

THE IMPACT OF FORENSIC ACCOUNTING ON INVESTIGATION OF CORPORATE FRAUD IN NIGERIA: STUDY OF EFCC

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ABSTRACT

This paper examine the impact of forensic accounting on investigation of corporate fraud in Nigeria. A study of EFCC. Several instances of corporate scandals and failure in resent past have put the professional accounting bodies into a new perception that goes beyond statutory audit and in some ways even the trend of corporate governance, forensic accounting is one of the most, if not the most important tool in the fight against corruption and other criminal wrongdoing, both in private and public sectors. For the study, data were collected from both primary and secondary sources. A total of 60 (sixty's questionnaires were distributed and hypothesis were formulated sample percentages were used in analyzing the questions contained in the questionnaire. Chi-square statistics was used in the test of the hypothesis formulated. Based on the research, the researcher found out that forensic accounting enhances the role in easy detecting of fraudulent scheme. The effectiveness of EFCC of forensic accounting can restrict financial crime in Nigeria, and the prosecution of public office holders by EFCC can reduce the level of fraudulent activities in Nigeria. The researcher recommends for external and internal auditor to be trained on fraud detection procedures including knowing when suspicious activity is detected and then the executive and directors to become fully aware of the threat of fraud and the means of deterring it.

INTRODUCTION

Several Instances of corporate scandals and failure in recent past have put the professional accounting bodies into a new perception that goes beyond statutory audit and in some ways even the trend of corporate governance.

The growth of the public limited liability companies and large increase in the number of investors owing share, and the divorced of ownership from control of companies has called for regular auditing of corporate financial reports. The objectives of the ordinary audit of financial statement by' the independence auditor according to AICPA (1992) is the expression of an opinion on the fairness or otherwise in all material aspect of the financial position, results of operation and its cash flows in controlling with generally accepted accounting principle. How modern organized corporate frauds are sophisticated and well resourced by manager, entrepreneur and politicians to mention but few, this is the need to response to this changing criminal threat and the skills of non traditional investigators like accountant and legal experts are needed to combat the corporate ill, this has arouse the call for forensic accountant.

Additionally, in todays society, there is widespread growth in white-collar crime, evidence by both fraudulent financial reporting and misappropriation of assets. Racketeering and terrorist groups often rely on money laundering schemes to finance and disguise their activities. The increased use of computer technology as a tool for conducting criminal activities such as identity theft present new challenges to forensic accountants.

A corporate fraud occurs when a company or organization deliberately changes or conceals the information, in order to make it appear healthy. A company may commit fraud by manipulating accounting records, hiding debt, or failing to inform shareholders of loans and bonuses given to its executives. The falsification of financial information, including false accounting entries, bogus trades designed to inflate

profits or hide losses and false transactions will help the organization to attract funds from the lenders and investors.

Forensic accounting utilizes accounting, auditing and investigation skills while conducting an investigation. These accountants are trained to look into the dispute in a number of ways. They often retain to analyze, interpret, summarize and present a complex manner which is understandable and probably supported. Also they are often involved in various activities such as investigating and analyzing financial evidence, developing computerized exhibiting documents and presenting the evidence obtained. This new and groundbreaking accounting has two main areas which are:

- i) Litigation support and investigation and
- ii) Dispute resolution

The former represents the factual presentation of economic issues related to existing litigation. In this capacity, the forensic accounting sustained by parties involved in the legal disputes and can assist in resolving dispute, even before they reach the courtroom, if dispute reaches the courtroom, the forensic accountant may testify as an expert witness on the other hand the latter is the act of determining whether criminal matters such as securities fraud which include financial statement, identifying theft and insurance fraud etc. in such complex cases forensic accountants make some recommendations/actions that can be taken to minimize future risk or loss.

Study Problem

The failure of statutory audit to prevent and reduce misappropriation of corporate crime has put pressure on the professional accountant, and legal practitioner is find a better way of exposing frame in business world. A nationwide study conducted by Kessler international showed that 39 percent of organizations have considered the need for a forensic accountant. The study intend to find out how the knowledge of forensic accounting can reduce corporate fraud and mismanagement.

