubt are perpetrated under the supervision of the internal auditors of the organization.

Thus, forensic accounting has evolved as a means of checking fraud since the traditional accounting system and auditing have failed in some areas in checking fraud. Forensic accounting is seen as taking more advance role in fraud prevention, detection, and management. However, its use and effectiveness has raised serious concerns as it has been argued that it is used mainly aftermath of the fraud to find the perpetuators and how it was carried out in order to avoid future occurrence. As a tool mainly for legal purposes, the sophistication of fraud perpetuators and the role of insiders who have knowledge on how to bypass the system and not get caught have also questioned the effectiveness and need for forensic accounting. In addition, however, there has not been adequate emphasis, especially survey evidence on how forensic accounting can help curtail financial and economic crimes beyond the several unreliable views that a bound. All these problems and many more have provided the need for this study

The broad objectives of the study was to investigate impact of forensic accounting on the profitability of commercial banks in Nigeria.

The specific aims and objectives of the study therefore were:

1. To examine the effect of forensic audit on the net profit margin of selected Nigerian banks.

2. To evaluate the effect of forensic audition profit after tax of Nigerian banks.

3. To ascertain the effect of forensic audit on retained earnings

4. To determine the effects of forensic audit on dividend per share of Nigerian banks

The following research questions were asked:

1. To what extent does forensic audit affect the net profit margin of selected Nigerian banks?

2. What are the effects of forensic audition profit after tax of Nigerian banks?

3. To what extent does forensic audit affect retained earnings and dividend per share of Nigerian banks?

The following hypotheses were tested:

1. Forensic audit does not have any significant effect on the net profit margin of selected Nigerian banks.
2. Forensic audit does not have significant effect on profit after tax of Nigerian banks.
3. Forensic audit does not affect retained earnings and dividend per share of Nigerian banks

2.0 LITERATURE REVIEW

2.1 Definition of Operational Terms

2.1.1 Forensic Refers to the application of scientific knowledge to legal problems, especially scientific analysis of physical evidence (as from a crime scene).

2.1.2 Accounting: is the process of measuring, processing, and sharing financial and other information about businesses and corporations. What is accounting? Accounting is the processor keeping the accounting books of the financial transactions of the company.

2.1.3 Profitability: is a measure of an organization's profit relative to its expenses. Organizations that are more efficient will realize more profit as a percentage of its expenses than a less-efficient organization, which must spend more to generate the same profit.

2.2 Conceptual Framework

Okoye and Gbegi, 2013) concur that “Forensic” means “suitable for use in a court of law”, and it is to that standard that Forensic Accountants generally work. Forensic accounting encompasses three major areas, investigation, dispute resolution and litigation support. Forensic accounting is specialty practice area of accounting that describes engagements that result from actual or anticipated disputes or litigation."Forensic" means "suitable for use in a court of law", and it is to that standard and potential outcome that forensic accountants generally have to work. Forensic accountants, also referred to as forensic auditors or investigative auditors, often have to give expert evidence at the eventual trial. According to Nigrini (2011), financial forensic engagements may fall into Economic damages calculations, whether suffered through tort or breach of contract; Post-acquisition dispute such as earn out or breaches of warranties; Bankruptcy, insolvency, and reorganization; Securities fraud; Business valuation; and Computer forensics/e-discovery. Degboro and Olofinsola(2007) described forensic accounting as the application of criminalist methods, and integration of accounting investigative activities and law procedures to detect and investigate financial crimes and related accounting misdeed administrative proceedings.

Forensic Accounting

Maurice E. Peloubet is credited with building up the term scientific accounting in his1946 paper "Forensic accounting: Its Place in Today's Economy." By the late 1940s,forensic accounting had demonstrated its value amid World War II; in any case, formalized strategies were not set up until the point that the 1980s when real scholarly investigations in the field were distributed (Rasey, 2009). Since the 1980s in some Western nations, especially in the USA, another calling in the field of accounting has developed. This calling distinguishes a field made out of accounting, examining, and investigative abilities (Ozkul and Pamukc, 2012).

