The Impact of Forensic Accounting in the Investigation of Corrupt Practices in Nigeria

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ABSTRACT
Corruption is a menace and has been widely condemned locally and internationally. Cases of looting of public treasury, extortions, bribery, etc. are the major forms of corruption, are recorded in every sector of Nigerian economy on regular basis. These undermines good governance, fundamentally distorts public policy, leads to the misappropriation of resources, and harms to private and public sectors development. Previous Nigerian governments enacted so many laws to fight corruption and financial crimes, but all these laws did not significantly reduce cases of corrupt practices. It is in the light of these that this study focused on application of Forensic accounting technique for effective investigation of cases of corrupt practices to ensure proper ad timely prosecution of those accused of such practices. This study adopted the survey research design to ensure that reliable data is obtained empirically to assist in testing the relationship that exist between forensic accounting and investigation of cases of corrupt practices. To assess the effect of forensic accounting in the investigation and detection of corrupt practices in Nigeria, multiple regression analysis using Statistical Package for Social Sciences (SPSS) was employed in analysing the data collected with questionnaire and oral interviews conducted. The result showed positive values of the coefficients of corruption investigation and detection with the application of forensic accounting technique (=0.220 and =0.079). The implication of this is that though forensic accounting is not presently being fully employed to carryout investigation and detection of corrupt practices by the EFCC, however, it is clear that if applied fully, it will positively assist in effective detection and investigation of cases of corrupt practices. Result of the regression analysis showed that the p-value (0.207) associated with the coefficient of autonomous variable is not significant at 0.05 level of significance; R of 0.076 has low explanatory power in explaining the variation in the dependent variable (corrupt practices prevent ion), and the calculated F of 1.641 is very much less than the F tabulated of 4.08, Ho is therefore accepted. The study recommends that anti-corruption agents should employ fully the forensic accounting technique for effective investigation of cases of corrupt practices, personnel involved in investigation should be trained in the application of forensic accounting technique and professional accounting firms should be involved in the investigation of corrupt practices for effective investigation.

Keywords: corrupt practices, forensic accounting, fraud investigation

INTRODUCTION
Corruption has been a topic of discussion both locally in Nigeria and internationally. Cases of corrupt practices are recorded on daily basis in every sector of the economy. These undermines good governance, fundamentally distorts public policy, leads to the misappropriation of resources, and harms the private and public sectors development

Corrupt practices is an anti-social behaviour conferring improper benefits contrary to legal and moral norms, which undermines the authorities’ capacity to secure the welfare of all citizens. The decline of the traditional society values and other societal ills are resultant effect of corruption. It seems that all the efforts of the past administrations, in Nigeria, did not achieve reduction in the level of corrupt practices hence, the trust of this study was in the area of how investigation of bribery can be effective for successful prosecution of the culprits with the employment of forensic accounting technique by anti -graft Commission in Nigeria.

Acts of corrupt practices are passive in that their voluntary acceptance offers an assurance of personal advantage (but misuse of public responsibility) whereas extortion is proactive (aggressive) in its
demand for something of value under threat of non-cooperation. According to Oyejide (2008), the institutional elements of the indirect factors affecting the degree of corruption include the penalty system, monitoring and control, and transparency of laws, rules and processes. More specifically, he suggested that where penalties are strong and faithfully imposed, corrupt practices may be reduced. Similarly, the existence of effective monitoring and controlling institutions which increase the probability that those who are corrupt would be caught and appropriately punished may reduce the extent of corruption. This may explain why several such institutions have been established in Nigeria. The question however is how effective are these institutions? Following this portion is the statement of problems, objective of the study, and statement of hypothesis. Other parts of this works include conceptual framework (Bribery, Forensic Accounting), methodology, conclusion and recommendation.