Again, in today's dynamic business world, companies financial and business interest are exposed to numerous risks, including fraudulent actions by employees, management and counterparties. Numerous of corporate fraud controversies have been witnessed worldwide through all industries this is a

survey conducted by PWC (Economic Crime Survey) and the association of certified fraud examiner, we believe that fraud is pervasive.

Fraud in Historical Perspective

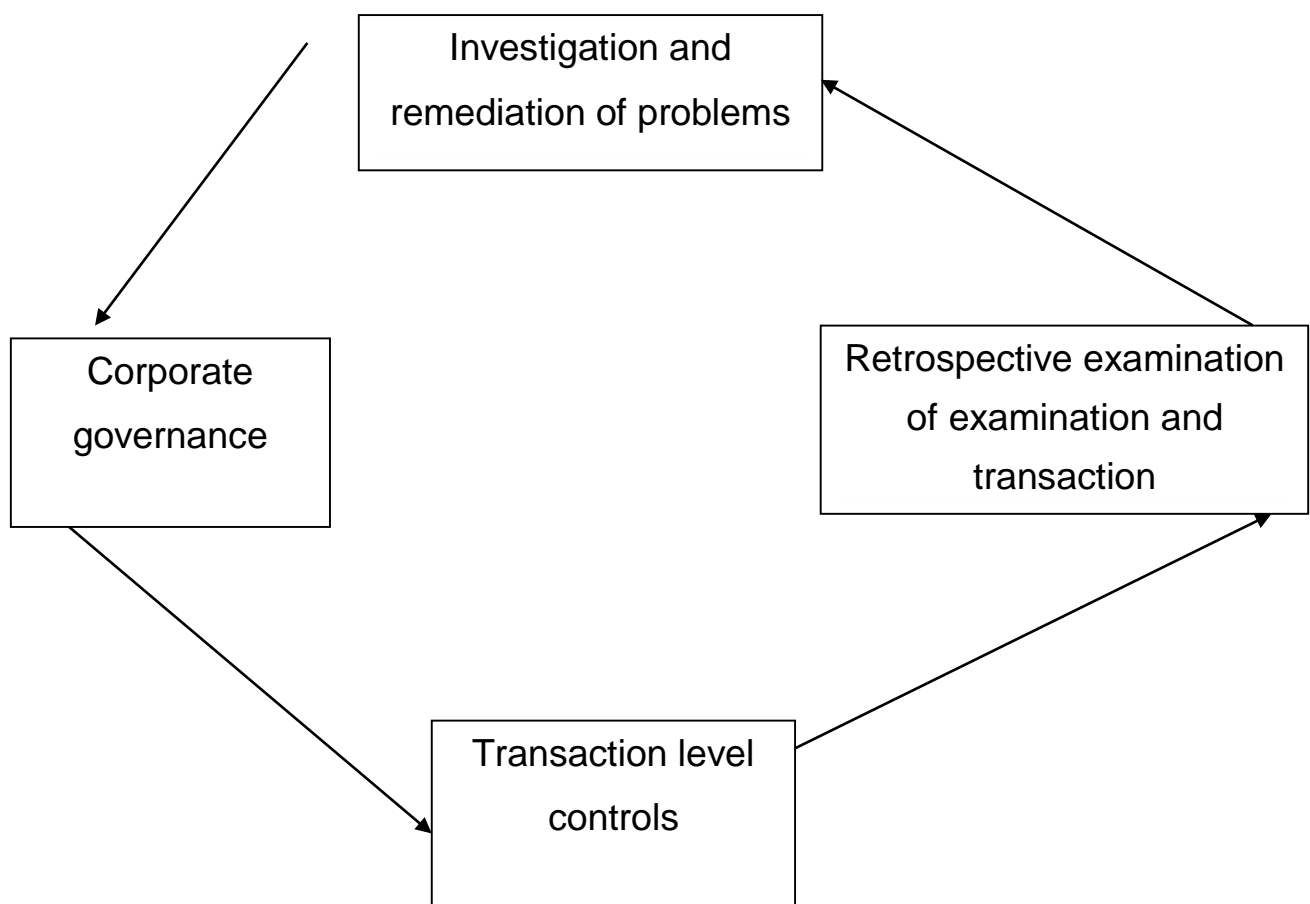
Fraud in one form or another has been a fact of business life for thousands of years in Harmurabis Babylonian code of law dating to approximately 1800BC, the problem of fraud is squarely faced. If a herdsman to whose care cattle or sheep have been entrusted, be guilty of fraud and make false returns of the natural increase or sell them for money, then shall he be convicted and pay the owner ten times the loss? The earliest lawmakers were also the earliest to recognize and combat frauds. In the United States, frauds have been committed since the colonies were settled. A particular well known fraud of that era was perpetrated in 16/6 in Jamestown, Virginia by Captain Samuel Argali, the deputy Governor. Captain Argali allegedly fleeced investors in the Virginia co. of every chicken and dry goods that wasn't nailed down.

