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Forensic Accounting as Tool to Confronting Economic and Financial Crimes in Nigeria

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ABSTRACT: *The increasing rate of economic and financial crimes in Nigerian economy has made corporate organizations to develop means of facing these challenges with the use of forensic accounting services. The objective of this study is to discuss how forensic accounting can facilitate the blockage to economic and financial crimes in Nigeria. The research utilized mainly secondary data sources adopted content analysis of various library materials and internet sources. There has been a dramatic increase in financial crime across the globe especially in developing economies. The researchers consider forensic accounting as instrument to combat economic and financial crime in Nigeria. This can be achieved through functional consistency use of the anti-graft agencies to curb perpetrators of crimes. Crimes classified as economic and financial remain major problem facing the Nigeria's economy and the citizenries and many believe that forensic accounting is the only panacea in Nigeria. we recommend that the Nigerian Accounting Association which comprises of Institute of Chartered Accountants of Nigeria and Association of National Accountants of Nigeria should as well as charted institute of forensic and investigation auditors and recruit them at the strategic positions. In addition, the government should stimulate interest in forensic accounting for monitoring and investigation of suspected corruption cases.*
Keywords: *Forensic accounting; Economic and financial crimes; Nigeria*

INTRODUCTION

This work sees the forensic accounting as practicable end point to antagonizing global issue which can use as a device to confronting emerging economic and financial crime in Nigeria, because forensic stay on the major instrument for economic growth and development for the many countries of the world. That is most reason government and private sector required the service of forensic accountant. Thus forensic becomes a veritable tools for tackling financial crime and corruption challenges facing many nations and Nigeria in particular. Forensic accounting is perceived to have evolved in response to certain emerging fraud related cases. The scandals that recently rocked the corporate world with classical examples being the often cited Enron and World Com cases have also brought the field of forensic accounting to the pole position. Forensic accounting concise all other investigation related areas in exposing financial fraud. The increasing sophistication of financial fraud requires that forensic accounting be added to the tools necessary to bring about the successful investigation and prosecution of those individuals involved in criminal practices. Institute of chartered accountant Ghana identifies the need to work on the skills auditors with intention to offer diploma in forensic audit program (Mr. Add-Technical Director, personal communication, January12, 2014).though auditing may uncover some economic and financial crimes, detailed disclosure of these crimes and their prosecution demand special techniques and forensic accounting has the role of bridging audit expectation gap relating to fraud prevention, detection and prosecution of economic and financial crime. In recent times, series of fraud have been committed both in the public and private sector of the economy. Economic and financial crime has affected the lives of citizens of third world countries negatively, it is engraved in the systems and it is alarming and seriously devastating. These in no doubt are perpetrated under the supervision of the internal auditors of the organization. Karwai (2002) maintains that the increasing wave of fraud is causing a lot of havoc in Nigeria. This is because fraud has eaten deep into every aspect of the Nigerian society to the extent that many organizations have lost confidence of their customers. Moduga and Anyaduba (2013) seen Forensic accounting as encapsulating all other investigation related areas in uncovering financial fraud. Financial crime in any organization leads to economic loss, loss of goodwill, loss of staff and consequently, business closure. Abiodun (2006) posits that the most significant effect of financial crime is the economic loss to the organization. The increasing sophistication of financial fraud requires that forensic accounting be added to the tools necessary to bring about the successful investigation and presentation of those individuals involved in criminal activities. The general expectation is that forensic accounting may offer some delay to the seemingly liability of conventional accounting and audit systems to financial fraud. The focus of this study therefore is to examine how forensic accounting as a tool to confronting economic and financial crimes in Nigeria.

