Forensic Accounting and Fraud Detection in Public and Private Sectors in Abuja Metropolis, Nigeria

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This study explores the impact of forensic accounting on fraud detection in public and private sectors in Abuja metropolis, Nigeria, from the accountants’ perspective. To execute this study, one research question was raised and one null hypothesis was tested. The study adopted descriptive survey design. A sample of 43 accounting officers from selected four federal ministries of government and five private multinational organisations operating in Abuja metropolis, Nigeria. A validated questionnaire containing 10 items with an overall reliability of 0.73 established by Cronbach alpha was used for data collection. Mean and standard was used to answer the research question while t-test was used to test the hypothesis at 0.05 level of significance. Findings of the study revealed that accounting officers in the private and public sectors strongly agreed that forensic accounting has an impact on fraud detection. The study further disclosed that accountants from the public sectors and private sectors do not differ significantly in their mean ratings on the impact of forensic accounting on fraud detection in Abuja metropolis. The study concluded that genuine compliance of forensic accounting principles by internal and external auditors will not only reduce corporate frauds but also improves the financial reporting quality of accountants in the public and private sectors of the business world. It was recommended among others that government should establish an independent forensic accounting agency with legal provisions that will enable them to detect, monitor and report fraudulent activities in the business environment in Nigeria.

Keywords: forensic accounting, forensic detection and fraud

Introduction

In some exclusive circles of international financial engagements, Nigeria is regarded as the coven of fraudulent activities in Africa. In order to curb this ugly narrative, anti-fraud agencies like Economic and Financial Crimes Commission (EFCC), Independent Corrupt Practices Commission (ICPC) and Code of Conduct Bureau (CCB) were established to uncover fraudulent financial activities and allied crimes in the nation. The researcher has observed that a
lot of anti-fraud agencies all over the world utilised forensic accounting mechanisms to perform their investigative duties. Forensic accounting is the application of the accounting and auditing techniques on legal issues for legal settlement inside or outside the court (Tuanakotta, 2010). More so, the breakdown of corporate governance of private and public organisations has motivated the accountancy profession to develop a positive disposition towards formulating and implementing a robust forensic accounting curriculum in tertiary institutions.

Forensic accounting is the practice of thorough examination of financial records after internal and external auditing has been carried out. Forensic accounting is a science that involves the application of accounting facts and concepts derived from investigative, accounting and auditing skills, techniques and procedures to resolve conflicting business issues in a legal environment (Arokiasamy & Cristal-Lee, 2009; Dhar & Sarkar (2010). According to Stanbury and Paley-Menzies (2010), forensic accounting is the science of gleaning and presenting information in a form that will be accepted by a court of jurisprudence against perpetrators of economic crime. Hence, Jafaru (2011) posited that forensic accounting is the application of financial skills and investigative intelligence conducted within the context of the rules of evidence to resolve unresolved monetary and contract issues. It is concerned with the use of accounting discipline to help determine issues of facts in business litigation (Okunbor & Obaretin, 2010).

Forensic accounting is an integral fraud-detection method that identifies signs of fraudulent financial reporting and further assist in examination of corporate financial reports (Savona & Berlusconi, 2015). Traditionally, accountants prepared financial records while auditors ascertain whether the records are presented in a true, complete and fair view. However, the increase in corporate fraud and financial misstatements has awaken accounting practitioners to pay serious attention to the quality of financial records in the business environment. Implementing a systematic approach towards reducing the numerous schemes of fraudsters in the corporate world gave rise to the advent of forensic accounting and forensic accountants. Forensic accountants are expected to utilize the knowledge of forensic accounting to identify, prevent and detect red flags that leads to financial fraud.

In forensic accounting, fraud preventive measures stop fraud from occurring. However, fraud detective measures are enforced when fraud preventive measures failed to identify fraud (Bolton & Hand, 2002). Fraud detection involves the use of fraud control policies, whistle-blowing and fraud risk registers to act upon the discovery of fraud elements in financial statements or financial transactions. In their own view, Desai and Deshmukh (2013) asserted that fraud detection are set of forensic activities continuously undertaken to prevent money or property from being obtained through false pretenses. Forensic detective measures are used to checkmate the intelligent criminal strategies of fraudsters. Fraud detection is gaining importance in the corporate world because of the increasing rates of white collar crime committed across all levels of government, management of companies and categories of employees. In the private and public sectors of Nigeria, fraud detection is not a welcome idea because fraud a big business that is supported by Nigerians who are friends with the ruling political powers of the day.

