

Forensic Accounting a Panacea to Fraud Reduction in Nigeria Firms

Dr. A. O. Enofe, N. G. Idemudia and G.U. Emmanuel

Department of Accounting,
Faculty of Management Sciences,
University of Benin,
P.M.B. 1154, Benin City, Edo State,
Nigeria
gideonosa4life@yahoo.co.uk

Abstract

The study examines forensic accounting as a panacea to fraud reduction in Nigeria firm. Data were collected from primary sources with the aid of a well-structured questionnaire. One hundred and fifty (150) was administered to respondents out of which one hundred and ten (110) were retrieved, and analysed with the help of table, pie chart and statistical regression tool chi square. The study reveals that, first forensic accounting enhances financial fraud reduction in Nigeria firms through fraud prosecution and prescription of punishment for fraudsters, second Forensic accounting has significant effect in improving internal control system of firms in Nigeria leading to fraud reduction, third forensic accounting has significant impact on the financial reporting credibility of firms in Nigeria, and finally Forensic accounting has significant impact on firms' financial transparency in Nigeria. The study therefore recommends that forensic accountants should always be invited in setting up the organisational internal control system to ensure efficiency and effectiveness. This can help reduce the chances of fraud, also the internal control system developed by forensic accountant help to reveal red flag areas.

Keywords: Forensic accounting, Fraud reduction, internal control, financial reporting credibility, financial transparency

Introduction

Globally the number of falsified and suspicious financial activities has continue to be on the increase as businesses are now wide open to new risks of fraud. These have brought forensic accounting field to the limelight. As a result, the market for forensic accounting has continue to grow especially with the recent corporate scandals, corporate collapses, and business failure (Jahirul, Habibur, & Takdir2011), with often cited cases of Enron and WorldCom, Allstates Trust Bank in Nigeria, Cadbury Nigeria Limited-Nigeria, Global Crossing, Qwest, Parmalat. These reported financial scandals have eroded investors' confidence and made forensic accounting an attractive career opportunity to combat fraud and restore the lost confidence of investors.

The growing intricacy of financial fraud demand that forensic accounting be included in the apparatuses essential to bring about the successful investigation and prosecution of those individuals involved in criminal activities (Anyaduba & Modugu 2013). Financial irregularity or Fraud has become a tradition and a severe problem of global concern, with developing nations having their own large portion of it. It is so rampant that it is gradually becoming a norm and a way of life. The degree of boldness increases on a daily basis and in all sectors of the society, starting from the public sector to the private sector; from the presidential villa of the nation, down to the political office-holding ladder, to the ward councillors, the rich, the poor, the young and the elderly, the male and the female all are neck deep in fraud and fraud related activities that say a lot about our moral and family values. From the common man on the street to the politicians, from organisational directors/ executive to the floor cleaner, from the legal officers to the law enforcement personnel, from the civil servants to the school teacher, from the trader in the market to the hawkers on the street, the tendency for fraud and fraud related crimes is never-ending (Kasum, 2007).

According to the Centre for Forensic Studies (2010) report, the increasing need for forensic and investigative accounting in Nigerian firms' results from the complexities of modern day business environment with large volume of complex data. This makes it difficult to monitor transactions by applying manual audit processes. This in turn makes the control utility of auditing ineffective. Virtually all the weaknesses and challenges identified in Nigerian firms, and prosecutions arising from them are issues of forensic accounting.

Forensic accounting is described as an integration of accounting and auditing knowledge with investigative skills that have been gained from years of practical experience. It is an avenue for a forensic accountant to carry out critical review of instructions given by a client, usually through a solicitor, thoroughly investigating those instructions and the underlying circumstances, examine the financial information and any relevant contracts and other agreements, obtain appropriate evidence, prepare any appropriate calculations, form a conclusion and publish the whole in the form of a report suitable for presentation to the court (Eiya & Otalor, 2013). Forensic accounting is defined as the practice of rigorous data collection and analysis in the areas of litigation support consulting, expert witnessing, and fraud examination (Rezaee, Crumbly and Elmore, 2003; 2004). Forensic Accounting provides an accounting analysis suitable to the court and forms the basis for discussion, debate and ultimately dispute resolution (Zysman, 2004).

Enyi (2012) opines that in forensic accounting, a man is expected to know the trick of the monkey in order to catch it, but he should ensure that he did not become the monkey in the process. Impeccable character must be weaved around ethical considerations in forensic accounting for it to succeed. This implies that for effective investigation to be carried out the investigator must understand the tricks being employed by the perpetrator; hence forensic accounting skill is required.

Statement of the research problem

Before now the opinion of the auditor that financial statement is true and fair was sufficient to give credibility to the financial statements. This is expected to steer up confidence of the users of the financial statements that wish to make an investment decision. However looking at the increasing spate of corporate scandals and the bankruptcy of corporate organisations, one has had to argue the relevance and the credibility-building clause of the true and fair view opinion of the statutory auditor. Today; modern organized financial crimes have appeared. Financial crimes such as embezzlement, bribery, bankruptcy, security fraud (EFCC, 2004), among others, have taken the centre stage in the scheme of things; and on the scale of governmental preference.

Eiya and Otalor (2013) examined forensic accounting as a tool for fighting financial crime in Nigeria, Okoye, and Gbegi (2013) carried out an evaluation of forensic accountants to planning management fraud risk detection procedures, sudhir and sushama (2013) look at forensic accounting: a new dynamic approach to investigate fraud cases, krstić (2009) investigated the role of forensic accountants in detecting frauds in financial statements, Modugu and Anyaduba (2013) examine forensic accounting and financial fraud in Nigeria: an empirical approach, Owolabi Dada and Olaoye (2013) examine the application of forensic accounting technique in effective investigation and detection of embezzlement to combat corruption in Nigeria, Kosmas, Thulani and Edwin (2009) look at the Effectiveness of forensic auditing in detecting, investigating, and preventing bank frauds. However, regardless of the large amount of studies committed to this topic. The wavering nature of suggestion from each of them suggests that this area of research is far from conclusive. However to the best of the researcher's knowledge there has not been adequate emphasis, especially empirical evidence on the effectiveness of forensic accounting as panacea to fraud reduction in Nigeria firms. To this backdrop, this research address the following questions

Research Questions

1. What is the effect of forensic accounting in improving internal control system of firms in Nigeria?
2. To what extent does forensic accounting enhances financial fraud reduction of firms in Nigeria?

