

## **FRAUDULENT ACTIVITIES AND FORENSIC ACCOUNTING SERVICES**

**Prof. Emma Okoye\*, Amughoro, Onome Austin\*\* Evbota, Cephas Imuentinyan\*\*\***

*\*Department Of Accounting Faculty of Management Sciences, Nnamdi Azikiwe University, Awka, Anambra State, Nigeria.*

*\*\*Department Of Accounting Faculty of Management Sciences, Nnamdi Azikiwe University, Awka, Anambra State, Nigeria Email: [amughoroaustin@gmail.com](mailto:amughoroaustin@gmail.com). 08030501177.*

*\*\*\*Department Of Accounting Faculty of Management Sciences, Chukwuemeka Odumegwu Ojukwu University, Igbariam, Anambra State [evbotacephas@gmail.com](mailto:evbotacephas@gmail.com) 07035003972*

### **ABSTRACT**

*This study was carried out with the aim of examining Fraudulent Activities and Forensic Accounting Services. The specific objectives of the study are to examine the extent to which the application of forensic accounting services in quoted Nigeria banks deter fraudulent activities, to determine how the application of forensic accounting detect and minimize computer related fraud or e-crime, as well as to investigate the relationship between forensic accounting and financial fraud control. The primary data was the instrument for the purpose of research data gathering. The instrument used for the purpose of this research was gathered through primary source. The mass of information generated from the questionnaires was summarized in form of table and analysed using simple percentage. The researcher administered two hundred (200) questionnaires to respondents, out of which one hundred and eighty-eight (188) were retrieved for the purpose of presenting and analysing responses to issues raise in the questionnaires. The hypotheses were tested using chi-square statistical tool. The findings from the analysis revealed among other things that the application of forensic accounting services in quoted Nigeria banks deters fraudulent activities. The study also show that the application of forensic accounting detect and minimize computer related fraud or e-crime, and that there is a significant relationship between forensic accounting and financial fraud control. In line with the findings, we therefore recommend that corporate organizations (especially banks) should encourage active personnel to learn financial rules of crimes and their application such as forensic accounting.*

**Key words:** forensic accounting, financial fraud,

### **Introduction**

Financial irregularities, frauds and corruptions are a severe problem of concern globally. It is the major concern to developing nations. It is so endemic that fraud and corruption is gradually becoming a normal way of life. Corruptions and financial crimes have been committed in most cases by those who are in the higher authority, entrusted with responsibility of taking care of funds. Those who should have first-hand information in these matters are those who are usually investigated (Nor, Nafsiah, Betsy, Rosma wati, 2013).

Dada, Owolabi and Okwu (2013) said forensic accounting is the action of identifying, recording, settling, extracting, sorting, reporting and verifying past financial data or other accounting activities for settling current or prospective legal disputes or using such past financial data for projecting future financial data to settle legal disputes.

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 (Modugu and Anyaduba, 2013).

Owolabi, Dada and Olaoye (2013) opine 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.

Okunbor and Obaretin (2010) report that the spates of corporate failures have placed greater responsibility and function on accountants to equip themselves with the skills to identify and act upon indicators of poor corporate governance, mismanagement, frauds and other wrong doings. It has become imperative for accountants at all levels to have the requisite skills and knowledge for identifying, discovering as well as preserving the evidence of all forms of irregularities and fraud.

Onuorah and Ebimobowei (2012) opine that, the widespread frauds in modern organizations have made traditional auditing and investigation inefficient and ineffective in the detection and prevention of the various types of frauds confronting businesses world-wide. They added that fraud is a subject that has received a lot of attention both globally and in Nigeria. According to them, this interest has been heightened by several high profile cases involving several organizations. Issues relating to fraud have also been the subject of rigorous theoretical and empirical analysis in the academic literature.

In the same vein, Njanike, Dube and Mashayanye, (2009) observe that, fraud together with its sister white-collar crimes which came into being later in the 19th and 20th century inter alia corruption, money laundering, tax evasion, externalization of foreign currency to itemize just a few have stood as potent weapons capable of haemorrhaging the entire world economies, particularly the quoted companies because of its high risk factor. The susceptibility of the quoted companies to fraud, from within and without, has not spared in developing countries. Even the richest and electronically mobile countries have experienced a fair share of financial turbulence and uncertainties seeded by fraud-related crimes. The scandals sent shockwaves in the corporate world, regulatory authorities, audit fraternity, and the society at large; hence, the erosion of investor confidence in the financial markets.

There is an alarming increase in the number of fraud and fraudulent activities in Nigeria emphasizing the visibility of forensic accounting services. Okoye and Akamobi (2009) Owojori and Asaolu (2009), Izedomin and Mgbame (2011), Kasum (2009) have all acknowledge in their separate works, the increasing incidence of fraud and fraudulent activities in Nigeria and these studies have argued that in Nigeria, financial fraud is gradually becoming a normal way of life. As Kasum (2009) notes, the perpetuation of financial irregularities are becoming the specialty of both private and public sector in Nigeria as individual perpetrates fraud and corrupt practice according to the capacity of their office. Consequently, there is a general expectation that forensic accounting may be able to stem the tide of financial malfeasance witnessed in most sectors of the Nigerian economy. However, there has not been adequate emphasis; especially survey evidence on how relevance forensic accounting service affects the level of fraudulent activities in Nigeria beyond the several anecdotal views that abound.