**Statement of Problems**
The emergence of e-commerce and e-governance and its growing sophistications have not done much in the reduction of unwholesome practices in Nigeria as it is observed in the dawn of the millennium by most corruption fighters. Policy makers, both locally and internationally, have instituted policies in the form of legislations just in an effort to curb the monster called corruption but everything seems to be ineffective. Owolabi (2007) said past Nigerian governments enacted so many laws to fight corruption and financial crimes, but all these laws did not reduce cases of corrupt practices. Consequently, the Olusegun Obasanjo administration introduced the Independent Corrupt Practices Commission (ICPC) and Economic and Financial Crimes Commission (EFCC) in 2000 and 2004 respectively. Impact of these institutions in reducing cases of corruption, especially bribery, extortion, looting of public treasury, e.t.c seems not to have been felt in Nigeria. It is in the light of the failure of legislation that this study focused on application of forensic accounting technique for effective investigation of cases of bribery to ensure proper prosecution of those accused of such practices.

**Objective of the Study**
The objective of this study is to examine the relevance of forensic accounting technique in effective investigation and detection of bribery in Nigeria.

**Statement of Hypothesis**
Application of forensic accounting technique has no relevance to the effective investigation of cases of bribery in Nigeria.

**Conceptual Framework – Corrupt Practices**
Sternberg (2000) stated that a bribe (which is a form of corrupt practice) is an incentive offered to encourage someone to break the rules of the organization he nominally represents and deliver an unfairly favorable outcome. Corrupt acts are increasingly regarded as unfair and indeed criminal by many high-income countries because the bribe-recipient’s betrayal of trust with his employer, when practiced systemically by high-ranking public officials, compromises the development of fair and efficient markets (Boatright, 1999). Corruption is when individuals are misusing the public power they are bestowed with for private benefit. The corrupt act is when this responsible person accepts money or some other form of reward, and then proceeds to misuse his official powers by returning undue favours. For instance, it is an act of corruption when a state official takes a bribe to render some public service that is supposed to be free of charge or demands more than the official cost of it. Nazari et al. (2012) defined corruption as, any form of unethical use of public authority for personal or private advantage; the perversion of integrity by bribery or favour. Action by a government functionary that is different from the standard, in order to favor someone in exchange for a reward. They concluded that existence of adequate regulatory and legal framework as well as a clean and efficient civil service with high morale reduces the risk of rampant corruption (bribery) in the society. Therefore, a sound fiscal and monetary policy with due encouragement and incentives for investment will certainly act as deterrent against corruption. Williams (2005) defined corrupt practice as any immoral, illegal and unethical act and includes cheating, lying, and fraud. Khan (2005) put corruption as the misuse of entrusted power for private benefit. The forms, he said, include; bribes, cronyism and nepotism, political donations, kickbacks and artificial pricing and fraud of all kinds. El-Rufai (2003) viewed corruption as covering a wide range of social misconducts, including fraud, extortion, embezzlement, bribery, nepotism, influence peddling, bestowing of favor to friends, rigging of elections, abuse of public property, the leaking of a government secret, and sale of expired and
defective goods, such as drugs, food, and electronic and spare parts to the public. According to Windsor and Getz (2000) acts of bribery are passive, in that their voluntary acceptance offers an assurance of personal advantage, which is a form of misuse of public responsibility. According to them, a single strongest determinant of corruption perception in any country is its per capita income. They said income in Nigeria rank among the poorest 6% of the world population. From a public institutional perspective, acts of corruption can compromise optimal delivery of infrastructure for the general well-being of the societies they are mandated to serve because a contracted firm may reduce the quality of goods and services to cover the cost of the bribe. From the available literature reviewed above, it can be summarized that corruption is any form of unethical behavior that confer undue advantage on people in authority or their relations, efforts to secure wealth or power through illegal means. This includes bribery, fraudulent practices, embezzlement, favouritism and other sharp practices.

Concept of Forensic Accounting
According to the Oxford Learner's English Dictionary (2010), forensic accounting means belonging to, used in or suitable to Court adjudication or public discussion, debate and ultimately displace resolution. Crumbley (2003) defined forensic accounting as the application of laws of nature to the laws of man. He describe forensic scientist as examiners and interpreters of evidence and facts in legal case that also offers expert opinion regarding their findings in court of law. Baird & Zelin (2009) say that forensic accounting is important investigative tool for detection of fraud. Gray (2008) opined that forensic accounting assist in disputing effective internal control and prevention of fraud in organization. He also analyzed forensic accounting as the combination of auditing and investigating skills. It 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. Damilola and Olafinsola (2007) view forensic accounting as the application of criminal method and integration of accounting investigative activities and law procedures to detect and investigate financial crimes and related economic misdeeds. Zysma (2004) put forensic accounting as the integration of accounting, auditing and investigative skills. Forensic accounting is suitable for legal view offering the highest level of assurance and including the now generally accepted connotation of having been arrived at a scientific fashion, (Crumbley 2003). Manning (2002), also defined forensic accounting as the application of financial accounting and investigative skills to a standard acceptable by the court to address issues in dispute in the context of civil and criminal litigation. Cutis (2008) argues that fraud can be a subject to forensic accounting since fraud encompasses the acquisition of property or misrepresentation or concealment. He also argued that an accountant without forensic accounting knowledge can prepare valid evidence from accounting records and financial statement used against prosecutors in the court of law.