3. What is the impact of forensic accounting on financial reporting credibility of firms in Nigeria?
4. What is the impact of forensic accounting to firms financial transparency in Nigeria

Research Objectives

The broad objective of this study is to examine if Forensic Accounting act as a Panacea to Fraud Reduction in Nigeria firms. The specific objectives are to:

1. Determine the effect of forensic accounting in improving internal control system of firms in Nigeria
2. Ascertain the extent to which forensic accounting enhances financial fraud reduction of firms in Nigeria
3. Establish the impact of forensic accounting on financial reporting credibility of firms in Nigeria
4. Find out the impact of forensic accounting to firms financial transparency in Nigeria

Research Hypothesis

The research hypotheses are stated in the null form as follows:

H01. Forensic accounting has no significant effect in improving internal control system of firms in Nigeria

H02. Forensic accounting does not enhance financial fraud reduction in Nigeria

H03. Forensic accounting does not have significant impact on the financial reporting credibility of firms in Nigeria

H04. Forensic accounting has no significant impact on firms' financial transparency in Nigeria

LITERATURE REVIEW

Concept of Forensic Accounting

In order to ascertain the future direction of an idea, event or academic field of study it is important to appreciate the past, on this basis Joshi (2003) ascribed the debut of forensic accounting to Kutilya some centuries ago. Kutilya was regarded as the first economist to openly recognize the need for the forensic accountant when he mentioned 40 ways of embezzlement. However according to Enofe, Okpako and Atube (2013) a Scottish by the name of Maurice E. Peloubet is credited to have coined the term forensic accounting in his 1946 essay "Forensic Accounting: Place in Today's Economy". Crumbley (2001) wrote on same when he opines that forensic accounting can be traced as far back as 1817 to a Canadian court decision of Meyer vs Sefton. Consequently it was opines that James McClelland offer forensic accounting services back in 1824 and this was captured by Oyedokun (2013) as the earliest known evidence of forensic accounting and has been traced to an advertisement in a newspaper in Glasgow, Scotland, appearing in 1824. At that time, arbiters, courts, and counsels, used forensic accountants to investigate fraudulent activity. It's well noted that the place of forensic accounting in today's economy cannot be overemphasize as it help to strengthen the economic growth and development by eliminating leakages in form of fraud and corrupt practices by either private or public officers. By the late 1940s, according to (Rasey, 2009) as cited in Enofe et al (2013) forensic accounting had proven its worth during world war II; however formalized procedures were not put in place until the 1980s when major academic studies in the field were published.

Forensic accounting is the combination of accounting, auditing and investigative skills in resolving litigation disputes. According to Jafaru (2011) Forensic accounting also known as investigative accounting is seen as the application of financial skills and investigative mentality conducted within the context of the rules of evidence to resolve or unresolved issues. According to the Webster's Dictionary, forensic accounting means belonging to, used in or suitable to courts of judicature or to public discussion and debate. The Association of Certified Fraud Examiners (ACFE) seen forensic accounting as the utilisation of skills in potential or real civil or criminal disputes in combination with generally accepted accounting and auditing standards or principles in establishing

losses or profit, income, property or damage, estimations of internal controls, frauds and others relevant activities that involve using accounting knowledge into the legal system. Chariri (2009) opines that forensic accounting involves using specialised knowledge detecting fraud, and particularly in documenting exactly the kind of evidence required for successful criminal prosecution and the ability to work in complex regulatory and litigation environment with reasonable accuracy, and reconstructing missing, destroyed, or deceptive records. Considering the view of Joshi (2003) Forensic accounting is the application of specialized knowledge and specific skill in accounting to stumble up on the evidence of economic transactions. It requires 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. Zysman (2004) forensic accounting is accounting that is suitable for legal review, offering the highest level of assurance and including the now generally accepted connotation of having been arrived at in a scientific fashion. Coenen (2005) opine that Forensic accounting involves the application of accounting concepts and techniques to legal problem. According to Jafaru (2011), Forensic and investigative accounting should be seen as the application of financial skills and investigative mentality conducted within the context of the rules of evidence to resolve unresolved issues

Mukoro, Yamusa and Faboyede (2013) posited that to be successful in the field of forensic accounting one must be detail oriented, persistent, ambitious, and highly organized. Forensic accounting also entails a great deal of creativity because; it requires detail explanation of complex financial concepts to an audience that lacks basic knowledge in accounting. Forensic accounting as defined by (Rezaee, Crumbly and Elmore, 2003) is a practice of rigorous data collection and analysis in issues of litigation supporting services, expert witnessing, and fraud examination. Forensic accountants primarily carry out investigation and documentation on issues relating to financial fraud; also give assistance to lawyers in court, regulating bodies, and other institutions investigating financial frauds (Jovan, 2009). He further opines that for forensic accountant to be successful, efficient and effective in carrying out these functions and activities highlighted he must possess the needed solid knowledge and skills in accounting, auditing. The forensic accountant must be independent both in appearance and in fact. They should possess developed proficiency in verbal and written communication, capability of efficient application of investigation techniques, and high degree knowledge in the use of information technology in accounting and auditing procedure (Jovan, 2009).

