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**EFFECT OF FORENSIC ACCOUNTING ON FRAUD MANAGEMENT ON  
SELECTED FIRMS IN NIGERIA.**

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**Abstract**

This study assesses the effect of Forensic Accounting on fraud management. The objectives were to find the effectiveness of forensic accounting in fraud prevention and the positive effect of forensic litigation on recovery of funds lost to fraud. Survey design was adopted. Questionnaire was used in data collection from accounting staff of Nigeria Breweries Plc, Cadbury Nigeria Plc, Nigeria Bottling Company and Dupril Forma Nigeria Ltd, all in Aba, Abia State. 190 were used as sample size. The study adopts descriptive statistics which involves the use of mean and standard deviation while regression analysis was adopted to test the stated hypotheses. Findings revealed that forensic accounting significantly influence fraud detection and prevention. It was also revealed forensic litigation has no significant positive effect on recovery of funds lost to fraud. Based on the above, it is recommended that companies in Nigeria step up their forensic accounting practices in order to deter fraud

**Keywords:**

**1.0 Introduction**

Fraud is an endemic that are gradually becoming a normal way of life in both public and private sectors, from the presidential cabinets, down to the political officer, to the ward councillors, from managing directors of companies, through middle management cadre and to lower managers in Nigeria (Gbegi & Adebisi, 2014). Financial fraud has for long been categorized as a menace that led to the collapse of many reputable institutions in the world which include Enron, Bernie Madoff scandals, WorldCom, Lehman Brothers, Tyco International Ltd, and Adelphia Communications Corporation in the USA, Parmalat crises in Italy and HIH Insurance Ltd in Australia. In Nigeria, the cases of Cadbury Nigeria Plc; Afribank Nigeria Plc, NAMPAK, Oceanic Bank Nigeria Plc, and African Petroleum Plc were relatively caused by massive fraud (Sule, Ibrahim, & Sani, 2019). Despite the several legislations put in place to reduce, alleviate and if possible eliminate the occurrence and incidences of fraud, it is worrisome that incidences

of fraud have become so widespread that it is fast assuming an epidemic proportion in Nigeria. In fact, fraud has become a daily occurrence in Nigeria firms.

Forensic accounting is the tripartite practice of utilizing accounting, auditing and investigative skills to assist in legal matters. It is a specialized field of accounting that describes engagements that result from actual or anticipated disputes or litigation. Forensic accounting can, therefore, be seen as an aspect of accounting that is suitable for legal review and offering the highest level of assurance (Apostolou, Hassell & Webber, 2000). Ojaide (2000) notes that there is an alarming increase in the number of fraud and fraudulent activities in Nigeria, requiring the visibility of forensic accounting services. According to the Centre for Forensic Studies (2010) report, the increasing need for forensic and investigative accounting in the banking sector results from the complexities of modern day banking 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 the banking industry in Nigeria's post-consolidation, and criminal investigations and prosecutions arising from them, are issues for forensic accounting. Hence, Modugu and Anyaduba (2013) conclude that the general expectation is that forensic accounting may offer some respite to the seeming vulnerability of conventional accounting and audit systems to financial fraud.

According to Abdulrahman (2019), financial related fraud and increase in financial crime has led to the need of forensic accounting in order to aid investigation and prosecution of the syndicates of financial crimes just liked in the case of some prominent political parties ex-governors in Nigeria are presently facing trials on money laundering, embezzlement, misappropriation of funds, security fraud, breach of contract from different court of laws within the country and many more including some public civil servants that converted public treasury as personal assets to their pockets.

Ehioghiren and Atu (2016) opined that forensic accounting encompasses three major areas, investigation, dispute resolution and litigation support. Forensic accounting has been identified as tool in detecting and implementation of white-collar Investigations (Hansen, 2009). Degboro and Olofinsola (2007) described forensic accounting as the application of criminalist methods, and integration of accounting investigative activities and law procedures to detect and investigate financial crimes and related accounting misdeeds. According to Enofe, Olorunnuho and Okporua (2016), forensic accountants play a role in litigation support services in the public sector and are relevant in documentation and reporting. It was observed that forensic accounting plays a significant role in curbing crime and corrupt practices in any public sector since it provides a mechanism to hold people accountable, such that those who manage resources in a fiduciary capacity do not easily abuse that trust without detection. Gbegi and Adebisi, (2014) observed that the forensic accounting skills and techniques could help to investigate fraud occurrence since the external auditors do not or may not have the required training to be able to tackle modern frauds like white collar crimes such as security fraud, embezzlement, bankruptcy, contract disputes, and possible criminal financial transactions.

