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Corporate Fraud And Financial Performance Of Banks In South East Nigeria

Ozondu Mary Eberechukwu, Prof. Emma I. Okoye & Dr. S. I. Adeniyi

Department of Accountancy, Faculty of Management Sciences
Nnamdi Azikiwe University, Awka,
Anambra State, Nigeria

ABSTRACT
This study evaluates the existing relationship between Corporate fraud and Financial performance of banks in Nigeria, which was evaluated utilizing primary source data gotten from various financial statement of sample institutions, the study evaluates the activities of 15 banks in Nigeria placing emphasis on variables such as Fraud occurrence (FRUC), Fraud prevention (FPRV), Fraud detection (FDTC) and Fraud corrective control (FCCT) against a sole measure of financial performance as captured by discretionary accruals which is a classification of earnings management. It was discovered that corporate fraud has no significant influence on corporate reporting of banks in the nation. And therefore their activities doesn't influence the earnings quality as displayed in the corporate reporting of the firm especially in banks. It was thus recommended in this light that due to the irrelevance of the Corporate fraud on discretionary accruals, banks and organizations at large should prune the size of active auditors and shouldn't compensate quality with quantity and should conduct Earnings Quality Assessment (EQA) using earnings management detection metrics and various techniques enumerated in this study and issue "Integrated Audit Reports" which will include EQA reports and Internal Control Reports in addition to normal annual audit reports. The conduct and completion of the EQA should be a legislative mandate while the auditors should be held responsible for EQA report they issue.
Keywords:

INTRODUCTION

Modern organizations are constantly besieged with fraud from sources both internal and external sources. Even though frauds perpetrated by external sources can be quite serious, however, most notable frauds in organizations are usually the handiwork of the organizations' members. A chronicle of most fraud cases in organization as explained by Moses (2019). Bringing to the knowledge of the people about financial statement fraud and diversion of resources of enterprise has taken a centre stage by many researchers in the recent past (Aburime, 2012). Previously, incidence of financial statement frauds have risen greatly, (Rezaee, 2005). In the years past, fraud has gone up systematically both on frequency of occurrence and magnitude of losses. Frauds in financial dealings affect those that own the business, lenders and people that the business owes including the workers of the firm. As a result, those who do business with those enterprises express loss of confidence in financial information (Khanh, 2010).

Financial reports of organizations as readied by organization directors is a statutory report, passing on both subjective and quantitative data to help clients and users of accounting report in making informed and educated choices. As a report that serves the aforementioned purpose, the financial report ought to be trustworthy. For the financial report to be dependable and pertinent for basic leadership, Generally Accepted Accounting Principles (GAAP) must be followed in their planning subsequently, the arrangement of external examiners to guarantee consistence. Moreover, to enhance the nature of financial reports, the corporate fraud is constituted. As indicated by Phuangthip and Phapruke, (2010), the occurrence that prompted the breakdown of Enron made people in general shout to corporate fraud group individuals to enhance the execution of their capabilities as highlighted by Enofe et al., (2013).

Under reporting income, over reporting expenditure is done by firms that try to evade tax. It is clear from available evidence that accounting for (fictitious revenue) income not earned, that is, non-existing income and bringing revenue from a different period to another are common in most financial statement, (Odunayo 2014). As much as financial statement fraud takes place, it becomes difficult to stop it along the line. If revenue is deliberately raised in a particular year, it would make the next year income to be smaller. Chief executives mostly continue this practice year after year, (Everette 2012).

Other scholars and writers like Everette (2012), Kanu and Okorafor (2013), Odunayo (2014) all concurred that the purpose of financial statement fraud more often than not speak about earning supervision, cash flow adjustment and sudden significant sales which stem on fictitious revenue, concealed expenses, third party related transactions and improper valuation of assets. Arakumar (2015) observe that financial reporting fraud appears in various ways, he further maintain that regular attempt in advancing financial statement involves: over reporting income, understanding expenses and liabilities, timing differences, incorrect valuation of assets and third party related transactions.

Everette (2012), Odunayo (2014) gave analytical review of tracing the 'red flag' as the most powerful techniques of tracing any anomalies in the financial statement. Athur (2014) and Arunkumar (2015) explained analytical review method as comparing the current period with the prior period, compare income statement and cash flow. The role of financial statement fraud on the output and growth of banking firms in Nigeria has raised a lot of concerns, despite the fact that most of all these financial statements are audited by registered accountants in Nigeria; managements have always find loopholes in perpetrating financial statement fraud.

Eze and Ogiji cited (Libiano 2006) defined banking firms as the bedrock of increases in productive sector of an economy. Adebayo (2011) refers to this sector as industries involved in creating new commodities or adding values to the one already produced.

Oghogho et al (2013) recounted that before Companies and Allied Matters Acts of 1900, there were no statutory arrangements for the mandatory Audit of an organization's monetary proclamation. The same number of organizations, understanding the need for ensuring the enthusiasm of the contributing open, they embedded a statement in their Article of Association, for the readiness of Annual review by a free people.

Corporate frauds has to a great extent emerged as a result of fears over late years about the conceivable disintegration of Auditors Independence, and feedback of the path in which non-official chiefs of organizations complete their obligations which has prompted the breakdown of significant The corporate fraud benefits as per Kenneth (2012) are: (i) help with setting up and fortifying the autonomy and objectivity of the chiefs and the inside and outside inspectors (ii) there will be enhanced correspondence and expanded contact, comprehension and certainty between executives, administration and the inner and outer auditors (iii) expanded inward and outer examiners' responsibility as their execution are under more noteworthy examination (iv) make an atmosphere of order and control which lessens the open door for misrepresentation (v) Result in proficient and powerful outside review and (vi) reinforcing the objectivity and validity of budgetary reporting.

