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Forensic Accounting and Fraudulent Practices in the Nigerian Public Sector

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Abstract

The broad objective of this study was to examine forensic accounting and fraudulent practices in the Nigerian public sector. The specific objective was to find out if there exists a significant relationship between forensic accounting and fraudulent practices in Nigerian public sector. The study employed the survey descriptive research design. The study population consisted of all public institutions in Edo State, Nigeria. However, ten (10) government establishments, both Federal and State owned, were randomly selected. Structured four-scale Likert-type questionnaire was used as the research instrument to elicit responses from the respondents who were mainly internal auditors, chief accountants, executive directors and directors of the selected institutions. The data were analyzed using frequency counts and simple percentages method. Findings made indicated that there is a significant relationship between

forensic accounting and reduction of fraudulent practices in the Nigerian public sector; and the prevalence of fraudulent practices in the Nigerian public sector has brought set back to the economy, untold hardship to the citizens and shame to the country in general before the international communities. It is therefore recommended that government and regulatory authorities need to ensure the provision of standards and guidelines to regulate forensic activities and above all, Nigerians should embrace integrity, objectivity, fairness and accountability in their day-to-day activities particularly in the public sector.

Key Words: Forensic accounting, fraudulent practices, frauds, forensic accountants

Introduction

The rise and rate of occurrences of frauds and fraudulent practices in developing countries like Nigeria has continued to place a high demand on forensic accounting skills, especially in the public sector. Forensic accounting is necessary towards reducing frauds, fraudulent activities and corruption capable of destroying corporate/national image and economic growth. In Nigeria, fraudulent practices have become much endemic and systemic, particularly in the public sector. Different tactics and avenues are devised by top executives and employees of government establishments in all the three tiers of government and by the political leaders. Previous administrations of government have actually not showed sincere approach at fighting and reducing the spate of fraudulent practices and corrupt practices. Even government agencies like Independent Corrupt Practices and other Related Offences Commission (ICPC) and the Economic and Financial Crimes Commission (EFCC) saddled with the responsibilities of fighting and curbing the menace of corruption, frauds and fraudulent practices have not really performed their duties to the expectation of Nigerians and observers in the international communities.

There is daily occurrence of financial frauds, embezzlements, fraudulent practices, corrupt and sharp practices which go unnoticed, undetected, uninvestigated in the public sector, thus leading to capital flights, emassment of wealth by the few to the detriment of the masses, consequently, stunting the growth of the Nigerian economy. The media is filled with myriads of reports as regard the varying degree of fraudulent practices perpetrated in the Nigerian public sector. Civil servants and political leaders are busy embezzling government accounts and treasury with no adequate attention on how to prevent fraud and related practices through scientific application of forensic accounting skills. Ikhilae (2015) stated ICPC filed a charge against five directors of the Ministry of Niger Delta Affairs accusing them of, among others, defrauding the ministry of N605million. A former Jigawa state governor and his two sons were remanded in prison custody after they were arraigned EFCC before a Federal High Court in Kano. According to Tukur (2015), the Nigeria's EFCC has slammed various charges bordering on fraud and money laundry on a former national security adviser,

Sambo Dasuki, former Sokoto State Governor, Attahiru Bafarawa and founder of Daar Holdings PLC, Raymond Dopkesi, in the Federal High Court, Abuja. Recently, some serving judges in the Federal Republic of Nigeria were accused by the Department of State Security (DSS) of corruption and fraud related cases (*Vanguard Newspaper*, November, 2016). This development has continued to put Nigerian home and abroad in a worrisome state.

Although, fraud and fraudulent related practices are globally endemic (Adefila, Kasun & Olaniyi, 2006), the rate at which it is perpetrated in Nigerian public sector is dangerously alarming (Effiong, 2013). According to Hamilton and Gabril (2012), the Nigerian public sector is deeply soaked in and characterized by fraud, fraudulent practices, corruption and sharp practices. In Nigeria, for example, the perennial infrastructural decay and general systemic collapse that have often held back the country's development has been linked to fraud and other corrupt practices (*This Day Newspaper*, 2009; Mobolaji & Omotoso, 2009) and for Akenbor and Ironke (2014), fraudulent practices have stood as potent weapons capable of hemorrhaging the entire economy, particularly the public sector.