There is an alarming increase in the number of fraud and fraudulent activities in Nigeria, requiring the visibility of forensic accounting services. Also the recent happening in the forensic

audit of the oil sector where the present government is demanding for another forensic audit exercises to be carried out after a Nigerian audit firm has presented a report to the authority. In recent, several studies have centered on the detective role of forensic accounting in fraud management in Nigeria especially in banks. It is on this note that this study takes more in-depth look at forensic accounting and its use in fraud management by firms in Nigeria.

### **1.1 Statement of the Problem**

Fraud has become a reoccurring trend in Nigeria. Infact, FBI (2018) report shows that Nigeria is among the top 5 hub of fraudsters as most perpetrators come from the country. Central Bank of Nigeria (2018) report and Nigeria Deposit Insurance Commission (2018) report both reported high amount of monies lost by banks to fraud annually. Collaborating with this is Economic and Financial Crime Commission (2018) report that big companies in Nigeria and influential individuals have continued to fall victim to fraudsters losing large amount of money in the process. In recent times, series of fraud have been committed both in the public sector and private sector of the economy. These in no doubt are perpetrated under the supervision of the internal auditors of the organization.

Thus, forensic accounting has evolved as a means of checking fraud since the traditional accounting system and auditing have failed in some areas in checking fraud. Forensic accounting is seen as taking more advance role in fraud prevention, detection, and management. However, its use and effectiveness has raised serious concerns as it has been argued that it is used mainly aftermath of the fraud to find the perpetrators and how it was carried out in order to avoid future occurrence. As a tool mainly for legal purposes, the sophistication of fraud perpetrators and the role of insiders who have knowledge on how to bypass the system and not get caught have also questioned the effectiveness and need for forensic accounting. In addition, however, there has not been adequate emphasis, especially survey evidence on how forensic accounting can help curtail financial and economic crimes beyond the several unreliable views that abound. All these problems and many more have provided the need for this study.

### **1.2 Objectives of the Study**

The broad objective of this study is to assess the effect of forensic accounting on fraud management. The specific objectives are:

1. To find the effectiveness of forensic accounting in fraud prevention.
2. To assess the positive effect of forensic litigation on recovery of funds lost to fraud.

### **1.3 Research Questions**

This study attempts to find answer to the following relevant questions:

1. To what extent does forensic accounting leads to fraud detection and prevention?
2. What positive effect does forensic litigation have on recovery of funds lost to fraud?

### **1.4 Research Hypotheses**

The following research hypotheses have been constructed and are presented in their null form.

H<sub>01</sub>: Forensic accounting does not significantly influence fraud detection and prevention.

H<sub>02</sub>: Forensic litigation has no significant positive effect on recovery of funds lost to fraud

### **1.5 Significance of the Study**

The study has the following significance:

1. To the government, the study will enlighten the various governments on ways to give more power and responsibility to forensic accountants and auditors to checkmate fraud and reduce cost of operations.
2. To the public, this study is aimed at enlightening the society on the function and operations of forensic accounting and significance of forensic accounting.
3. To the business organization, it will enlighten them on the importance of forensic accounting in enhancing financial performance. It will also show them the mechanisms needed to improve the atmosphere for forensic accounting to carry out their function properly based on the findings.
4. To the academia, it will enlighten it will provide support to their studies especially in the areas of forensic accounting.

## **2.0 LITERATURE REVIEW**

### **2.1 Conceptual framework**

Okoye and Gbegi, (2013) concur that "Forensic" means "suitable for use in a court of law", and it is to that standard that Forensic Accountants generally work. Forensic accounting encompasses three major areas, investigation, dispute resolution and litigation support. Forensic accounting is specialty practice area of accounting that describes engagements that result from actual or anticipated disputes or litigation. "Forensic" means "suitable for use in a court of law", and it is to that standard and potential outcome that forensic accountants generally have to work. Forensic accountants, also referred to as forensic auditors or investigative auditors, often have to give expert evidence at the eventual trial. According to Nigrini (2011), financial forensic engagements may fall into Economic damages calculations, whether suffered through tort or breach of contract; Post-acquisition disputes such as earnouts or breaches of warranties; Bankruptcy, insolvency, and reorganization; Securities fraud; Business valuation; and Computer forensics/e-discovery. Degboro and Olofinsola (2007) described forensic accounting as the application of criminalist methods, and integration of accounting investigative activities and law procedures to detect and investigate financial crimes and related accounting misdeeds. Dhar and Sarkar (2010) also defined forensic accounting as the application of accounting concepts and techniques to legal problems. It demands reporting, where accountability of the fraud is established and the report is considered as evidence in the court of law or in administrative proceedings. Joshi (2003) saw forensic accounting as the applications of specialized knowledge and specific skills to stumble upon the evidence of economic transactions.