The broad objective of this study is to examine fraudulent activities and forensic accounting services of banks. The specific objectives are:

1. To examine the extent to which the application of forensic accounting services in Quoted Nigeria banks deter fraudulent activities.
2. To determine how the application of forensic accounting detect and minimize computer related fraud or e-crime.
3. To investigate the relationship between forensic accounting and financial fraud control.

## **Research Hypotheses**

The hypotheses to be tested to enable us achieve the objectives of this project are stated in null form as follows:

- H<sub>1</sub>: The application of forensic accounting services in quoted Nigeria banks does not deter fraudulent activities.
- H<sub>2</sub>: The application of forensic accounting does not detect and minimize computer related fraud or e-crime.
- H<sub>3</sub>: There is no significant relationship between forensic accounting and financial fraud control.

## **Literature Review**

### **Concept of Forensic Accounting**

Forensic accounting is the integration of accounting, auditing and research skills (Zysman, 2004). It demands reporting, where culpability of the deceit is proven and the statement is considered as evidence in the court of law or in administrative proceedings.

Degboro and Olofinsola (2007) note that forensic investigation is about the grit and formation of fact in sustenance of legal case. That is, to use forensic skills to discover and scrutinize a crime is to uncover all its attending structures and detect the offenders. Okunbor and Obaretin(2010) purported that forensic accounting helps to discover veracious issues relating to business litigation which is concerned with the use of accounting discipline.

Forensic accounting is a discipline that has its own facsimiles and practices of investigative techniques that examine for assertion, confirmation and consultative pattern to create lawful confirmation. It is concerned with the evidentiary state of accounting records, and as an applied field that has to do with accounting fraud and forensic auditing; submission, due thoroughness and risk scrutinization; discovery of financial falsification and financial statement fraud (Skousen and Wright, 2008); tax evasion; insolvency and estimation studies; insubordination of accounting guideline (Dhar and Sarkar, 2010).Curtis (2008) stated that fraud constitute the acquirement of property or economic advantage by means of deceit, as a result of misrepresentation or concealment.

Bhasin (2007) notes that the purpose of forensic accounting include: examination of damages as a result of the auditor's negligence, fact identification to know whether an misappropriation occurred, at what cost, and whether criminal proceedings are to be initiated; collection of evidence in a felonious proceedings; and calculation of asset values in a dissociate proceedings. He argues explanatory analysis of phenomenon such as discovery of deceit as well as its effects introduced into the accounting field is the primary orientation of forensic accounting.

According to Bhasin (2007), forensic accountants are not just trained to parochialise themselves on numbers but to also take a closer looks on the reality of business situation. Noticeable attributes of the profession are analysis, clarification, summarization, and presentation of difficult financial business related issues. He further reported that scrutinizing and analysing financial evidence are the duties of forensic accountant; creating electronic presentations to aids in the scrutiny and presentation of financial proof; communicating their discoveries in the form of accounts, unveils and gatherings of documents; and helping in lawful proceedings, as well as appearing in law court as an professional bystander and organizing pictorial helps to support trial proof.

Oliver (2004), the need to track money and financial information has grown as a result of the expansion of the complexity and scope of commerce in the universe, in accordance to separate surveys by the U.S department of Justice, Price Water House Coopers, and the Association of Certified Fraud Examiners (ACFE) there has been a corresponding increment in the illegal financial activity. Cash flow has to be kept tracked and the operational performance has to be managed properly to generate profit by illegal businesses and perpetrators of financial crimes.

Crumbley (2001) also stated that a form of forensic accounting can be traced back to an 1817 law court verdict. He stated also that a “young Scottish accountant distributed a circular publicizing his proficiency in adjudication back in 1824” but forensic accounting was first published by Peloubet. It was stated that fraud and corruption investigations are perhaps not new in Nigeria. The growing wave of crime in Nigeria in the last five years is making fraud and corruption gain importance (Coenen, 2005).

Forensic accounting can be seen as a merger of forensic science and accounting which can also be regarded as the investigative accounting or fraud audit. Forensic science according to Crumbley (2003) “may be defined as upholding the laws of Mother Nature to the laws of man.” He also stated that forensic scientists can be seen as those that examine and interpret with proof and facts in litigation issues that necessitates the contribution of professional views as a result of their discoveries in the law court. The word science in this context is actually referring to accounting science, in the connotation that the scrutinization and clarification will be of pecuniary evidence. Joshi (2003) further posited that forensic accounting can be seen as a stumble upon the evidence of economic transactions due to the application of specialized knowledge and specific skill.

Zysman (2001) stated that forensic accounting can be seen as the incorporation of auditing, investigative, and accounting skills. For better understanding, we can possibly say that forensic accounting is a branch of accounting that is appropriate for review of litigation offering that offers the maximum rate of assertion and comprising of GAAP, which is the generally accepted accounting principle which can be done in a systematic approach (Crumbley 2006).

Coenen (2005) explained that forensic accounting can be seen as the process of applying concepts of accounting and the techniques to dispute in litigation. It was also explained that, where the culpability of the fraud is proven and the account is considered as proof in the law court or in the administrative proceedings then the forensic accounting demands reporting (Joshi, 2003). It provides an accounting inquiry that is appropriate to the law court that will be seen as the foundation of discussion, argument and finally resolution of dispute (Zysman, 2001). The explanation is that, forensic accounting can be seen as a discipline of specialty that refers to the creation of vital information that ought to be used as a substantial evidence for legal reasons. Zysman also explained that forensic accountants are in charge of the investigation of financial irregularities and the documentation of financial embezzlement. Coenen also stated that forensic accountants are in charge of the provision of the services of lawyers, criminal investigators, company and the government. (Coenen, 2005).