Concept of Forensic Accounting

Forensic accounting has witnessed a gradual entrance into mainstream contemporary accounting literature and has been defined both conceptually and operationally by a considerable number of scholars. Manning (2010) defines forensic accounting as the application of financial accounting and investigative skills to a standard acceptable by the courts to address issues in disputes in the context of civil and criminal litigation. Ijeoma (2015) defined it as an aspect of accounting growing rapidly and explains the engagement resulting from real or expected dispute or litigations. Dhar and Sarkar, (2010), forensic accounting is defined as the application of accounting concepts and techniques to legal problems. Forensic accounting utilizes accounting, auditing and investigative skills while conducting an investigation (Okolie, 2014). Forensic accounting is the practice of utilizing accounting, auditing and investigative skill to assist in legal matter and the application for specialized body of knowledge to the evidence of economic transaction and reporting suitable for the purpose of establishing accountability or valuation for administrative proceedings (Adegbie & Fakile, 2012). Degboro and Olofinsola (2007), forensic accounting is the application of criminalistic methods and integration of the accounting investigative activities and law procedures to detect and investigate financial crimes and related accounting misdeeds. In the view of Howard and Sheetz (2006), forensic accounting is the process of interpreting, summarizing and presenting complex financial issues clearly, succinctly and factually often in a court of law as an expert. Forensic accounting is a discipline that has its own models and methodologies of investigative procedures that search for assurance, attestation and advisory perspective to produce legal evidence. It is concerned with the evidentiary nature of accounting data, and as a practical field concerned with accounting fraud and forensic auditing, compliance, due diligence and risk assessment; detection of financial misrepresentation and financial statement fraud (Skousen & Wright, 2008), tax evasion; bankruptcy and valuation studies, violation of accounting regulation (Dhar & Sarkar, 2010). Forensic accounting may be described as being the integration of an individual's accounting and auditing knowledge with investigative skills that have been gained from years of practical experience (Eiya and Ofalor, 2013). It is the means by which the forensic accountant review instructions given by a client usually through a solicitor, thoroughly investigate those instructions and the underlying circumstances, examine the financial information and relevant contracts and other agreements, obtain appropriate evidence, prepare any appropriate calculations, form a conclusion and publish the whole in the form of a report suitable for presentation (Eiya and Otalor, 2013). Adegbie and Fakile (2012) noted that forensic accounting is the application of investigative and analytical skills in a manner that meets standards required by courts of law. Forensic accounting is a science that deals with the application of accounting facts and concepts gathered through auditing methods, techniques and procedures to resolve legal problems which require the integration of investigative, accounting, and auditing skills (Arokia-Samy & Cristal, 2009; Dhar & Sarkar, 2010). According to Bhasin (2007), the concerns of forensic accounting include assessment of damages caused by auditors' negligence, fact finding to see whether an embezzlement has taken place, in what amount and whether criminal proceedings are to be initiated; collection of evidence in a criminal proceedings; and computation of asset values in a divorce proceedings. He argues that the primary orientation of forensic accounting is explanatory analysis of phenomenon including discovery of deception (if any), and its effects introduced into the accounting territory.

Definition, Components and Typology of Financial Crime

There is no internationally accepted definition of financial crime (IMF, 2001; Ryder, 2011). Financial crimes are crime against property, involving the unlawful conversion of the ownership of property (belonging to another) to one's own personal use and benefit. Financial crimes may involve additional criminal acts, such as computer crime, elder abuse, burglary, and even violent crime such as armed robbery or murder. Financial crimes may be carried out by individuals, corporations, or by organized crime groups. Victims may include individuals, corporations, governments, and entire economies. Although International Monetary Fund (2001), sees financial crime refers to "any non-violent crime that results in a financial loss". It further suggests that financial abuse is encouraged by poor regulatory and supervisory frameworks and weak tax systems and as a subset of financial abuse financial crime requires a financial loss. More so Pickett and Pickett (2002) define financial crime as 'the use of deception for illegal gain, usually involving breach of trust, and some concealment of the true nature of the activities', using the terms financial crime, white-collar crime, and fraud interchangeably. Williams (2005) incorporates corruptions, bribes cronyism, nepotism, political donation, kickbacks, artificial pricing and frauds of all kinds to his description of financial crimes. 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 organisation to gain ill-gotten advantage which would not have accrued in the absence of such deceptive procedure. Furthermore Karwai (2002) is of the view that financial fraud in organizations differ widely in nature, character and method of operation in general. He reported that the identification of the causes of fraud is very difficult because modern day organizations frauds usually involve a complex web of conspiracy and deception that often mask the actual cause. It was noted by Nwaze (2008) that fraud is perpetrated in many forms and usually has insiders (staff) and outsiders conniving together to successfully implement the act.

FBI (2005) & Pickett & Pickett (2002) enumerate several components of financial crime as following; deceitful, intentional, resulting in pecuniary losses, possible concealment, breach of trust, possible appearance of outward respectability. Fraud may be classified into two broad ways: nature of fraudsters and method employed in carrying out the fraud. On the basis of the nature of the fraudsters, fraud may be categorized into three groups, namely; internal, external and mixed frauds. Internal fraud relates to those committed by members of staff and directors of the organizations while external fraud is committed by persons outside the organization and mixed fraud involves outsiders colluding with the staff and directors of the organization. Although fraud affects the whole world, the magnitude of fraud in Nigeria and the extent to which the economy is affected is a call for alarm (Abiola, 2009).