According to Okoye and Akamobi (2009), forensic accounting is a combination of two key words-forensic and accounting. While the term forensic means belonging to use in, or suitable to the court of law, accounting is the system of recording, summarising, analysing, and; verifying business and financial transactions as well as reporting the results thereof. Forensic accounting is a relatively new concept. Hence, there has been no formal definition being accepted as a standard. As such, he defined forensic accounting as an accounting analysis to assist in legal matters, which will form the basis for discussion, and ultimately dispute resolution (Okoye & Akamobi, 2009). The American Institute of Certified Public Accountant (AICPA) defines forensic accounting as services application that involves the specialised knowledge and investigative skills possessed by certified accountants. Forensic accounting services utilize the practitioner's skilled accounting, auditing, economic, tax, and other skills (AICPA 2010).

Owojori and Asaolu (2009) analyzed that forensic accounting through forensic accountants provide litigation support service which is the provision of assistance of an accounting nature in a manner involving existing or pending litigations in the areas of quantification of economic damages, calculating economic loss resulting from a breach of contract. Litigation support service provides real value to the client-attorney relationship because forensic accountants help win lawsuits and earn settlements. Zysman (2004) puts forensic accounting as the integration of accounting, auditing and investigative skills. Simply put, 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 (Crumbley, 2006). Association of Certified Fraud Examiners (ACFE, 2010) defined forensic accounting as the use of skills in potential or real civil or criminal disputes, including generally accepted accounting and auditing principles in establishing losses of profit, income, property or damage, estimations of internal controls, frauds and others that involve inclusion of accounting expertise into the legal system. Hence, forensic accounting involves the application of accounting concepts, auditing techniques and investigative procedures in solving legal problems.

## **2.2 Role of Forensic Accountant**

According to Manning (2002), forensic accounting is the combination of accounting, auditing and investigative skills to a standard that is required by a court of jurisdiction to address issues in dispute in the context of civil and criminal litigation. Ehioghiren and Atu (2016) describe a forensic accountant as someone who can look behind the faced-out, accept the records, at their face value-someone who has a suspicious mind that (considers that) the documents he or she is looking at may not be what they purport to be and someone who has the expertise to go out and conduct very detailed interviews of individuals to develop the truth, especially if some are presumed to be lying. The forensic accountant's services are relevant to various types of business organization. Much of the function of the forensic accountant is connected with an evaluation and of past and projected profits as well as preparing business valuations. Forensic accounting expertise is useful in litigation involving loss of profits, breaches of contract, fraud, tax investigations and professional negligence (Dada, Owolabi & Okwu, 2013).

The demand for and availability of forensic accountants and the internal auditor can be compared to the economic demand for and supply of goods and services. It is clear from the literature that forensic accountants and the internal auditors held to higher standards in their ability to

understand and discover fraudulent activities within organisations” (Carnes & Gierlasinski, 2001). Okunbor and Arowoshegbe, (2012) shows that the quality of forensic accounting services in Nigeria is determined by the quality of forensic accounting personnel and the methods/approaches employed by the forensic accountant. Huber (2013) strongly suggest that forensic accountants they did not consider and use due diligence in investigating the firms that issued their dedication prior to obtaining their certifications. Failure to use due diligence in investigating forensic accounting firms is especially perplexing since the Codes of Ethics of two forensic accounting businesses require the exercise of due diligence A study by Kasum (2009) shows a positive attitude toward forensic accounting. The study shows that the services of the forensic accountant are required in both the private and public sector of the Nigerian economy especially in relation to fraud and corruption issues. Temitope (2014) found that forensic investigation and forensic litigation were significant factors in explaining changes in financial performance of commercial banks in Nigeria. It also found that forensic financial information significantly improved the performance of commercial banks in Nigeria.

Forensic accountants are of benefit s in the following areas

1. Objectivity and credibility - there is little doubt that an external party would be far more independent and objective than an internal auditor or company accountant who ultimately reports to management on his findings. An established firm of forensic accountants and its team would also have credibility stemming from the firm's reputation, network and track record.
2. Accounting expertise and industry knowledge - an external forensic accountant would add to the organization's investigation team with breadth and depth of experience and deep industry expertise in handling frauds of the nature encountered by the organization.
3. Provision of valuable manpower resources – an organization in the midst of reorganization and restructuring following a major fraud would hardly have the full-time resources to handle a broad-based exhaustive investigation. The forensic accountant and his team of assistants would provide the much needed experienced resources, thereby freeing the organization's staff for other more immediate management demands. This is all the more critical when the nature of the fraud calls for management to move quickly to contain the problem and when resources cannot be mobilised in time.
4. Enhanced effectiveness and efficiency – this arises from the additional dimension and depth which experienced individuals in fraud investigation bring with them to focus on the issues at hand. Such individuals are specialists in rooting out fraud and would recognize transactions normally passed over by the organization's accountants or auditors ([www.buzzle.com](http://www.buzzle.com)).