But lately with the advent of corrupt practices and distressed banks and institutions in the country as evidenced in the case of Skye bank which got taken over by the central bank, it thus becomes important to know the significant influence of corporate fraud on cooperate financial reporting towards knowing if their intended aims are being achieved or not.

Statement of Problem

1. What is the effect of fictitious revenue on the banking firms in Nigeria?
2. How does incorrect asset valuation affect the financial performance of banking industry?
3. Could improper expense recognition aid corporate fraud in banking firms in Nigeria?
4. How can deception in financial reporting contribute to corporate fraud in banking firms in Nigeria?
5. To what effect is corporate fraud on financial statement in banking firms?

Objective and significance

The study intends to evaluate the influence of corporate fraud on financial performance of banks in Nigeria. However, the specific objectives are as follows:

1. Ascertain the effect of fictitious revenue on financial performance of the banking firms.
2. Determine the extent to which incorrect asset valuation affect the financial performance of the banking firms.
3. Ascertain how improper expense recognition aid corporate fraud in the banking firms.
4. Determine how deception in the financial reporting contributes to corporate fraud in banking firms.
5. Ascertain the effect of corporate fraud on the financial performance of banking firms.

LITERATURE REVIEW

Theoretical Framework

Agency Theory

The agency theory states that in the presence of information asymmetry, the agent is likely to pursue interests that may be detrimental to the Principal (Sanda, et al., 2005). The reason for this is because the pay-off structure of the claims of different classes of stakeholders (including board of directors) is fundamentally different. The process of aligning these interests and claims gives rise to potential conflicts among the stakeholders. Left alone, each class of stakeholder will pursue its own interest which may be at the expense of other stakeholders and hence the need for a moderating instrument-corporate governance in a modern firm (Kama and Chuku, 2009).

In analysing the function of a corporation, one can assume that managers will behave in a way to maximize their own profit and reputation, even at the expense of shareholders. One might even understand the manager role as one of institutionalized deceit, where the asymmetry of knowledge permits managers to operate with almost total independence (Obasan, 2014). In light of the above, auditors are thus crucial agents in the web of relationship existent in an organization.

Agency theory relative to Auditing/Auditors via governance assumes a two-tier form of firm control: managers and owners. The theory holds that there will be some friction and mistrust between these two groups. The basic structure of the corporation, therefore, is the web of contractual relations among different interest groups with a stake in the company. In general, there are three sets of interest groups within the firm: Managers, stockholders and creditors (such as banks). The presence of the auditor as a third-party creates a bond between the managers and owners through his objective statement.

Stakeholder theory

This as another fundamental theory originated from sociology and psychology. The stewardship theory posits that managers are not driven by individual goals and objectives but rather they are stewards, whose causes are aligned with the objectives of their principals and shareholders (Davis et al, 1997); this theory as opposed to the agency theory which claims on the other hand that conflict of interest between managers and shareholders is inevitable unless appropriate structures of control are put in place to align the interests of managers and shareholders (Jensen and Meckling, 1976). The stewardship perspective suggests that stewards (managers) are satisfied and motivated when organizational success is attained even at the expense of the stewards' personal goals (Abdullar and Valentine, 2009). Furthermore, while the agency theory suggests that shareholder interests will be protected by separating the posts of board chair and CEO, the stewardship theory argues that shareholder interests will be maximized by assigning the same person to the posts of board chair and CEO to give more responsibility and autonomy to the CEO as a steward in the organization (Bozec and Bozec, 2007).

Stakeholder theory

According to Fanta et al (2013), this is the other popular theory of Governance as it relates to financial performance of firms. Which emanated from the management discipline and developed subsequently to include corporate accountability to a broad range of stakeholders (Jensen and Meckling, 1976). Unlike the agency theory, whereby managers are predominantly responsible for satisfying the interests of shareholders, stakeholder theory maintains that managers in organizations are not only responsible for the interests of shareholders but also for a network of relationships to serve which includes the suppliers, employees and business partners (Jensen & Meckling, 1976).

In which case, their best bet is to use a more transparent avenue to ensure fluid operations in the firm through the employment of Auditors. According to stakeholder theory decisions made regarding the company affect and affected by different parties in addition to stockholders of the company. Hence, the managers should on the one hand manage the company to benefit its stakeholders in order to ensure their rights and their participation in decision making and on the other hand the management must act as the stockholder's agent to ensure the survival of the firm to safeguard the long term stakes of each group and one of those ways is the timely invitation or employment of auditors (Fontaine et al., 2006).

Deontology Theory

This is theory of duty or obligation. Where ethical theories are formulated on deontological basis, an ethical requirement is justified because it is a good theory in itself. The ethical requirement is based on the "act" and whether it is right or not. An example of the application of this basis is the ethical requirement for professional integrity in the case of Auditors and their quality as this connotes a sense of duty or moral obligation to act truthfully or honestly (Asuquo & Akpan, 2012).

