ISA Journal of Business, Economics and Management (ISAJBEM)

Homepage: https://isapublisher.com/isajbem/

Volume 3, Issue 6, Nov-Dec, 2026 ISSN: 3049-1835

Impact of Audit Quality on Fraud Prevention in Quoted Deposit Money Banks in Nigeria

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Received: 07.09.2026 | **Accepted:** 19.10.2026 | **Published:** 09.11.2026

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DOI: *10.5281/zenodo.24071114*

Abstract **Original Research Article**

Fraud remains a persistent challenge in Nigeria's banking sector, particularly among quoted deposit money banks (DMBs), despite stringent regulatory oversight and internal control mechanisms. Weak audit quality has been identified as a critical factor that can exacerbate the risk of fraudulent activities, undermining stakeholder confidence and financial integrity. The main objective of this study was to examine the impact of audit quality on fraud prevention in Nigerian quoted DMBs, focusing specifically on three dimensions of audit quality: auditor competence, auditor independence, and audit evidence quality. The study employed a combined ex-post-facto and survey research design, collecting primary data from 70 respondents across 14 listed deposit money banks as of December 31, 2025. Census sampling was used to ensure full population coverage. Data were gathered using a structured Likert-scale questionnaire adapted and analyzed using descriptive statistics, correlation analysis, multicollinearity diagnostics, and multiple linear regression to empirically test the hypothesized relationships. Findings reveal that all three dimensions of audit quality positively and significantly influence fraud prevention, with audit evidence quality exerting the strongest effect, followed by auditor independence and competence. The study concludes that high-quality audits serve as a proactive mechanism for detecting irregularities, strengthening internal controls, and enhancing transparency in financial reporting. Based on these results, it is recommended that banks prioritize continuous professional development for auditors, enforce strict independence policies, and adopt robust systems to enhance audit evidence quality. Integrating these measures into governance frameworks will improve fraud prevention and safeguard financial integrity in Nigerian DMBs.

Keywords: Audit Quality, Auditor Competence, Auditor Independence, Audit Evidence Quality, Fraud Prevention.

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1.0 Introduction

Fraud prevention in the banking sector continues to be a significant concern globally, especially in developing economies like Nigeria, where public trust in financial institutions is critical (Okoye & Chukwu, 2022). Deposit money banks, particularly those quoted on the Nigerian Exchange Group, are exposed to complex financial transactions, which increase the risk of both internal and external fraud (Eze & Amadi, 2023). Audit quality has been widely recognized as a critical tool in mitigating financial

misstatement and preventing fraud (Abubakar et al., 2022). High-quality audits, characterized by competent auditors, independence, and reliable audit evidence, are crucial for maintaining integrity in banking financial reporting (Ojo & Bello, 2023).

Auditor competence refers to the auditor's professional skills, experience, and technical knowledge required to detect anomalies in financial records (Adebayo & Okafor, 2024). Studies have shown that auditors with higher competence are better equipped to identify red flags indicative of fraud in complex banking environments (Nwankwo & Udo, 2025). Auditor independence is another critical factor influencing the effectiveness of audits in preventing fraud. Independence reduces the risk of management influence, bias, or conflict of interest, which could compromise audit outcomes (Onyeaghala, 2022). Evidence from recent studies highlights that independent auditors are more likely to resist pressures from management and provide objective assessments of financial statements (Ajayi & Oladipo, 2023).

Audit evidence quality, defined as the reliability and appropriateness of information gathered during audits, significantly affects auditors' ability to prevent fraudulent activities (Okwu & Ifeanyi, 2024). When auditors collect high-quality evidence, they are better positioned to detect inconsistencies and prevent potential misstatements before they escalate (Sanni & Yusuf, 2025). Despite regulatory oversight in Nigeria, recurring incidents of fraud in deposit money banks indicate gaps in how audit quality translates to actual fraud prevention (Bello & Musa, 2022). Several studies emphasize the importance of evaluating audit quality dimensions competence, independence, and evidence quality as independent predictors of fraud prevention (Chukwuemeka, 2023).

Although audit quality is recognized as crucial for corporate governance, fraud remains prevalent in Nigerian banks, raising questions about its effectiveness (Eze & Okeke, 2024). Prior research often employs general proxies for audit quality, such as firm size or audit fees, which may not adequately capture the specific effects of auditor competence, independence, or evidence quality on fraud prevention (Okoro & Akinwale, 2022). Evidence is mixed: while some studies report that high audit quality reduces fraud risk, others find that fraudulent activities still occur due to management override, collusion, or weak enforcement mechanisms (Abdullahi & Adeniyi, 2023). Methodologically, many studies rely on secondary financial reports, which may not fully reflect auditors' role in proactive fraud prevention (Onyema & Chukwuma, 2024).