In the democratic era of Nigeria, the biggest corruption allegation is that of the former National Security Adviser, Colonel Sambo Dasuki (rtd), who was accused to have embezzled $2.1 billion meant for arms procurement to fight against the Boko Haram insurgency in the North East region of the country. The presidential investigations committee reports suggested that part of the disbursed fund was diverted for sponsoring the re-election of former President Goodluck Jonathan. More so, Nigeria’s ex-Chief of Defence Staff Alex Badeh faced ten count
charges of alleged diversion of $20 million meant for the purchase of arms (EFCC, 2016). The failure of Oceanic Bank, Intercontinental Banks, Mr. Biggs and other private owned business enterprises in Nigeria are attributed to the fraudulent activities carried out by management staff. Fraudulent activities associated with the private sector include cash theft, fraudulent disbursement, cheque tampering, inventory theft, fraudulent reporting, cash skimming, kickbacks among others while in the public sector, fraud includes payroll schemes scam, padding of budgetary figures, money laundering, embezzlement of public funds and misappropriation of budgeted allocated funds meant for execution of capital and developmental projects.

In western climes, the liquidation of ENRON and WorldCom scandals has drawn the world to the field of forensic accounting (Ozuomba, Ofor & Okoye, 2016). The public and private sectors in Nigeria is feeding fat on the receipts of corruption and financial crimes on daily basis. In the light of the incessant fraudulent activities in Nigeria, Okoye and Gbegi (2013) posited that government and private organisations need to develop interest in forensic accounting for efficient investigation and prosecution of suspected and confirmed corporate fraudsters. Against this backdrop, the study sought to determine the impact of forensic accounting on fraud detection in private and public sectors in Abuja metropolis, Nigeria.

**Statement of the Problem**

The frequent reports of fraudulent practices in Nigeria justify the application of forensic accounting in the public and private sector. The establishment of Independent Corrupt Practices and other Related Offences Commission (ICPC) and the Economic and Financial Crimes Commission (EFCC) saddled with the responsibilities of fighting and curbing the menace of corruption, frauds and fraudulent practices have not really performed their duties to the expectation of Nigerians and observers in the international communities. Civil servants and political leaders are busy embezzling public funds while management staff are laundering and engaging in sharp corrupt practices without fears of getting caught.

The organised nature of fraud in the public and private sectors in Nigeria is systematic and multi-dimensional. This requires systematic integration of forensic accounting skills and knowledge due to the inability of external and internal auditors to detect fraud and other economic crime carried out by public servants and private employees in Nigeria. Although, a lot of research studies have investigated the role of forensic accounting on fraud detection in Nigeria, there seems to be paucity of empirical studies on the impact of forensic accounting on fraud detection in private and public sectors in Abuja metropolis, Nigeria. In order to fill this gap in literature, the researcher sought to determine impact of forensic accounting on fraud detection in private and public sectors in Abuja metropolis, Nigeria.

**Theoretical Framework**

**Fraud Triangle Theory**

Fraud triangle theory was propounded by Cressey in 1953. He proposed that people commit fraud because of three elements which are pressure, opportunity and rationalisation. Pressure is the motivation to commit fraudulent acts or activities. The theorist claimed that this pressure could be linked to financial, non-financial, dogmatic and societal factors. Opportunity relates to the aptitude and power of an individual to identify weaknesses within a financial system and to take advantage of the system for fraudulent activities. Dogmatic and societal pressure arise...
where an individual senses or believes that they cannot face being unsuccessful, due to their status or standing. Rationalisation refers to the justifications and explanations that individuals give why immoral conduct is different from illegal activity. If an individual cannot defend their fraudulent activities, then it is improbable that he or she will be involved in fraud. An example of a rationalisation is the belief that fraud is acceptable because an employer is cheating the person of his or her salary.

Fraud triangle theory is related to this study because it shows how pressure, rationalisation and opportunity explain the behavioural disposition of an individual towards committing fraud. Going with this theory, forensic accountants will be able to identify the root cause of fraud and detect the psychological attributes of fraudsters in the course of their investigation. This understanding will help forensic accountants have a comprehensive forensic investigation while detecting fraud in an organisation.