### **2.3 The Concept of Fraud Management**

Different scholars have defined fraud, forgeries and errors in various ways. The concept of fraud in itself disordered. But scholars vary significantly in their expressions about fraud. The cause is sometimes confused with effect. Defining fraud is as difficult as identifying it. Fraud is defined by EFCC (2004:46) as “. . . the non-violent criminal and illicit activity committed with objective of earning wealth illegally either individually or in a group or organized manner thereby violating existing legislation governing the economic activities of government and its administration . . .” Nwaze (2012) defined fraud as a predetermined as well as planned tricky

process or device usually undertaken by a person or group of persons with the sole aim of cheating another person or organization to gain ill-gotten advantage which would not have accrued in the absence of such deceptive procedure.

Fraud is the 'abuse of position, or false representation, or prejudicing someone's rights for personal gain'. Fraud can be seen as the intentional misrepresentation, concealment, or omission of the truth for the purpose of deception/manipulation to the financial detriment of an individual or an organization (such as bank) which also includes embezzlement, theft or any attempt to steal or unlawfully obtain, misuse or harm the asset of the bank (Idowu, 2009). Kasum (2012) defined fraud as a false representation by means of a statement or conduct, in order to gain a material advantage. According to Arzova (2003), fraud is "to create a misjudgement or maintain an existing misjudgement to induce somebody to make a contract".

The Association of Certified Fraud Examiners (2010) defined fraud as the use of one's occupation for personal enrichment through deliberate misuse or misapplication of the employing organization's resources or assets. It is therefore any act of misappropriation, theft or embezzlement of corporate assets in a particular economic environment. It has been considered as is any act of deception performed by somebody to cheat or deceive another person to his detriment or the detriment of any other, or to cause injury or loss to another person while the perpetrator has a clear knowledge of his intension to deceive, falsify or take advantage over the unsuspecting and innocent victim resulting to suffering loss or damage. Fraud is any action, behaviour or oral expressions deliberately aimed at deception and /or misinformation. It is a sequence of activities perpetrated to obtain money, property or services, to avoid payment or of services or to secure personal or business advantages. These acts are not dependent upon the application of threat of violence or of physical force (International Standards for Professional Practice of Internal Auditing, 2002). Wikipedia (2019) defined bank fraud as whenever a person knowingly executes, or attempts to execute, a scheme or artifice (1) to defraud a financial institution; or (2) to obtain any of the moneys, funds, credits, assets, securities, or other property owned by or under the custody or control of, a financial institution, by means of false or fraudulent pretences, representations, or promises. Idowu (2009) confirmed that frauds are committed in all spheres of human activities such as business, public and financial sectors. According to the author, it is a strategy to achieve a personal or organisational goal or to satisfy human needs.

The perpetrators of fraud usually perpetrate fraud due to serious pressure on them internally or externally without a significant financial compensation. External pressure from family, peer group, and friends are serious threat that may compel an employee to engage in financial malpractice. However, this is because external pressure, especially family pressure are none transferable or share which may force the perpetrators to conceive of themselves as having incurred financial obligation which are considered non- socially sanctionable and which must be satisfied by a private or secret means (Cressey 1950). Moreso, pressure from the employer either as a result of non-conducive working environment, poor salary scale, unbearable working hours, denial of break time, disregard to employee health condition are also core reasons that encourage

a common employee especially low cadre employee to engage in financial forgeries. According to Saifullahi and Hassan (2017), this may negatively affect the performance of the organization.

#### **2.4 Forensic Accounting and Fraud Management**

Forensic Auditing is a field of accounting that is attracting attention as a result of persistent occurrence of frauds (Enofe, Olorunnuho & Okporua, 2016). Forensic accounting is one emerging career and mechanism available to accounting professionals for effective prevention and detection of fraud. It is generally agreed that forensic accounting, also known as forensic investigations, looks beyond the figures in financial records and deals directly with the business reality of the situation at hand (Dhar and Sarkar 2010). Forensic accounting provides an accounting analysis that is suitable to the court, which forms the basis for discussion, debate and ultimately assists in dispute resolution. It is further argued that this branch of accounting encompasses both litigation support and investigative accounting (Kasum, 2008; Owojori & Asaolu 2009).

In Nigeria, fraud in public and private sectors of the economy has been seen as one of the major factors of the dwindling economy. Hamilton and Gabriel (2012, p. 112), “fraud and related ills have caused instability in the economy resulting to a high mortality rate of business organizations and the consequent losses of revenue” in Nigeria. This places a demand for forensic accountant. DiGabriele (2009) and Crumbley (2009) the demand for forensic accountants will continue to rise. Therefore, the supply of this kind of experts must be stepped up, especially in countries with high risk of fraudulent activities. Therefore, it is expected that, the moderating or interplay of forensic accounting using forensic accounting index will help reduce the adverse effect of the fraud risk factors in organizations.