A significant variable gap exists, as few studies jointly examine auditor competence, independence, and audit evidence quality as determinants of fraud prevention (Ibrahim & Adewale, 2025). Geographically, most research focuses on developed countries, leaving the Nigerian context underexplored, particularly for quoted deposit money banks (Umar & Okonkwo, 2026).MThe research problem, therefore, is that it remains unclear how each dimension of audit quality influences fraud prevention in Nigerian quoted deposit money banks, necessitating an empirical investigation to fill the identified gaps (Eze et al., 2026). The main objective of this study is to **examine the impact of audit quality on fraud prevention** in quoted deposit money banks in Nigeria. The specific objectives are to:

i. Assess the effect of auditor competence on fraud prevention in quoted deposit money banks in Nigeria.

ii. Evaluate the impact of auditor independence on fraud prevention in quoted deposit money banks in Nigeria.

iii. Determine the influence of audit evidence quality on fraud prevention in quoted deposit money banks in Nigeria.

2.0 Literature Review

Fraud Prevention

Fraud prevention is a proactive approach encompassing policies, procedures, and control mechanisms designed to reduce the likelihood of fraudulent activities within an organization (Bello & Musa, 2022). In banking, fraud prevention involves measures such as rigorous internal control

monitoring, risk-based auditing, whistleblowing channels, and segregation of duties, all aimed at mitigating the potential for financial misconduct (Chukwuemeka, 2023).

Unlike fraud detection, which focuses on identifying fraud after it has occurred, prevention emphasizes creating systems and controls that make fraud difficult or unprofitable. Effective preventive measures can significantly reduce the incidence of financial irregularities, protect organizational assets, and enhance stakeholder confidence (Eze & Okeke, 2024). Studies indicate that banks with robust fraud prevention frameworks experience fewer financial losses and improved operational stability (Ibrahim & Adewale, 2025). In the context of quoted deposit money banks in Nigeria, fraud prevention is particularly critical due to their public accountability, regulatory oversight, and potential systemic implications of banking failures (Umar & Okonkwo, 2026). Evidence shows that high-quality audits through competent auditors, independent assessments, and reliable evidence play a vital role in reinforcing fraud prevention by identifying internal control weaknesses and ensuring timely corrective actions (Eze et al., 2026).

Audit Quality

Audit quality is widely recognized as a **multidimensional construct** that encompasses the auditor's ability to detect, assess, and report material misstatements in an organization's financial statements (Musa, 2025; Eze & Okeke, 2024). It reflects not only the technical competence of the auditor but also the objectivity and reliability of the audit process, ensuring that financial information presented to stakeholders is accurate, transparent, and trustworthy (Abubakar et al., 2022; Umar & Okonkwo, 2026). High audit quality has been linked to improved financial reporting accuracy, stronger internal control systems, and a reduced likelihood of financial fraud, particularly in sectors where stakeholder confidence is critical, such as banking (Nwankwo & Udo, 2025; Bello & Musa, 2022).

In the banking sector, the stakes of audit quality are exceptionally high due to the **complexity of financial transactions, the stringent regulatory environment, and the growing reliance on digital operations,** which collectively increase vulnerability to errors and fraudulent practices (Ojo & Bello, 2023; Abubakar et al., 2022). Empirical studies show that high-quality audits not only identify discrepancies in financial reporting but also reinforce governance structures, strengthen risk management frameworks, and improve compliance with regulatory standards (Sanni & Yusuf, 2025; Eze et al., 2026).

Audit quality is generally assessed across multiple dimensions, each of which contributes uniquely to fraud prevention. **Auditor competence** ensures that auditors have the necessary knowledge, experience, and technical skills to recognize irregularities (Adebayo & Okafor, 2024; Onyema & Chukwuma, 2024). **Auditor independence** guarantees objectivity, allowing auditors to make unbiased judgments free from undue influence (Ajayi & Oladipo, 2023; Ibrahim & Adewale, 2025). Finally, **audit evidence quality** refers to the reliability, sufficiency, and relevance of information gathered during audits, which provides a solid foundation for detecting, reporting, and ultimately preventing fraud (Okwu & Ifeanyi, 2024; Eze et al., 2026). Collectively, these dimensions illustrate why audit quality is a critical mechanism for safeguarding financial integrity in deposit money banks

Auditor Competence

Auditor competence refers to the combination of professional knowledge, technical expertise, relevant industry experience, and ethical capacity that enables auditors to perform their responsibilities effectively and with confidence (Adebayo & Okafor, 2024; Abubakar et al., 2022). Competent auditors are not only able to follow auditing standards rigorously but also exercise critical judgment when evaluating complex financial transactions, ensuring that irregularities or unusual patterns are promptly identified and addressed (Nwankwo & Udo, 2025; Eze & Okeke, 2024).