According to Modugu and Anyaduba (2013) the field of Forensic accounting has its own models and methodologies use in carrying out investigations that give absolute assurance, attestation and advisory perspective to yield legal evidence. It have to do with providing the very nature of accounting data, as a practical discipline which involved accounting fraud and forensic auditing; compliance, due diligence and risk assessment; detection of financial misrepresentation and financial statement fraud (Skousen & Wright, 2008); tax evasion; bankruptcy and valuation studies; violation of accounting regulation (Dhar and Sarkar, 2010). Forensic accounting is concerned with fact findings that are admissible in court for supporting business litigations. That is, to use forensic techniques to detect and investigate a crime is to expose all its attending features and identify the culprits (Modugu & Anyaduba 2013). In the view of Howard and Sheetz (2006), forensic accounting is the process of interpreting, summarizing and presenting complex financial issues clearly, succinctly and factually often in a court of law as an expert. It is concerned with the use of accounting discipline to help determine issues of facts in business litigation (Okunbor and Obaretin, 2010).

The services of forensic accountants can be solicited for in Public Practice or employed by insurance companies, banks, police forces, government agencies and other organizations. When called upon by the police force. A forensic accountant can carry out a criminal investigation which could relate to prosecution of individual or lifting the veil of corporate bodies. In doing this the forensic accountant uses his/her investigative accounting skills to examine the documentary and other available evidence to give his/her expert opinion on the matter. Where losses arise as a result of

personal injury, insurance companies sometimes seek expert opinion from a forensic accountant before deciding whether the claim is valid and how much to pay. Forensic accountant can be called upon where there is fraud to investigate. In this regard forensic accountant assist in fund tracing, asset identification and recovery, forensic intelligence gathering and due diligence review. In divorce cases involving disputes about matrimonial assets sudhir and sushama (2013) opine that solicitors often called upon the services of forensic accountants to trace, locate, and evaluate assets. Such assets, for instance, might technically be owned by a business in which one of the parties to the divorce case has a share. The assets would need to be accurately valued to ensure equity when splitting the divorcing couples' assets and liabilities. Forensic accountant can also carry out other functions such as ascertaining professional negligence, expert witness cases where Forensic accountants are required to testify in civil and criminal court hearings, as expert witnesses. In such cases, they attend to present investigative evidence to the court so as to assist the presiding judge in deciding the outcome of the case (Oyedokun 2013). Meditation and arbitration: meditation and arbitration, and litigation consultancy

Forensic accounting is different from the traditional auditing. According to Dahli (2008) traditional auditing involves the process of reviewing others work in order to ascertain if prescribed policies, procedures and practices have been followed and at the end express a professional opinion on the truth and fairness of the examined event. Traditional auditing has a focus on error identification and prevention (Olidipupo, 2005). Prevention is the result of an effective internal control system. The auditor reviews the effectiveness of the internal control system by sampling transactions and not by a complete review of all transactions. The process can reveal errors. All errors are not considered equal. Some are important and are referred to as material. For example, omission of a million dollar loan that is not recorded in the accounting records might be a material error. Other errors are not material. An example of an error that might not be material would be a math error due to rounding that causes the reported amount to be ten dollars more or less than the actual amount. These examples are not meant to imply that there are absolute dollar amounts that denote the difference between material and not material (Dahli, 2008)

Concept of fraud

The word fraud is seen as a legal concept and not an accounting concept hence in accounting the term fraud are treated as alien concept to accounting discipline (Jagdish 2013). Till date there is no universal definition of fraud. It has been describe by many researchers that defining fraud is as difficult as identifying it. Enofe and okpako (2013) states that no definite and invariable rule can be laid down as a general proposition in defining fraud as it includes surprise, trick, cunning and unfair ways by which another is cheated. To them fraud refers to the intentional misrepresentation of the truth in order to manipulate or deceive a company or individual. (Owolabi, Dada, & okwu, 2013) see fraud as an act of dishonest, deceit, falsification and manipulations perpetrated to gain monetary and non-monetary benefits. Fraud is a predetermined tricky process or device carried out by a person or a group of persons with the primary objective of cheating another person or organisation to gain undue advantage which would have been absent if the deceptive act did not take place (Nwaze 2012). For a fraud to take place some element have been identify that must be present, such as there must be false representation of a material nature that is either misstatement or omission of a material fact, the Knowledge that the representation is false, or reckless disregard for truth, the person receiving the representation has reasonably and justifiably relied on it, and the receiving party has sustained financial damages from all of the above. However under the security law according to Jagdish (2013) some of these conditions are relaxed.

Ramamoorti (2007) posited that fraud is a human thing which involves total deception, purposeful intent, intensity of desire, risk of apprehension, violation of trust, and rationalization. Ojaide (2000) opine that fraudulent practices encompass fraud and other illegal activities which involve acquisition of an asset to the disadvantage of another. It involve a dishonest, deceit, falsifications, and manipulations act to gain either monetary or non-monetary benefits

Albrecht (2008) outline the various component of fraud to include a large variety of activities which include bribery, political corruption, business and employee fraud, consumer theft, network hacking, bankruptcy and divorce fraud, and identity theft. However the very one interesting to accounting profession is business fraud which is also called the occupational fraud. The Association of Certified Fraud Examiners defines occupational fraud as the use of one's occupation for personal enrichment through the deliberate misuse or misapplication of the employing organization's resources or assets. Business fraud can also be for the benefit of the enterprise; in this case it is regarded as corporate crime which according to Izedonmi and Ibadin (2012) is usually committed by the senior management of companies. Categories of these frauds include financial statement fraud, anti-trust violation; securities frauds, tax evasion, false advertising, environmental crimes and the production of unsafe product, corporate frauds against the company deprives the company of its assets especially when the senior management attempts to deceive, conceal and misrepresent materially the financial statements (William & Khan, 2005).