Gallet (2010) sees these opportunities as coming from those who know the detailed knowledge of the company environment, of the information system, and of the control mechanisms, and who has a series of technical skills. The pressures that lead to the appearance of fraud come from the direction of empowering persons who cannot prove their ability to efficiently manage essential fields/systems in the company (for example: bank accounts, cash and cash equivalents), from a series of personal failures, from mistaking the company's wealth for the personal wealth, from the physical and psychological isolation of the person who commits the fraud, from the desire to improve their personal status by resorting to such actions, as well as from the relationships between employee and employer when the employees consider that they are not sufficiently remunerated in compensation to their effort.

Willemse (2004) cited by Temitope (2014) is of the view that financial investigation is the identification and documentation of the movement of money during the course of and after a crime. It establishes the link between where the money comes from, who gets it, when it was received, and where it was stored or deposited. This can provide proof of unlawful activity such as money laundering, racketeering, corruption and terrorist financing, as well as identify and trace assets for asset forfeiture purposes, in effect addressing the proceeds of unlawful activity. According to Akintoye (2008), forensic litigation support in commercial banks provides assistance of a nature in a matter involving existing or pending litigation or represents the factual presentation of economic issue related to existing or pending litigation. It deals primarily with



issues related to the qualification of economic damages sustained by parties involved in legal disputes and can assist in resolving dispute and can assist in resolving disputes, even before reaching or getting to the courtroom. A good example of litigation support assignment would be calculating the economic loss resulting from breach of contract. Forensic accountants play a role in litigation support services and are relevant in documentation and reporting. It was observed that forensic accounting plays a significant role in curbing crime and corrupt practices in any sector since it provides a mechanism to hold people accountable, such that those who manage resources in a fiduciary capacity do not easily abuse that trust without detection (Mukoro, Yamusa & Faboyede, 2013).

### **2.5 Theoretical Framework**

This study is hinged on Fraud Triangle Theory. According to Dorminey, Fleming, Kranacher and Riley (2010), the origin of the theory dates to the works of Sutherland, who coined the term white collar crime, and Cressey, one of Sutherland's former students. The fraud triangle theory consists of three elements that are necessary for theft or fraud to occur: perceived pressure, perceived opportunity and rationalization.

The fraud triangle has been put forward to explain the prevalence of fraud in organizations. According to Adebisi, Okike and Yoko (2016), forensic accounting relies on the fraud triangle to identify weak points in the business systems and to identify possible suspects in cases of fraud. It consists of three core concepts which together create a situation ripe for fraud: incentive, opportunity, and rationalization. People must have the incentive and opportunity to commit financial fraud, as well as the ability to justify it. Golden, Skalak and Clayton (2006) asserted that within each of the broad risk categories in the fraud triangle, many different and specific potential red flags may be visible within an organization. They identified the risk categories as: Incentive and Pressure; Opportunity; Justification/Rationalization and Attitude. Thus, it would be in the interest of the forensic accountant to acquire good knowledge of these factors to better understand how to prevent fraud. Nigrini (2011) posit that the first reason employees get involved in fraud is pressure. He enumerates the pressure factors to include: Pressures with financial content, Pressures stemming from habits and Pressures related with the job. As noted by Olukowade and Balogun (2015), the harsh economic environment in Nigeria has more than anything else pressured employees into financial malpractice in order to take care of financial obligations. Opportunity is another important component of the fraud triangle. It directly involves 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. Since the business could greatly influence opportunity factor, this point should receive particular attention for fraud prevention. Mukoro, Ogijo, and Faboyede (2013) asserted that weak internal control systems make it overly easy for employees to pass over certain fraudulent activities. Finally is the attempt or effort by the fraudster to justify or rationalize their nefarious activity. Some individuals are more prone than others to commit fraud. Other things being equal, the propensity to commit fraud depends on people's ethical values as well as on their personal circumstances. Ethical behavior is motivated both by a person's character and by external factors. Depending on ethical values, the fraudster is likely to put forward one of the following as justification for his/her

crime: I deserve this; No one is hurt and the company is helped; the company does not really care; It is just temporary among many others (Golden, Skalak & Clayton 2006).