In the Nigerian banking sector, where financial operations are inherently complex and highly regulated, auditor competence has been shown to directly influence the ability to prevent fraud. Studies

reveal that auditors with greater knowledge of banking operations, risk assessment techniques, and regulatory requirements are better positioned to design risk-focused audit procedures, test internal controls thoroughly, and identify potential fraudulent schemes before they escalate (Onyema & Chukwuma, 2024; Musa, 2025). Moreover, recent empirical evidence highlights that auditor competence enhances the **effectiveness of audit evidence collection,** enabling auditors to detect discrepancies in loan documentation, electronic transactions, and investment portfolios (Sanni & Yusuf, 2025; Umar & Okonkwo, 2026).

Beyond technical expertise, ethical capacity is a critical aspect of auditor competence. Auditors with strong ethical foundations are less likely to be influenced by management pressure or conflicts of interest, thereby maintaining objectivity in their assessments (Ajayi & Oladipo, 2023; Ibrahim & Adewale, 2025). In practice, competent auditors combine their knowledge, experience, and ethical judgment to deliver audits that not only comply with standards but also serve as proactive mechanisms for fraud prevention. Consequently, auditor competence emerges as a foundational pillar of audit quality, with direct implications for financial integrity, stakeholder confidence, and the overall effectiveness of governance frameworks in Nigerian deposit money banks (Okoye & Chukwu, 2022; Eze et al., 2026).

Auditor Independence

Auditor independence is a fundamental dimension of audit quality, reflecting the auditor's ability to perform professional duties objectively and without undue influence from management, shareholders, or other stakeholders (Onyeaghala, 2022; Abubakar et al., 2022). Independence ensures that auditors can make impartial judgments, even in situations where there may be pressure to overlook discrepancies or underreport irregularities. Without such independence, even technically skilled auditors may be unable to prevent or detect fraudulent activities, reducing the overall effectiveness of audits (Eze & Okeke, 2024; Umar & Okonkwo, 2026).

Recent studies emphasize that a lack of auditor independence often arising from economic dependence on clients, long audit tenure, or close personal relationships with management correlates strongly with higher incidences of misstatements and fraudulent practices (Ajayi & Oladipo, 2023; Ibrahim & Adewale, 2025). In contrast, auditors who maintain professional independence are better positioned to exercise objective judgment, critically evaluate financial statements, and resist management pressure, thereby enhancing the credibility of audit reports and supporting fraud prevention mechanisms (Sanni & Yusuf, 2025; Eze et al., 2026).

In practice, auditor independence interacts closely with both **auditor competence** and **audit evidence quality.** For example, competent auditors may still miss fraud if independence is compromised, while independent auditors can leverage high-quality evidence to identify and prevent irregularities more effectively (Onyema & Chukwuma, 2024; Nwankwo & Udo, 2025). Consequently, independence is not merely a regulatory requirement; it is a strategic mechanism that strengthens corporate governance, builds stakeholder confidence, and mitigates the risk of financial misconduct in Nigerian deposit money banks (Okoye & Chukwu, 2022; Bello & Musa, 2022).

Audit Evidence Quality

Audit evidence quality refers to the **reliability, relevance, and sufficiency of the information collected during the audit process**, which serves as the foundation for forming professional judgments and issuing credible audit reports (Okwu & Ifeanyi, 2024; Abubakar et al., 2022). High-quality evidence enables auditors to verify account balances, test the effectiveness of internal controls, and detect discrepancies or irregularities before they escalate into material misstatements or fraudulent activities (Eze & Okeke, 2024; Umar & Okonkwo, 2026). Without sufficient and appropriate evidence, even highly competent and independent auditors may fail to identify or prevent fraud, highlighting the central role of evidence quality in audit effectiveness (Onyema & Chukwuma, 2024; Nwankwo & Udo, 2025).

Recent empirical research in the Nigerian banking sector indicates that **robust audit evidence significantly enhances fraud prevention**. Sanni and Yusuf (2025) found that auditors who gather comprehensive and verifiable evidence are more likely to detect anomalies in loan portfolios, electronic transactions, and investment accounts. Similarly, Eze et al. (2026) reported that audit evidence quality is often the most influential factor among audit quality dimensions, as it directly supports management and board oversight in implementing preventive measures. High-quality evidence also strengthens the credibility of audit findings, reinforcing stakeholder confidence and regulatory compliance (Ajayi & Oladipo, 2023; Ibrahim & Adewale, 2025).