Forensic accounting as a fast growing field origin was ascribed by Joshi (2003) to Kutilya the first economist to openly recognize forensic accounting. Forensic accounting has greatly and has become a field of interest to auditors and accountants. A nationwide study conducted by Kessler international showed that 39% of organizations have considered the need of forensic accountant due to increase in fraudulent activities and other economic crime. The field has attacked many inexperience accountants who lack expert skills in detecting and preventing fraud in organization. Olofinsola (2009) viewed forensic accounting as the application of criminalities methods and integration of accounting investigative activities and law procedures to detect and investigate financial crime and economic misdeal. Okunbor & Obaretin (2010) reported that corporate failure have placed greater responsibility and functions on accountant to equip themselves with required skills to identify, detect, prevent as well as preserving the evidence of all form of irregularities and fraud. Dandago (1997), Gray (2008), Ramaswamy (2005) and Owojori & Asaolu (2009), Manning and other researchers view forensic accounting as the combination of accounting, auditing, and investigating skills in detecting and preventing fraud and other fraudulent activities and provide litigation support services in the Court of law, while other researchers expressed their various view of forensic accounting.

According to Bhasin (2007), forensic accountants are trained to look beyond the number and deal with the business realities of situation. He also reported that forensic accounting involve: investigating, analyzing financial evidence, developing computerized applications to assist in the
analysis and presentation of financial evidence, communication their finding in form of reports, exhibits and collect documents, and assist in legal proceedings, including testifying in court, as an expert witness and preparing visual aids to support trial evidence. Investigation is an examination of records and accounts of an organization for a specific purpose. According to Oxford Advanced learner’s Dictionary (2010), fraud is defined as the crime of cheating somebody in order to get money or goods illegally. Arzova (2003) viewed fraud as enriching oneself by intentionally realizing the value or worth of an asset in secret. Okafor (2004) reported that fraud is a forensic term and embraces all multifarious means which human ingenuity can devise which can resort to by one individual to get advantage over another in false representation.

Adeniji (2004) and others summaries the types of fraud on the basis of methods of perpetration, include the following but not exhaustive as the methods are devised day in day out; defalcation, suppression, outstripped, theft and embezzlement, tampering with reserves, insider abuses and forgeries, fraudulent substitutions, unauthorized lending, lending to ghost borrowers, kite flying and cross firing, fake payment, fraudulent use of firms documents, fictitious contracts and lot more. Oyejide (2008) opined that fraud is a subject matter that have received a lot of attention both globally and in Nigeria. According to Bozkurt (2003), there are two types of fraud committed in business. These are: Personal use of business resources and drawing up of financial statement of business falsely. Research has shown that the amount of loss in public sector as a result of employees’ fraudulent activities is far greater than that suffers as a result of citizens negligence. About 50 % of employees is determined to commit fraud while 80 % of employee might be inclined to commit fraud under a suitable condition (Owolabi 2007). Researchers also observed that high rate of fraud committed in public sector are committed by married men is higher than unmarried with high level of education and higher IQ level of age 28 and above, under a suitable working environment who is entrusted with responsibility of taking care of fraud or their collaborators and occupies lucrative positions in the organization. The wide spread of fraud in Nigeria public sector have made traditional auditing and investigation ineffective in detection and prevention of fraud. In 2009, researcher observed that fraud and economic crime rate has increased to about 80 % which have threatened national development and made traditional auditors handicap which brought about the existences of forensic accounting, a specialty that have developed improved skills and techniques to tackle these challenges with its accountant who is knowledgeable in detection, prevention of fraud and provide litigation support service in Nigerians’ Court (Jenfa 2002).

