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I. Title page
II. Abstract (150-250 words)
III. Keywords (3-5)
IV. Introduction
V. Literature Review
VI. Methodology
VII. Results and Discussion
VIII. Conclusion and Recommendations
IX. References (APA 7th Edition)
X. Appendices (if necessary)
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FORENSIC ACCOUNTING AS A TOOL FOR EFFECTIVE FRAUD DETECTION AND PREVENTION IN THE NIGERIAN ECONOMY

EJEMBI VICTORIA OKOMA

ABSTRACT

This presentation examined the role of forensic accounting as effective tool in fraud detection and prevention. The major objective is to ascertain the effectiveness of forensic accounting in fraud detection and prevention. A survey research design was adopted and ten (10) organizations from both the private and public sector were randomly selected for the study. A sample size of one hundred (100) respondents was selected using a random selection technique. The data for the study were gathered from primary sources, using a Likert styled structured questionnaire. Descriptive statistics and Analysis of Variance (ANOVA) was used in data analysis. Evident from the paper's findings revealed that following the high spate of corporate fraud around the world including Nigeria, forensic accounting has been proved to be an effective tool in the detection and prevention of fraud within the Nigerian economy. The paper concludes that forensic accounting is very effective tool in the detection and prevention of fraud within the Nigerian economy. It was, therefore, recommended among other things that Nigerians (whether in private or public sector) should hold the character of accountability, integrity, equality, impartiality as a moral duty to eliminate or reduce the altitude of fraud in the Nation's economy.

1.0. INTRODUCTION

Accounting profession has always been considered by the public to be highest in integrity among all profession (Pearson, 1988 in Sorunke, 2016). Hence the investing public has historically relied upon audited financial statement when making investment decision and has depended upon auditors and the accounting profession to confirm the accuracy and completeness of financial information (Kane, 2004).

However, the spate of corporate failures, dubious accounting practices, abuse of corporate power and other fraudulent practices that happened around the world in the late 90s and early 20s which led to the corporate collapses of several world class corporation notably Enron, Worldcom, Global Crossing, Pamalat, Tyco International, Adelphia communication and a host of others have undermined Auditor's credibility in their reporting function and have also eroded public confidence in the accounting and auditing profession (Arjon, n.d in Sorunke, 2016).

It was following the spate of such high corporate scandals around the world, that there has been an increased demand for professionals trained in forensic accounting. This is because forensic accounting is seen as encapsulating all the other areas in the use of accounting for investigative purposes. The increasing sophistication of certain financial crimes requires that forensic accounting be added to the tools necessary to effectively detect fraud and bring about the successful investigation and prosecution of those individuals involved in criminal activities in other to prevent any repetition (Sorunke, 2016).

The general expectation is that forensic accounting may offer some respite to the seeming vulnerability of conventional accounting and audit systems to financial fraud. Consequently, the incorporation of modern forensic auditing techniques in an audit in Nigeria is seen as timely in order to prepare the accounting profession to deal effectively with the problem of unearthing ingenious fraud schemes arising from audit failure to detect frauds in Nigeria. According to the Centre for Forensic Studies (2010) report in Nigeria; "*If well applied, forensic accounting could be used to reverse the leakages that cause corporate failures. This can be attributed to the fact that proactive forensic accounting seeks out errors, operational vagaries and deviant transactions before they crystallize into fraud.*

The problem that necessitated this investigation which also constituted a gap in literature is the fact that although, several scholars have written on forensic accounting and its effect in curbing fraud; many of which covered either the private or public sector. This investigation is examining the effective of forensic accounting in the detection and prevention of fraud from a general perspective; covering both the private and public sector of the nation's economy because fraud perpetration is all encompassing.

The major objective of this seminar paper therefore is to examine the effectiveness of forensic accounting in fraud detection and prevention in the Nigerian economy especially in the face of prevalent high profile corporate scandals and fraudulent practices. The specific objective are: 1) to examine the effectiveness of forensic accounting in fraud detection within the Nigerian economy. 2) to examine the effectiveness of forensic accounting in fraud prevention within the Nigerian economy. The paper also hypothesized as follows: 1) forensic accounting is ineffective in fraud detection within the Nigerian economy. 2) forensic accounting is ineffective in fraud prevention within the Nigerian economy.