Zysman, (2001) explained that the forensic accountant’s activities are basically focused on knowing the department where finance are invested in, and how it was actually invested, and who was in charge of the execution. Forensic accountants deal with the business reality situations and not just trained to parochialise themselves on the numbers.

## **Financial Fraud**

According to the Black’s law Dictionary, (1979) fraud can be seen as different means in which human creativity can develop which can be as a result of one unscrupulous being taken advantage of another through deceitful ideas or defeat of the veracity. It comprises of disclosures, deceptions, crafty or feigning and any other incongruous manner through which anyone can be cheated.

Dandago (1997), fraud is a deliberate falsification of financial figures by one or more persons amid third parties, employees and management. It also includes the adoption of illicit deceit to acquire an undeserved or dishonest benefit. It is an intentional underhand or deceit envisioned to achieve an unjustified benefit. Error is not synonymous to fraud, error can be referred to as “unintentional misstatements or omissions of amount or disclosures from an entity’s accounting records or financial statements.” (Onochie, 2005).

There are several definitions of financial fraud given by different scholars. No definition is superior to the other. Williams (2005) integrates frauds to his account of financial crimes. Other mechanisms of fraud cited in Williams (2005) depiction include bribes nepotism, kickbacks, artificial pricing, political donation, kickbacks, artificial pricing and frauds of all kinds. The range of mechanisms of financial crimes, some of which are tinted above, is not extensive. The variety of economic and financial crimes found either within or outside the organization attempt to be capture by the EFCC Act (2004). The prominent concerns in EFCC Act (2004) definition include “vicious, criminal and illegal actions devoted with the purpose of making affluence unlawfully, in a way that disrupts current regulation... and these consist of fraud, sedative drug, embezzlement, bribery ,looting, sedative drug, trafficking ,and any method of shady practices and child labour, unlawful oil bunkering and illegitimate excavating, tax evasion, foreign exchange irregularities as well as forging currency, stealing of intellectual assets and piracy, market place abuse, disposing of lethal waste and banned goods, etc. This definition is embracing and feasibly comprises of financial crimes in an organization and those discoursed by authors (William, 2005 and Khan, 2005). Financial crimes were known to have led to the collapse of such organizations at the level of corporate organisation

Cotton (2003) opined that corporate fraud was as a result of the collapse of Enron, WorldCom, Tyco, and Adelphia. \$460 billion was believed to have been vanished. In Nigeria, 15 billion Naira was believed to have been lost by Cadbury Nig. plc. as a result of the unlawful manipulation perpetrated by the management. About one trillion naira was reported to have been lost through different financial malpractice in the case of nine collapsed commercial banks in Nigeria. This situation is under the investigation by the EFCC Act (2004). Largely, financial fraud is committed and varied by individuals and institutions.

Karwai (2002) and Ajie and Ezi (2000) opined that financial fraud in firms differ in character, nature and technique of action overall. Fraud can be grouped into two categories: method employed in carrying out the fraud and nature of fraudsters. On the source of the nature of fraudsters, fraud can be grouped into three categories, namely; external, mixed frauds, internal. Internal fraud as to do with those fraud committed by directors and staff of the organizations while external fraud is done by individuals that are not linked with the firm and mixed fraud comprises of strangers colluding with the directors and staffs of the firm. Karwai (2002) stated that the identifying the reasons of fraud is quite challenging. He explained that current day corporate frauds commonly comprises of shenanigans and deceit that can disguise the genuine cause.

### **The Role and Skills of Forensic Accountants**

A better comprehension of efficient fraud and forensic accounting procedures can aid Proficient Forensic Accountants in ascertaining unlawful actions and ascertaining and preserving proof (Houck et al 2006). Also, it is paramount to comprehend that the activities performed by forensic accountant is differ from a normal auditor.

It was explained that through the auditing standards the auditors determines compliance and ruminates on the probability of fraud. Crumbley and Apostolou (2005), stated that a Professional Forensic Accountant parochialised on the, and deterrence and detection of fraud.

Krell (2002) says forensic accounting comprises of a thorough effort to penetrate cover-up strategies. Stephen Seliskar says, “in terms of the Sheer labour, the rate of time and effort expense that is required to perform a particular, and focused investigation –in juxtaposition to auditing a set of the financial statements-the difference is incredible.

The above opinions indicate that the activity of a Professional Forensic Accountant differs from other accountants. They have different trainings and level of education. Also, forensic accountants are almost synonymous to an investigator.

As an investigator a Trained Forensic Accountant can be seen as those who are specialized in the detection of fraud and the documentation of evidence that will be needed for the prosecution of a criminal; able to work in complex regulatory and (Bologna and Lindquist, 1995).

Moreover, Bologna and Lindquist (1995) explained that the features that distinguishes fraud auditors and Professional Forensic Accountants from regular auditors is the doggedness and tenacity to which a misgiving is followed upon. Professional Forensic Accountants may be ordered in by a governing agency after receiving notice from an employee whistle blower, or press coverage may make it differentiate that the firm has an appalling CEO or history (Bologna and Lindquist 1995). There are no expert standards for when steady auditors should become whistle-blowers, and unfortunately, the connection of a forensic accountant is always volatile. There is a need for more active monitoring of the signs of financial crime.

