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Fraud Detection, Fraud Prevention and Forensic Accounting: An Empirical Study from EFCC Report

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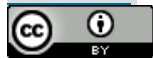
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ABSTRACT

The proactive mechanisms that stakeholders have put in place to reduce fraud's excessive tendencies are crucial, yet fraudsters and other criminally inclined people are driven by fraud and fraudulent actions in many spheres of the economy. In light of audit failures worldwide, it is thought that statutory auditors lack the necessary expertise to identify and stop contemporary frauds, including cybercrimes and white-collar crimes like extortion, money laundering, corporate fraud, embezzlement, bankruptcy, and securities fraud (Adekunle, 2022). Among the recent advances in the field of financial accounting, forensic accounting is the use of accounting expertise in court cases and criminal prosecutions to stop the spread of fraudulent activity, as intended by the the Nigerian Financial and Economic Crimes Commission (EFCC). This study looked at the EFCC paper Fraud Detection, Fraud Prevention, and Forensic Accounting: An Empirical Study. The study aims to ascertain whether forensic accounting and financial crimes are related, as well as to look at the substantial influence of forensic accounting on fraud detection and prevention. Data were specifically gathered from primary sources of questionnaires in order to meet the set objectives. The SPSS V24 program was used to examine the gathered data. According to the analysis, among Nigerian concerns, the study proposed a strong positive correlation between fraud detection, fraud prevention, and forensic accounting. Given that they are less than 5%, the p-values of 0.006 and 0.008 indicate a significant association between the variables. The research so, in order to lower the rate of financial crimes, particularly among business concerns in Nigeria, it is recommended that more forensic accountants be involved in fraud detection and prevention

INTRODUCTION

According to Omoroghomwan (2018), since its founding in 2004, the Economic and Financial Crime Commission has been incredibly powerful in combating corrupt practices that have arisen from a number of convicted political officers accused of corruption, stories of trials that resulted in few charges or penalties, and other factors that have contributed to the perception of the commission as an ivory tower in the fight against corruption in Nigeria and the repositioning of financial maladjustment in the Nigerian economy. Due to audit failures that have occurred globally and led to multiple corporate collapses in the USA, Southeast Asia, and Europe (BCCI), including Enron Corporation, Tyco International, WorldCom, and others, criminal and fraudulent activities have deeply ingrained themselves into the fabric of the world's economies, particularly developed economies (Adekunle & Ogbona, 2018). The world's economies have been deeply impacted by criminal and fraudulent activities, particularly developed economies. This is due in part to audit failures that have occurred globally, resulting in numerous corporate collapses in the USA, Southeast Asia, and Europe, including WorldCom, Tyco International, and Enron Corporation (Adekunle, D. S., 2018; Ogbonna and Appah, 2011). Lever Brothers, African Petroleum, and Cadbury are a few significant ones in Nigeria (Adeyemi and Okpala, 2011). Independent accountants do not bear primary responsibility for identifying and stopping fraud, it is a fact (Chui and Pike, 2013). An assessment of whether the submitted income statements accurately and fairly depict the situation, and whether the books of accounts have been kept in accordance with the law, Lever Brothers, African Petroleum, and Cadbury are a few significant ones in Nigeria (Adeyemi and Okpala, 2011). Independent accountants do not bear primary responsibility for identifying and stopping fraud, it is a fact (Chui and Pike, 2013). The two primary objectives of the independent accountant's examination are to render an opinion on whether the books of accounts have been correctly maintained in accordance with

established law and whether the income statements provided present a true and fair picture of the company's financial situation as of a specific date (Ogutu and Ngahu, 2016). As to the definition, the primary duty of an auditor is to express an opinion, not to detect or avert fraud or errors. The definition states that an auditor's primary duty is to provide an opinion, not to spot or thwart fraud or errors. Corporate stakeholders believe that statutory auditors will be able to spot and prevent mistakes and frauds, but countless instances of corporate scandals and audit expectations violations have changed public opinion of the accounting profession, shifting it in some ways from statutory audits to corporate governance (O'Brien, 2005). Forensic accounting knowledge is therefore crucial for accountants to have in their professional endeavors (O'Brien, 2005). Significant changes had already been brought about in the accounting industry by the Enron and WorldCom scandals, among other accounting mistakes (Cotton, 2000).

Depending on the literature being used, forensic accounting can also be referred to as investigative accounting, but it is important to distinguish one from the other. Investigative accounting is a component of forensic accounting and is typically applied in situations when fraud is suspected. Many fraudulent activities being orchestrated by management of concerns that cannot be detected nor prevented by statutory auditors ultimately led to the collapse of many high-profile companies (Uniamikogbo et al, 2019).