Soon after the civil war, another major fraud gained notoriety, the credit mobilized scheme of 1872 considered the most serious political scandal of its time, this fraud was perpetrated by executives of the union pacific rail road company, operating in conjunction with corrupt politicians.

Deterrence Auditing Investment

The increased size and impact of financial reporting scandals and the related loss of billions of naira of shareholder value have rightly focused both public and regulatory attention on all aspects of financial reporting fraud and corporate governance. Some of the issues upsetting investors and regulators, for, example executive pay that could be considered by some to be excessive, are in the nature of questionable judgement, but do not necessarily constitute fraud. On the other end of the spectrum, there have been more than a few examples of willful deception directed towards the investigate community via fabricated financial statement and mainly of these action are gradually being identified and punished.

Conceptual Overview of the fraud Deterrence Cycle



The fraud deterrence cycle occurs over time and it is an interactive process. Broadly speaking it has four main elements.

- a. Establishment of corporate governance

- b. Implementation of transaction level control processes often referred to as the system of internal accounting controls.
- c. Retrospective examination of governance and control processes through audit examinations.
- d. Investigation and remediation of suspected or alleged problems.

Corporate Governance

An appropriate system of governance should be with the company itself and grow in complexity as the company grows. Corporate governance is about setting and monitoring objectives, tone, policies, risk appetite, accountability and performance. It further communicate that compliance with laws, ethical business practices, and accounting principles and corporate policies is expected and that any attempted or actual fraud is expected to be disclosed by those who knows or suspect that fraud has occurred.

Transaction level Controls

Transaction level controls are next in the cycle, they are accounting and financial controls designed to help ensure that only valid authorized and legitimate transaction occur and to safeguard corporate asset from, due to theft or other fraudulent activity. These procedures are preventive because they may actively block or prevent a fraudulent transaction from occurring.

Retrospective Examination

The first two element of the fraud deterrence cycle are the first lines of defense against fraud, and are designed to deter fraud from occurring in the first place. Next in the cycle are the retrospective procedures designed to help detect fraud before it becomes large and therefore harmful to the organization. Retrospective procedures such as those performed by auditors and forensic accounting investigators do not prevent fraud in the same way that front-end transaction controls, but they form a key link in communicating intolerance for fraud and discovering problem before they grow to a size that could threaten the welfare of the organization.

Investigation and Remediation

Positioned accounting in the fraud deterrence cycle is forensic accounting investigation of suspected, alleged or actual frauds. Entities that suspect or experience a fraud should undertake a series of step to credibly maintain and support the other element of the fraud deterrence cycle. Investigative findings often form the basis for both interest action such as suspension or dismissal and external action against the guilty parties or restatement of previously issued financial statement.

Forensic Accounting Ancient History

Forensic accounting blossomed in the early 20th century, its growth due in part to the enhanced status of the accounting profession in general, and the growing complexities of the corporate environment.

Forensic accountants were called on to determine whether antitrust laws had been violated during an era in which opportunities existed for manipulation according to Stephen Hollander, CGA, CFE, Co-coordinator of economic crime studies in the forensic department at the British Columbia institute of Technology (BCIT) in Burnaby.

Another factor that contributed the growth of the forensic accounting specialty early in the 20th century was the expanding use of accrual based accounting. Unlike the cash method, which was more clear-cut in its application, accrual accounting likely provided greater opportunities to look the books because that involved more subjective professional judgement, say accounting professor Larry Crumbley, a Certified Public Accountant (CPA), as well as a certified fraud Deterrence Analyst (CFI), and certified forensic Accountant (cr. FA) of Louisiana state University in Baton rouge.