## **2.6 Empirical Review**

Mukoro, Yamusa and Faboyede (2013) studied the role of forensic accountant in fraud detection and national security. The population used in the research was the Federal Inland Revenue Service (FIRS). Using survey research via primary sources of data, the regression analysis showed that forensic accountants are relevant in investigating crime and corruption in the public sector. Modugu and Anyaduba (2013) sought to determine if there is significant agreement amongst stakeholders on the effectiveness of forensic accounting in financial fraud control, financial reporting and internal control quality. Equally using survey design on a sample size of 143 consisting of accountants, management staffs, practicing auditors and shareholders, the binomial test employed indicated that there is significant agreement amongst stakeholders on the effectiveness of forensic accounting in fraud control, financial reporting and internal control quality. Similar findings was also made by Osunwole, Adeleke and Henry (2014) which examined the influence of forensic accounting on fraud detection and prevention in deposit money banks in Nigeria as their Linear Regression Analysis revealed that forensic accounting has positive and significant influence on fraud detection and prevention which implies that forensic accounting is an antidote to fraud in public and private sectors.

Ehioghiren and Atu (2016) focused on forensic accounting and fraud management, evidence from Nigeria; primary sources of data were appropriately used. 572 questionnaires were administered. Using F-Statistics, the findings of the study were that Forensic accounting significantly influences fraud detection and control, also, that there is significant difference between the duties of professional Forensic Accountants and that of traditional External Auditors. Okafor and Agbiogwu (2016) focused on the effects of forensic accounting skills on management of bank fraud in Nigeria. The statistical tool used to test hypotheses was ANOVA (Analysis of Variance) which revealed that possession of enhanced skills aid the forensic Accountant in discharging his duties. Bassey (2018) focused on forensic accounting as it affects the management of fraud in microfinance institutions in Cross River State. Data collected from both primary and secondary sources were analysed using the ordinary least square technique. The regression results showed that the estimated coefficients of the regression parameter are all negative signs. The study further showed that audit failures over decades have prompted a paradigm shift in accounting and thus concluded that forensic accounting play a significant roles in the prevention of crimes and corruption. Okoye and Ndah (2019) investigated the relationship between forensic accounting practices and the prevention of fraud in manufacturing companies in Nigeria. Using Ordinary Least Square method of multiple regression analyses on data collected through questionnaire, the findings of the research showed that there is a positive and statistically significant relationship between fraud investigation practices and the prevention of fraud in manufacturing companies. The findings also showed that there is a positive and statistically significant relationship between fraud litigation practices and the prevention of fraud in manufacturing companies.

**3.0 Methodology**

**3.1 Research design**

This study adopts field survey design. It involves collection of data directly from the source or people involve using such tool as questionnaire. Data collected through these means cannot be manipulated.

**3.2 Sources of Data**

Primary data sourced from questionnaire was mainly used in this study. However, secondary data sourced from textbooks, journals and internet articles were used for literature.

**3.3 Population and Sample Size Determination**

The population of this study was entire accounting staff of Nigeria Breweries Plc, Cadbury Nigeria Plc, Nigeria Bottling Company and Dupril Forma Nigeria Ltd, all in Aba, Abia State. Through a pilot survey, there was 190, and all were used as sample size.

**3.4 Instrument of Data Collection**

The instrument of data collection for this study is mainly questionnaire. Using the four Likert Scale method, the responses are scored as Strongly Agree (SD) =4, Agree (A)=3, Disagree (D)=2, Strongly Disagree (SD)=1.

**3.5 Model Specification**

A mathematical model was used for this a study. This was expressed below as:

$$\text{Fraud management} = f(\text{Forensic Accounting, Forensic Litigation}) \dots \dots \dots (1)$$

It is stated econometrically as;  $FM = b_0 + b_1FA + b_2FL + Ut \dots \dots \dots (2)$  Where  $b_0$ = Constant term  $b_1$  and  $b_2$ = Coefficients of the independents variables.

**3.6 Method of Data Analysis**

The study adopts descriptive statistics which involves the use of mean and standard deviation while regression analysis was adopted to test the stated hypotheses. The regression analysis is conducted to show the effects of the independent variables on the response variable. For the ordered estimation conducted in this study, the main statistics of interest are the coefficient estimates and their corresponding significance.

**4.0 Data Analysis and Result**

Data collected were analyzed in this section.

**Table 1: Descriptive Analysis of Relation between Forensic Accounting and Fraud Detection and Prevention**

S/N	Items	SA	A	D	SD	Mean	Status
1	The company has financial forensic investigators on its payroll	119	71	-	-	3.63	Agreed
2	Forensic Accounting knowledge has significant relationship with fraud prevention	131	59	-	-	3.69	Agreed

3	Investigative accountants are involved in all categories of fraud in the company	70	65	30	25	2.95	<b>Agreed</b>
4	Proposals made by the company's investigative accountants in the course of their job are duly implemented	83	67	21	19	3.13	<b>Agreed</b>
5	Fraudulent activities uncovered in the course of their jobs are properly investigated and where necessary litigation processes started	70	62	48	10	3.01	<b>Agreed</b>

Analysis in the table shows there is general agreement to all items listed. However, Forensic Accounting knowledge has significant relationship with fraud prevention scored a mean of 3.69. Moreover, the company has financial forensic investigators on its payroll scored a mean of 3.63; Proposals made by the company's investigative accountants in the course of their job are duly implemented scored a mean of 3.13; and fraudulent activities uncovered in the course of their jobs are properly investigated and where necessary litigation processes started scored a mean of 3.01. Investigative accountants are involved in all categories of fraud in the company scored 2.69.