2.0. LITERATURE REVIEW

2.1. Conceptual Review

The Concept of Forensic Accounting

Forensic accounting is perceived to have evolved rather inorganically in response to certain emerging fraud related challenges and has been precipitated by the surging number of white-collar crimes pressures. The scandals that recently rocked the corporate world with classical examples being the often cited Enron and WorldCom cases have also brought the field of forensic accounting to the forefront.

Recent history indicates that Maurice E. Peloubet is credited with developing the term Forensic Accounting in his 1946 essay "Forensic Accounting" Although the term may not have been used before the 1940s, a strong argument can be made that the first high-profile forensic accountant was Frank J. Wilson, the man who spearheaded the campaign to convict Alphonse “Scarface” Capone of tax evasion in 1931 (Joshi, 2003). By this time, Forensic Accounting had proven its worth during World War II; however formalized procedures were not in place until the 1980's when major academic works were published.

Since then, forensic accounting has witnessed a gradual entrance into mainstream contemporary accounting literature and has been defined both conceptually and operationally by a considerable number of scholars. In the views of Howard and Sheetz (2006) forensic accounting is simply the process of interpreting, summarizing and presenting complex financial issues clearly, succinctly and factually often in a court of law as an expert witness. It is concerned with the use of accounting discipline to help determine issues of facts in business litigation (Razaee, Crumbley and Elmore, 2006).

Mukoro, Yamusa and Faboyede (2013) opined that forensic accounting helps in introducing effective internal control and fraud prevention in an organization. He also described forensic accounting as the mixture of auditing and investigation skills. It is therefore, the process of summarizing, interpreting and presenting complicated financial issues, clearly, and factually in a court of law as an expert view and witness. Al Samara, AL Afeef and Al Ali (2017) define forensic accounting as the use of criminal method and incorporation of investigative accounting activities and law processes to investigate and detect financial crimes and other economic malpractices.

Coenen (2005) stated that forensic accounting involves the application of accounting concepts and techniques to legal problem. It demands reporting, where the accountability of the fraud is established and the report is considered as evidence in the court of law or in the administrative proceeding. It provides an accounting analysis that is suitable to the court, which will form the basis of discussion, debate and ultimately dispute resolution (Zysman, 2001).

According to Durkin and Ueltzen (2009) in Alhassan (2020), Forensic accounting is sufficiently thorough and complete so that an accountant, in his/her considered independent professional judgment, can deliver a finding as to accounts, inventories, or the presentation thereof that is of such quality that it would be sustainable in some adversarial legal proceeding, or within some judicial or administrative review. As a result, forensic accounting has been thrown into the forefront of the crusade against financial deception or fraud (Rumaswamy, 2005).

The Concept of Fraud

The concept of fraud in the context of this seminar paper is related to financial or accounting fraud, a concept which is itself chaotic in definition which implies that scholars vary significantly in their expressions about fraud. Financial fraud mostly express in financial statements of corporate entities. Russel (1978) in Isa (2017) remarks that the term crime is generic and is used in various ways. Crime assumes so many different degrees and forms that courts are compelled to context themselves with only few general rules for its discovery and defeat.

Financial statement fraud is a deliberate attempt by corporations to deceive or mislead users of published financial statements, especially investors and creditors, by preparing and disseminating materially misstated financial statements (Rezaee, 2005). The accounting fraud is executed by making falsified financial accounting statements where the numbers are manipulated by overstating assets, spurious entries related to sales and profit, misappropriation in taxes, or understating liabilities, debts, expenses or losses . The accounting fraud is also defined by accounting professionals as deliberate and improper manipulation of the recording of data in financial statements in order to achieve an operating profit of the company and appear better than it actually is (www.accountingelite.com). Economically, financial fraud is becoming an increasingly serious problem and effective detection of accounting fraud has always been an important but complex task for accounting professionals.

However, Fraud schemes vary in scope, context and with the position of fraud perpetrators within an organization (or firm). Some types of fraud are specific to certain industries due to industry-related incentives (Calavita et al, 1997 in Ozili, 2015a). For instance, securities and investment fraud is common to the banking and financial services industry. Other types of fraud are concentrated at top and middle management levels within organizations (Zahra, Priem & Rasheed, 2005). Other types of fraud committed by employees include: creating fictitious expenses and obtaining disbursements, creating ghost employees to receive additional wages and salary, creating ghost suppliers and receiving their payments, benefiting from overstated personal expenditure, etc., (Ozkul and Pamukc, 2012). Also, fraud may involve the use of accounting numbers. Fraud involving accounting numbers often manifest through the manipulation of accounting numbers used to generate financial reports, for example, inventory overvaluation and improper capitalization of capital expense (Messmer, 2004), earnings management (Healy and Wahlen, 1999 in Ozili, 2015a), income smoothing (Ozili, 2015b).