Probably the most famous early 20th century case involving forensic accountants and the IRS was the capture and imprisonment of gangster Al Capone in 1931. Internal Revenue agents Eliot Ness, who worked with the U.S Bureau of Prohibition, part of the Department of Treasury, and forensic accountant Elmer Irey, Chief of the Treasures Enforment Branch and head of the IRS special intelligence unit, became heroes when their investigative teams put together a watertight case against Capone's financial malfeasance.

Capone's illicit activities caught the attention of IRS, who struck when he failed to declare tax on his earnings from bootlegging, prostitution, embezzlement, garbling and other mob-related activities that had terrorized the streets of Chicago in the 1920s.

Forensic accountants also played a key role in investigating Enron Mortgage Corporation. The former president of that company recently pleaded guilty and was sentenced to a federal

prison term on charges of theft and fraud regarding activities that took place between 1993 and 1997 when the company which had offices in Vancouver and Victoria, raised some \$222 million dollars, of which investors lost about \$182 million dollars, this case involved a so called “ponzi” scheme named after a 1921 case-whereby investors were promised returns of up to 24 percent of what were supposed to be commercial real-estate related investment; instead some money was used to pay interest to some of the earlier investors, but most was stolen and diverted for other purposes.

Role of Company Culture

A company's culture consist of its shared history, values, beliefs and goals. This must be added to the shared operating style at all level and in all parts of the organization through which behaviour in keeping with the culture is encouraged and rewarded. While conduct that disregards or defers the cultural is deterred detected and eliminated or if need be penalized.

Appearance can deceive. The need to discern the substance of a company culture and not be swayed by form or appearance is key for both forensic accounting investigators and auditors. Codes of conduct, ethics statement and conflict of interest polices are important, but unfortunately some companies have all those document in place yet fail fair short of honoring them essential to fostering a healthy and widely shared corporate culture are the commitment and attitudes of top management, vigilantly mentioned by an engaged board of directions. The factors listed below are only representative or directional indications of what may likely be encouraged within a business and should be supplemented by the knowledge of the individuals experienced on the engagement

EXHIBIT 2.1

S/N	Variable	High Fraud Potentials	Low Fraud Potential
1.	Management style	a. Autocratic	Participation
2.	Management Orientation	b. Low trust c. Power driven	Achievement Driven
3.	Distribution or authority	a. Centralized researched by top management	a. Decentralized dispersed to all level, delegated
4.	Planning	a. Centralized b. Short range	a. Decentralized b. Long range

S/N	Variable	High Fraud Potentials	Low Fraud Potential
5.	Performance	a. Measurable qualitatively and on a short term basis	Measured both qualitatively and qualitatively and on long term basis
6.	Business focus	a. Project focused	a. Customer focuses
7.	Management strategy	a. Management by crisis	Management by objectives
8.	Reporting	a. Reporting by routine	Reporting by exception
9.	Policies and rules	a. Rigid and inflexible	Reasonable enforced
10.	Primary management concern	a. Capital assets	a. Human, capital and technological assets
11.	Reward system	a. Punitive b. Penurious c. Politically administered	a. Generous b. Reinforcing c. Administered
12.	Feed back on performance	a. Critical b. Negative	a. Positive b. Stroking
13.	Interaction mode	a. Issues and personal differences skirted or represented	a. Issues and personal differences confronted and addressed openly

S/N	Variable	High Fraud Potentials	Low Fraud Potential
14.	Payoffs for good behavior	a. Mainly monetary	a. Recognition, promotion, added responsibility choice assignment plus money
15.	Business ethics	a. Ambivalent rides the tide	a. Clearly defined and regularity followed
16.	Internal relationship	Highly competitive hostile	Friendly competitive supportive
17.	Values and beliefs	Economic, political self centered	Social, spiritual group centered
18.	Success formula	a. Works harder	Works smarter
19.	Human resources	a. Burnout b. High turnover c. Grievance	Not enough promotional opportunities for all the talent
20.	Company loyalty	Low	High

The table above exhibits

Environmental and cultural comparison of those organization with fraud potential and those with low fraud potential.