Razae (2002) stated that, furthermore, Qualified Forensic Accountants react in response to illicit complaints, statements made in civic lawsuit, and rumours that come to the attention of authorities. There may be a purpose for the auditing and assurance professions to change their ways before new, emerging fields move in to fill the gap. More specifically, entry-level fraud and forensic accounting expert should possess knowledge, flair, finesse, mettle, skills and abilities in the following areas (Houck et al 2006):

1. Criminology specifically concerned with ethical issues, professional environment, scope, dynamics, legal regulatory, and nature.
2. Deterrence, detection and prevention of fraud, investigation and remediation in the following areas: asset embezzlement, dishonesty, and false presentations, financial statement fraud; and fraud and forensic accounting in a digital environment, including computer-based tools and procedures for discovery and investigation, electronics case-management tools, and other issues specific to computerized environments.
3. Forensic and litigation advisory services, including research and analysis, valuation of losses and damages, dispute investigation, and conflict resolution (i.e. arbitration and mediation).

Considering the above views, it seems that forensic accounting plays a substantial role in preventing and detecting possibilities of fraudulent financial reporting. It can be seen as an attainable effort to improve quality alternative research in accounting.

### **Challenges of Forensic Accounting Application in Nigeria**

With an increase in financial accounting fraud in the present economic situation experienced, 'financial accounting fraud detection' (FAFD) has become an emerging topic of great importance for academic, research and industries.

The let-down of internal auditing system of the organization in finding out that the accounting frauds has led to use of specialized techniques to detect financial accounting fraud, mutually known as forensic accounting (Sharma and Panigrahi 2012).

Though financial fraud in Nigeria has experienced publicized cases especially in the banking system, Enyi (2009) undertook a study to offer suggestions using real case problem on how to apply forensic accounting in investigating variances and suspected fraudulent activities in manufacturing processes and thus suggests that the application of forensic accounting applies to all scenes where fraud is a possibility.

Okoye and Akenbor (2009) commenting on the application of forensic accounting in developing economies like Nigeria, notes that forensic accounting is faced with so many blockages. Crumbly (2001), Grippo and Ibex (2003) reveal the following impediments confronting the application of forensic accounting. (i) An important challenge that faces a forensic accountant is the task of collecting information that is allowable in a court of law.

(ii) The acceptability, of evidence in agreement with the laws of evidence is crucial to successful trials of criminal and civil claims. (iii) Generalisations of the economy and the fact that a fraudster can be based anywhere in the world has led to the problem of inter-jurisdiction.

Degboro and Olofinsola (2007) note that an important challenge to the application of forensic accounting in financial fraud control in Nigeria is that the law is not always up to date with the latest advancements in technology. Also, forensic accounting is seen as an expensive service that only big companies can afford. Thus, most companies prefer to settle the issue outside the court to avoid the expensive cost and the risk of bad publicity on their corporate image. In addition, forensic accounting is a new trend particularly in developing economies. Hence, accountants with adequate technical know-how on forensic issues are hardly available.

### **Review of Empirical Studies**

Dada, Owolabi, and Okwu (2013) examine the relevance of forensic accounting in the effective reduction in fraudulent practices in Nigeria. The study employed multiple regression technique to analyse the empirical data collected through questionnaire and oral interview and the hypothesis formulated was also tested. The results of the hypotheses tested revealed that fraud reduction is significantly and positively related to fraud investigation and detection through forensic accounting.

Okoye and Okaro (2010), study forensic accounting and audit expectation gap – the perception of accounting academics. They conclude that, the respondents were serious minded Accounting Academics and made meaningful contributions to the success of this research effort, the favourable disposition of Accounting Academics to Forensic Accounting has implications for both Accounting education and Accounting Practice in Nigeria, this study has once again confirmed the existence of Audit expectation gap in Nigeria, the skill set identified as germane for the Forensic Accountant in this study is in consonance with similar international researches. Analytical mind and inquisitive skill score very high on Nigerian academics' scale of preferences.

Njanike, Dube and Mashayanye (2009), find that, forensic auditing, as an administrative function, has a role to play in the overall protection of bank assets. Forensic auditors have a mandate to detect any potential bank fraud and, if occasioned, conduct investigations of cases at hand and at least suggest effective ways of preventing the occurrence of such frauds. This can be effective where the environment is conducive for them to fulfil this mandate using available detective and investigative techniques to counter bank frauds.

Study by Owojori and Asaolu (2009), publicized that, forensic accounting is the best ever growing area in accounting that enables in improving the likelihoods of success in day to day life of business firm by overcoming all the vexing and serious problems of corporate field as panacea. Thus several agencies fighting fraud globally will need to engage the service of forensic accounting to compliment hard work of other professional in reducing fraudulent activities and fixing fraud proof internal control system in corporate organization. So it is beyond doubt that the role of forensic accountant will become very major in corporate field, public accounting and in all awareness of government in the days to come.

Aslani, Iotfaliyan, Shafieipour and Ghasemi (2011), this paper discussed the responsibilities of internal and external auditors in detection fraud as well as economic and financial crimes, and has stressed the importance of them in reporting as accurately as possible to facilitate audit committee and even authorities in detecting money laundering proceeds from them. For the reason that approximately all proceeds from illegal, Criminal and fraudulent activities need to be laundered, so fighting against money laundering can partly prevent this activity in economic and enhance trust in society. Since money laundering entails complex transactions through legal organization, banking systems, financial markets and etc., auditors with their skills can detect these transactions. They recommended that perform forensic accounting and auditing as well as performance auditing as a tool for finding economic and financial crimes in an organization.