Recently, Nigerian’s public Sector have realized that fraud, corruption and money laundry were becoming the greatest challenge and major hindrance to National development and decided to introduce forensic accounting to detect, reduce and prevent fraud. This became possible by introduction of forensic accounting training. Forensic accountant are trained to look beyond mere members and deal with business realities of situations (Bhasin, 2007). They analyze, summaries, interpret, and Present complex financial business related issues and also develop computerize application skills to assist in analyzing financial evidence.

Forensic accounting is a rapid growing field in detection and prevention of fraud in the public sector. This has become a complex area of concern for the accounting profession, (Okoye & Gbegi, 2003). Forensic accountant apply accounting, auditing and investigating skills in detecting fraud and present litigation support service in the court (Bolga & Liquist, 1995). Forensic accountant are train to look beyond mere numbers and deals with business reality. (Bhasin, 2007). According to Zysman (2004), forensic accountant are usually geared towards finding where money went, how it got there and who was responsible. Forensic accounting as a rapid growing field have been effective in detecting and preventing fraud in Nigerian’s public sector by application of its professional and expert technical skills to detect manipulated evidence, analyze financial document in fraud scheme, other illegal financial activities, asses the damages caused by auditor’s negligence and fact finding as evidence used against defaulter as litigation support service in the court.

Emeh and Obi (2013) also carried out an empirical analysis on forensic accounting and Financial Fraud in Nigeria. In their study they examined the correlations of the presence of forensic accountants (PFA), the number of accountants with forensic accounting skills (NAFT), Extent of Forensic Accounting Practices (EFAP), Extent of Employee Theft (EET), Extent of Financial Fraud (EFR) and extent of top management fraud (ETMF). There was evidence of significant negative correlations between PFA, NAFT and EFAP with EFR. In the works of Dada, Owolabi and Okwu (2013), they
attempted to look at the relevance of forensic accounting in effective reduction in fraudulent practices in Nigeria. The results of the study reveal that fraud reduction is significantly and positively related to fraud investigation and detection through forensic accounting.

**Table 1. Summary of regression analysis for testing the hypothesis.**

<table>
<thead>
<tr>
<th>Variables</th>
<th>β0</th>
<th>β1</th>
<th>β2</th>
<th>β3</th>
<th>F</th>
<th>R²</th>
<th>P-value</th>
</tr>
</thead>
<tbody>
<tr>
<td>Corrupt practices prevention</td>
<td>2.612</td>
<td>0.220</td>
<td>0.079</td>
<td>-</td>
<td>1.641</td>
<td>0.076</td>
<td>0.207</td>
</tr>
</tbody>
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**METHODOLOGY**

This study adopted the survey research design to ensure that reliable data is obtained empirically to assist in testing the relationship that exists between forensic accounting and investigation of cases of bribery. The research design can best be used to generate data that are analysed to arrive at reasonable conclusions that will be of practical application in dealing with cases of bribery among Nigerians. This study was carried out on the relevance of forensic accounting as investigative tool in effective detection and prosecution of cases of bribery in Nigeria, using all the staff of selected anti-corruption commission and three of the big professional accounting firms in Nigeria for the period 1999 to 2010. Separate sets of questionnaire were designed to collect information from the staff of the anti-corruption commission and the professional firms respectively. Copies of questionnaire were administered on the various cadres of staff of the selected organizations. Oral interviews were also conducted on staff of the commission and the professional firms that were carrying out investigation on cases of corrupt practices and the staff of the professional accounting firms applying forensic accounting investigation technique. To assess the effect of forensic accounting in the investigation and detection of corrupt practices in Nigeria, multiple regression analysis using Statistical Package for Social Sciences (SPSS) was employed.

Model specification

\[
CRPP = f(CRPI, CRPD) \quad (1)
\]

\[
CRPP = \beta_0 + \beta_1 CRPI + \beta_2 CRPD + \mu \quad (2)
\]

Where:

- \( CRPP \) = Corrupt practices Prevention
- \( CRPI \) = Corrupt practices Investigation
- \( CRPD \) = Corrupt practices Detection
- \( \beta_0 \) = intercept/ autonomous variable. It depicts the degree of the need for forensic accounting even without the existence of corrupt practices.
- \( \beta_1 \) = coefficient of investigation of corrupt practices. It depicts the degree of the need for prevention of corrupt practices using forensic accounting technique.
- \( \beta_2 \) = coefficient of detection of corrupt practices. It depicts the degree of the need for prevention of corrupt practices using forensic accounting technique.