Source: The CPS's handbook and commercial crime prevention Copyright 2000, 2001 by American Institute of Certified Public Accountants.

EXHIBIT 2.2

FORENSIC ACCOUNTING FRAUD EXAMINATION

FORENSIC ACCOUNTING	FRAUD EXAMINATIONS
A broad discipline applying skills to legal matter in a wide range of issues.	A focused discipline relating entirely to the issue of fraud.
Addresses a past event	Addresses past, present and future events.
Uses financial information	Uses financial and non-financial information
Produces information about finances	Produces information about finances, people and their actions
For use in judicial proceedings	For use in government businesses, private and internal proceedings.
A relatively small group practitioners	A large force fighting fraud in business and government

Source: Fraud Examiner Manuel, Association of Certified Fraud Examiners.

Presentation of Data

Questionnaires were administered to some selected EFCC offices. These people were approached to fill in the questionnaire in their offices. The various responses were edited, codified and summarized in a table for further analysis.

Simple frequencies were generated from all the variables and presented in form of percentage and analysis carried out immediately by the presentation of findings, which also include the test of hypothesis at the later part of the chapter.

**TABLE .1
TABLE SHOWING THE RETURN OF QUESTIONNAIRES**

Respondent	Expected	Actual Response	% of Total	Refused
EFCC office Lagos	20	20	33.33	-
EFCC office P. Harcourt	20	20	33.33	-
EFCC office Enugu	20	20	33.33	-
Total	60	60	100	-

Source: Field Survey 2011

A total number of sixty (60) questionnaire were distributed and all were returned representing 100% of the questionnaire distributed. The percent age (%) represents that the respondents were favourably disposed to the research.

DESCRIPTION OR ACCOUNTANT LENGTH OF SERVICES AND POSITIONS

TABLE 2

Length of Services	Position	No of Respondents	Percentage Total (%)
0-5 years	Officer	8	13.33
5-10 years	Manager	22	36.67
10 years and above	Executives	30	50
Total		60	100

Source: Field Survey 2011

The above table shows the length of services of the respondents as well as their positions in the organization. Respondents who occupy the position of the executive director or partners in the legal and accounting profession and have had at least 10 years in practicing, form the highest number of respondent for the study, this shows that the data collected from the analysis were given out of their indepth experiences in their profession.

Level of Understanding of Forensic Accounting

Q1 Have you heard of Forensic Accounting

TABLE 3

Responses	No of Respondents	Percentage Total (%)
Yes	49	81.67
No	11	18.33
Total	60	100

Source: Field Survey 2011

From the above table, 81.67% are aware about forensic accounting, while 18.33% are not aware of this new development in accounting. This indicates that majority of respondents are aware of the current trend in accounting profession.

KNOWLEDGE OF FORENSIC ACCOUNTING, IF YES, HOW DID YOU LEARN IT.

TABLE 4.

Responses	No of Respondents	Percentage (%)
Media	8	13.3%
Internet	10	16.7%
Books	6	10%
Seminars, training		
Conference	14	23.3%
A friend	22	36.7%
Total	60	100

Source: Field Survey 2011

Here 13.3% of the respondents heard of forensic accounting through the media, 16.7% of the respondents saw it on the internet, 10% of the respondent read it from a book, 23.3% of the respondents heard it at a seminar or training conference and 36.7% heard it from a friend.

**Level of knowledge of forensic accounting
Do you think forensic accounting is widely used in Nigeria?**

TABLE 5

Responses	No of Respondents	Percentage (%)
Yes	53	88.33
No	7	11.67
Total	60	100

Source: Field Survey 2011

From the above table 88.33% are of the opinion that forensic accounting services are relevant to financial reporting, while 11.67% were either indifferent or responded negatively, but from the responses above it indicate that forensic accounting services are and will be relevant to financial reporting in the Nigeria economy.

The effectiveness of EFCC techniques of forensic accounting can restrict financial crime in Nigeria?

TABLE .6

Responses	No of Respondents	Percentage (%)
Yes	42	70
No	18	30
Total	60	100

Source: Field Survey 2011

From table above, 70% saw the need for the introduction of forensic accounting by the EFCC to restrict financial crime in Nigeria, while 30% didn't see the need for the introduction of forensic accounting by the EFCC to restrict financial crime in Nigeria.