Forensic accounting is the strength region of the accounting calling which portrays commitment that outcome from real or foreseen question or suit. "Criminological" signifies "reasonable for use in an official courtroom," and it is to that standard and potential result that forensic accountants by and large need to work (Crumbley *et al*, 2005).

Forensic accounting is perceived as a specific type of expert mastery and blessed with particular characteristics; the acknowledgment originates from having a formal confirmation in forensic accounting which gives representative esteem (Williams, 2002).

In the perspective of Howard and Sheetz (2006), forensic accounting is the procedure of deciphering, outlining and displaying complex monetary issues unmistakably, compactly and accurately regularly in an official court room as a specialist. It is worried about the utilization of accounting order to help decide issues of realities in business case (Okunbor and Obaretin, 2010). Forensic accounting has its own models and approaches of investigative methodology that scan for confirmation, authentication and warning point of view to create legitimate proof. It is worried about the evidentiary idea of accounting information, and as a viable field worried about accounting extortion and criminological reviewing; consistence, due industriousness and hazard appraisal; identification of monetary deception and money related explanation fraud tax avoidance; liquidation and valuation ponders; infringement of accounting direction He contends that the essential introduction of scientific accounting is illustrative examination (circumstances and end results) of wonder including disclosure of double dealing (assuming any), and its belongings brought into the accounting space.

According to Manning (2002), forensic accounting is the combination of accounting, auditing and investigative skills to a standard that is required by a court of jurisdiction to address issues in dispute in the context of civil and criminal litigation. Dada *et al*, 2013).

The demand for and availability of forensic accountants and the internal auditor can be compared to the economic demand for and supply of goods and services. It is clear from the literature that forensic accountants and the internal auditors held to higher standards in their ability to understand and discover fraudulent activities within organisations" (Carnes & Gierlasinski, 2001). Okunbor *et al,* (2012) showed that the quality of forensic accounting services in Nigeria is determined by the quality of forensic accounting personnel and the methods/approaches employed by the forensic accountant Temitope (2014) found that forensic investigation and forensic litigation were significant factors in explaining changes in financial performance of commercial banks in Nigeria

2.1.1 Forensic Accounting and Fraud Detection

Characterizing fraud is as troublesome as distinguishing it. When organizations experience serious budgetary issues and wind up in insolvency, extortion by senior administration might be included. He likewise clarifies that extortion can be better forestalled if choices are made by a gathering and not a person. In any case, this is not the situation if the gathering has a similar enthusiasm . At that point fraud may not be averted. On the other hand, the gathering is impacted by the prevailing chief who ends up choosing everything. Russel (1978) commented that the term extortion is bland and is utilized as a part of different ways. Extortion expects such a large number of various degrees and structures that courts are constrained to setting themselves with just couple of general guidelines for its disclosure and annihilation. It is better not to characterize the term for fear that men should discover methods for submitting fakes which may side step such definitions. Okafor (2004) additionally revealed that extortion is an exclusive term and grasps all the diverse means which human inventiveness can devise, which are turned to by one individual to get advantage over another in false portrayal. As indicated by Anyanwu (1993), extortion is a demonstration or course of misdirection, intentionally honed to increase unlawful or uncalled for advantage; such misleading coordinated to the drawback of another.

Accounting fraud is a demonstration of purposely distorting bookkeeping records, for example, deals or cost records, keeping in mind the end goal to help the net wage ordeals figures; accounting fraud is unlawful and subjects the organization and the administrators required to common claims (Arokiasamy and Cristal, 2009).Organization authorities may depend on accounting fraud to turn around misfortune or to guarantee that they meet acquiring desires from investors or the general population.