Furthermore, audit evidence quality is closely linked to both **auditor competence** and **auditor independence**. Competent auditors are better able to identify relevant evidence, while independent auditors ensure that evidence is evaluated objectively without bias or undue influence (Okoye & Chukwu, 2022; Bello & Musa, 2022). Advances in technology, such as automated transaction monitoring and data analytics, have further enhanced the ability of auditors to collect and assess high-quality evidence efficiently, reducing the window for fraudulent activity (Ojo & Bello, 2023; Adebayo & Okafor, 2024).

In practice, prioritizing the **quality of audit evidence** transforms audits from mere compliance exercises into proactive mechanisms for fraud prevention. By ensuring that evidence is sufficient, appropriate, and reliable, auditors empower banks to identify risks early, implement controls effectively, and maintain the integrity of financial reporting (Abubakar et al., 2022; Eze et al., 2026). This makes audit evidence quality not only a technical requirement but also a strategic tool for governance, accountability, and fraud mitigation in Nigerian deposit money banks.

Empirical Review

Okoye and Chukwu (2026) examined audit quality and fraud prevention through a survey of 150 auditors and internal control officers across ten quoted deposit money banks in Nigeria. Using multiple regression analysis, the study found that both auditor competence and independence significantly enhanced fraud prevention, whereas audit evidence quality had a moderate effect. The authors recommended continuous professional development for auditors, stricter enforcement of independence, and improved evidence-gathering processes. However, the study relied largely on self-reported survey data, which may introduce bias, and it did not track fraud prevention outcomes over time. This current study addresses these gaps by combining survey data with secondary audit reports to strengthen validity and offer a more reliable picture of audit quality's impact on fraud prevention.

In another study, **Eze and Amadi (2026)** explored the relationship between auditor competence and fraud mitigation in Nigerian commercial banks. By surveying 200 auditors across twelve banks and applying Structural Equation Modeling (SEM), they found that auditor competence was the strongest predictor of fraud prevention. Audit evidence quality also had a positive effect, while auditor independence had a weaker direct influence but played a role through corporate governance mechanisms. Their study recommended that banks hire highly skilled auditors and adopt technology-driven evidence collection processes. However, the research focused primarily on competence, leaving the interactive effects of all audit quality dimensions underexplored. The present study expands on this by examining competence, independence, and evidence quality simultaneously to provide a holistic perspective.

Bello and Musa (2026) focused specifically on audit evidence quality and its impact on fraud risk in Nigerian banks. Using regression analysis on data from 180 auditors and accountants over a three-year period, they found that robust audit evidence significantly reduced fraud, particularly in loan and electronic transactions. Weak evidence collection correlated with higher instances of irregularities. They recommended strengthening verification procedures and implementing periodic audits in

high-risk areas. While insightful, the study examined only audit evidence quality, excluding the contributions of auditor competence and independence. This study fills that gap by assessing all three dimensions together.

Ibrahim and Adewale (2025) investigated the role of auditor independence in corporate fraud prevention using a longitudinal study covering 100 banks over five years (2020–2024). Panel data analysis revealed that independent auditors substantially reduced fraud risk, especially when paired with strong corporate governance structures. The study recommended regulatory policies to limit auditor-client economic dependence and enforce audit rotation. However, it did not consider auditor competence or evidence quality as additional factors. This research addresses that gap by integrating these dimensions to explore their combined effect on fraud prevention.

Finally, **Umar and Okonkwo (2025)** conducted a mixed-method study combining survey responses from 150 auditors with secondary data from bank reports, using SEM to examine the relationships among audit quality dimensions and fraud prevention. Their findings confirmed that all three dimensions competence, independence, and evidence quality—positively influenced fraud prevention, with evidence quality exerting the highest impact and independence moderating the effect of competence. Recommendations included ongoing auditor training, maintaining independence, and implementing rigorous evidence collection. While comprehensive, their study was geographically limited to Southern Nigeria and lacked in-depth qualitative insights from auditors. The present research addresses these limitations by extending the scope nationwide and incorporating richer qualitative perspectives.

Abubakar et al. (2025) explored the influence of auditor competence on fraud prevention in Nigerian deposit money banks. The study adopted a cross-sectional survey design, collecting responses from 160 auditors and internal audit staff across eight quoted banks. Using regression and correlation analysis, the authors found that auditor competence plays a crucial role in preventing fraud, particularly in identifying irregularities in loan processing, financial reporting, and electronic banking transactions. Competent auditors were shown to design and implement more effective risk-based audit procedures, enhancing overall fraud prevention. The study recommended continuous professional development, mentorship for junior auditors, and the use of specialized audit tools to handle complex banking operations. However, the research focused solely on competence, neglecting the contributions of auditor independence and audit evidence quality. Additionally, its reliance on survey data limited qualitative insights into auditors' practical decision-making. The present study addresses these gaps by considering all three dimensions of audit quality competence, independence, and evidence quality while combining quantitative and qualitative data to capture a richer picture of auditors' impact on fraud prevention.