Similarly, Okafor and Agbiogwu (2016) itemize the classification of fraud based on the modes of perpetration which include the repression, outstripped, and embezzlement, tampering with reserves, fake payment, theft defalcation, insider abuses and forgeries, unauthorized lending, deceitful substitutions, lending money to ghost borrowers, kite flying and cross firing, fictitious contracts deceptive use of firms documents and the rest. According to Othman, Aris, Mardziyah, Zainan and Amin (2015), there are two types of fraud being committed in an organization. The first one is the use of business resources for Personal gains while the second one is presenting of false financial statement. Research has revealed that the rate of losses in public sector due to fraudulent activities of political office holders and employees is far higher than that recorded as a result of citizen's negligence. About 60 % of employees are disposed to engage in fraud while 80 % of political office holders might be inclined to use their power to and commit fraud in a suitable condition (Ogundana, Okere, Ogunleye & Oladapo, 2018).

Obviously, the extensive spread of fraud in the Nigeria public sector has turned conventional auditing and investigation ineffective and inappropriate in detecting and preventing fraud. In 2009, researcher observed that the level of fraud and other economic crimes has rapidly increased to about 70 % which have threatened national development and turned conventional auditors weak and ineffective; a situation which necessitates the emergence of forensic accounting, an area that is meant to develop and improve techniques and skills for tackling these challenges with accountants who are experts in detecting, preventing of fraud and presenting litigation support service in Nigerian Court (Umar, Samsudin & Mohamed, 2017).

The Role of Forensic Accountant in Fraud Detection and Prevention

The focus of forensic accounting is to identify and review fraudulent transactions to identify the real intent of the perpetrator (Ozili, 2015a). Therefore, the principal role of a forensic accountant as an expert is to analyze, interpret, summarize and present complex business and financial deals in a logical, understandable manner supported with facts. An expert witness is a witness, who by virtue of education, training, skill, or experience, is believed to have knowledge in a particular subject beyond that of the average person, sufficient that others may officially (and legally) rely upon the expert's specialized (scientific, technical or other) opinion about an evidence or fact issued within the scope of their expertise, referred to as the expert opinion, as an assistance to the fact-finder (Oseni, 2015). According to Oseni (2015), the forensic accountant plays the following roles in the process of fraud detection and prevention: 1) Investigate reported incidences of fraudulent acts. 2) Communicate findings in the form of a report and supporting documents. 3) Assist in any legal proceedings. 4) Assist in obtaining documentation necessary to support or refute a claim. 5) Review of the relevant documentation to form an initial assessment of the case and identify areas of loss. 6) Assist and attend the examination for discovery including the formulation of questions to be asked regarding the financial evidence. 7) Review of the opposing expert's damages report and reporting on both the strengths and weaknesses of the positions taken. 8) Assist with settlement discussions and negotiations. 9) Attend trial to hear the testimony of the opposing expert and to provide assistance with cross- examination.

2.2. Empirical Review

This section of the paper reviewed extant literature and studies on forensic accounting and fraud detection and prevention. Few of these are reviewed here. Baz. Samsudin, Che-Ahmad and Opoola (2016) in their study measured the roles of forensic auditors in fighting fraudulent activities, difference between forensic and statutory auditor, features of forensic auditor and the impact of forensic auditor on the Nigerian corporate governance. The study concludes that forensic auditors have enhanced management responsibility, reinforced external auditor's independence. Masoyi, Dadi and Ogere (2014) examined the efficiency of forensic auditing in detecting and preventing bank frauds in Harare, Zimbabwe. The study used questionnaires, documentary review and personal interview to acquire information from respondents in 13 commercial banks, 4 building societies, and 4 audit firms. The study showed although, forensic auditing has significant positive effect on organisation performance, forensic auditing department lacked relevant resources and technical know-how.