2.1.2 Financial crimes

Financial crimes cannot be precisely defined but can be described. No one description suffices. Wikimedia dictionary described financial crimes as crimes against property, involving the unlawful conversion of property belonging to another to one's own. Williams (2005) incorporates corruptions to his description of financial crimes. Other components of FCs cited in William's (2005) description include bribes cronyism, nepotism, political donation, kickbacks, artificial pricing and frauds of all kinds. The array of components of financial crimes, some of which are highlighted above, is not exhaustive. The EFCC Act (2004) attempts to capture the variety of economic and financial crimes found either within or outside the organization. The salient issues in EFCC's (2004) description include "violent, criminal and illicit activities committed with the objective of earning wealth illegally… in a manner that violates existing legislation… and these include any form of fraud, narcotic drug, trafficking, money laundering, embezzlement, bribery, looting and any form of corrupt malpractices and child labour, illegal oil bunkering and illegal mining, tax evasion, foreign exchange malpractice including counterfeiting, currency, theft of intellectual property and piracy, open market abuse, dumping of toxic waste and prohibited goods, damage to the environment, etc. This description is all-embracing and conceivably includes financial crimes in corporate organization and those discussed by provision authors (William, 2005; Khan, 2005). At the level of corporate organizations, financial crimes were known to have led to the collapse of such organizations. Cotton (2003) as cited in Izedonmi, and Ibadin (2012) attributes the collapse of Enron, World Com, Tyco, Adelphia, to corporate fraud. $460 billion was said to have been lost. In Nigeria, Cadbury Nig. Plc whose books were criminally manipulated by management was attributed to have lost 15 billion Naira. In the case of the nine collapsed commercial banks in Nigeria, about one trillion naira was reported to have been lost through different financial malpractice. This and other financial and economic crimes are being investigated by EFCC under the EFCC Act (2004).

Someone who has a suspicious mind that (considers that) the documents he or she is looking at may not be what they purport to be and someone who has the expertise to go out and conduct very detailed interviews of individuals to develop the truth, especially if some are presumed to be lying.

Forensic accounting as a field of specialization that has to do with provision of information that is meant to be used as evidence especially for legal purposes. The persons practicing in this field (i.e. forensic accountants) investigate and documents financial fraud and white-collar crimes such as embezzlement and investigate allegations of fraud, estimates losses damages and assets and analyses complex financial transactions. They provide those services for corporation, attorney, criminal investigators and the government (Coenen, 2005, Zysman, 2001). Degboro and Olofinsola (2007) stated that forensic accountants provide assistance of accounting nature in financial criminal and related economic matters involving existing or pending cases.

In financial crimes scenarios, the forensic accountant must appreciate the seriousness of a situation and look beyond the game of numbers. It must go beyond being a detective or regular accounting. The field of forensic accounting is the product of forensic science and accounting, Okoye and Akenbor (2009) commenting on the application of forensic accounting in developing economies like Nigeria, notes that forensic accounting is faced with so many bottle necks. These includes inability to operate more independently and effectively, lack of technical capabilities and inability of gathering information that is admissible in a court of law, less focus on offering service quality, conflicting regulatory codes and standards, lack of harmonization and unification of all the existing sectoral corporate governance codes applicable in Nigeria (CBN, SEC, and PENCOM Codes).

Crumbly (2001), Grippo and Ibex (2003) added that the challenges confronting the application of forensic accounting is such that it lack the admissibility, of evidence incompliance with the laws of evidence which is crucial to successful prosecutions of criminal and civil claims

2.2 Theoretical Framework

2.2.1 **Agency Theory**

Agency theory addresses the Agency issue in which one party (the principal) delegates work to another (the agent), who performs that work (Jensen & Meckling, 1976). There is an agency relationship when the actions of one individual affect both his welfare and that of another person in an explicit or implicit contractual relationship. The individual who undertakes the actions is the agent and the person whose welfare (utility), measured in monetary terms, is affected by the agent's actions is called the principal (Akaranga, 2010). The typical case of agency relationship is the one that exists between an employer (the principal) and his employee (the agent). In an agency relationship, the principal wants the agent to act in the principal's interest. However, the agent is expected to have his own interest and consequently, he may not act in the principal's best interests. An agency relationship is a contract under which one or more persons (the principal), engage another person (the agent) to perform some service on their behalf which involves delegating some decision making authority to the agent. If both parties to the relationships are utility maximizes, there is a good reason to believe that the agent will not always act in the best interests of the principal (Jensen & Meckling, 1976).