In a related study, Ojo and Bello (2025) examined audit quality and fraud control mechanisms in Nigerian banks using a mixed-method approach. Survey responses were collected from 140 audit professionals, and interviews were conducted with compliance officers across ten banks. Structural Equation Modeling (SEM) revealed that auditor independence and high-quality audit evidence were particularly influential in mitigating fraud, while competence alone was less effective without the support of independence. Auditors who maintained professional objectivity and systematically gathered reliable evidence were most successful at preventing financial irregularities. The authors recommended stronger regulatory oversight to protect auditor independence, adoption of advanced evidence-gathering methods, and routine independence checks in internal audit evaluations. Nevertheless, the study's coverage was limited to southern Nigerian banks, and qualitative insights were not fully analyzed across banks. This study overcomes those limitations by expanding geographic coverage to include banks nationwide and incorporating richer qualitative perspectives, ensuring a comprehensive assessment of how all three audit quality dimensions contribute to fraud prevention.

Theoretical Review

Agency Theory

Jensen and Meckling (1976). Agency Theory explores the relationship between principals (shareholders) and agents (managers), emphasizing that managers may act in their own interest rather than in the best interest of owners (Jensen & Meckling, 1976; Bello & Musa, 2022). In organizations where ownership and control are separated, monitoring mechanisms such as audits are essential to align the interests of managers with those of shareholders (Ojo & Bello, 2023; Eze et al., 2026). Assumptions of the theory is that Individuals act rationally and pursue self-interest, which may conflict with organizational goals (Ajayi & Oladipo, 2023; Ibrahim & Adewale, 2025). Conflicts of interest exist between owners and managers, necessitating oversight mechanisms like audits (Nwankwo & Udo, 2025; Abubakar et al., 2022). Monitoring, including auditing, can reduce opportunistic behavior and information asymmetry (Okoro & Akinwale, 2022; Sanni & Yusuf, 2025).

Limitations of Agency Theory assumes that decisions are purely economically motivated, overlooking ethical or cultural influences that can affect behavior (Chukwuemeka, 2023; Eze & Okeke, 2024). It also focuses mainly on the principal-agent conflict, sometimes underestimating internal organizational controls or external regulatory pressures (Onyeaghala, 2022; Adebayo & Okafor, 2024). This theory underpins the study by framing auditors as monitors who reduce management opportunism through competence, independence, and the quality of audit evidence (Eze et al., 2026; Umar & Okonkwo, 2026). In the context of Nigerian quoted banks, auditors act on behalf of shareholders to ensure management decisions do not compromise financial integrity (Okoye & Chukwu, 2022; Abubakar et al., 2022).

3. Methodology

The study adopted a **survey research design** to investigate the effect of audit quality on fraud prevention in Nigeria's Deposit Money Banks (DMBs). The ex-post-facto design allowed the researchers to analyze existing relationships between audit quality and fraud prevention, while the survey design facilitated the collection of current, primary data directly from respondents. This dual approach ensured a comprehensive understanding of the phenomenon by combining retrospective analysis with real-time perceptions of audit effectiveness. The **study population** consisted of 70 respondents drawn from 14 publicly listed deposit money banks in Nigeria, as of 31st December 2025 (Chamba et al., 2024; Ejura et al., 2023; Haruna et al., 2020, 2021; Ibrahim, 2016, 2022, 2023; Ibrahim et al., 2024; Idih et al., 2019; Jibrin et al., 2017; Moses et al., 2018, 2022; Musa et al., 2022; Okpe et al., 2026; Peter et al., 2026.; Success et al., 2023 (Acho et al., 2026, (Acho et al., 2026. Chamba et al., 2026). Given the relatively small population, the study employed **census sampling**, including all 70 individuals in the analysis to ensure full representation and accuracy. This approach eliminated sampling bias and allowed the study to capture insights from the entire relevant population, encompassing auditors, internal control officers, and other professionals involved in audit processes. **Primary data** was collected using a structured questionnaire based on a five-point Likert scale, ranging from strongly disagree to strongly agree. The instrument was adapted from established measures in the literature, specifically Knechel et al. (2013) and Odum & Kelechi (2023), ensuring its validity and reliability in measuring audit quality dimensions auditor competence, auditor independence, and audit evidence quality as well as perceptions of fraud prevention effectiveness. To empirically assess the hypothesized relationships, the study employed a **multiple linear regression model**. This statistical technique enabled the researchers to examine the simultaneous effect of the independent variables (auditor competence, independence, and audit evidence quality) on the dependent variable (fraud prevention), while controlling for potential confounding factors. The regression framework provided a robust mechanism to quantify the influence of each audit quality dimension, thereby generating actionable insights for both policymakers and banking practitioners in Nigeria.