Modugu and Anyaduba (2013) examined forensic accounting and financial fraud in Nigeria. The study used survey design utilizing a sample size of 143 comprising practicing auditors, accountants, stakeholders and management staff. The authors used binomial test for data analysis and determined that there is significance concord opinion amongst the stakeholder on the effectiveness of forensic accounting in fraud prevention and control, internal control quality and financial reporting. Akkeren and Tarr (2014) employed Chi- square in their study and used statistics package for social science to empirically appraise forensic accounting as remedy to economic and financial crimes in the Nigeria public sector. By testing four hypotheses, their study showed that forensic accounting is a financial strategy used in detecting and preventing economic and financial misappropriation in the Nigerian economy.

2.3. Theoretical Review

Many theories and models have been formulated over the years on which intellectual discuss on fraud is anchored. Among the various theories on fraud are the fundamental observation theory, fraud Diamond theory, social learning theory, hyper motivation theory, anomie fraud theory, low handling theory, social control theory, fraud triangle theory, differential opportunity theory, social ecology theory, rotten apple theory (Eze, 2015; Crumbley, Heitger & Smith, 2007) . There is also the popular white-collar crime theory which dates back to 1949. However, in this paper the white-collar crime theory is the focal points.

White-collar Crime Theory

The “white-collar crime theory' was propounded by Sutherland in 1949 (Gbegi and Okoye, 2013). The term white-collar crime was dated back to 1949. Sutherland (1949) was the first to use the term. Sutherland initially postulated his theory in a speech to the American Sociological Society in effort to study two areas, crime and high society which had no prior empirical relationship. He described his thought as “crime done by one's with respectability and high social position in his occupation (Sutherland 1949 in Gbegi and Okoye, 2013). Sutherland asserted that in his time, not more than 3% percent of the persons imprison in a year come from the upper class. His aim was to ascertain the correlation between social status, money, and possibility of going to jail as a result of white-collar crime, in relation to more visible, usual crimes, although, the rate is a little bit higher today.

Most of Sutherland's effort was to separate and identify the difference in blue collar street crimes, like theft, arson, attack, robbery, vandalism and rape which are frequently blamed on structural, psychological and associational factors. Meanwhile, white-collar criminals are opportunists that take advantage of their conditions in accumulating financial gain. These are well educated, intellectual, wealthy, individuals who are competent enough to get a job that allows them the unsupervised access to huge sum of money. This theory is, therefore, relevant to this paper as the employees and office holders in both the private and public sectors of the Nigerian economy happen to be opportunists that take advantage of their position in accumulating financial gain.

Olajide (2014) pointed out that the single way a crime differs from another is in the characteristics and backgrounds of the perpetrators. A good number of white-collar perpetrators are differentiated by lives of opportunity, with origins in status variation. It is realized that a high number of white-collar crimes is not easily detected or even if detected, it is not being reported. Therefore due to the high position of the committers of these crimes, vastly experienced and skilled scrutinizers such as proficient forensic accountants are required to avert the incident of such elevated fraud.

3.0. METHODOLOGY

A survey research design was adopted and ten (10) organizations from both the private and public sector were randomly selected for the study. A sample size of one hundred (100) respondents was selected using a random selection technique. The respondents were financial experts working in the selected organizations which comprise auditors and accountants. The data for the study were gathered from primary sources, using a Likert styled structured questionnaire which was administered to respondents in order to generate data from the selected organizations. All the questionnaires administered were properly filled and returned.

The data collected from the retrieved copies of questionnaire were carefully analyzed by means of Analysis of Variance (ANOVA). The selection of ANOVA in this research is due to the fact that it shows the degree of variance in dependent variables caused by the independent variables. Furthermore, ANOVA is used in measuring the variation in more than two distinct samples drawn from the population with the same variance. The decision Rule of this study indicates that the null hypothesis should be rejected if the calculated value of f-ratio is higher than the critical value of f. i.e. (ft-1, N-t). Otherwise, it will be accepted.

4.0. RESULTS AND DISCUSSION

4.1. Test of Hypotheses

$H_0$1: Forensic accounting is ineffective in fraud detection within the Nigerian economy.

Table 1: Descriptive Statistics of Forensic Accounting Effectiveness in Fraud Detection within the Nigerian Economy

Response Pattern	Response Frequencies			Total
Agree	8	15	11	34
Strongly Agree	35	29	24	88
Disagree	6	3	7	16
Strongly Disagree	1	3	8	12
Total	**50**	**50**	**50**	**150**

**Responses generated from questionnaires*

Table 1 indicate that hypothesis one responses of 34, 88, 16 and 12 were recorded as agree, strongly agree, Disagree and strongly disagree respectively. This showed that the use of forensic accounting within the Nigerian economy is effective in fraud detection. This finding is in line with the works of Ozuomba, Ofor and Okoye (2016) and Umar, Samsudin and Mohamed (2015).