Purpose of the study

The main purpose of this study is to determine the impact of forensic accounting on fraud detection in private and public sectors in Abuja metropolis, Nigeria

Research Question

What are the mean ratings of accounting officers on the impact of forensic accounting on fraud detection in private and public sectors in Abuja metropolis, Nigeria?

Hypothesis

Accounting officers in the private and public sectors do not differ significantly in their mean ratings on the impact of forensic accounting on fraud detection in Abuja metropolis, Nigeria.

Method

This study adopted a descriptive survey design. The study was conducted in Abuja metropolis, Nigeria. A sample of 43 accounting officers from selected four federal ministries of government and five private multinational organisations operating in Abuja metropolis, Nigeria. A structured and validated questionnaire containing 10 items on a 4-point rating scale of Strongly Agree (SA), Agree (A), Disagree (D) and Strongly disagree (SD) was used for data collection. Face validity of the instrument was determined by two experts; one in the Department of Accountancy and the other from Measurement and Evaluation all from Nnamdi Azikiwe University, Awka. A pilot test was conducted to establish the reliability of the instrument by administering it to 20 accounting officers in Kogi State who were not part of the study and the data collected were analysed using Cronbach alpha to obtain an overall reliability of 0.73. The researcher administered the instrument to the subjects with the help of five research assistants. Mean and standard deviation were used to answer the research question and determine the homogeneity or otherwise of the respondents' views. Decisions on the research question were based on the grand mean in relations to the real limits of numbers. Therefore, items with mean ratings of 1.00 - 1.49 are rated Strongly Disagree, those with 1.50 - 2.49 are Disagree, items with
mean ratings of 2.50 - 3.49 are rated Agree and those with 3.50 - 4.00 are rated Strongly Agree. T-test was used to test the null hypothesis at 0.05 level of significance. A hypothesis was accepted where the p-value is equal to or greater than the alpha level of 0.05 (p > 0.05), at a degree of freedom; otherwise, the null hypothesis was rejected. The analysis was carried out using SPSS version 23.0.

Results

Research Question 1: What are the mean ratings of accounting officers on the impact of forensic accounting on fraud detection in private and public sectors in Abuja metropolis, Nigeria?

Table 1
Respondents’ mean ratings on the impact of forensic accounting on fraud detection

<table>
<thead>
<tr>
<th>S/N</th>
<th>Item statements</th>
<th>X</th>
<th>SD</th>
<th>Remarks</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Audit committee meetings are taken seriously</td>
<td>2.98</td>
<td>.26</td>
<td>A</td>
</tr>
<tr>
<td>2</td>
<td>Exposes accountants’ to detect fraudulent transactions</td>
<td>3.95</td>
<td>.75</td>
<td>SA</td>
</tr>
<tr>
<td>3</td>
<td>Internal auditors are quick to detect fraudulent transactions</td>
<td>3.06</td>
<td>.34</td>
<td>A</td>
</tr>
<tr>
<td>4</td>
<td>Strengthens the corporate governance of business enterprises</td>
<td>3.37</td>
<td>.82</td>
<td>A</td>
</tr>
<tr>
<td>5</td>
<td>Blocks money laundering transactions</td>
<td>3.92</td>
<td>.41</td>
<td>SA</td>
</tr>
<tr>
<td>6</td>
<td>Makes accounting standards of business enterprises more rigorous</td>
<td>3.81</td>
<td>.69</td>
<td>SA</td>
</tr>
<tr>
<td>7</td>
<td>Increases the auditing standards of business enterprises</td>
<td>3.64</td>
<td>.50</td>
<td>SA</td>
</tr>
<tr>
<td>8</td>
<td>Ensures that accountants strictly adhere to accounting concepts</td>
<td>3.79</td>
<td>.28</td>
<td>SA</td>
</tr>
<tr>
<td>9</td>
<td>Ensures that auditors strictly adhere to auditing ethics</td>
<td>3.80</td>
<td>.73</td>
<td>SA</td>
</tr>
<tr>
<td>10</td>
<td>Enhances efficient prosecution of financial crimes</td>
<td>3.23</td>
<td>.37</td>
<td>A</td>
</tr>
</tbody>
</table>

Cluster Mean

| Cluster Mean | 3.56 | SA   |

Data in Table 1 shows that respondents agreed that four (item 1, 3, 4 and 10) with mean ratings ranging from 2.98 to 3.37 while the remaining six items on impact of forensic accounting on fraud detection were rated strongly agreed. The cluster mean score of 3.56 shows that on the whole, accounting officers in private and public sectors in the area of the study strongly agreed that forensic accounting has an impact on fraud detection. The standard deviations for all the items are within the same range showing that the respondents are not wide apart in their ratings.