Theoretical framework

The two major theories that form the basis of this study is the theory of fraud triangle and fraud diamond. The fraud triangle was an idea developed by Donald Cressey, a criminologist in 1953 to investigate the causes of fraud. His research was aimed at ascertaining what drive people to violate trust bestowed on them. He conducted an interview consisting of two hundred and fifty criminals who behaviour met two criteria that is the person must have accepted a position of trust in good faith and secondly the person must have violated the trust (Gbegi & adebisi 2013). Three elements were considered by Cressy (1973) that must be present for fraud to take place which consist of pressure, opportunity and rationalisation. Pressure is regarded as one major factor that causes a person to commit fraud. Pressure is referred to as anything including medical bills, expensive tastes, addiction problems, etc (Erols and Lougee, 2011). Opportunity is refer to mean the ability to commit fraud and is cause by weak internal control system, lack of strong management oversight, and failure to establish adequate procedure to detect fraudulent activity also increase the possibility of fraud in an organisation. They directly involve top management and owners of the business in particular. Providing the opportunity to commit fraud is one of the most important factors arising from frauds (Rasha & Andrew). Rationalisation has to do with having a self-convention that the fraudulent act is worth the risk. It involves the fraudsters developing a defence mechanism in order to justify his/her action.

The fraud diamond was the extension of the work of Crassey Donald on fraud triangle in 1953 by Hermanson and wolf in 2004. They argue that the diamond offers a better view of the factors leading to fraud. They add a fourth variables, capacity, to the three-factor theory of Cressey. The fraud perpetrator must have the necessary traits, abilities, or positional authority to pull off his crime. Capacity as added by wolf and Hermanson concludes that: "trust violators when they conceive of themselves as having a financial problem which is non-sharable, have knowledge or awareness that this problem can be secretly resolved by violation of the position of financial trust, and are able to apply to their own conduct in that situation verbalizations which enable them to adjust their conceptions of themselves as users of the entrusted funds or property (Gbegi & adebisi 2013). Capacity in this regards means that the fraudster possesses the necessary traits and abilities to be the right person to pull off the act. They say to themselves I have recognized this particular fraud opportunity and can turn it into reality. While these four elements certainly overlap, the primary contribution of the fraud diamond is that the capabilities to commit fraud are explicitly and separately considered in the assessment of fraud risk. By doing so, the fraud diamond moves beyond viewing fraud opportunity largely in terms of environmental or situational factors, as has been the practice under current and previous auditing standards (Wolfe & Hermanson 2004)

Empirical Literature Review

There are many occasion where both public and private companies suffered loss due to fraudulent activities. This has led many researchers to undertake empirical studies to ascertain the extent to

which forensic accounting can curb fraud. In the study of Okoye and Gbegi (2013) where they carry out, an evaluation of forensic accountants to planning management fraud risk detection procedures, they focused on investigating the relative merits of involving forensic accountant during the planning stage of developing an audit plan that will effectively identify management fraud. Both primary and secondary data were collected from Kogi state for the study and with the help of statistical analysis techniques MANOVA and ANOVA they found out that Forensic Accountants effectively modify the extent and nature of audit test when the risk of Management fraud is high, Forensic Accountants propose unique procedures that are not proposed by auditors when the risk of Management fraud is high, Forensic Accountants can make to the effectiveness of an audit plan when the risk of Management fraud is high, involving Forensic Accountants in the risk of Management fraud assessment process leads to better results than simply consulting them.

Kasum (2007) carried out a comparative analysis of the relevance of forensic accounting in private and public sector with the objective of ascertaining where the services of a forensic accountant is most required. Primary data were collected from the opinions of accountants, lawyers, economists, bankers, contractors, engineers, and subject a statistical analysis Z score test of mean and Z score test of proportion. The study revealed that investigative or forensic accountant has a role to play, generally, but more in the public sector.

Modugu and Anyaduba (2013) examine forensic accounting and financial fraud in Nigeria. To empirically achieve the aim of the study a survey design was used with a sample of 143 consisting of accountants, management staffs, practicing auditors and shareholders. The simple random technique was utilized in selecting the sample size, while the binomial test was employed in the data analysis. The study revealed that there is significant agreement amongst stakeholders on the effectiveness of forensic accounting in fraud control, financial reporting and internal control quality.

Owolabi et al (2013) examine the extent to which embezzlement in investigation and detection can ensure effective prevention of corruption with the application of forensic accounting technique by the EFCC. Two set of questionnaires including oral interview were designed to collect information from the staff of EFCC and the professional firms respectively. In order for them to establish the effect of forensic accounting in the investigation and detection of corruption in Nigeria, multiple regression analysis using Statistical Package for Social Sciences (SPSS) was employed in the study. The study found out that that forensic accounting technique can go a long way in the investigation and detection of corrupt practices but because EFCC has not established a forensic accounting unit in carrying out its investigation, the result showed no evidence of embezzlement prevention by applying forensic accounting technique. The study recommends that forensic accounting technique be applied for investigation, detection and prosecution of corruption cases in Nigeria; in addition special courts should be set up for the speedy trial of people accused of corruption.

In a study conducted in Bangladesh, Jahirul, Habibur and Mohd (2011) investigated forensic accounting as a tool for detecting fraud and corruption. In order to achieve the objectives of the study both primary data and secondary data were used to collect primary data. A random sample of 35 professional chartered accountants and cost and management accountants, 15 multinational corporations, and 50 local organizations has been chosen for participation in this study. The study found out that external audit is influenced greatly by forensic accounting. Chartered Accountants, Multinational Corporation and local organizations thinks that forensic accounting is strongly used as a fraud detection tool, forensic accounting has significant impact on internal control system and forensic accounting is solely enough as a tool to detect suspicious or fraudulent transactions.