A priori expectations: \( \beta_0 > 0; \beta_1 > 0; \beta_2 > 0 \)

Where:

- \( \beta_0 > 0 \) = in the absence of forensic accounting, some level of efficiency is expected in corrupt practices prevention
- \( \beta_1 > 0 \) = the more the employment of forensic accounting technique to prevent corrupt practices, the greater the efficiency of corrupt practices investigation
\[ \beta_2 > 0 = \text{the more the employment of forensic accounting technique to prevent corrupt practices, the greater the efficiency of corrupt practices detection.} \]

From the estimated model in Table 1, it is obvious that some level of efficiency in corrupt practices prevention is sustainable in the absence of forensic accounting as indicated by the positive value of the intercept \((\beta_0 = 2.612)\). The estimated model substantiates the proposition of a positive relationship between employment of forensic accounting technique and the efficiency of corrupt practices investigation and detection. This is indicated by the positive values of the coefficients of corrupt practices investigation and detection with the application of forensic accounting technique \((\beta_1 = 0.220\) and \(\beta_2 = 0.079)\). The implication of this is that though forensic accounting is not presently being fully employed to carry out investigation and detection of corrupt practices cases by the EFCC, however it is clear that if applied fully, it will positively assist in effective detection and investigation of corrupt practices cases because it has worked in other countries like the United States of America, Canada, Bangladesh and even South Africa. In 2009, forensic accountants were employed by the Central Bank of Nigeria to investigate the Chief Executive officers of the five banks accused of fraudulent dealings. This helped in the successful prosecution of one of the banks’ chiefs, while four others are still under court trial.

From the result of the regression analysis, the p-value (0.207) associated with the coefficient of autonomous variable is not significant at 0.05 level of significance. \(R^2\) of 0.076 has low explanatory power in explaining the variation in the dependent variable (corrupt practices prevention), and the calculated F of 1.641 is very much less than the F tabulated of 4.08, \(H_0\) is therefore accepted. Accepting that corrupt practices prevention has no significant relationship with corrupt practices detection and investigation using forensic accounting technique in spite of the positive values of their coefficients is an indication that the non application of forensic accounting by EFCC presently has negative effect on the success of corrupt practices prevention by the agency.

**CONCLUSION**

From the above result, it can be concluded that applying forensic accounting technique in the investigation and detection of cases of corrupt practices has positive relationship with corrupt practices prevention but it has not been fully applied by anti-corruption agency, hence many cases of corrupt practices being handled by the commission have been dismissed by trial courts due to ineffective system of investigation. It can also be concluded that EFCC need to fully employ forensic accounting technique for the successful prevention of corrupt practices in Nigeria. Though the commission had established a forensic accounting unit, professional accounting firms with expertise in forensic accounting technique were not also involved in the commission’s investigation thereby confirming the position of Mazumder (2011) that law enforcement personnel in recent years have become more aware of white-collar crimes, however, they have lacked the training and expertise in combating such crimes. He said they are better trained at combating violent or personal behavior crimes, but now it has the responsibility to expand its knowledge and expertise into the economic crimes area. Since many detectives do not have an accounting background, they often fail to use financial information to support their cases. Forensic Accounting technique is a viable tool in combating such economic crime as bribery, extortions, looting of public treasury, etc. (corrupt practices).

**RECOMMENDATIONS**

* Anti-corruption agencies are should establish a forensic accounting unit where experts are involved in investigation of cases of bribery and other corrupt practices.
* Staff that is involved in investigation of cases of bribery (and other cases of corruption) should be trained in the employment of forensic accounting to carry out its responsibility.
* Where it is not feasible to train its personnel to handle investigation, in the short run, professional accounting firms should be employed to assist in investigation to ensure that adequate evidence is presented to the courts to ensure successful prosecution of cases of bribery.
REFERENCES