Thus, the devastating effect of fraudulent practices in the Nigerian public sector cannot be over emphasized. It is felt by the common man on the street, corporate owners and even the government. Governments' efforts to control and annihilate frauds and fraudulent practices have not yielded the desired results in the past except with steering wheel of the present regime of President Muhammadu Buhari that has continued to preach zero tolerance to frauds and corrupt practices in the Nigerian public sector.

Even though the Nigerian government has set up two agencies – the Economic and Financial Crimes Commission (EFCC) and the Independent Corrupt Practices and other related offences Commission (ICPC) to fight fraud, fraudulent practices and corruption in the country, it is worrisome that the incidences of fraudulent practices have become widespread and is fast assuming an epidemic proportion; and this situation is making it difficult for Nigerian government to perform its corporate social responsibility to her citizens (Okunbor & Obaretin, 2010). The commonest actions of EFCC and ICPC against fraudsters and corrupt public office holders have been disciplinary hearing and immediate dismissal from employment which has never helped matters in the public sector (Hamilton & Gabriel, 2012).

If the Nigerian public sector and by extension the private sector must be corruption, free, fraud and fraudulent practices/activities free, demand and high premium have to be given to forensic accounting. Forensic accounting is a specialized, scientific approach, deemed as an efficient and effective institutionalized framework to be readily applied to radically tackle the ugly monster of fraudulent practices in the Nigerian public sector. Enofe, Okpako and Atube (2013), in this regard, pointed that forensic accounting arises from the effect and causes of fraud and technical errors made by

human. According to the Nigerian Institute of Advanced Legal studies (2010), the public sector should be involved in the forensic investigation initiative in view of the fact that it is the biggest spender in Nigerian economy and it is the victim of most of the corrupt practices and therefore need forensic and investigative accounting support more than other stakeholders.

Against this backdrop, this study examined forensic accounting and fraudulent practices in the Nigerian public sector.

Review of Related Literature

Empirical Review

Empirical study by Olugbenga (2013) revealed that the applicability of forensic accounting in Nigeria is not well felt. Dada, Owolabi and Okwu (2013) survey research showed that forensic accounting services are positively related to the investigation and detection of fraudulent practices and it has not been applied in the investigation and detection of frauds especially by major anti-corruption agencies in Nigeria. Modugu and Anyaduba (2013) in an empirical study concluded that forensic accounting be added to the tools necessary to bring about the successful investigation and prosecution of those individuals involved in criminal activities. In an empirical study by Onuarah and Ebimobowei (2012), on the deterrent in fraudulent activities of banks in Nigeria, the result indicated that the application of forensic accounting services to banks will deter bankers to some extent from engaging in fraudulent activities. Okoye and Gbedi (2013) examined forensic accounting as a tool for fraud detection and prevention in Kogi State, Nigeria. The findings revealed that the top management and senior staff are aware of forensic accounting while very few of the lower cadre has knowledge of forensic accounting. The government and the private sector organizations in the light of present day fraud related activities in the public sector need to develop interest in forensic accounting and accountants for monitoring and investigating any suspected and confirmed management fraud (Okoye & Gbedi, 2013). In an empirical investigation conducted by Akhidime and Ekatah (2014) on the growing relevance of forensic accounting as a tool for combating fraud and corruption, it was revealed that forensic accounting is still at the infancy stage in Nigeria and that most Nigerians seem to assume there is difference between forensic accounting and auditing. Hence, we hypothesize that there is no significant relationship between forensic accounting and fraudulent practices in the Nigerian public sector.

Factors Affecting Application of Forensic Accounting in Nigerian Public Sector

Forensic accounting as a discipline has gained widespread acceptance in developed countries of the world unlike developing country such as Nigeria. There are a number of factors that militate against the forensic accounting generally and specifically in the Nigerian public sector. Efiog (2013) identified some of these factors which include

low level of awareness. According to the study, the level of awareness of forensic accounting is very low. This is due to the fact that it is relatively new in Nigeria. The researcher noted further that there will definitely be that relationship because the higher the awareness and the use of forensic accounting, the lesser the fraud and fraud incidences.