Conceptual Framework

Corporate fraud

Fraud involves the use of deception and misrepresentation to make a personal dishonest gain. By extension, when such fraud happens in a corporate setting - especially when it involves an organization's top executives, corporate fraud is said to have been perpetrated. According to Jenfa (Al-Baidhani, 2016), corporate fraud involves misappropriation, theft or embezzlement of a corporate organization's assets. The Chartered

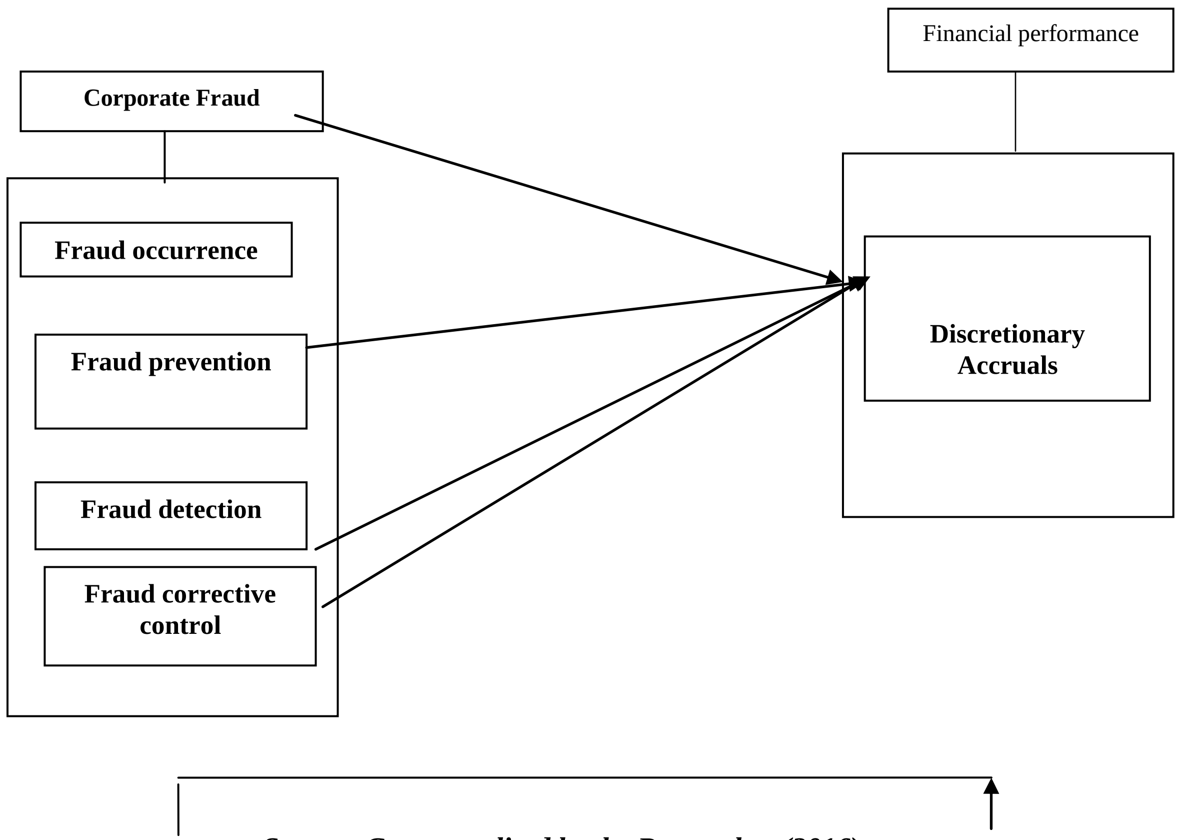
Institute of Management Accountants (2009) enumerated the types of corporate fraud to include the following: fraudulent expense claims; theft of cash, physical assets or confidential information; procurement fraud; misuse of accounts; suspense accounting fraud; payroll fraud; financial accounting misstatements; inappropriate journal vouchers; false employment credentials; bribery and corruption. However, Sunil, Rawat, and Rajarao (2016) classified corporate fraud into financial fraud or accounting fraud, misappropriation of corporate assets and obstructive conducts. Financial fraud or financial accounting fraud consists of financial information falsification, by distorting entries in accounting records thus misleading stakeholders.

Through well-known accounting schemes such as capitalizing expenses, swap transactions, accelerated revenues recognition, channel stuffing, and unduly deferring expenses. These types of frauds are mainly committed by management level for which it is also known as management fraud and misappropriation of corporate assets by senior executives through such schemes like granting loans to senior management with no intention of repayment. Failure to disclose forgiven loans, reimbursing questionable personnel expenses and extraordinary personal expenses charged to the company. Others include insider trading, misuse of corporate property for personal gain, bribery and kickbacks, and corporate tax violations. Finally, Obstructive conduct includes falsification of testimony to regulators, destroying information that may be useful for investigations and concealing information through distortion and the creation of fraudulent information and data.

Corporate fraud is usually committed by individuals within an organization taking advantage of privileged information to defraud investor/shareholders. However, corporate fraud can also be perpetrated by individuals outside the organization but with active collaboration by the organization's management or other employees. Corporate fraud can affect the organization and its stakeholders in several ways. For example, fraud can lead to the failure of the organization in which case investors will lose funds, jobs will be lost by employees. Even where the organization survives, the effect of fraud may take a considerable amount to wear off because corporate fraud leads to loss of confidence by investors, customers/clients, creditors etc (Moses, 2019).