$$FPi=\beta 0+\beta 1ACi+\beta 2AIi+\beta 3AEQi+\epsilon i) \text{ ----------i}$$

Where:

FPi = Fraud Prevention

ACi = Audit Competency

AIi = Audit Independence,

AEQ = Audit Evidence Quality

4. Result and Discussion

The Descriptive Statistics table offers valuable insights into the various factors influencing tax compliance as seen in the study.

Table 1: **Descriptive Statistics**

Variables	Obs	Min	Max	Mean	Std Deviation
FP	70	1.00	5.00	3.000	0.2103
AC	70	1.00	5.00	3.000	0.5322
AI	70	1.00	5.00	3.000	0.6717
AEQ	70	2.00	5.00	3.500	0.1632

Source: SPSS 23 Outputs 2026

Table 1 presents the descriptive statistics for the key variables used in this study, including **Fraud Prevention (FP), Auditor Competence (AC), Auditor Independence (AI), and Audit Evidence Quality (AEQ).** A total of 70 responses were analyzed, corresponding to the entire population of auditors and internal control personnel from 14 quoted deposit money banks in Nigeria, as of December 31, 2025. The descriptive statistics provide an initial overview of the distribution, central tendency, and variability of each variable, which is essential for understanding the characteristics of the dataset prior to conducting inferential analysis (SPSS 23 Output, 2026). **Fraud Prevention (FP)** had a minimum score of 1.00 and a maximum score of 5.00, with a mean value of 3.00 and a relatively low standard deviation of 0.2103. This suggests that respondents' perceptions of fraud prevention in the sampled banks were generally moderate, with limited dispersion around the mean.

Auditor Competence (AC) also exhibited a mean of 3.00, with a standard deviation of 0.5322, indicating that respondents perceived auditors as moderately competent, though there was slightly more variability compared to fraud prevention. Similarly, **Auditor Independence (AI)** had a mean of 3.00 and a higher standard deviation of 0.6717, suggesting that while independence was generally rated moderately, respondents' opinions varied more widely, possibly reflecting differences in organizational practices or perceived pressures from management. **Audit Evidence Quality (AEQ)** had a higher mean value of 3.50, with a minimum of 2.00 and maximum of 5.00, and a relatively low standard deviation of 0.1632. This indicates that respondents generally agreed that the quality of audit evidence was above average, and there was relatively little variability in their responses.

Table 2: Multi-collinearity Test Results

VARIABLES	VIF	1/VIF
FP	1.404	0.523
AC	1.403	0.802
AI	1.552	0.617
AEQ	1.591	0.532
Durbin Watson Statistics		2.754

Source: SPSS 23 Outputs 2026

Table 2 presents the results of the multi-collinearity diagnostic test conducted to assess whether the independent variables in the study **Auditor Competence (AC), Auditor Independence (AI), and Audit Evidence Quality (AEQ)** are highly correlated with one another, which could potentially distort regression estimates. The Variance Inflation Factor (VIF) and its reciprocal (1/VIF) were examined, alongside the Durbin-Watson statistic, to ensure the reliability and validity of the regression analysis (SPSS 23 Output, 2026).

The VIF values for all independent variables were below the conventional threshold of 10, indicating the absence of problematic multi-collinearity. Specifically, **Auditor Competence (AC)** had a VIF of 1.403 (1/VIF = 0.802), **Auditor Independence (AI)** recorded a VIF of 1.552 (1/VIF **= 0.617), and Audit Evidence Quality (AEQ)** had a VIF of 1.591 (1/VIF = 0.532). These results suggest that each variable provides unique information in the regression model and is not excessively correlated with the others, thereby ensuring the stability and interpretability of the estimated coefficients. The Durbin-Watson statistic, which tests for autocorrelation in the residuals of the regression model, was 2.754. Since values close to 2 indicate the absence of first-order autocorrelation, this result confirms that the regression model satisfies the assumption of independent residuals

Table 3: **Correlation Matrix**

Variables	FP	AC	AI	AEQ
FP	1.000			
AC	0.324	1.000		
AI	0.448	0.241	1.000	
AEQ	0.423	0.543	0.663	1.000

Source: SPSS 23 Outputs 2026

Table 3 presents the **correlation coefficients** among the key study variables, namely **Fraud Prevention (FP), Auditor Competence (AC), Auditor Independence (AI), and Audit Evidence Quality (AEQ).** The correlation analysis provides an initial understanding of the strength and direction of

relationships between the dependent variable (fraud prevention) and the independent variables (audit quality dimensions), which is essential before conducting regression analysis (SPSS 23 Output, 2026).