Kosmas Thulani and Edwin (2009) examine the effectiveness of forensic auditing in detecting, investigating, and preventing bank frauds. A sample of thirty forensic auditors was used from thirteen commercial banks, four building societies, and four audit firms in Zimbabwe. It was found that the forensic auditing departments suffer from multiple challenges, amongst them being the lack of material resources, technical know-how interference from management, and unclear recognition of the profession

Aribaba (2013) looked at the Application of Forensic Accounting using the Nigeria companies. Primary data were sourced from professional accountant, professional auditors, financial analyst and captain of industries across every sectors of the economy in respect of the subject matter of study through the issue of 100 questionnaires on a judgmental sampling basis. The study revealed that the services of forensic accountant are of great relevance to the development of the nation and the need to ensure credible financial reporting, also it was ascertained that a lot of potentials exist for forensic accountant services in Nigeria, as the economy is becoming a global village,

Methodology

This study aimed at examining forensic accounting, a Panacea to Fraud Reduction in firms in Nigeria. To achieve this objective and provide answers to the stipulated research questions and validate the formulated hypotheses raised in the previous section, the study employed the survey research design as the main research instrument through the administration of questionnaires. The questionnaires are administered to 150 respondents which cut across the identified stakeholders, (i.e. practicing auditors/forensic accountants, management, attorneys, and the general public). The outcome of the questionnaire administered and retrieved are sorted using tables, simple percentages, and statistical analysis techniques chi-square and the results from the test will be used to validate or invalidate the entire hypotheses stated. The findings will be discussed and conclusions will be drawn.

Model Specification

$$\chi^2 = \sum_{i=1}^r \sum_{j=1}^c (o_{ij} - e_{ij})^2 / e_{ij}$$

Where o_{ij} = observed frequency in the i th row and j th column

e_{ij} = expected frequency in the ij th cell

$e_{ij} = (\text{ith row total} \times \text{jth column total}) / \text{grand total}$

Decision rule

Reject H_0 : if $\chi^2_{\text{calculated}} > \chi^2_{\text{tabulated}}$

Don't Reject H_0 : if $\chi^2_{\text{calculated}} < \chi^2_{\text{tabulated}}$

Data Presentation, Analysis and Interpretation

Using both mathematical and statistical techniques this section present an analysis of the questionnaire administered and retrieved from the respondents, from which our recommendation and conclusion are drawn from. A total of one hundred and fifty (150) questionnaire were administered to respondents which consist of all the identified stakeholders out of which fifty seven (110) were retrieved and used for the analysis thus

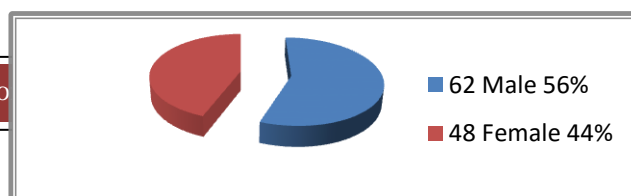
Response Rates

Detail	Number	Percentage
Copies sent out	150	100
Copies retrieved and filed	110	73

Source: Researcher survey, September 2015

The table above present the response rate of the respondents. It's ascertained from the table that 110 questionnaires were retrieved out of the 150 sent out to the respondents, which represent 73% of the total respond rate. The responses rate from the respondents as could be established from the table above is seventy three percent which is beyond average.

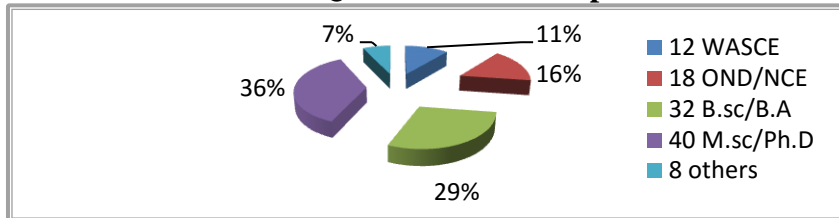
Sex Distribution of the Respondents



Source: Researcher survey, September, 2015

The pie chart above presents the sex distribution of the respondents. A close look at it revealed that 62 out of the 110 were male which represent 58% of the responses retrieved while 48 representing 44% were females.

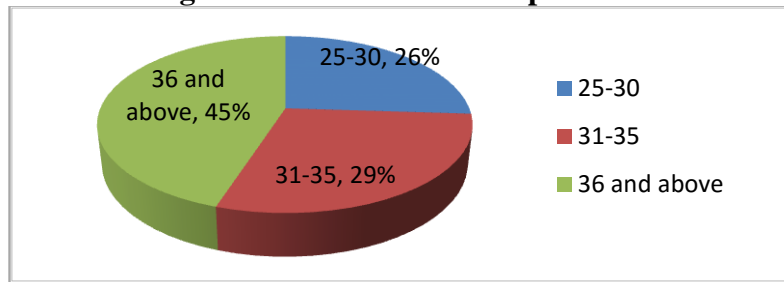
Educational Qualification of Respondents



Source: Researcher survey, September, 2015

The pie chart above helps to separate the educational qualification of the different respondents into different categories. It can be observed that 12 respondents which represent 11% of the total respondents were WASCE holders, 18 respondents representing 16% were OND/NCE holders, 32 respondents representing 29% were B.sc/B.A holders, while 40 respondents representing 36% were M.sc/Ph.D. holders. However 8 respondents representing 7% hold a qualification not specified

Age Distribution of the Respondents



Source: Researcher survey, August, 2015

Analysis of the questionnaires retrieved showed that out of the 110 persons who returned their questionnaires, 29 representing 26% were within the age range of 25-30, while 32 representing 29% were within the age range of 31-35, furthermore, 49 of the respondents which constitute 45% were in the range 36-above.