Detecting of Fraudulent Scheme

Do you think forensic accounting enhances the auditors role in easy detection of fraudulent scheme?

TABLE .7

Responses	No of Respondents	Percentage (%)
Yes	45	75
No	15	25
Total	60	100

Source: Field Survey 2011

The table shows that 75% of the respondent admits that forensic accounting enhances the auditor's role in easy detecting of fraudulent scheme while 25% of the respondents do not think so.

Level of knowledge on fraud in your opinion, does fraud exist

in your country?

TABLE .8

Responses	No of Respondents	Percentage (%)
Yes	60	100
No	-	-
Total	60	100

Source: Field Survey 2011

All the respondents agreed that fraud do exist in the country Fraud alleviation in a country.

Do you think forensic accounting is capable of alleviating fraud in a country?

TABLE .9

Responses	No of Respondents	Percentage (%)
Yes	52	86.67
No	8	13.33
Total	60	100

Source: Field Survey 2011

From the table, 86.67% of the respondents think forensic accounting is capable of alleviating fraud, 13.33% of the respondents do not believe so. Since 86.67% is the greatest percentage of the two responses, it is concluded that forensic accounting can alleviate fraud in a country.

Investigative Accountants Knowledge of Forensic Accounting

Are you in agreement with the assertion that investigative accountants must have knowledge of forensic accounting?

TABLE .10

Responses	No of Respondents	Percentage (%)
Yes	49	81.67
No	11	18.33
Total	60	100

Source: Field Survey 2011

The table indicates that 81.67% of the respondent agreed in the assertion that an investigative accountant must have knowledge of forensic accounting while 18.33% do not agree.

Knowledge on Forensic Accounting

Have you Read Articles on Forensic Accounting?

TABLE .11

Responses	No of Respondents	Percentage (%)
Yes	25	41.67
No	35	58.3
Total	60	100

Source: Field Survey 2011

The table shows that 41.6% have read books articles on forensic accounting while 58.3% have not problems of forensic accounting.

Which of the following problem do you think exist from forensic accounting?

TABLE .12

	Responses	Frequent	%
1	The independent of forensic accounting is in questions	10	16.67
2	There will be conflict of interest between auditors and forensic accounting	22	36.67
3	It is not sufficient to deter and detect fraud and crime	10	16.67 '
4	It will increase the cost of services offered to organisation by accounting firm	18	30
	Total	60	100

From the table 16.67% of the respondent thinks the problem that accrues to the accounting profession is that the independence of the forensic accountant is in questions, 36.67% of the respondents think there will be a conflict of interest between auditors and forensic accountant another 16.67% of the respondents think it is not sufficient to deter and detect fraud and crime while 30% of the respondents think it will increase the cost of services offered to organizations by accounting firms.

Persecution of Public Office Holders by EFCC

Will be prosecution of public office holders by EFCC reduce the level of fraudulent activities in Nigeria?

TABLE .13

Responses	No of Respondents	Percentage (%)
Yes	35	58.33
No	25	41.67
Total	60	100

Source: Field Survey 2011

From the table, it shows that 58.33% admits that the prosecution of public office holders by EFCC will reduce the level of fraudulent activities in Nigeria while 41.67% of the respondent do not agree with that.

Services of Forensic Accounting to Financial Reporting

Do you think that forensic accounting services are relevant to financial reporting in Nigeria.

TABLE 14

Responses	No of Respondents	Percentage (%)
Yes	53	88.33
No	7	11.67
Total	60	100

Source: Field Survey 2011

From the table above 88.33% are of the opinion those forensic accounting services are relevant to financial reporting while 11.67% were other indifferent or responded negatively. But from the responded above, it indicates that forensic accounting services are and will be relevant to financial reporting on the Nigeria economy.

Impact of Forensic Accounting on Accounting Professional

Can you say, forensic accounting has impact on accounting profession?

TABLE .15

Responses	No of Respondents	Percentage (%)
Yes	58	96.67
No	2	3.33
Total	60	100

Source: Field Survey 2011

The table shows that 96.67% of the respondents think that forensic accounting is relevant to the accounting profession while 3.3% do not think so. From this, it can be induced that forensic accounting is relevant to accounting profession.