2.2.2 F**raud Preventative Theory**

Therefore Fraud preventative theory was proposed to curb the behavioural intention of any individual to fraud.

According to Goosen *et al*, (1999), a bank owes a duty to its customers to keep accurate records of all the transactions effected against the account in question. Thus, a bank statement serves a vital role in meeting the bank's accountability to its clients, and is a fundamental aspect of modern banking. Goosen *et al.* (1999) state that the role of a bank account statement, which is of the utmost importance to a bank, is that it serves as an audit trail showing in detail the various transactions effected against the account. The bank statement is a form of accounting record. This view is reflected in the total sample, which views a bank account statement as a detailed record of all transactions in a bank account. These transactions reflect money going into an account (credit transaction) or out of an account (debit transaction). In effect, a bank statement serves as evidence of the transactions against a bank account, a fact that is addressed by Section 236 of the Criminal

Procedure Act 51 of 1977, which deals with the proof of entries in bankers' books. Section 236 of Act 51 of 1977 allows the production of a bank statement to be primafacie proof of the transactions reflected therein. Section 28 of the Civil Proceedings Evidence Act 25 of 1965 contains similar provisions relating to civil legal proceedings.

2.2.3 Fraud Triangle Theory.

According to Dorminey, Fleming, Kranacher and Riley (2010), the origin of the theory dates to the works of Sutherland, who coined the term white collar crime, and Cressey, one of Sutherland's former students. The fraud triangle theory consists of three elements that are necessary for theft or fraud to occur: perceived pressure, perceived opportunity and rationalization. The fraud triangle has been put forward to explain the prevalence of fraud in organizations. According to Adebisi, *et al* (2016), forensic accounting relies on the fraud triangle to identify weak points in the business systems and to identify possible suspects in cases of fraud. It consists of three core concepts which together create a situation ripe for fraud: incentive, opportunity, and rationalization. People must have the incentive and opportunity to commit financial fraud, as well as the ability to justify it. Golden *et al* (2006) asserted that within each of the broad risk categories in the fraud triangle, many different and specific potential red flags may be visible within an organization. They identified the risk categories as: Incentive and Pressure; Opportunity; Justification/Rationalization and Attitude.

Thus, it would be in the interest of the forensic accountant to acquire good knowledge of these factors to better understand how to prevent fraud. Nigrini (2011) posit that the first reason employees get involved in fraud is pressure. He enumerates the pressure factors to include: Pressures with financial content, Pressures stemming from habits and Pressures related with the job. As noted by Olukowade and Balogun(2015),the harsh economic environment in Nigeria has more than anything else pressured employees into financial malpractice in order to take care of financial obligations. Opportunity is another important component of the fraud triangle. It directly involves top management and owners of the business in particular. Providing the opportunity to commit fraud is one of the most important factors arising from frauds. Since the business could greatly influence opportunity factor, this point should receive particular attention for fraud prevention. Mukoro *et al* (2013) asserted that weak internal control systems make it overly easy for employees to Passover certain fraudulent activities. Finally is the attempt or effort by the fraudster to justify or rationalize their nefarious activity. Some individuals are more prone than others to commit fraud. Other things being equal, the propensity to commit fraud depends on people’s ethical values as well as on their personal circumstances. Ethical behavior is motivated both by a person’s character and by external factors.