Test of Hypotheses

H01. Forensic accounting has no significant effect in improving internal control system of firms in Nigeria

S/N	STATEMENT QUESTIONS	SA Oij,(eij)	A Oij,(eij)	N Oij,(eij)	SD Oij,(eij)	D Oij,(eij)	Total
1	Forensic accounting can help develop adequate internal control system	35(34)	49(41.4)	8(14.4)	8(9)	10(11.2)	110
2	Forensic accounting is effective in Monitoring and evaluation of internal control systems	28(34)	37(41.4)	15(14.4)	12(9)	18(11.2)	110
3	Internal control system developed by forensic accountant help to reduce the chances of fraud	54(34)	21(41.4)	18(14.4)	9(9)	8(11.2)	110
4	Internal control system developed by forensic accountant help to reveal red flag areas	18(34)	58(41.4)	14(14.4)	8(9)	12(11.2)	110
5	forensic accounting is effective as a fraud detection tool	35(34)	42(41.4)	17(14.4)	8(9)	8(11.2)	110

Total/Grand total	170	207	72	45	56	550
-------------------	-----	-----	----	----	----	-----

Chi square computation

Oij	Eij0	(Oij-Eij) ^2	(Oij-Eij) ^2 /Eij
35	34	1	0.029
49	41.4	57.76	1.40
8	14.4	40.96	2.84
8	9	1	0.11
10	11.2	1.44	0.13
28	34	36	1.06
37	41.4	19.36	0.47
15	14.4	0.36	0.025
12	9	9	1
18	11.2	46.24	4.13
54	34	400	11.76
21	41.4	416.16	10.05
18	14.4	12.96	0.9
9	9	0	0
8	11.2	10.24	0.91
18	34	256	7.53
58	41.4	275.56	6.66
14	14.4	0.16	0.011
8	9	1	0.11
12	11.2	0.64	0.06
35	34	1	0.028
42	41.4	0.36	0.0087
17	14.4	6.76	0.47
8	9	1	0.11
8	11.2	10.24	0.91
Total			50.71

Source: Researcher Computation, September 2015

$\chi^2_{tabulated}$, d.f = (r-1) (c-1), level of significant= 0.05

$$= (5-1) (5-1) = 16$$

$\chi^2_{tabulated} 16, 0.05 = 26.296$

Decision:

The calculated X^2 is 50.71 while the chi-square X^2 value ($\chi^2_{tabulated}$) is 26.296. Following our decision rule, we therefore reject the formulated hypothesis and accept the alternate hypothesis that Forensic accounting has significant effect in improving internal control system of firms in Nigeria leading to fraud reduction.

H02. Forensic accounting does not enhance financial fraud reduction in Nigeria

S/N	STATEMENT QUESTIONS	SA Oij,(eij)	A Oij,(eij)	N Oij,(eij)	SD Oij,(eij)	D Oij,(eij)	TOTAL
6	Risk assessment processes under forensic	16(33.4)	45(46.8)	10(7.8)	12(9.4)	27(12.6)	110

	accounting specifically cover risk of fraud and identify red flag areas						
7	Forensic Accounting is solely enough as a tool to detect suspicious or fraudulent transactions which in turn reduce the occurrences of fraud	36(33.4)	48(46.8)	11(7.8)	7(9.4)	8(12.6)	110
8	Forensic accounting can be used to Locate diverted funds or assets	46(33.4)	39(46.8)	8(7.8)	11(9.4)	6(12.6)	110
9	Forensic accounting can Identify misappropriated assets and identify reversible insider transactions	44(33.4)	48(46.8)	4(7.8)	6(9.4)	8(12.6)	110
10	Forensic accounting can organize management activities to ensure fraud reduction	25(33.4)	54(46.8)	6(7.8)	11(9.4)	14(12.6)	110
	Grand Total	167	234	39	47	63	550

Chi square computation

Oij	Eij0	(Oij-eij) ^2	(Oij-eij) ^2 /eij
16	33.4	302.76	9.06
45	46.8	3.24	0.069
10	7.8	4.84	0.621
12	9.4	6.76	0.719
27	12.6	207.36	16.46
36	33.4	6.76	0.202
48	46.8	1.44	0.030
11	7.8	10.24	1.313
7	9.4	5.76	0.613
8	12.6	21.16	0.68
46	33.4	158.76	4.75
39	46.8	60.84	1.3
8	7.8	0.04	0.005
11	9.4	2.56	0.272
6	12.6	43.56	3.46
44	33.4	112.36	3.36
48	46.8	1.44	0.031
4	7.8	14.44	1.85
6	9.4	11.56	1.29
8	12.6	21.16	1.68
25	33.4	70.56	2.11
54	46.8	51.84	0.11
6	7.8	3.24	0.415
11	9.4	2.56	0.27
14	12.6	1.96	0.16
Total			50.83

Source: Researcher Computation, September 2015

$\chi^2_{tabulated}$, d.f = (r-1) (c-1), level of significant= 0.05

$$= (5-1) (5-1) = 16$$

$\chi^2_{tabulated} 16, 0.05 = 26.296$

Decision:

The calculated X^2 is 50.83 while the chi-square X^2 value ($\chi^2_{tabulated}$) is 26.296. Following our decision rule, we therefore reject the formulated hypothesis and do not reject the alternate hypothesis that Forensic accounting enhances financial fraud reduction in Nigeria through fraud investigation and prescription of punishment for fraudsters

H03: Forensic accounting does not have significant impact on the financial reporting credibility of firms in Nigeria

S/N	STATEMENT QUESTIONS	SA Oij.(eij)	A Oij.(eij)	N Oij.(eij)	SD Oij.(eij)	D Oij.(eij)	Total
11	Forensic accounting Enhances the quality of financial reporting	29(32.4)	36(34.6)	21(15.6)	11(11)	13(16.4)	110
12	Forensic accounting can restore the faith of the public in accounting profession	12(32.4)	25(34.6)	31(15.6)	18(11)	24(16.4)	110
13	Forensic accounting improves stakeholder confidence in corporate financial reporting	42(32.4)	29(34.6)	12(15.6)	10(11)	17(16.4)	110
14	Accountants/auditors with forensic accounting skills will deliver more quality financial reporting	48(32.4)	34(34.6)	9(15.6)	5(11)	14(16.4)	110
15	Forensic investigations deals directly with fraud investigation and this reduces financial reporting expectations gap	31(32.4)	49(34.6)	5(15.6)	11(11)	14(16.4)	110
	Grand Total	162	173	78	55	82	550