Okunbor and Obaretin (2010), the study examines quality management and control in forensic accounting services in Nigeria with emphasis on quoted companies. The principal objective of the study is to determine whether the application of forensic accounting practices has helped in reducing fraudulent practices in organization. To achieve this objective, a field survey of accountants in quoted companies selected from seven industrial sub-sectors was carried out for testing the hypotheses. The study reveals that the application of forensic accounting needs to be combined with other fraud deterrence policies for it to be effective.

Evaz and Ramazani (2012), this provides insights gained from a survey of internal auditors into how they perform audits to fulfil their professional responsibilities and the skills that are most important to find fraud. Across all industries, respondents listed fraud in the Industrial technology area as having the greatest potential for large losses with a high likelihood of occurrence. The respondents were most concerned with data and systems security due to inappropriate access by employees and by external parties. Media attention to recent large losses at TJX and other companies due to IT issues are a very real concern for loss of reputation for organizations. Respondents are aware of the potential impact of losses. The relatively high likelihood ratings may also indicate that auditors are not particularly confident that the organization can prevent or detect an IT fraud in time to mitigate any losses. Their respondents indicated the impact of fraud across all industries was highest in cash and marketable securities, timing of revenue recognition and existence of revenue. The fraud issue with the highest impact rating in the entire survey was the timing of revenue recognition in the Technology and Manufacturing industries. This is not unexpected since inappropriate revenue recognition has been a factor in many infamous financial statement frauds over the past decade. It appears that despite years of attention, prevention measures have not been sufficient to reduce the likelihood of fraud in revenue recognition.

Onuorah and Ebimobowei (2012), investigate the effect of forensic accounting services on the deterrent in fraudulent activities of banks in Nigeria. The result shows the application of forensic accounting services by banks deter bankers to some extent to engaging in fraudulent activities. They conclude that the application of forensic accounting services reducing the level of fraudulent practices in banks. On the basis of the conclusion, they suggests that banks in Nigeria should formulate sound personnel policies to attract people with good moral standing as bank employees; banks in the country need to build and continuous improvement in the internal control system; the various anti-corruption agencies in Nigeria such as EFCC, ICPC should be restructured by the government for better performance; the several professional accountancy bodies in Nigeria should ensure that forensic accountants are trained with modern skills of forensic accounting procedures; the financial reporting council should ensure that best standards and regulations are established to ensure best practice and service delivery and banks should invest in human capacity building to improve the quality of internal auditors and forensic accountants on their payroll and Nigerians should embrace integrity, objectivity, fairness, accountability as a moral duty to reduce the level of fraud in the banking industry.

Study by Okoye and Ndidika (2009) reveals that forensic accounting is the practice of utilizing accounting, auditing and investigative skills to assist in legal matters. It is especially practice area of accounting that describes engagements that result from actual or anticipated disputes or litigation. It comprises litigation support, investigation and dispute resolution. The increase in number of fraud and fraudulent activities in Nigeria and around the world has emphasized the need for forensic accountants. The practical and in-depth analysis a forensic accountant will bring to a case helps uncover trends that bring to light the relevant issues.

## **RESEARCH METHODOLOGY**

Due to the nature of this study primary data were used. Basically, primary data sources were collected or sourced directly by the researcher through questionnaire in the course of the research. The questionnaires were distributed to respondent to elicit the necessary primary data. A total of two hundred questionnaires administered to the some selected banks in Benin City, comprising of management and non-management staff from which empirical findings and conclusion will be drawn or made from.

The data generated through questionnaire administration is analysed through the use of percentage analysis, while the formulated hypotheses are tested using chi-square statistical statistics is employed in performing the statistical test – analysis of data and test of hypotheses.

**PRESENTATION AND ANALYSIS**

**Presentation of Data and Analysis**

This chapter deals with the presentation and analysis of data collected and collated during the course of this study. It consists of the analysis and results of data using the statistical tool as described in chapter three of this study, through testing of the relevance of the stated hypotheses in the chapter one in relation to the theme of this project work. Analytical instruments which were applied include percentages and averages, being operational tools used in analysing questionnaire obtained from the field.

The data for the analysis were from the respondents to the questions set out in the questionnaire. A copy of which is reproduced in the Appendix. A total of two hundred (200) copies of questionnaires were distributed, out of which one hundred and eighty-eight (188) were retrieved. This is accordingly shown in the table below.

**DATA ANALYSIS**

In order to answer the research questions stated in chapter one of this study and also test the corresponding hypotheses; the following tables below presents the analysis of the data gathered from the respondents on the various questionnaires distributed. The researcher used frequency counts and percentage analyses while the chi-square analysis was employed at 5% level of significance in order to test the formulated hypotheses.