Forensic Accounting and Economic and Financial Crimes

A survey of crime shows that 37% of those that responded in fifty countries, reported economic crimes having USD2, 199,930 average loss per company (Price Water House Cooper, 2003). They further posited that dealing with suspicion of economic crimes, such as fraud or corruption issues, requires much more than simple know-how. Adamu (2012) suggested an aggressive study in forensic education to students, academicians and practitioners with an opinion to address the horrible occurrence of fraud characterised by the considerable changes that business posed due to globalisation, advancement in technology and soared financial scandals profile. Ribadu (2004) opined that cases that involve economic and financial crimes are often intricate and involves papers and subjects that are technical and also requires an investigator that is well-schooled to unearth it. Adegbie and Fakile (2012) asserted that forensic accounting is a financial (monetary) move towards controlling and resolving crimes (economic and financial) in the economy of Nigeria. To them, in the financial statements forensic accounting provides investigative accounting. Stanbury and Paley-Menzies (2010) sees it as a science that is used in information assembling and presenting in a way that is acceptable by a court having jurisprudence that is not in favour of economic and financial crimes perpetrators. Howard and Sheetz (2006) asserted that the emergence of forensic accounting in recent times was in response to the development of the rising occurrence of frauds and malpractices in corporate management. While Ojaide (2000) and Izedonmi and Mgbame (2011) believe that there is the need for the services of forensic accounting due to the disturbing pace at which fraudulent cases and its activities are increasing in Nigeria, Modugu and Anyaduba (2013) and Enofe, Utomwen and Danjuma. (2015) are of the opinion that there is common anticipation that forensic accounting will probably have the ability to limit the surge of financial malfeasance experienced in the larger part of the economy of Nigerian. Enofe *et al.* (2015) posited that, concerning the banking sector, forensic accounting is an instrument for taking care of financial crimes. Dada, Owolabi, and Okwu. (2013) believes that reduction in fraud is considerably related to fraud investigation and uncovering through forensic accounting.

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There seems to be a general view that forensic accounting is probably the effective instrument to hold back the ever increasing rate of economic and financial crimes in Nigeria today. In, Edori. (2018) used the survey method for the purpose of this study. Four hypotheses (null hypotheses) were tested using the Pearson product moment correlation coefficient (PPMC) statistical tool. We find that forensic accounting has a significant but negative relationship with economic and financial crimes; technology has significant and positive relationship with both forensic accounting and economic and financial crimes; and that technology moderates the relationship that exists between forensic accounting and economic and financial crimes. Furthermore, Modugu and Anyaduba. (2013) adopted survey design was used in the study with a sample size of 143 consisting of accountants, management staffs, practicing auditors and shareholders. The simple random technique was utilized in selecting the sample size, while the binomial test was employed in the data analysis. The findings of the study indicate that there is significant agreement amongst stakeholders on the effectiveness of forensic accounting in fraud control, financial reporting and internal control quality. Notwithstanding, Ehioghiren, and Atu, (2016) use SPSS 21 to test the hypothesis to determine the F-value. The findings are 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.

More so, Oseni, (2017) applied simple random technique was used as the sampling technique, while the chi- square was employed in the data analysis. The tests of hypothesis were done using Microsoft Excel 2010 version. Tests were carried out at a significant level of 5% and three degree of freedom. The paper concludes that financial crimes and fraud have serious negative effect on human capital and infrastructural development in developing economies, especially countries like Nigeria. Forensic accounting services provide corporate organizations with the necessary tools to detect and prevent frauds and financial crimes. In addition, Enofe, at al (2015) work employed the use of structured questionnaire in eliciting the required data needed to test the formulated hypotheses. Regression analysis was utilized as the method of data analysis and the results will be used in testing the hypotheses specified in the study. The study finding reveals that there is a need for forensic accountants in the Nigerian banking system, Forensic accounting is an effective tool for addressing financial crimes in the banking system and finally that Conventional accounting techniques are not effective in curbing financial crimes. 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, and Webber, 2000).

CONCLUSION AND RECOMMENDATIONS

Conclusively from this paper, that; forensic accountants should be employed in all finance department of public and private sectors of Nigeria economy, in order to combat economic and financial crimes. The research recommends that Nigeria need to build strong institutions where financial auditors, investigators and accountants would be given special training and orientation on forensic science and technology on how to capture the movement of the fraudsters.

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