To implement this study on Corporate fraud and Financial performance of Banks in Nigeria, The study exploits two key variables which include the predictor variable; Corporate fraud as denoted by Corporate fraud occurrence, Corporate fraud Multiple Dictatorship, and Fraud detection and the Criterion variable; Financial performance as expressed by Discretionary Accruals as shown in the figure below exploiting the amalgamation of the Value Relevance and (Dechow & Dichev, 2002).

Figure 2.1: Conceptual Framework of Corporate Fraud and Financial performance



Source: Conceptualized by the Researcher (2016)

Empirical Review

Overtime, lots of researchers have evaluated the relationship between corporate fraud and its relevance to financial performance in various dimensions as reviewed below.

Moses (2019) examined the relationship between corporate governance and the commission of corporate fraud among quoted companies in Nigeria. The research utilized a sample of eighteen (18) companies whose data were collected through content analyses on the basis of the availability of information from annual reports and other media reports. Data for the study were analyzed using a binary logit multiple regression analysis method. The findings of the study showed that there is a negative relationship between the independence of the board of directors and corporate fraud. The findings further show that there is a negative relationship between the commitment of the audit committee to their roles and corporate fraud. Finally, the findings show that there is a positive relationship between ownership structure and the phenomenon of corporate fraud in organizations. From the findings of the study, it is concluded that increasing the number of independent members in the board of directors will increase the ability of the board of directors to checkmate fraud commission. However, the ability of independence of board members to forestall corporate fraud is below the optimal level. It is also concluded that the commitment of the audit committee is an important deterrent of corporate fraud.

Agbaje and Oloruntoba (2018) assessed the impact of financial statement fraud on profitability of some selected Nigerian manufacturing firms covering (2002-2016). The specific objectives focused on to ascertain the effect of incorrect asset valuation on return on assets (ROA) and to ascertain the relationship between improper expense recognition and return on assets (ROA). To achieve these objectives, descriptive research design was used for the study while secondary data were collected from the financial reports of the selected firms and website of security and exchange commission. The analysis of covariance (ANCOVA) was used and STATA II econometric method was used in the analysis of the data. Altman model and operating expenses ratio was adopted in the analysis of the financial reports to create a dummy variable for the selected firms from 2002-2016 and validation of the parameters were ascertained using various statistical techniques such as t-test, co-efficient of determination (R2), F-statistics and Wald chi-square. Two hypotheses were formulated and tested using the t- statistics at 5% level of significance. The findings of the analysis revealed that there is a significant relationship between financial statement fraud and profitability in Nigerian manufacturing industry. It was revealed that incorrect assets valuation has a significant positive relationship and so also is the improper expense recognition on return on assets (ROA) which serves as a proxy for profitability. The implication of this is that distortion of asset valuation and expense recognition leads to decreasing profit in the long run in the manufacturing industry.

Chen, Firth, Daniel, Gao, and Rui (2006) who examined the effect of ownership structure, boardroom characteristics and corporate fraud in China using bi-variate and multivariate analyses. The results of the multivariate analyses showed that ownership and board characteristics are important in explaining fraud. However, using a bivariate probit model, they demonstrated that boardroom characteristics are important, while the type of owner is less relevant. In particular, the proportion of independent directors, number of board meetings, and the length of fraud corrective control of the board chairman are associated with the incidence of fraud. However, Lee and Jin (2012) showed in their findings that institutional ownership is negatively associated with earning management and lowers the risk of financial misreporting and fraud.

Chen and Lin (2007) investigated the relationship between corporate governance and corporate fraud in China by using logit multivariate regression and employing a sample of 176 firms listed in China for the period 2001 to 2005. From the results, it was revealed that firms experiencing corporate fraud have lower independent board members than those with 'no fraud' experience. The findings also showed that firms with chief executive officers being the chairmen of the board of directors are more likely to commit corporate fraud than other firms with the separated roles. This finding supports the argument for greater independence in BODs.

Matoussi and Gharbi (2011) investigated the link between corporate financial statement fraud and board of directors on a sample of 64 Tunisian firms, with 32 fraud firms matched by 32no fraud similar (control) companies. The findings show that there is a significant difference in governance characteristics between fraudulent and control firms. Thus confirming the importance of governance characteristics in explaining the probability of fraud since firms with a board of directors dominated by family members and with fraud corrective control of outside directors are more likely to commit fraud in the financial statement.

Wilbanks (2014) examined how audit committees fulfill their responsibilities for assessing fraudulent financial reporting risk by focusing on social influence/risk aversion relationship. The results of the survey of 136 audit committee members from mid-sized US public companies indicated that there is no association between audit committee members' personal or professional relationship ties to management or other corporate governance actors and audit committee members' overall reliance on these actors to assess fraud risk. However, the results show links between the audit committee's actions to assess fraud risk and its personal ties to the chief executive and chief financial officers; and certain control variables including the board of director independence and audit committee size.

Guiseppe and Lamboglia (2014) analyzed the relationship between corporate governance characteristics and financial statement fraud in Italian listed companies during the period 2001¬2011 with the intention to establish whether certain governance characteristics may have favored the commission of accounting irregularities. Results from the logit regression analysis show that the existence of an audit committee that is compliant with the requirements of the Italian corporate governance code reduces the likelihood of frauds. Additionally, the probability of financial statements frauds decreases with increases in the number of the audit committee meeting.