Chi square computation

Oij	Eij0	(Oij-eij) ^2	(Oij-eij) ^2 /eij
29	32.4	11.56	0.36
36	34.6	1.96	0.056
21	15.6	29.16	1.87
11	11	0	0
13	16.4	11.56	0.70
12	32.4	416.16	12.84
25	34.6	92.16	2.66
31	15.6	237.16	15.20
18	11	49	4.45
24	16.4	57.76	3.51
42	32.4	92.16	2.84
29	34.6	31.36	0.91
12	15.6	12.96	0.83
10	11	1	0.090
17	16.4	0.36	0.02
48	32.4	243.36	7.51
34	34.6	0.36	0.010
9	15.6	43.56	2.79
5	11	36	3.27
14	16.4	5.76	0.35
31	32.4	1.96	0.06
49	34.6	207.36	5.99

5	15.6	112.36	7.20
11	11	0	0
14	16.4	5.76	0.351
Total			73.867

Source: Researcher Computation, September 2015

$\chi^2_{tabulated}$, d.f = (r-1) (c-1), level of significant= 0.05

$$= (5-1) (5-1) = 16$$

$\chi^2_{tabulated} 16, 0.05 = 26.296$

Decision:

The calculated X^2 is 73.867 while the chi-square X^2 value ($\chi^2_{tabulated}$) is 26.296. Following our decision rule, we therefore reject the formulated hypothesis and accept the alternate hypothesis that, forensic accounting has significant impact on the financial reporting credibility of firms in Nigeria

H04. Forensic accounting has no significant impact on firms' financial transparency in Nigeria

S/N	STATEMENT QUESTIONS	SA Oij.(eij)	A Oij.(eij)	N Oij.(eij)	SD Oij.(eij)	D Oij.(eij)	Total
16	Forensic investigations deals directly with fraud investigation and this enhance transparency in organizational activities	23(19.8)	39(30.5)	16(28.5)	13(12.3)	19(18.8)	110
17	Forensic accounting can guarantee the safety of creditor's investments	16(19.8)	26(30.5)	42(28.5)	10(12.3)	16(18.8)	110
18	Forensic accounting can help reflect organization's true liquidity position	11(19.8)	29(30.5)	41(28.5)	12(12.3)	17(18.8)	110
19	Forensic accounting can eliminate creative accounting that is deceptive to creditors	36(19.8)	41(30.5)	5(28.5)	11(12.3)	17(18.8)	110
20	Forensic accounting can eliminate lack of transparency in the organization	21(19.8)	32(30.5)	24(28.5)	13(12.3)	20(18.8)	110
21	Forensic accounting can help disclose actual profitability figures	12(19.8)	16(30.5)	43(28.5)	15(12.3)	24(18.8)	110
	Grand Total	119	183	171	74	113	660

Chi square computation

Oij	Eij0	(Oij-eij) ^2	(Oij-eij) ^2 /eij
23	19.8	10.24	0.517
39	30.5	72.25	3.27
16	28.5	156.25	5.48
13	12.3	0.49	0.040
19	18.8	0.04	0.0021

16	19.8	14.44	0.73
26	30.5	20.25	0.66
42	28.5	182.25	6.39
10	12.3	5.29	0.43
16	18.8	7.84	0.42
11	19.8	77.44	3.91
29	30.5	2.25	0.074
41	28.5	156.25	5.48
12	12.3	0.09	0.01
17	18.8	3.24	0.17
36	19.8	262.44	13.25
41	30.5	110.25	3.61
5	28.5	552.25	19.38
11	12.3	1.69	0.14
17	18.8	3.24	0.17
21	19.8	1.44	0.073
32	30.5	2.25	0.074
24	28.5	20.25	0.711
13	12.3	0.49	0.040
20	18.8	1.44	0.077
12	19.8	60.84	3.073
16	30.5	210.25	6.89
43	28.5	210.25	7.377
15	12.3	7.29	0.592
24	18.8	27.04	1.44
Total			84.4801

Source: Researcher Computation, September 2015

$$\chi^2_{\text{tabulated}}, \text{d.f} = (r-1)(c-1), \text{level of significant} = 0.05$$

$$= (5-1)(6-1) = 20$$

$$\chi^2_{\text{tabulated}} 20, 0.05 = 31.410$$

Decision:

The calculated X^2 is 84.4801 while the chi-square X^2 value ($\chi^2_{\text{tabulated}}$) is 31.410. Following our decision rule, we therefore reject the formulated hypothesis and accept the alternate hypothesis that, forensic accounting has significant impact on firms' financial transparency in Nigeria

Summary of Findings

Flowing from the respective hypotheses tested the following summary of findings are provided:

- Forensic accounting has significant effect in improving internal control system of firms in Nigeria leading to fraud reduction.
- Forensic accounting enhances financial fraud reduction in Nigeria through fraud investigation and prescription of punishment for fraudsters
- Forensic accounting has significant impact on the financial reporting credibility of firms in Nigeria
- Forensic accounting has significant impact on firms' financial transparency in Nigeria

Conclusion and Recommendations

The study examines forensic accounting as a panacea for fraud reduction in firms in Nigeria. The study concludes that forensic accounting has significant effect in improving internal control system of firms in Nigeria leading to fraud reduction. Forensic accounting enhances financial fraud reduction in Nigeria through fraud investigation and prescription of punishment for fraudsters. Forensic accounting has significant impact on the financial reporting credibility of firms in Nigeria. Forensic accounting has significant impact on firms' financial transparency in Nigeria. The study therefore recommends that forensic accountant should always be present in setting up the organisational

internal control system because forensic accounting can help develop and monitored adequate internal control system and this can reduce the chances of fraud, also the internal control system developed by forensic accountant help to reveal red flag areas, forensic accounting is an effective tools in fraud reduction hence should always be put to use because Risk assessment processes under forensic accounting specifically cover risk of fraud and identify red flag areas, it can detect suspicious or fraudulent transactions which in turn reduce the occurrences of fraud, also it can locate diverted funds or assets