There is no encouragement of institutional framework to ensure the implementation and application of forensic accounting in Nigerian public sector. There seems to be bias on the part of the government and its agencies over those convicted by law through the application of forensic accounting skills. This tends to affect the needs for the service of forensic accountants in public sectors in Nigeria. The supply of enough forensic accountants in Nigeria is quite low. This may be because of inadequate funding to effectively undertake the studies. For instance, in Nigeria, very few tertiary institutions teach forensic accounting as a course, perhaps because of insufficient existing trained manpower who can teach it in a professional manner. This is despite the fact the Nigerian University Commission (NUC), has made it mandatory to be taught to students.

Forensic accounting is technology driven which implies that where the technology is still far-fetched, the application is hindered (Efiang, 2013). There are serious infrastructure and developmental challenges in Nigeria, abuse of office power, lack of transparency and the issue of general indiscipline. All these appear to undermine the effectiveness of forensic accounting at curbing fraudulent practices particularly in the Nigerian public sector.

Methodology

The survey descriptive research design was used in this study to generate the data for analysis. The study population consisted of all public institutions in Edo State of Nigeria. However, ten (10) of the institutions both Federal and State owned were randomly selected. Structured four-scale Likert-type questionnaire was used as the research instrument to elicit responses from the respondents who were mainly internal auditors, chief accountants, executive directors and directors of the selected institutions. The data were analyzed using frequency counts and simple percentages method. The stated hypothesis was tested using t-test statistics at 5% significant level.

Empirical Analysis

A total of one hundred (100) questionnaires were administered. Ninety-four (94) were retrieved from the field. This represents 94% response rate from the respondents. The demographic characteristics of the respondents indicates that 26 (27.66%) of the respondents were internal auditors, 16 (17.02%) were senior staff, 24 (25.53%) were junior staff, while 28 (29.79%) were directors/executives in the public institutions. 21(22.34) of them have working experience ranging from 1-5 years, 32 (34.04%) have

working experience of 6-12 years, 27 (28.72%) have working experience of 13 – 21 years while 14 (14.89%) of them have spent above 21 years working in the various public institutions visited.

The responses of the respondents to the various questions were analyzed (see appendix A). 37 (39.36%) were of the view that forensic accounting skills, help to reduce fraudulent practices in Nigerian public sector, 42 (44.68%) agreed that weak institutional framework militates effectiveness of forensic accounting practices in the various government establishments, 46 (48.94%) strongly disagreed fraudulent practices are more common with Nigerian political leaders than employees of government's establishments. 52 (35.32%) strongly agreed Nigerian governments have not been sincere at fighting the spate of fraudulent practices in the Nigerian public sector. 43 (45.74%) strongly disagreed that under supply of trained forensic accountants has not assisted in the reduction of fraudulent practices in Nigerian public sector. Misrepresentation, misappropriation/embezzlements, forgery, theft, bribery were itemized by 44 (46.81%) of the respondents as the various forms of fraudulent practices in the Nigerian public sector. 41 (43.62%) said this has actually brought set back and shame to Nigeria before the international communities. 33 (35.11%) of them see forensic accounting as a major panacea towards enhancing financial transparency and accountability in Nigerian public sector. On the average, 33.62% of the entire respondents submit that there is a significant relationship between forensic accounting skills and reduction of fraudulent practices in Nigerian public sector.

The test of hypothesis reveals that there is a significant relationship between forensic accounting and fraudulent practices in the Nigerian public sector. (**See APPENDIX A**). This confirms the views of the respondents. It is also consistent with the findings of Efiong (2013); Okunbor and Obaretin (2010); Enofe et al (2013); and indirectly with Akenbor and Ironkwe (2014).

Conclusion and Recommendations

This study has empirically examined forensic accounting and fraudulent practices in the Nigerian public sector. The prevalence of frauds and fraudulent practices particularly in the Nigerian public sector is alarming and mind boggling. The inefficiency and ineffectiveness of the traditional auditing has therefore called for the application of forensic accounting to control the ugly monster – fraudulent practices as well as corrupt and sharp practices in the Nigerian public sector. The call for the application of forensic accounting in the light of the degree of constant report of embezzlement of government accounts and treasury is indeed a call for urgent need and responsibility by all concerns including the government and its agencies.