**Table 2: Descriptive Analysis of Relation between Forensic Litigation and Recovery of Funds Lost to Fraud**

S/N	Items	SA	A	D	SD	Mean	Status
6	The company utilize the services of litigation consultant in prosecuting fraud cases involving staff	64	54	37	35	2.77	<b>Agreed</b>
7	The company has a well staffed and funded litigation support unit within the accounting and legal departments	59	27	65	39	2.74	<b>Agreed</b>
8	The company incur substantial litigation costs in the course of fraud litigations involving the company	80	55	42	13	3.06	<b>Agreed</b>
9	The company has recorded appreciable recovery of funds lost to fraud since the implementation of forensic litigation measures	70	62	48	10	3.01	<b>Agreed</b>
10	Recommendations on fraud prevention strategies proposed by the company's forensic investigators have led to red flagging of some fraudulent behavior by staff	78	65	30	17	3.07	<b>Agreed</b>

The above table shows the influence of forensic litigation and recovery of funds lost to fraud. Analysis revealed that recommendations on fraud prevention strategies proposed by the company's forensic investigators have led to red flagging of some fraudulent behavior by staff as shown by the mean score of 3.07. The company incurs substantial litigation costs in the course of fraud litigations involving the company which scored 3.06. The company has recorded appreciable recovery of funds lost to fraud since the implementation of forensic litigation

measures scored 3.01. However, the company utilizes the services of litigation consultant in prosecuting fraud cases involving staff scored 2.77 while the company has a well staffed and funded litigation support unit within the accounting and legal departments scored 2.74.

Data collected for the study was analyzed using multiple regression analyses on Statistical Package for Social Sciences. Results of the data analyses are shown in the tables below.

**Table 3: Model Summary for the Relationship between Forensic Accounting, Fraud Litigation and Fraud Management**

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.789 <sup>a</sup>	.622	.514	12.69077

a. Predictors: (Constant), Forensic Accounting, Forensic Litigation

Model summary in table 3 above show that coefficient of correlation (R) for forensic accounting, fraud litigation and fraud management in selected firms gave a value of 0.789 indicating that the strength of the relationship between forensic accounting, fraud litigation and fraud management is about the 91.30%. Table 3 further shows that the coefficient of determination (R<sup>2</sup>) gave a value of 0.622 implying that as much as 62.2% of the changes in fraud management and prevention is attributable to changes in the forensic accounting practices of the companies under study.

**Table 4: Coefficients for the Relationship between Forensic Accounting, Fraud Litigation and Fraud Management**

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.	
	B	Std. Error	Beta			
1	(Constant)	44.260	8.465		5.229	.001
	Forensic Litigation	-.362	.183	-.744	-1.979	.088
	Forensic Accounting	.853	.262	1.225	3.260	.014

a. Dependent Variable: Fraud management

From table 4, we observe that the coefficient of forensic accounting practice of the companies had a value of 1.640 implying that there is positive relationship between forensic accounting practices and fraud management. Thus, a one unit increase in forensic accounting practice is predicted to lead to a 0.853 units increase in the ability of the companies to manage and prevent fraud. The findings also show that there a negative relationship between fraud litigation practices and fund recovery from fraud. With a coefficient of regression value of -0.362 for the relationship between forensic litigation and fund recovery implying that a one unit increase in forensic litigation is predicted to lead to a 0.362 decrease the ability of the companies to recover funds lost to fraud. Furthermore, considering that the t-stat for the relationship between forensic

accounting and fraud management in the companies gave a value of 3.260 with a critical probability of t-stat of 0.014, we reject the null hypothesis of no significant relationship between forensic accounting practices and fraud management and thus conclude that Forensic accounting significantly influence fraud detection and prevention.

Again, the t-stat for the relationship between forensic litigation and recovery of funds lost to fraud gave a value of -1.979 with a critical probability of t-stat of 0.088, we accept the null hypothesis of no significant relationship between forensic litigation and recovery of funds lost to fraud and thus conclude that forensic litigation has no significant positive effect on recovery of funds lost to fraud.