**Research Question One: To what extent does the application of forensic accounting services in quoted Nigeria banks deter fraudulent activities?**

**Table 4.3: Responses on determining the extent to which application of forensic accounting services in quoted banks deter fraudulent activities.**

| S/N | Items   | SA (%)       | A (%)         | D (%)        | SD (%)       |
|-----|---|--------------|---------------|--------------|--------------|
| 1   | The application of forensic accounting services in quoted companies is effective in deterring fraudulent activities | 94<br>(50)*  | 83<br>(44.1)  | 10<br>(5.3)  | 1<br>(0.5)   |
| 2   | Forensic accounting services on fraud deterrent guarantee the well-being of organization                            | 73<br>(38.8) | 100<br>(53.2) | 7<br>(3.7)   | 8<br>(4.2)   |
| 3   | Forensic accounting services help companies in Nigeria in presenting credible and transparent financial reports     | 73<br>(38.8) | 82<br>(43.6)  | 10<br>(5.3)  | 23<br>(12.2) |
| 4   | The application of forensic accounting services enhancing quality of financial reporting in Nigerian organizations  | 56<br>(29.8) | 87<br>(46.3)  | 21<br>(11.2) | 24<br>(12.8) |
| 5   | Forensic accounting services prevent corporate scandals in Nigeria  | 48<br>(25.5) | 87<br>(46.3)  | 16<br>(8.5)  | 37<br>(19.7) |
|     | <b>Total</b>  | <b>344</b>   | <b>439</b>    | <b>64</b>    | <b>93</b>    |
|     | <b>Average observed responses (to all five (5) questions)</b>   | <b>68.8</b>  | <b>87.8</b>   | <b>12.8</b>  | <b>18.6</b>  |

\* Percentages in parentheses

From table 4.3, it can be deduced that a total number 94 or 50% and 83 (44.1%) of the respondents strongly agreed and agreed respectively that The application of forensic accounting services in quoted companies is effective

in deterring fraudulent activities. 10 of the respondents or (5.3%) and 1 or (0.5%) of the respondents disagreed and strongly disagreed. Similarly, 73.3% or (38.8%) and 100 representing (53.2%) of the respondents were strongly Agreed and Agreed that forensic accounting services on fraud deterrent guarantee the well-being of organization; 7(3.7%) and 8(4.2%) of the respondents were Disagreed and Strongly Disagreed respectively. Also, 73 respondents representing (38.8%) respondents and 82(43.6%) Strongly Agreed and Agreed that forensic accounting services help companies in Nigeria in presenting credible and transparent financial reports, while 10(5.3%) and 23(12.2%) of the respondents Disagreed and Strongly Disagreed respectively. Seeking opinion on whether the application of forensic accounting services enhancing quality of financial reporting in Nigerian organizations, 56 of our respondent representing (29.8%) Strongly Agreed, 87 representing 46.3% Agreed, while 21 of the respondent representing 11.2%) and 24(12.8%) were Disagreed and Strongly Disagreed respectively. Finally, 48 of the respondent representing 25.5% and 87 representing 46.3% Strongly Agreed and Agreed respectively with the statement that forensic accounting services prevent corporate scandals in Nigeria, while 16 of the respondent representing (8.5%) and 37(19.7%) did not agree with the statement hence Disagreed and Strongly Disagreed respectively.

**Research Question Two: How can the application of forensic accounting service detect and minimize computer related fraud or e-crime?**

**Table 4.4: Responses on determining whether or not the application of forensic accounting service detect and minimize computer related fraud or e-crime.**

| S/N | Items  | SA (%)        | A (%)        | D (%)        | SD (%)       |
|-----|--|---------------|--------------|--------------|--------------|
| 6   | The application of forensic accounting services can uncover computer related fraud or e-crime  | 98<br>(52.1)* | 64<br>(34.0) | 10<br>(5.3)  | 16<br>(8.5)  |
| 7   | Forensic accountants as expert witness can provide necessary accounting information that will help anti-fraud agents investigate fraud | 102<br>(54.3) | 46<br>(24.5) | 26<br>(13.8) | 14<br>(7.4)  |
| 8   | The forensic accountant who is not affected by the limitations of the audit process is in a better position to discover fraud          | 78<br>(41.5)  | 67<br>(35.6) | 29<br>(15.4) | 14<br>(7.4)  |
| 9   | Computer related fraud or e-crime can be controlled in Nigerian by the application of forensic accounting services                     | 67<br>(35.6)  | 78<br>(41.5) | 14<br>(7.4)  | 29<br>(15.4) |
| 10  | Application of forensic accounting service detect and minimize computer related fraud or e-crime                                       | 98<br>(52.1)  | 64<br>(34.0) | 10<br>(5.3)  | 16<br>(8.5)  |
|     | <b>Total</b>   | <b>443</b>    | <b>319</b>   | <b>89</b>    | <b>89</b>    |
|     | <b>Average observed responses (to all five (5) questions)</b>  | <b>88.6</b>   | <b>63.8</b>  | <b>17.8</b>  | <b>17.8</b>  |

\* Percentages in parentheses

In Table 4.4 above, it was gathered that it is the view of the respondents that the application of forensic accounting services can uncover computer related fraud or e-crime. This view is reflected in the responses of 98 or 52.1% and 64 (34.0%) who agreed and strongly agreed respectively, 10 of the respondents representing (5.3%) and 16(8.5%) were Disagreed and Strongly Disagreed. Also 102 respondents representing (54.3%) and 46(24.5%) believe that forensic accountants as expert witness can provide necessary accounting information that will help anti-fraud agents investigate fraud, but 26(13.8%) and 14(7.4%) Disagreed and strongly disagreed with the statement. Respondents also support the assertion that the forensic accountant who is not affected by the limitations of the audit process is in a better position to discover fraud. This is evidence by the respondents opinion which shows that 78 of the respondent representing (41.5%) and 67 representing (41.5%) Strongly Agreed and Agreed respectively, while minority of the respondent 29(15.4%) and 14(7.4%) Disagreed and Strongly Disagreed. Our respondents uphold the assertion that computer related fraud or e-crime can be controlled in Nigerian by the application of forensic accounting services. This we gathered from their responses where 67(35.6%) Strongly Agreed, 78(41.5%) Agreed, while 14(7.4%) Disagreed and 29(15.4%) Strongly Disagreed. Again, the respondent support the view that

application of forensic accounting service detect and minimize computer related fraud or e-crime as 98 of the respondent representing (52.1%) Strongly Agreed, 64(34.0%) Agreed, whole only 10(5.3%) Disagreed and 16(8.5%) Strongly Disagreed.