Depending on ethical values, the fraudster is likely to put forward one of the following as justification for his/her

2.3 Empirical Review.

Kanu and Okorafor (2020) examined the nature, extent and economic impact of fraud on bank deposits in Nigeria. It was found that the relationships are significant and that the models can be used for meaningful analysis and decision making. Fraudulent withdrawals are the most frequent fraud type while bank deposits were found to be more susceptible to clearing fraud, miscellaneous frauds turned out to have inflicted the highest amount of financial losses on bank deposits in Nigeria. The study therefore recommended various aspects of banking operations that demand more attention were highlighted. Preventive as well as curative solutions were proffered. The essence is to sanitize and minimize the impact of fraud on bank deposits in Nigeria.

Okoye and Ndah (2019) investigated the relationship between forensic accounting practices and the prevention of fraud in manufacturing companies in Nigeria. Using Ordinary Least Square method of multiple regression analyses on data collected through questionnaire, the findings of the research showed that there is a positive and statistically significant relationship between fraud investigation practices and the prevention of fraud in manufacturing companies. The findings also showed that there is a positive and statistically significant relationship between fraud litigation practices and the prevention of fraud in manufacturing companies.

Nwankwo (2019) examined implications of fraud on commercial banks performance in Nigeria. The study revealed that co-efficient of ATM bank fraud, forged cheque fraud and clearing fraud are in conformity with apriori expectations. There is a positive relationship between performances of banking industry and clearing cheque fraud with the co-efficient of clearing cheque at 4848.487, this implies a mint increase in CF will increase all E PS by 4848487. The study concluded, it is important to emphasize that the management and regulation of bank fraud was important in the performance of Nigeria commercial banks.

3.0 METHODOLOGY

3.1 Research Design

The research design employed in this research is the *ex-post factor* research design. This is because, there searcher does not aim to control any of the variables under investigation and our pre-disposition is to observe occurrence between 2005-2015. Another justification for the research design is the desire of the researcher to use secondary data to test the hypothesis formulated. These are already existing data, thus, cannot be manipulated by the researcher.

3.1 Area of Study

The research is conducted in Nigeria with specific reference to Nigerian banking sector.

3.2 Population of Study

The population of this study will be the twenty-two (22) banks in Nigeria.

3.3 Sample Size

The sample size of two selected banks in Nigeria as at December, 2021 was used, they are Access bank Plc. and Guaranty Trust Bank Plc.

3.4 Sources of Data Collection

This study made extensive use of secondary sources of data. The secondary sources used in this study includes: journals, annual reports of the two selected banks and CBN statistical bulletin.

Model Specification

The model specification for this study will be as follows;

$FAUD = \beta o + \beta 1NPMt\text{-}1i + \beta 2PAT2t\text{-}1i + \beta 3REt\text{-}1i + ut$…..

Where:	FINPEF	=	Financial Profitability
	FAUD	=	Forensic Audit
	NPM	=	Net Profit Margin
	PAT	=	Profit After tax
	RE	=	Retained Earnings
	Bo	=	Constant(Coefficient) to be estimated
	T	=	Current Period/Time

Ut = Error term

β1-β4= Parameter of the independent variables to be estimated.

3.5 Analytical Method/Technique

Multiple regressions involved three or more variable the study will use a linear multiple regression analysis to test the association between the dependent and independent variables used in this research work.

4.0 RESULTS AND DISCUSSION

4.1 Results

Table 1: Regression Analysis

Dependent Variable: FAUD
Method: Panel Least
Squares Date:
08/21/23Time:
14:57Sample:2017-2021
Periods included: 12

Cross-sectionsincluded:2

Total panel (balanced)observations:24

Variable	Coefficient	Std. Error	t-Statistic	Prob.
NPM	1.947560	0.438337	4.443065	0.0003
PAT	9.99E-11	7.61E-10	0.131256	0.8970
RTENS	-6.99E-09	1.75E-09	-3.996624	0.0008
C	0.229931	0.180738	1.272175	0.2195