Huang and Thiruvadi (2015) examined the relationship between audit committee characteristics (number of meetings, audit committee size and fraud occurrence of members) and fraud. Using a final sample of 218 firms from S&P and audit committee characteristics data collected from the SEC database, the findings show that audit committee meeting frequency is not associated with fraud prevention while audit committee size does not significantly affect fraud prevention. However, fraud occurrence of audit committee members is significantly associated with fraud prevention. Thus, from the findings, it can be surmised that the fraud occurrence of audit committee members is an important factor in the prevention/reduction of corporate fraud.

Around the world, there exist large volumes of previous research on the relationship between corporate governance and management/corporate fraud a few of which have been cited in the empirical review above. However in the case of Nigeria, little research search light have been beamed on this area. Most researches focus mainly on management fraud (or some aspects of it) and its effects on the performance of the organization (2016) with none appearing to recognize its linkages to the corporate governance mechanism. The present study aims to bridge this gap in research by examining the relationship between corporate governance and corporate fraud in quoted companies in Nigeria. To this end, the purpose of this research is to examine the relationship between corporate governance in terms of audit committee commitment, board independence and ownership structure and corporate fraud among quoted companies in Nigeria.

A study was conducted by Oduanyo (2014) in United Kingdom on fraudulent financial reporting: The Nigerian Experience Investigation possible prevalence of deceptive monetary statement with the registered companies in Nigeria. The study considered 212 registered firms in 2007. The research observed a link between monetary scam communication and weak internal control mechanism. The author recommendation that internal control system should be strengthen.

In a research conducted by Ikpefan (2006) on the increase in financial scam and its influence on the financial sector, the study showed that financial scam has been in the increase in recent time increasing to N8,309.83 billion in 2004 from N 3399.39 billion in 1994 indicating 350% upward rise. The study revealed that financial institutions had refused to adopt necessary regulation and good control system in every aspect of the bank activities which has led to recurrent cases of financial scam. The study hence recommended that management of financial institutions ought to reinforce their inner operational procedure by hiring experts which will engender the confidence of the people on workings of the sector.

In the year 2009, Dabor and Adeyemi investigate public management and integrity of monetary report in Nigeria using both primary from two hundred and forty respondents and secondary data from quoted companies in Nigeria. The body found that the board of directors and strict compliance with corporate governance and regulatory frameworks will further enhance credibility of financial statements by constantly assessing the benefits accrue to them in relation to financial exposure.

Ogbonna and Ebimobowei (2012) examined the influence of principled financing standard on the value of monetary reports in the banking system of the Nigerian economy with original and calculated information. The data was analysed using econometrics models of diagnostics checks, ADF, OLS and Granger causality estimation. Findings of the research indicated that principled financing standards have reasonable influence on monetary reporting in banking sector of the country. The study recommends that financial experts as those entrusted with monetary information should abide by the principles and rules of the profession.

Olaoye and Dada (2014) examined the analysis of the fraud in Banks: Nigeria Experience. It specifically analyze the environment, reasons, consequences, discovery and preclusion measures for financial scam in the economy. The authors concluded that a sound internal management measure is necessary if financial scam must be prevented in addition to appreciating those who displayed high level of integrity; whereas the constant dismissal of financial workers should be minimized. The study recommended that those that are caught in scam practices should always be punished.

In a study carried out by Shehu and Abubakar in the year 2012 on public management, revenue generation and monetary activities in the manufacturing sector. The study revealed that financial experts and fiscal experts had agreed that public management influence monetary performance and the attitude of company administrators. In clear terms, the revealed that the structure of the management negatively affects actual performance of the firm. The study therefore recommended that appreciation of senior workers should be related to their performance and should not be a way of encouraging authorities to falsify financial report or over state its implications.

Ryerson (2009) studied the improper capitalization and the management of earnings. The study focuses on the current monetary violations, as it is possible to ignore several known approaches used in committing scam within the monetary sector. The outcome of an investigation by security and exchange commission within the period 1997 to 2002 identified manipulations of revenue figures by the authorities as a common scam. Though the report admitted that the greater part of abuse relates to recognizing unearned revenue, there were also issues of recognizing expenditure not done. The study therefore recommended that proper methods of managing earnings should be prioritized to avoid manipulation.

Literatures on Fraud Control and prevention

In the realm of fraud control, Okereke et al (2011), examined the relationship between Audit Quality practices in Nigerian Deposit Money Banks (DMBs) vis-à-vis their financial performances (2002-06). Utilizing primary data, the use of questionnaire administered to Corporate Affairs Managers in twenty-four Deposit Money Banks (DMBs) and from the Central Bank of Nigeria (CBN) annual report and statement of accounts and Nigeria Stock Exchange (NSE) Fact Books. The data was descriptively and quantitatively analysed and the hypotheses tested using Statistical Package for Social Sciences (SPSS). The regression result of our analysis and test indicated a significant relationship and positive correlation between Audit Quality and banks' performance.

Nyor and Mejabi (2013), investigated the impact of Audit Quality (CG) variables of Board Size (BS), Board Composition (BC), Composition of Corporate fraud (CAC) and Power Separation (PS) on Non-performing Loans of Nigerian Deposit Money Banks; with a view to finding out whether these CG variable can be useful in curtailing the incidence of non-performing loans that have trouble the Nigerian Money Deposit Banks. Secondary data was used from fourteen (14) quoted banks on Nigerian Stock Exchange from 2005-2011. Using multivariate regression analysis, the study finds that Audit Quality variables have no significant impact on non-performing loans of Nigerian Deposit Money Banks.