Hypothesis 1: Accounting officers in private and public sectors do not differ significantly in their mean ratings on the impact of forensic accounting on fraud detection in Abuja metropolis, Nigeria.

Table 2

<table>
<thead>
<tr>
<th>S/N</th>
<th>Item Statements</th>
<th>X_1</th>
<th>SD_1</th>
<th>X_2</th>
<th>SD_2</th>
<th>Df</th>
<th>t-cal</th>
<th>Sig.</th>
<th>Remarks</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Audit committee meetings are taken seriously</td>
<td>2.86</td>
<td>.39</td>
<td>3.14</td>
<td>.62</td>
<td>41</td>
<td>2.09</td>
<td>.44</td>
<td>NS</td>
</tr>
</tbody>
</table>
Data in Table 2 presents the summary of mean ratings of public and private accountants on the impact of forensic accounting on fraud detection in Abuja metropolis. The data revealed that two items with p-value of .00 and .01 are lesser than the significant value of 0.05 at 41 degree of freedom. This indicates that there is significant difference in the mean ratings of public sector accountants’ and private sector accountants on those two items. Therefore, the hypothesis of no significant difference in the mean ratings of the respondents on item 4 and 10 was rejected. On the other hand, hypothesis of no significant difference for the remaining eight items was accepted since the Sig values of these items, ranging from .39 to .88 are greater than 0.05. On the whole, public sector accountants’ and private sector accountants do not differ significantly in their mean ratings on the impact of forensic accounting on fraud detection in Abuja metropolis.

Discussion of Findings

Findings of the study revealed that accounting officers in the private and public sectors strongly agreed that forensic accounting has an impact on fraud detection. The study disclosed that accountants strongly agree that forensic accounting exposes accountants to detect fraudulent transactions, block money laundering transactions, makes accounting standards of business enterprises more rigorous, increases the auditing standards of business enterprises, ensures that they strictly adhere to accounting concepts and ensures that auditors strictly adhere to auditing ethics because these detective measures improve fraud detection in private and public sectors. This finding tallies with the studies of Okoye and Gbegi (2013) and Sidharts and Fitriya (2015).
which reported that forensic accounting does significantly reduce the occurrence of fraudulent activities in the business world. The study also revealed that accountants agreed that the application of forensic accounting has made internal auditors to quickly detect fraudulent transactions, strengthens the corporate governance of business enterprises, ensures that audit committee meetings are taken seriously and enhances efficient prosecution of financial crimes. This finding is in consonance with Nonye and Okoli (2015) and Okafor and Agbiogwo (2016) which discovered that accountants’ exposure to forensic accounting helps to carry out fraud detection activities successfully.

Furthermore, the study further disclosed that accountants from the public sectors and private sectors do not differ significantly in their mean ratings on the impact of forensic accounting on fraud detection in Abuja metropolis. This implies that public sector accountants and private sector have the same view on the impact of forensic accounting on fraud detection in the business world. This finding is in agreement with the studies of Gbegi and Adebisi (2015) and Amake and Ikhatua (2016) which reported that forensic accounting has a significant influence on fraud detection in Nigerian business environment. Findings of this study could be attributed to the fact that the knowledge and skills embedded in forensic accounting has motivated accountants to have an investigative approach towards the preparation of financial records in the private and public sectors in Nigeria.

Conclusion

Fraud, without an iota of doubt, has been weaponised across all tiers of government and it has become a part and parcel of an average Nigerian. There is good news though, as the current administration is poised of purging the nation of corruption through its anti-corruption fight. Based on the findings of the study, the researcher concluded that, genuine compliance of forensic accounting principles by internal and external auditors will not only reduce corporate frauds but also improve the financial reporting quality of accountants in the public and private sectors of the business world.

Recommendations

Based on the findings and conclusion of the study, the researcher recommended the following:

1. Data mining, whistle-blowing policy and fraud reporting policy should be included in the fraud prevention and detection training programme for accountants and auditors in the private and public sectors in Nigeria.

2. Government should establish an independent forensic accounting agency with legal provisions that will enable them to detect, monitor and report fraudulent activities in the business environment in Nigeria.
References