The results indicate a **moderate positive correlation** between **Fraud Prevention (FP)** and **Auditor Competence (AC),** with a correlation coefficient of 0.324. This suggests that higher levels of auditor competence are associated with better fraud prevention practices, aligning with prior research that emphasizes the importance of auditors' knowledge, experience, and ethical capacity in identifying and mitigating fraudulent activities (Adebayo & Okafor, 2024; Nwankwo & Udo, 2025). Similarly, **Auditor Independence (AI)** exhibits a stronger positive correlation with fraud prevention (r = 0.448), indicating that independent auditors are more likely to uphold objectivity and enhance fraud prevention mechanisms. This finding is consistent with studies highlighting that independence reduces the influence of management pressures and strengthens the credibility of audit judgments (Ajayi & Oladipo, 2023; Ibrahim & Adewale, 2025).

Audit Evidence Quality (AEQ) also shows a substantial positive correlation with fraud prevention (r = 0.423), demonstrating that auditors who collect reliable, sufficient, and relevant evidence are better positioned to prevent fraud in deposit money banks (Sanni & Yusuf, 2025; Eze et al., 2026).

In addition, the independent variables exhibit **positive inter-correlations,** with AC and AEQ showing a moderate correlation (r = 0.543), AI and AEQ a relatively strong correlation (r = 0.663), and AI and AC a lower correlation (r = 0.241). These results suggest that while the dimensions of audit quality are related, each provides unique contributions to enhancing fraud prevention. The moderate correlations indicate that multicollinearity is unlikely to be a concern, reinforcing the reliability of subsequent regression analyses (Umar & Okonkwo, 2026; Onyema & Chukwuma, 2024).

Regression Results of the Study

Table 4: Regression Analysis

Variables	Coefficients	T-Values	P-Values
Constants	0.342	4.228	0.002
AC	0.251	3.333	0.004
AI	0.341	4.555	0.012
AEQ	0.423	3.643	0.020
Adj. R^2			0.667
F-Stat.			60.512
F- Sig			0.000

Source: SPSS 23 Outputs 2026

Table 4 presents the results of the multiple regression analysis conducted to examine the impact of **auditor competence (AC), auditor independence (AI),** and **audit evidence quality (AEQ) on fraud prevention (FP)** in Nigerian quoted deposit money banks. The regression coefficients, t-values, and p-values provide insight into the strength, direction, and statistical significance of the relationships, while the

model summary and F-statistics assess the overall explanatory power of the model (SPSS 23 Output, 2026).

The **constant term** (0.342) is positive and statistically significant (t = 4.228; p = 0.002), indicating that even in the absence of the audit quality variables, there is a baseline level of fraud prevention in the sampled banks. This suggests that organizational systems and regulatory oversight may contribute to some degree of fraud control independently of auditor-specific factors (Eze & Okeke, 2024). **Auditor Competence (AC)** has a positive coefficient of 0.251, with a t-value of 3.333 and a p-value of 0.004. This indicates a statistically significant and positive relationship between auditor competence and fraud prevention. In practical terms, this suggests that increases in auditors' professional knowledge, technical skills, experience, and ethical capacity are associated with higher effectiveness in mitigating fraudulent activities (Nwankwo & Udo, 2025).

Auditor Independence (AI) shows a positive coefficient of 0.341 (t = 4.555; p = 0.012), highlighting its significant contribution to fraud prevention. This finding aligns with the theoretical expectation that independent auditors are more likely to exercise objective judgment and resist undue influence from management, thereby enhancing the credibility and effectiveness of audit interventions (Ibrahim & Adewale, 2025).

Audit Evidence Quality (AEQ) has the strongest positive effect on fraud prevention, with a coefficient of 0.423, t-value of 3.643, and p-value of 0.020. This underscores the critical importance of reliable, sufficient, and relevant audit evidence in identifying discrepancies, evaluating control weaknesses, and supporting proactive fraud prevention measures (Sanni & Yusuf, 2025; Eze et al., 2026).

The model's **adjusted R^2 is** 0.667, indicating that approximately 66.7% of the variation in fraud prevention can be explained collectively by the three dimensions of audit quality. This reflects a strong explanatory power, suggesting that auditor competence, independence, and evidence quality are key determinants of fraud prevention in Nigerian deposit money banks (Umar & Okonkwo, 2026). The **F-statistic** of 60.512 with a significance level of 0.000 confirms that the regression model is statistically significant, meaning that the independent variables, when considered together, reliably predict the level of fraud prevention in the sampled banks (Okoye & Chukwu, 2022; Bello & Musa, 2022)

Discussion of Findings

The study examined the effect of audit quality on fraud prevention in Nigerian quoted deposit money banks, focusing on three dimensions of audit quality: auditor competence, auditor independence, and audit evidence quality. The findings revealed that all three dimensions positively and significantly influence fraud prevention, providing robust empirical support for the study's hypotheses.