Somoye (2010) investigates the variation of risks on non-performing loans of banks in Nigeria attributed to lack of adequate Audit Quality. A sample size of fifteen (15) banks was used and data were extracted from the audited financial statements from 1997 – 2007. To estimate the variation, he adopted a multiple regression model of the ordinary least square (OLS) method. The results show that earning risk has a greater significant influence on non-performing loans, followed by interest rate risk and monetary policy rate.

Nworji *et al.* (2011), examine issues, challenges and opportunities associated with Audit Quality and Banks failure. The study used structured questionnaire and Pearson product coefficient of correlation to analyze the data. Their findings revealed that the new code of Audit Quality for Banks is adequate to curtail Bank distress and that improper risk management, corruption of Bank officials and over expansion of Banks are the key issues why Banks failed. The study concludes that Audit Quality is necessary to the proper functioning of Banks and that Audit Quality can only prevent bank distress only if it is well implemented.

Oghojafor, Olayemi, Okonji, and Okolie (2010) examine poor Audit Quality and its consequences on the Nigerian Banking Sector. The study used structured questionnaires to elicit responses from one hundred and twenty (120) respondents consisting of investment analysts, financial experts, banks' employees, shareholders and customers among others. Using chi-square, the study confirmed that poor governance culture and supervisory laxities were majorly responsible for the current banking crisis.

Finally, Mohammed (2011) studied the effect of Audit Quality on banking sector performance in Nigeria, utilizing both primary and secondary data sources, analyzed through the chi-square analysis method. The study concludes that Audit Quality significantly contributes to positive performance in the banking sector.
Soliman and Ragab (2014) examined Corporate fraud Effectiveness, Audit Quality and Earnings Management: An empirical study of listed companies in Egypt. The study aimed at examining the relationship between the corporate fraud effectiveness, audit quality and earning management practices of more active 50 Egyptian companies listed on the Egyptian stock exchange of the non-financial sector during the period 2007 – 2010. Using the Modified Jones Model, the findings revealed that corporate frauds independence, experience of corporate fraud members, corporate fraud meetings and audit quality have significant negative relationship with discretionary accruals as a proxy for earnings management. It was also found, that no significant association exist between corporate fraud size and the levels of discretionary accruals.
Othman (2014) studied the influence of corporate fraud characteristics on voluntary ethics disclosure on top 94 companies listed on Bursa Malaysia. The study used content analysis report and multiple linear regression to consider the association between voluntary corporate fraud characteristics. The findings depicts that only characteristics (fraud corrective control and fraud preventions) are related with voluntary whilst independence, expertise, meeting frequency and size were inconsistent.
Yadirichukwu and Ebimobowei (2013) investigated Corporate fraud and Timeliness of Financial Reports: Empirical evidence from Nigeria. The aim of the study was to examine the effect of corporate fraud and timelines of financial reports for thirty-five firms quoted in the Nigerian Stock Exchange (NSE) for the period 2007 – 20011. The data for the study was gathered from the annual reports and accounts. Analyzing the data using relevant diagnostic tests, pooled least square and granger causality test, the findings suggests that corporate fraud independence is significantly associated with timeliness of financial reports. Corporate fraud meeting is not significantly associated with timeliness of financial reports and corporate fraud size is not significantly associated with timeliness of financial reports.
Hamdan, Al-Hayale and Abongela (2012) researched into the impact of corporate fraud characteristics (corporate fraud size, independence, activity, fraud occurrence and percentage of common stock owned by corporate fraud) on improving accounting conservation for a sample of 50 Jordanian industrial corporations listed in Amman Stock Exchange (ASE) during the c period of 2004 – 2009. The study employed the Book-to-Market approach and total accruals to gross profit to measure accounting conservation, and by using Pooled Date Regression, the study portrays that the examined corporate fraud characteristics are not significantly related to accounting conservation excluding the financial experience of corporate fraud members which was found to have no positive association with conservation.
Finally, Odegundu (2011), looked at an empirical analysis of the impact of auditors' independence on the credibility of financial statements in Nigeria. Data were collected from both primary and secondary sources and were analyzed using simple percentages and tables and tested using the chi-square statistic. The results of the study revealed that auditor's independence affects the credibility of financial statements and that the improvement in the credibility of the financial statement can reduce manipulation in the financial statement.
Okolie (2014), evaluated the influx of Audit Quality on Market Price of firms in Nigeria, utilizing a sample of 342 companies – year observations from the NSE and applying audit firm size as a measure, comprehensive multivariate analyses were conducted on archival data covering 2006 – 2011. The result showed that audit firm size exerts significant relationship and significantly influences market price per share of the companies in the sample.
Obasan (2014) reviewed the impact of Audit Quality on organizational profitability using primary data sources, The result revealed that strict adherence to Audit Quality will positively impact any organization.
Adeyemi and Olowu (2012) evaluated the influence of Audit Quality on the performance of the banking sector in Nigeria between the period of 1994 to 2003, Both primary and secondary sources of data were made use of Findings from the study showed that the Nigerian banking sector is yet to learn from the sad consequences of poor Audit Quality.

Onakoya et al (2012) evaluated the effect of Audit Quality on bank performance in Nigeria during the period 2005 to 2009 based on a sample of six selected banks listed on Nigerian Stock Exchange market making use of pooled time series data. Form the findings, they discovered that Audit Quality have been on the low side and have impacted negatively on bank performance.