The prevalence of fraudulent practices in the Nigerian public sector has brought set back to the economy, untold hardship to the citizens and shame to the country as a whole before the international communities as submitted by greater proportion of the

respondents in this study. The findings made indicate that several factors inhibit the application of forensic accounting in Nigerian public sector. These were identified in the body of the work. Different degrees of fraudulent practices were reported in this paper, which over the years have engendered poor performance of the Nigerian public sector. Also, important in this paper were the examination of indicators of fraudulent practices. Therefore, this study recommends that government and regulatory authorities need to ensure the provision of standards and guidelines to regulate forensic activities and above all, Nigerians should embrace integrity, objectivity, fairness and accountability in their day-to-day activities particularly in the public sector.

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APPENDIX A

Research Question: Is there a significant relationship between forensic accounting and reduction of fraudulent practices in Nigerian public sector?

S/N	Items	SA	A	SD	D
1.	You are abreast of the services of forensic accountants.	26 (27.66%)	32 (34.04%)	19 (20.21%)	17 (18.09%)
2.	Forensic accounting skills to reduce fraudulent practices in your establishment.	20 (21.28%)	37 (39.36%)	23 (24.47%)	14 (14.89%)
3.	Weak institutional framework militates against forensic accounting practices in government establishment.	12 (12.77%)	42 (44.68%)	22 (23.40%)	18 (19.15%)
4.	Fraudulent practices are more common with Nigerian political leaders than employees of governments' establishment.	25 (26.60%)	18 (19.15%)	46 (48.94%)	5 (5.32%)
5.	Nigerian government has not been sincere at fighting the spate of fraudulent practices in Nigerian public sector.	52 (55.32%)	15 (15.96%)	17 (18.09%)	10 (10.64%)
6.	Under supply of trained forensic accountants has not assisted in the reduction of	20 (21.28%)	19 (20.21%)	43 (45.74%)	11 (11.70%)

fraudulent practices in Nigerian public sector.					
7.	Misrepresentation, misappropriation/ embezzlement, forgery, theft, bribery are forms of fraudulent practices prevalent in the Nigerian public sector.	28 (29.79%)	44 (46.81%)	13 (13.83%)	9 (9.57%)
8.	Insufficient technology, infrastructure and developmental challenges undermine the effectiveness of forensic accounting at curbing fraudulent practices in Nigerian public sector.	12 (12.77%)	35 (37.23%)	37 (39.36%)	10 (10.64%)
9.	Prevalence of fraudulent practices in the Nigerian public sector has brought set back to the economy, untold hardship to the citizens and share to the country in general before the international communities.	21 (22.34%)	41 (43.62%)	6 (6.38%)	26 (27.66%)
10.	Forensic accounting is a major panacea towards enhancing financial transparency and accountability in Nigerian public sector	20 (21.28%)	33 (35.11%)	29 (30.85%)	12 (12.77%)
Average Total		23.6 (25.11%)	31.6 (33.62%)	25.5 (27.13%)	13.2 (14.04%)

Source: Researcher's Computation, 2015

Test of Hypothesis

Ho: There is no significant relationship between forensic accounting and fraudulent practices in Nigerian public sector.

X	$\bar{X} - \bar{X}$	$(X - \bar{X})^2$
23.6	0.12	0.0144
31.6	8.12	65.9344
25.5	2.02	4.0804

$$\frac{13.2}{93.9} - 10.28 = \frac{105.6784}{\sum \frac{(X - \bar{X})^2}{n}}$$

$$\frac{\sum X}{n} = \frac{93.9}{4} \quad \text{Variance } (s^2) = \frac{175.7076}{4} = 23.48$$

Standard deviation (s) = 43.9269 $\sqrt{43.9269}$

Determination of = 6.63.

t-statistic value.

$$T = \frac{\frac{x - \mu_0}{S}}{\sqrt{n - 1}} = \frac{\frac{23.48 - 0}{6.63}}{\sqrt{10 - 1}}$$

$$\frac{\frac{23.48}{6.63}}{3} = 10.62$$

Decision Rule: It can be observed that the t-calculated value of 10.62 is higher than the critical value of at 5% significant level. Hence, we reject the null hypothesis.