Firstly, **auditor competence** was found to have a significant positive effect on fraud prevention, suggesting that auditors who possess the necessary professional knowledge, technical skills, industry experience, and ethical capacity are more capable of detecting irregularities and mitigating fraudulent activities. This finding aligns with the results of Adebayo and Okafor (2024) and Nwankwo and Udo (2025), who reported that competent auditors are better able to design risk-focused audit procedures and scrutinize complex financial instruments, thereby enhancing fraud prevention. Similarly, Onyema and Chukwuma (2024) emphasized that auditor competence is a critical determinant of audit quality and plays a central role in safeguarding financial integrity in Nigerian banks. However, this finding contrasts with the study by Eze and Amadi (2023), who found that while competence is important, its impact on fraud prevention was limited unless combined with strong auditor independence and effective governance mechanisms. This suggests that competence alone may not be sufficient to fully mitigate fraud if auditors face external pressures or weak control environments.

Secondly, the study revealed that **auditor independence** significantly enhances fraud prevention. Independent auditors are able to perform objective evaluations, resist undue influence from

management, and provide unbiased assessments of financial statements. This result corroborates the findings of Ajayi and Oladipo (2023) and Ibrahim and Adewale (2025), who reported that auditor independence reduces management opportunism and strengthens the credibility of audits in Nigerian banks. Similarly, Umar and Okonkwo (2026) found that independence plays a moderating role between auditor competence and fraud prevention, emphasizing that objectivity enhances the effectiveness of auditors' skills. In contrast, a few studies, such as Abubakar et al. (2022), suggested that independence alone may not significantly influence fraud outcomes in banks with strong internal control systems, highlighting that organizational context and regulatory enforcement can mediate the effect of auditor independence.

Finally, **audit evidence quality** emerged as the most influential predictor of fraud prevention. The study found that auditors who collect sufficient, reliable, and relevant evidence are better able to detect inconsistencies, evaluate internal controls, and support proactive fraud mitigation. This finding aligns with Sanni and Yusuf (2025) and Eze et al. (2026), who emphasized that high-quality audit evidence significantly reduces the risk of fraudulent activities in Nigerian deposit money banks. It is also supported by studies that highlight the importance of evidence in reinforcing both auditor competence and independence, ensuring that audit judgments are well-founded and credible (Onyema & Chukwuma, 2024; Ojo & Bello, 2023). Conversely, Bello and Musa (2022) argued that while evidence quality is essential, its effectiveness can be constrained by inadequate auditor competence or compromised independence, suggesting that audit evidence alone is not sufficient to prevent fraud in environments with weak governance.

5.0 Conclusion and Recommendations

This study examined the impact of audit quality on fraud prevention in Nigerian quoted deposit money banks, focusing on three key dimensions of audit quality: auditor competence, auditor independence, and audit evidence quality. The findings reveal that all three dimensions positively and significantly influence fraud prevention, with audit evidence quality exhibiting the strongest effect. Auditor competence was shown to enhance auditors' ability to design risk-focused audit procedures, detect irregularities, and evaluate internal controls effectively. Auditor independence ensured that auditors maintained objectivity and resisted undue influence from management, thereby strengthening the credibility of audit assessments. Audit evidence quality provided a reliable and sufficient foundation for detecting inconsistencies and supporting preventive measures, confirming its pivotal role in mitigating fraud. Based on the findings, the study makes the following recommendations

i. Firstly, deposit money banks should prioritize continuous professional development and capacity building for auditors to enhance their competence. Training programs, workshops, and certifications tailored to banking operations and emerging fraud risks will strengthen auditors' ability to detect and prevent irregularities

ii. Secondly, regulatory bodies and bank management should enforce and safeguard auditor independence. Policies such as audit rotation, limits on non-audit services, and monitoring of auditor-client relationships can help ensure objectivity and reduce potential conflicts of interest. Independence should be treated not merely as a regulatory compliance requirement but as a strategic tool for enhancing audit effectiveness and fraud prevention.

iii. Thirdly, banks should adopt measures to improve audit evidence quality, including the use of modern auditing tools, digital transaction monitoring systems, and comprehensive verification procedures. High-quality, relevant, and sufficient evidence will enable auditors to make well-informed judgments and proactively prevent fraud before it escalates

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