References

- Albrecht, W. S. (2008). Current trends in fraud and its detection: A global perspective. *Information Security Journal*, 17, 1-32
- Anyaduba, J.O., & Modugu, K.P. (2013). Forensic accounting and financial fraud in Nigeria: An empirical approach, *International Journal of Business and social sciences*, 4(7), 281-289
- Aribaba, F. O. (2013). Application of forensic accounting: A study of companies in Nigeria. *Academic Journal of Interdisciplinary Studies*, 2(2), 447-454
- Chariri, A. (2009). *The Relevance of Forensic Accounting in Detecting Financial Frauds*: Centre for Accountability, Shariah & Forensic Accounting Studies
- Coenen, T. L. (2005). *Forensic accounting: A new twist on bean counting*. Retrieved from: <http://www.Tracy/sequence-inc.com>
- Dada S. O., Owolabi S. A., & Okwu, A. T. (2013). Forensic accounting a panacea to alleviation of fraudulent practices in Nigeria. *Internal journal of business management and economic research*, 4(5), 787-792,
- Williams, I. (2005). Corrupt practices: Implications for economic growth and development of Nigeria, *The Nigeria accountants*, 38 (4), 44-50.
- Cressey, D. (1973). *Other people's money*. Montclair: Patterson smith
- Jagdish S. G. (2013). Lecture Notes on Forensic Accounting Investigations, department of accounting & law, State University of New York at Albany.
- Rezaee, Z., Crumbley, D., and Elmore, R. (2004). Forensic accounting education: A Survey of academicians and practitioners. *Advances in Accounting Education Teaching and Curriculum Development*, 6,193.
- Crumbley, D.L. (2001). Forensic Accounting: Older than you think, *Journal of Forensic Accounting*, 2(2),181
- Joshi, M.S. (2003). Definition of forensic accounting. Retrieved from: <http://www.forensicaccounting.com>
- Dahli, G. (2008). Forensic accounting and auditing: compared and contrasted to traditional accounting and auditing. *American Journal of Business Education*, 1 (2), 115-126
- Dhar, P. & Sarkar, A. (2010). Forensic accounting: An accountant's vision. *Vidyasagar University J Commerce*, 15(3), 93-104.
- Eiya, O. & Otor, J. I. (2013). Forensic accounting as a tool for fighting financial crime in Enofe, A.O., Okpako, P.O., & Atube, E.N. (2013). The impact of forensic accounting on fraud detection, *European Journal of Business and management*, 5(26), 61-72
- Enyi, E. P. (2012). *Ethical conduct for forensic accountants*: Being a lecture delivered at the Institute of Chartered Accountants of Nigeria (ICAN), forensic accounting certification programme
- Howard, S. & Sheetz, M. (2006). *Forensic accounting and fraud investigation for non-experts*: New Jersey, John Wiley and Sons Inc.
- Izedonmi, F., & Ibadin, P. O. (2012). Forensic accounting and financial crimes: adopting the inference, relevance and logic solution approach. *An International Multidisciplinary Journal*, 6 (4), 125-139
- Jahirul, I., Habibur, R., & Takdir, H. (2011). Forensic accounting as a tool for detecting fraud and corruption: An empirical study in Bangladesh. *ASA University Review*, 5(2), 77-85

- Jovan, K. (2009). The role of forensic accountants in detecting frauds in financial statements. *Economics and Organization*, 6(3), 295 – 302
- Kasum, A.S. (2007). *The relevance of forensic accounting to financial crimes in private and public sectors of third world economies: A study from Nigeria*. University of Ilorin, Nigeria: Retrieved from <http://www.docudesk.com>
- Kosmas, N., Thulani, D., & Edwin, M. (2009). The Effectiveness of Forensic Auditing in Detecting, Investigating, and Preventing Bank Frauds. *Journal of Sustainable Development in Africa*, 10(4), 405-425
- Krstic, J. (2009). The role of forensic accountants in detecting frauds in financial statements. *Economics and Organization*, 6(3), 295 – 302
- Mukoro, D., Yamusa, O., & Faboyede, S. (2013). *The role of forensic accountants in fraud detection and national security in Nigeria*: Retrieved from <http://eprints.covenantuniversity.edu.ng/1572>
- Nigeria, *Research Journal of Finance and Accounting*, 4 (6), 18-25
- Nigerian corporate organisations. *AAU JMS* 1(1), 23-28
- Nwaze (2012). Due process and accountability: Advance fee fraud. *Zenith Quarterly Economic Journal* 8(2), 24-28
- Ojaide, F. (2000). *Frauds detection and prevention: the case of pension accounts ICAN NEWS* January/March. P8
- Okoye, E. I & Gbegi, D. O. (2013). An evaluation of forensic accountants to planning management fraud risk detection procedures. *Global journal of management and business research*, 13 (1),
- Okoye, E. I., & Gbegi, D. O. (2013). Forensic accounting: A tool for fraud detection and prevention in the public sector. A study of selected ministries in Kogi state, *International Journal of Academic Research in Business and Social Sciences*, 3(3)
- Okunbor. J. A. & Obaretin. O. (2010). Effectiveness of the Application of Forensic Accounting Services in
- Oladipupo, A. O. (2005). *Auditing and investigation: theory and practice*: Benin City. Mindex publishing
- Owolabi S. A., Dada S. O., & Olaoye S. A. (2013). Application of forensic accounting technique in effective investigation and detection of embezzlement to combat corruption in Nigeria, *Unique journal of business management research*, 1(4), 65-70
- Oyedokun, G.E. (2013). *An assessment of the role of forensic accountants in litigation support services: An explanatory approach*. Retrieved from <http://ssrn.com/abstract-2410664>
- Resey, M. (2009). *History of forensic accounting*; Retrieved from: <http://www.ehow.com/about-5005763-historyforensic-accounting>
- Sudhir, Y., & Sushama, Y. (2013). Forensic accounting: A new dynamic approach to investigate fraud cases. *Excel international journal of multidisciplinary management studies*, 3 (7), 1-9
- Zysman, A. (2004). *Forensic accounting demystified world investigators network Standard practice for investigative and forensic accounting engagements*, Canadian Institute of Chartered Accountant.