Adeusi et al (2013), examined the relationship between Audit Quality and performance in Nigeria banking sector. Using a sample of 10 selected banks annual reports covering 2005-2010, Based on the econometric model, the result indicates that improved performance of the banking sector is not dependent on increasing the number of executive directors and board composition. It shows further that when there are more external board members; performance of banks tends to be worse.

Obiten et al (2014) investigated the effects of Audit Quality on the Performance of Commercial Banks in Nigeria, it was discovered that strong governance standard is important for banks and increased governance quality leads to higher levels of investment as well as greater responsiveness of investment to growth opportunities.

Kama and Chuku (2009) accessed influence of Audit Quality on Banks in Nigeria from 2000 to 2008, After controlling for heterogeneity and endogeneity using the two-step system estimator and employing secondary data sources, they discovered that admitting new members into the board improves bank performance up to a certain point 'efficient limit' where continuous increase of the board size begins to destroy value. they observed an inverse relation between board meetings and bank performance which suggest to us that bank boards that meet more often are only reacting to bank's poor performance.

RESEARCH METHODS

Research Design

The study employed the use of the "Ex-post Factor Research Design" also known as the Investigative econometric research design. This is a form of quasi-experimental study examining how an independent variable, present prior to the study in the participants, affects a dependent variable.

Population for the Study

The population for this study consists of all the financial activities and predominantly the 23 universal banks in Nigeria as at 2018. The time frame considered for this study is 2006 to 2014. Consisting of a cumulative 135 observation, although longer than most studies of this nature, allows for a significant average amongst banks overtime.

Sampling Size

The judgmental sampling technique was used in selecting the 12 listed banks out of the 24 banks that made the consolidation dead line of 2005. These banks were considered because they are listed in the Nigerian stock exchange market which therefore enabled us to have easy accessibility to their annual reports which is the major source of our secondary data other useful Corporate fraud related information. The sample banks includes the following Access Bank, Eco Bank, Diamond Bank, FCMB, Fidelity Bank, First Bank, GTB, Skye Banks, Stanbic IBTC, Sterling, UBA, Unity Bank, Wema and Zenith Bank.

Nature/Sources of Data

Generally, secondary data were used in this work. These data were time series and cross section (Panel). This study also made use of books and other related materials especially the Central Bank of Nigeria bullions and the Nigerian Stock Exchange Fact Book (2014).

Model Estimation

The study employs multi-linear regression model. The audit report lag model used in this study was adapted from prior studies to suit the corporate fraud indicators and the Nigerian

$DAC_{it} = f(FRUC_{it}, FPRV_{it}, FDTC_{it}, FCCT_{it})$ --- (3.1)

The mathematical form of the model is written by introducing estimation parameters in the model below:

$DAC_{it} = a_0 + a_1FRUC_{it} + a_2FPRV_{it} + a_3FDTC_{it} + a_3FCCT_{it} + \mu_{it}$-------------------(3.2)

Where

DAC = Discretionary Accruals

FRUC = Fraud occurrence

FPRV = Fraud prevention

FDTC = Fraud detection
FCCT = Fraud corrective control
a_0 = Constant Parameters
$a_1 - \alpha_3$ = Coefficient
μ_{i1} = Error term

Apriori Expectation

Based on theories and empirical studies, the predictor variables have varying relationship with the dependent criterion variables which is therefore mathematically states as: On apriori a_1, a_2, $\alpha_3 > 0$

Operational Measures of Variables

Discretionary Accruals: This variable being a proxy of earnings management is captured by the difference between net income and cash flow from operation (Total Net Accruals = Net Income – Δ Cash - Cash Dividends - Stock Repurchases + Equity Issuance or Net Operating Accruals = Net Income - Cash Flow from Operations) (Kefee, 2010)

Utilizing the Dechow and Dichev (2002) model as depicted by the formular:

$$\Delta TCA_{jt} = \alpha_{0j} + \alpha_{1j} CFO_{jt-1} + \alpha_{2j} CFO_{jt} + \alpha_{3j} CFO_{jt+1} + v_t$$

Where:

ΔTCA_{jt} = Firm *j*'s total current accruals in year *t*, = $(\Delta CA_{jt} - \Delta CL_{jt} - \Delta Cash_{jt} + \Delta STDEBT_{jt})$
ΔCA_{jt} = Firm *j*'s change in current assets between year *t-1* and year *t*;
ΔCL_{jt} = Firm *j*'s change in current liabilities between year *t-1* and year *t*;
$\Delta Cash_{jt}$ = Firm *j*'s change in cash between year *t-1* and year *t*;
$\Delta STDEBT_{jt}$ = Firm *j*'s change in debt in current liabilities between year *t-1* and year *t*;
$Assets_{jt}$ = Firm *j*'s average total assets in year *t* and *t-1*; and
CFO_{jt} = Firm *j*'s net cash flow from operation in year *t.*

Predictor variables

Fraud occurrence: This variable is captured by the presence of Expert Auditors view of occurrence of fraud in the firm and is represented by Dummy variables in which 1 represents the presence of Audit Expertise while 0 represents the absence of Audit Expertise.

Fraud prevention: This variable is captured by involvement of managers and auditors in other directorial roles of fraud prevention which will be captured Dummy variables in which 1 represents the presence of Auditors with Fraud prevention while 0 represents the absence of Auditors with Fraud prevention.