**Research Question Three: What is the relationship between forensic accounting and financial fraud control?**

**Table 4.5: Responses on determining the relationship between forensic accounting and financial fraud control.**

| S/N | Items  | SA (%)        | A (%)        | D (%)        | SD (%)       |
|-----|--|---------------|--------------|--------------|--------------|
| 11  | Forensic accounting can be used to locate diverted funds or assets                                   | 87<br>(46.3)* | 72<br>(38.3) | 16<br>(8.5)  | 13<br>(6.9)  |
| 12  | Forensic accounting can Identify misappropriated assets and identify reversible insider transactions | 67<br>(35.6)  | 68<br>(36.2) | 15<br>(8.0)  | 38<br>(20.2) |
| 13  | Forensic accounting is effective as a fraud detection tool   | 52<br>(27.7)  | 80<br>(42.6) | 21<br>(11.2) | 35<br>(18.7) |
| 14  | Forensic accounting is solely enough as a tool to detect suspicious or fraudulent transactions       | 39<br>(20.7)  | 69<br>(36.7) | 21<br>(11.2) | 59<br>(31.4) |
| 15  | Risk assessment processes under forensic accounting specifically cover risk of fraud                 | 40<br>(21.5)  | 76<br>(40.4) | 31<br>(16.5) | 41<br>(21.9) |
|     | <b>Total</b>   | <b>285</b>    | <b>365</b>   | <b>104</b>   | <b>186</b>   |
|     | <b>Average observed responses (to all five (5) questions)</b>  | <b>57</b>     | <b>73</b>    | <b>20.8</b>  | <b>37.2</b>  |

\* Percentages in parentheses

Table 4.5 tells us that, 87 of the respondent representing 46.3 strongly Agreed and 72(38.3%) Agreed that forensic accounting can be used to locate diverted funds or assets, while 18 respondent representing (8.5%) Disagreed and 13(6.9%) Strongly Disagreed. Also 67 of the respondent representing (35.6%) and 68(36.2%) support the statement that forensic accounting can Identify misappropriated assets and identify reversible insider transactions, while 15 of the respondent representing (8.0%) Disagreed and 38(20.2%) Strongly Disagreed. It can also be deduced that 52(27.7%) and 80(42.6%) are in conformity with the view that forensic accounting is effective as a fraud detection tool, while 21(11.2%) and 35(18.7%) Disagreed and strongly disagreed respectively. In a related result, 39 respondent representing (20.7%) Strongly Agreed, 69 respondent representing (36.7%) support the view that forensic accounting is solely enough as a tool to detect suspicious or fraudulent transactions, but 21 representing (11.2%) and 59 representing (31.4) Disagreed and Strongly Disagreed respectively. Also 40 respondent representing (21.5%) and 76(40.4%) believe that risk assessment processes under forensic accounting specifically cover risk of fraud, but 31 representing (16.5%) and 41 representing (21.9%) Disagreed and strongly disagreed respectively.

**Test of Hypothesis**

Hypothesis testing requires that the researcher first formulate a position or make a claim regarding the decision of the environment under consideration.

**Level of significance**

Level of significance is the probability concept that tells us the level of assurance. For this study, 0.05, which signifies 95% assurance was employed.

**Decision rule**

Decision rule is the value of Chi-square ( $\chi^2$ ) computed from classification table. If each of the tests is greater than the critical value of 5% level of significance, the null hypothesis ( $H_0$ ) will be rejected and the alternate hypothesis ( $H_1$ ) will be accepted otherwise we accept the null hypothesis and reject the alternate hypothesis.

The chi-square formula is:

$$X^2 = \frac{\sum(O)^2}{E} - N$$

Where:

- O = Observed frequency
- E = Expected frequency which is equal to  $N/K$
- N = Size of sample (Observations)
- K = Number of cells

### Hypothesis I

$H_0$ : The application of forensic accounting services in quoted Nigeria banks does not deter fraudulent activities.

$$E = \frac{N}{K} = 188/4 = 47$$

$$\begin{aligned} \text{Thus } X^2 &= \frac{(68.8)^2}{47} + \frac{(87.8)^2}{47} + \frac{(12.8)^2}{47} + \frac{(18.6)^2}{47} - 188 \\ &= 100.71 + 164.02 + 3.49 + 7.36 - 188 \\ &= 275.58 - 188 = 87.57 \\ X^2 &= 87.58 \end{aligned}$$

The degree of freedom is  $k - 1$  ( $4 - 1$ ) = 3. Therefore, the t-critical value of chi –square for 0.05% level of significance at 3 degree of freedom is 7.815.

**Decision:** Since the calculated chi–square value of 87.58 is greater than the t-critical value of 7.815, consequently, the null hypothesis is rejected. We can conclude therefore that the application of forensic accounting services in quoted Nigeria banks deter fraudulent activities.