R-squared	0.564254	Mean dependent var	0.719545
Adjusted R-squared	0.491630	S.D. dependent var	0.518427
S.E.of regression	0.369639	Akaike infocriterion	1.010385
Sum squared resid	2.459391	Schwarzcriterion	1.208756
Log likelihood	-7.114231	Hannan-Quinncriter.	1.057115
F-statistic	7.769496	Durbin-Watsonstat	1.026191
Prob(F-statistic)	0.001555		

Source: Reviews 9.0 Software Interpretation of Regression Coefficient Result

Table1, indicates that an increase in Net profit margin, profit after tax and retained earnings of Nigerian banks will decrease forensic audit by 0.369639.This implies that forensic audit is affected negatively by Net profit margin, profit after tax and retained earnings of Nigerian banks.

Interpretation of Durbin Watson-Statistic

The Durbin-Watson statistic is 1.026191 which is not up to 2.In this case, the Durbin Watson statistic is closer to 2 than 0 which indicates the absence of autocorrelation intheseries.TheresultindicatestheabsenceofpositiveserialcorrelationinthetimeseriesdataextractedfromtheannualreportandaccountsofselectedbanksinNigeria.

Coefficient of Determination (R^2)

The Adjusted R-squared is 0.491630. The adjusted R^2 reveals that only about 49% of the variations in Forensic audit could be explained by Net profit margin, profit after tax and retained earnings of Nigerian banks while about 51% could be explained by otherfactorscapableofinfluencingforensicauditofNigerianbanksaswellastheerrortermandthe unexplained variables.

Table 2: Correlation of Dependent and Independent Dariables

	FAUD	NPM	PAT	RTENS
FAUD	1.000000	0.393701	0.026343	-0.249784
NPM	0.393701	1.000000	0.414279	0.628620
PAT	0.026343	0.414279	1.000000	0.448560
RTENS	-0.249784	0.628620	0.448560	1.000000

Source: E-views 9.0 Software

Table 2 above represents that correlation analysis of the variables which reveals the strength of the relationship that exists among the variables.

From the table above, it was discovered that all the independent variables (Net profit margin, Profit after Tax and Retained Earnings) have fairly relationship with the dependent variable (Forensic audit).

4.2 Discussion of Findings

Hypothesis 1 states that there is no relationship between net profit margin and forensic audit of selected banks in Nigeria. From the result of the regression analysis in Table1, it reveals that forensic audit has significant effect on the net profit margin of selected Nigerian banks in the tune of 0.0003.

Hypothesis two states that forensic audit has significant effect on profit after tax of Nigerian banks. The regression analysis result of Table 1 reveals that forensic audit is influenced negatively by profit after tax in an insignificant amount of 0.8970.

Hypothesis 3 states that Forensic audit does not affect retained earnings and dividend per share of Nigerian banks. There is great relationship between retained earnings and forensic audit of Nigerian banks in the tune of 0.0008

At the end of this research work on the effect of forensic accounting on the profitability of Nigerian banking sector. The researcher found out the following;

1. Forensic audit has significant effect on the net profit margin of selected Nigerian banks.

2. It was also observed that forensic audit influences profit after tax of Nigerian banks.

3. The study also revealed that forensic audit has significant effect on retained earnings
4. Forensic audit had a significant effect on dividend per share of Nigerian banks.

5.0 CONCLUSION AND RECOMMENDATIONS

5.1 Conclusion

The study concludes that use of forensic financial information has improved transparency in commercial banks hence managed to curb fraud thus increasing profitability.

5.2 Recommendations

The study recommends that the management of the commercial banks should emphasize and enhance use of forensic financial information as this will help in increasing the profitability.

It is also recommended that the management ensures that the bank adapts to new technological changes taking place in the world to ensure that they have a well-structured system to accommodate these changes.

Appropriate sanctions should be applied when fraud is detected. Where persecution is considered to be the appropriate sanction, proper Forensic procedures need to be followed during investigation and trained experts like the Professional Forensic Accountants should conduct the investigation, where there is evidence of fraud, appropriate disciplinary action in accordance with the Provision of Public Service Rules should be implemented.

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