Fraud detection: This variable is captured by the presence of time corporate fraud identification in the reviewed company which will be captured Dummy variables in which 1 represents the presence of Fraud detection while 0 represents the absence of A Fraud detection.

Fraud corrective control: This is captured as the fraud corrective control of the management, board or auditor in the case of the amount of gained by absence of fraudulent activities.

Method of Data Analysis

The tools used in this study include financial statements including statement of cash flows, statement of statement of financial and notes together with financial statement at the end of financial year. Mean, standard deviation, percentages, frequency and charts were used to test the research questions, while the multiple regression statistics was used to test the research hypotheses. The entire analyzed data was analyzed using the Statistical Package for Social Science (SPSS Version 22.0).

RESULTS AND DISCUSSIONS

The table below summarizes the results of linear regression carried out.

Table 1: Results of Linear Regression

Hypothesis	R-Square Value	F-statistics (Model Suitability)	Coefficient	T-stat Probability	Remarks
H_{01}	0.67 (67% variation of the criterion variable Discretionary Accruals is captured by the Predictor variables)	0.041 significance level < 0.05 Model is suitable (Good Fit)	0.013 (Positive)	0.851 > 0.05 (Insignificant)	Do not Reject H_0
H_{02}	0.67 67% variation of the criterion variable Discretionary Accruals is captured by the Predictor variables)	0.041 significance level < 0.05 Model is suitable (Good Fit)	0.013 (Positive)	0.851 > 0.05 (Insignificant)	Do not Reject H_0
H_{03}	0.67 (67% variation of the criterion variable Discretionary Accruals is captured by the Predictor variables)	0.041 significance level < 0.05 Model is suitable (Good Fit)	-0.013 (Negative)	0.851 > 0.05 (Insignificant)	Do not Reject H_0
H_{04}	0.516 (51.6% variation of the criterion variable Discretionary Accruals is captured by the Predictor variables)	0.002 significance level < 0.05 Model is suitable (Good Fit)	0.04 (Positive)	0.172 > 0.05 (Insignificant)	Do not Reject H_0

Source: Authors Extract SPSS 22.

The study discovered from the above evaluation that within the selected sample banks Corporate fraud as captured by Fraud occurrence (FRUC), Fraud prevention (FPRV), Fraud detection (FDTC) and Fraud corrective control (FCCT) were discovered to be statistically insignificant in influencing Financial performance as captured by earnings management discretionary accruals, this can first be tagged to other factors not related to auditors activity could be responsible in influencing the discretionary accruals level, and the findings of the study were discovered to go against the apriori expectation of the study. This goes a long way in showing that there is suboptimal influence of auditors activities and relevance on reporting as experience by relevant financial institution, this findings points to existing literatures that advocates the insignificance of auditors on financial performance which includes researchers like Nyor and Mejabi (2013) and Nworji et al., (2011).

CONCLUSION

This study evaluates the existing relationship between Corporate fraud and Financial performance of banks in Nigeria, which was evaluated utilizing primary source data gotten from various financial statement of sample institutions, the study evaluates the activities of 15 banks in Nigeria placing emphasis on variables such as Fraud occurrence (FRUC), Fraud prevention (FPRV), Fraud detection (FDTC) and Fraud corrective control (FCCT) against a sole measure of financial performance as captured by discretionary accruals which is a classification of earnings management.

After the review and discussion of findings, it can thus be concluded with certainty that the Corporate fraud has no significant influence on corporate reporting of banks in the nation. And therefore their activities don't influence the earnings quality as displayed in the corporate reporting of the firm especially in banks.

RECOMMENDATIONS

In light of the findings of the study, the following recommendations were made:

- Due to the irrelevance of the corporate fraud on discretionary accruals, banks and organizations at large should prune the size of active auditors and shouldn't compensate quality with quantity.
- The management of quoted companies in Nigeria should, as a legal mandate, provide a "statement of the quality of its earnings" arrived at using acceptable and uniform criteria and make assertions that the earnings of the company have not been manipulated (managed) during the period. Management should be responsible for making an assertion about the company's quality of earnings, vis–a–vis the presently required financial statement assertions.
- The auditors of firms should conduct Earnings Quality Assessment (EQA) using earnings management detection metrics and various techniques enumerated in this study and issue "Integrated Audit Reports" which will include EQA reports and Internal Control Reports in addition to normal annual audit reports. The conduct and completion of the EQA should be a legislative mandate while the auditors should be held responsible for EQA report they issue.
- Attention should also be focused on companies' attempts to smooth or increase earnings to beautify its attractions in the stock market through unnecessary manipulation of economic activities. Companies can only be permitted to generate quality income via sales growth and cost control activities that present rather predictable earnings from sales and cost reductions make the company's income as qualitative attractive to investors.
- To boost corporate fraud occurrence and lessen earnings misrepresentations, companies in Nigeria should adapt to or engage in an outright adoption of currently available best practices, codes, standards, frameworks and guidelines accompanied by statutorily backed earnings scrutiny of companies in Nigeria.

Subsequent research should focus on the activities of quoted companies in the other sector as the non-inclusion of other types of institutions in this study is a major constraint to all the generalization of the findings of this study to all the quoted companies in Nigeria. Unquoted companies in Nigeria and other businesses located within the informal sector should also be studied since the financial data for such firms also need to be evaluated in order to be able to make general policies that will favourably affect such institutions and consequently the entire economy.

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