### Hypothesis II

$H_0$ : The application of forensic accounting does not detect and minimize computer related fraud or e-crime.

$$E = \frac{N}{K} = 188/4 = 47$$

$$\begin{aligned} \text{Thus } X^2 &= \frac{(88.6)^2}{47} + \frac{(63.8)^2}{47} + \frac{(17.8)^2}{47} + \frac{(17.8)^2}{47} - 188 \\ &= 167.02 + 86.61 + 6.74 + 6.74 - 188 \\ &= 267.11 - 188 = 79.11 \\ X^2 &= 79.11 \end{aligned}$$

The degree of freedom is  $k - 1$  ( $4 - 1$ ) = 3. Therefore, the t-critical value of chi –square for 0.05% level of significance at 3 degree of freedom is 7.815.

**Decision:** Since the calculated chi-square value of 79.11 is greater than the t-critical value of 7.815, consequently, the null hypothesis is rejected. We can conclude therefore that the application of forensic accounting detect and minimize computer related fraud or e-crime.

### Hypothesis III

H<sub>0</sub>: There is no significant relationship between forensic accounting and financial fraud control.

$$E = \frac{N}{K} = 188/4 = 47$$

$$\begin{aligned} \text{Thus } X^2 &= \frac{(57.0)^2}{47} + \frac{(73.0)^2}{47} + \frac{(20.8)^2}{47} + \frac{(37.2)^2}{47} - 188 \\ &= 69.13 + 113.38 + 9.21 + 29.44 - 188 \\ &= 221.16 - 188 = 33.16 \\ X^2 &= 33.16 \end{aligned}$$

The degree of freedom is  $k - 1$  ( $4 - 1$ ) = 3. Therefore, the t-critical value of chi-square for 0.05% level of significance at 3 degree of freedom is 7.815.

**Decision:** Since the calculated chi-square value of 33.16 is greater than the t-critical value of 7.815, consequently, the null hypothesis is rejected. We can conclude therefore that there is no significant relationship between forensic accounting and financial fraud control.

### DISCUSSION OF FINDINGS

This study as earlier mentioned examines fraudulent activities and forensic accounting services. The objective of the study was to examine the extent to which the application of forensic accounting services in quoted Nigeria companies deter fraudulent activities; to determine how the application of forensic accounting detect and minimize computer related fraud or e-crime; as well as to investigate the relationship between forensic accounting and financial fraud control.

Primary data was the major source of data in this study which comprised questionnaires administered to selected management and non-management staff of selected banks in Benin City. Chi-square statistical tool was used in analysing the data.

The results of the study reveal that the application of forensic accounting services in quoted Nigeria banks deters fraudulent activities. This finding is in line with Onuorah and Ebimobowei (2012) whose study shows that the application of forensic accounting services by banks deter bankers to some extent to engaging in fraudulent activities. It is also in conformity with Owolabi, Dada and Olaoye (2013) who find that forensic accounting technique can go a long way in the investigation and detection of corrupt practices. It is also in agreement with Onuorah and Appah (2012) who conclude that forensic accounting services provide banks with the necessary tools to deter fraudulent activities. But contrary to these findings, study by Dada (2014) shows that fraud prevention, bribery prevention and embezzlement prevention will not significantly ensure effective prevention of corruption through the application of forensic accounting technique.

The study also reveal that the application of forensic accounting detect and minimize computer related fraud or e-crime. This finding is in line with Adegbe (2012) who result show that forensic accounting is a financial strategy to curb and resolve economic and financial crimes in Nigerian economy. But in not agreement with Okolie, (2014) whose findings revealed that the application of forensic accounting is still at a very low level due to high cost of forensic accounting equipment and the time and resources required in training the forensic accountant.

Our findings also show that there is a significant relationship between forensic accounting and financial fraud control. This finding receive the support of Njanike, Dube and Mashayanye (2009), who finding shows that forensic auditing as an administrative function, has a role to play in the overall protection of bank assets.

### **Summary of Findings**

Some of the findings obtained from this study are:

1. The application of forensic accounting services in quoted Nigeria banks deters fraudulent activities.
2. The application of forensic accounting detect and minimize computer related fraud or e-crime
3. There is a significant relationship between forensic accounting and financial fraud control.

### **Conclusion**

This study has been able to establish the fraudulent activities and forensic accounting services. Forensic accounting, as an administrative function, has a role to play in the overall protection of organization assets. Forensic auditors have a mandate to detect any potential organization fraud and, if occasioned, conduct investigations of cases at hand and at least suggest effective ways of preventing the occurrence of such frauds. This can be effective where the environment is conducive for them to fulfil this mandate using available detective and investigative techniques to counter corporate frauds.

Most forensic auditors have a police background. The forensic auditors are not professionally and academically qualified to investigate complex fraud cases. As experience is the best teacher, most corporate frauds, which are not intricate, are successfully investigated and the accused are prosecuted. Corporate frauds vary from simple, easily detectable, and investigable to those, which are complex and difficult to detect and investigate. Those that are difficult to detect and investigate include those which are computer-related or which computer is used as a conduit to commit fraud.

### **Recommendations**

Having critically examined the “fraudulent activities and forensic accounting services” as a research topic, we can propose some recommendations based on subject importance and results obtained from research data as follow:

1. Performance of training courses, general and private, for accountants in order to enhance their perception of financial rules and forensic accounting.
2. To provide necessary tainting in fraud and its prevention.
3. Encourage active personnel to learn financial rules of crimes and their application.
4. Standardization of forensic accounting source to help accountants’ perception.
5. Providing a good database of financial fines and its prevention method.
6. Establishment of consultation society for accountants in forensic accounting.
7. To provide courses in forensic accounting basis in university.
8. To hold specialized seminars in forensic accounting.

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