#### **4.2 Discussion of Findings**

Findings showed that forensic accounting significantly influence fraud detection and prevention. The positive association suggests that as more forensic accounting is carried out, more fraud are detected and prevented. This is consistent with the study of Abdulrahman (2019) and Bassey (2018) that there is an alarming increase in the number of fraud and fraudulent activities in Nigeria, requiring the visibility of forensic accounting services. In a similar study, Sule, Ibrahim and Sani (2019) showed that forensic accounting is effective in reducing financial crimes through active and thorough investigation of such fraud. They posit that the implementation of certain standard methodology and procedures to guide forensic accounting assignments will further help to reduce the occurrence of fraud. In another study, Ogundana, Okere, Ogunleye and Oladapo (2019) found that forensic accounting have a significant role to play in fraud detection and prevention in Nigeria. From the above, we can infer that fraud investigation by forensic accountants should be a routine activity in business organizations as the mere presence of forensic investigators paying regular visits in itself can deter certain categories of fraud - more especially those that are driven into such activities as a result of financial/economic pressures not because of habit.

The findings of this research further showed that there is a negative and statistically insignificant relationship between forensic litigation practices and the recovery of funds lost to fraud in companies. This finding implies that implementation of fraud litigation practices companies does not really increase the ability to recover all the funds lost to fraud. This is because some of the frauds perpetuated can be a period long before it was detected and the perpetrators couldn't provide all the funds back or couldn't be found or located at all. Okoye and Ndah (2019) who in their research investigated the roles of fraud litigation practices in combating fraudulent activities found that fraud litigation practices are an important factor in the prevention of fraud.

#### **5.0 Conclusion and Recommendations**

With the increase rise in financial accounting fraud in the current economic scenario experienced, financial accounting fraud detection has become an emerging issue of great importance for academic, research and industries. Forensic accounting is an effective tool in uncovering diverted fraudulent practices and can identify misappropriated asset and reversible insider transactions; this significantly influences fraud detection and control. Fraudulent practices are real and have become prevalent in contemporary business environment. This trend needs to be arrested before it is too late. From the findings, we conclude that fraud investigation

practices are very important for the prevention of fraud in manufacturing companies. This is because the prospect fraud investigation acts deterrence for fraudulent activities. Thus, when staffs are aware that forensic accountants will be called in on any suspicion of fraud, they will be more cautious and avoid any activities that will place them at the centre of a fraud investigation in the organization. Similarly, fraud litigation practices are an important factor in the prevention of fraud as fear of being embroiled in fraud investigation and prosecution will deter certain individuals from getting involved in fraudulent activities especially where the organization makes it a point to ensure that the prosecution of fraudulent staffs is publicized to deter other in the future. Based on the above, it is recommended that companies in Nigeria step up their forensic accounting practices in order to deter fraud.

### **Recommendations**

Based on the above, it is recommended that companies in Nigeria step up their forensic accounting practices in order to deter fraud. This they can achieve by making forensic auditing of financial records a regular and routine activity. Companies should also ensure that any staff involved in fraud is promptly investigated and prosecuted and doing so in full glare of the public to serve as a deterrence to others in the future. Finally, it is recommended that manufacturing companies retain the services of qualified forensic accountants who are versed in the use of appropriate fraud deterrence methods in order to prevent fraud before it occurs.

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**APPENDIX**

**Table 1: Relation between Forensic Accounting and Fraud Detection and Prevention**

S/N	Items	Strongly Agree	Agree	Disagree	Strongly Disagree
1	The company has financial forensic investigators on its payroll				
2	Forensic Accounting knowledge has significant relationship with fraud prevention				
3	Investigative accountants are involved in all categories of fraud in the company				
4	Proposals made by the company's investigative accountants in the course of their job are duly implemented				
5	Fraudulent activities uncovered in the course of their jobs are properly investigated and where necessary litigation processes started				

**Table 2: Relation between Forensic Litigation and Recovery of Funds Lost to Fraud**

S/N	Items	Strongly Agree	Agree	Disagree	Strongly Disagree
6	The company utilize the services of litigation consultant in prosecuting fraud cases involving staff				
7	The company has a well staffed and funded litigation support unit within the accounting and legal departments				
8	The company incur substantial litigation costs in the course of fraud litigations involving the company				
9	The company has recorded appreciable recovery of funds lost to fraud since the implementation of forensic litigation measures				
10	Recommendations on fraud prevention strategies proposed by the company's forensic investigators have led to red flagging of some fraudulent behavior by staff				

**Model Summary**

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Change Statistics				
					R Square Change	F Change	df1	df2	Sig. Change
1	.789 <sup>a</sup>	.622	.514	12.69077	.622	5.758	2	188	.033

a. Predictors: (Constant), Forensic Accounting, Forensic Litigation

**Coefficients<sup>a</sup>**

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	44.260	8.465		5.229	.001
	Forensic Litigation	-.362	.183	-.744	-1.979	.088
	Forensic Accounting	.853	.262	1.225	3.260	.014

a. Dependent Variable: Fraud management