METHODS

The main objective of this study is to examine the effect of forensic accounting on fraud detection and prevention. The questionnaire technique was used to gather relevant data and was administered to target respondents in Oyo State, Nigeria.

A sample size of one hundred (100) was drawn from the population under study. The population was 1,000 consisting of professional accountants, auditors, Bankers, academics, financial analysts and preparers of financial statements. The researcher employed a random sampling technique to select the sample from the population. Eighty (80)

questionnaires were retrieved out of hundred (100) questionnaires administered. The data collected were coded and analyzed using both descriptive statistics and inferential statistics using Statistical Package for Social Science (SPSS V 24). Thirty percent of the respondents were between the age of 20-44 years, 40 percent were between 45-54 years and the remaining 30 percent were 55 years and above. Hence it is evident that most of the respondents are older and experienced.

Research Hypothesis

Ho1: Forensic accounting has no significant effect on fraud detection and prevention.

Ha1: Forensic accounting has significant effect on fraud detection and prevention.

The hypothesis of interest has two variables, Forensic accounting and Fraud detection and prevention. At 0.05, level of significance this analysis was carried out. The model obtained from the data analyzed using SPSS 23 is written below.

$$Y_i = \beta_0 + \beta_1x_1 + \varepsilon$$

Where;

β_0 - Is the constant or intercept

X1 - Independent variable Forensic Accounting

Y - Dependent variable Fraud detection

ε - Is the error component.

Table 1. ANOVA

Adjusted R = 0.087		R=0.216*		R squared = 0.42		
	Sum of squares	Df		Mean Square	F	Sig.
Regression	102.515	1	11.939	7.344	0.008(a)	
Residual	4.485	8	1.959			
Total	107.100	9				
Coefficients of regression line						
Variable	Unstandardized Coefficients		Standardized Coefficients(β)		t	Sig
Constant	10.555				2.128	0.006
Forensic Accounting	.138		.206		.595	0.568

Significant at 0.05 Alpha Level

RESULTS AND DISCUSSION

Null hypothesis goes thus; forensic accounting has no significant effect on fraud detection and prevention. From the result, it was discovered that there is positive effectiveness although the correlation is weak. Thus an effective forensic accounting system will lead to an effective fraud detection and prevention. ‘F’ ratio (7.344) is significant and this indicates that forensic accounting is potent factor in determining fraud detection and prevention in an organization. The model gives good account of dependent variable of fraud detection and prevention on forensic accounting system as R² due to regression (102.515). The coefficient of determinant of R= 0.42 and this indicates that 22% variation in fraud

detection and prevention is accounted for by good forensic accounting system

Therefore, null hypothesis is rejected while alternative hypothesis is accepted which states that forensic accounting has significant effect on fraud detection and prevention.

Discussion of Findings

The p-value of less than 0.05% as evident in the 0.006 and 0.008 result shows that there is indeed a significant relationship between forensic accounting and fraud prevention / detection. This therefore supports the work conducted by several scholars such as Adekunle (2022); Adeyemi & Okpalla (2011); Eze (2015); omoroghomwan (2018).

CONCLUSION

Conclusion

It is clear from statistical evaluations of the importance of forensic accounting and how it affects fraud detection and prevention that forensic accounting is crucial to Nigerian fraud detection and prevention efforts. In order to combat financial irregularities in Nigeria's public and private sectors, forensic auditing expertise is essential. In Nigeria, professional accountants are also becoming more aware of the issue. Forensic accounting is therefore a potent instrument for identifying and preventing fraud in Nigeria. Consequently, the following conclusions are drawn:

- i. To lower the incidence of financial crime in Nigeria, more forensic accountants ought to be involved in fraud detection.
- ii. Forensic accounting courses ought to be offered at Nigerian universities and polytechnics to raise the level of expertise of accountants who leave institutions of higher learning.

Recommendation

- i. For their specialized opinions to be trusted, forensic accountants as professionals should always prioritize their education, training, experience, and skill.
- ii. The anti-graft agencies ought to think about hiring forensic accountants to help them in court cases involving financial or economic crimes.
- iii. Both other personnel and the leadership team should receive the necessary education. Workers should receive in-depth instruction on the policies and procedures of the organization.
- iv. Materials and a supportive environment should be made available to forensic accountants so they can fully realize their potential.

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