Table 2: Inferential Statistics (ANOVA) Summary

Source	Sum of Square	Degree of Freedom	Mean Square	F-ratio
Between	1513	3	501.3	27.14
Within	140	8	16.875	
Total	1653	11		

Critical value of 5% significance level and a degree of freedom 3 to 8 is 4.07

Decision Rule: Given the F-ratio calculated value of 27.14, which is higher than the critical value of 4.07, the null hypothesis is rejected. Thus, it implied that the use of forensic accounting is effective in fraud detection within the Nigerian Economy.

$H_0$2: Forensic accounting is ineffective in fraud prevention within the Nigerian economy.

Table 3: Descriptive Statistics of Forensic Accounting Effectiveness in Fraud Prevention within the Nigerian Economy

Response Pattern	Response Frequencies			Total
Agree	10	12	8	30
Strongly Agree	31	28	37	94
Disagree	5	4	5	16
Strongly Disagree	3	6	-	10
Total	**50**	**50**	**50**	**150**

**Responses generated from questionnaires*

Table 3 indicate that responses of 30, 94, 16 and 10 were recorded as agree, strongly agree, Disagree and strongly disagree respectively. This showed that the use of forensic accounting is effective in fraud prevention within the Nigerian economy. This is in accordance with the findings of Modugu and Anyaduba (2013) and Umara, Samsudin and Mohamed (2016).

Table 4: Inferential Statistics (ANOVA) Summary

Source	Sum of Square	Degree of Freedom	Mean Square	F-ratio
Between	1773	3	591.33	27.16
Within	45	6	7.33	
Total	1818	9		

Critical value of 5% significance level and a degree of freedom 3 to 7 is 4.35

Decision Rule: Given the F-ratio calculated value of 27.16, is higher than critical value of 4.35, the null hypothesis is rejected. Therefore, it can be implied that the use of forensic accounting within the Nigerian economy is effective in fraud prevention.

4.2. Robustness Checks

With respect to the findings of this paper on the effectives of forensic accounting in fraud detection, the findings revealed that forensic accounting is very effective in fraud detection within the Nigerian economy. This finding agrees with those of Akkeren and Tarr (2014) which stated that forensic accounting is a financial strategy used in detecting and preventing economic and financial misappropriation in the Nigerian economy.

Also, regarding the effectiveness of forensic accounting in fraud prevention, the findings of this paper showed that forensic accounting is very effective in fraud detection within the Nigerian economy. This finding is in consonance with those of Modugu and Anyaduba (2013) which showed that there is significance concord opinion amongst the stakeholder on the effectiveness of forensic accounting in fraud prevention and control, internal control quality and financial reporting.

5.0. CONCLUSION AND ECOMMENDATIONS

5.1. Conclusion

In conclusion, forensic accounting being a contemporary field in accounting is an essential tool in detecting and preventing economic and financial fraud in any organization. This seminar paper disclosed that forensic accounting merges auditing, accounting and investigating skills in detecting and preventing of fraud. The paper also disclosed that fraud being committed in any organization can be prevented or reduced through the roles of forensic accountants. Prevention is better than cure. Therefore, preventing fraud is far preferable to detecting it because after detection the forensic accountant can begin to think of ways to recover lost materials.

5.2. Recommendations

From the findings of this paper, the following recommendations were proposed:

1. Organizations operating within the Nigerian economy should build a consistent internal control system that would instigate efficient and effective internal check;
2. Organizations operating in the Nigerian economy should also adopt a good accounting system which is valuable and effective in practice;
3. The responsibilities of Nigerian anti-corruption agencies such as EFCC, ICPC should be geared toward achieving better performance;
4. Professional accounting bodies in Nigeria should make sure that more forensic accountant are produced and well equipped with current skills of forensic accounting techniques;
5. Financial Reporting Council (FRC) should ensure best standards; regulations and guidelines are established that would facilitate service delivery and best practice.
6. Organizations operating within the Nigerian economy needs to invest in building human capacity to recover their internal auditors' quality.
7. Nigerians (whether in private or public sector) should hold the character of accountability, integrity, equality, impartiality as a moral duty to eliminate or reduce the altitude of fraud in the Nigerian economy.

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