Requirement of Forensic Accounting

Is it true that forensic accounting require special skills and knowledge of successful application?

TABLE .16

Responses	No of Respondents	Percentage (%)
Yes	58	96.67
No	2	3.33
Total	60	100

Source: Field Survey 2011

From the table above 96.67% agreed that forensic accounting requires special skills and knowledge for successful application, while 3.33% objected the opinion. From the table above it indicate that forensic accountant require special skill and knowledge for a smooth and successful application in Nigeria.

Low Application for Forensic Accounting in Nigeria

Do you agree with the fact that the application of forensic accounting in Nigeria is low compared to other countries?

TABLE .17

Responses	No of Respondents	Percentage (%)
Yes	38	63.33
No	22	36.67
Total	60	100

Source: Field Survey 2011

From the table above it shows that 63.33% agrees to the fact while 36.67% disagreed to the fact. This is going to show that the application of forensic accounting in Nigeria is relatively low compared to other countries.

Forensic Accounting Improves Accounting Information

Will forensic accounting improve the quality and usefulness of accounting information in Nigeria?

TABLE .18

Responses	No of Respondents	Percentage (%)
Yes	57	95
No	3	5
Total	60	100

Source: Field Survey 2011

From the table, 95% of the respondent accepted that forensic accounting will improve the qualify and usefulness of accounting information in Nigeria while 5% did not agree to the view.

Effect of Non-application of Forensic Accounting

Do you agree that the financial mismanagement in the Nigeria public sector is as a result of the non-application of forensic accounting in public audit?

TABLE .19

Responses	No of Respondents	Percentage (%)
Yes	25	41.67
No	35	58.3

Total	60	100
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Source: Field Survey 2011

From the above table, 58.33% did not agree to the question but were of the opinion that it will help check financial misappropriation in the public sector while 41.67% agreed that financial mismanagement in the public sector was as a result of the non-applicability of forensic accounting in public audit.

Hypothesis Testing

The chi-square denoted by the Greek letter χ^2 will be used here in testing the hypotheses chi-square is a sample statistic for the purpose of this research. It is computed as thus:

$$X^2 = \frac{\sum(\text{of-ef})^2}{EF}$$

Where: Σ = Summation

Fo = observed frequency

Fe = expected frequency

Where the contingency table is used, the expected frequency is calculated by

$$\frac{\text{Row total} \times \text{column total}}{\text{Grand total}}$$

The significant of obtaining χ^2 can be evaluated by consulting a table of critical value of χ^2 . The critical values indicates the values that obtains χ^2 which must equals or exceed to be significant at the 0.05 levels, the critical value of freedom. The agreement of freedom for chi-square is easily calculated as thus.

$$df = (R-1)(c-1)$$

where R = number of row

c = number of column

Decision Rule

If the computed observed χ^2 (Chi-square) is greater than the table χ^2 . The well hypothesis is rejected meaning that the alternative hypothesis will be accepted and vice versa.

Test Hypothesis

In this section, chi-square (χ^2) statistical tools would be used to test the hypothesis using the research. The chi-square (χ^2) statistical tool is used because the researcher wishes to compare an actual (or observed) distribution with a hypothesis (or expected) distribution (Lucey, 1996. 17).

The chi-square (χ^2) is measure of the discrepancy existing between observed and expected frequency (Spiegel, 1982) it involves the comparison of the computed chi-squares (χ^2) value the chi-square (χ^2) critical value.

The calculated value of χ^2 is obtained by using the formula.

$$X^2 = \frac{\sum(\text{fo-fe})^2}{EF}$$

Where χ^2 = chi- square

Σ = summation

O = The observed frequency of any value

E = The expected frequency of any value in the contingency table for the observation, the observed frequency (O) is organized or derived using data obtained form questionnaire.

Decisions

The null hypothesis (H_0) is rejected if the calculated value is greater than or equal to the critical value. This means that the alternative hypothesis (H_1) will be accepted and vise-versa

Test of Hypothesis one

H_0 : Application of forensic accounting techniques in fraud investigation will not help EFCC to the restriction increasing wave of financial crime in the country

In testing hypothesis one, the researcher used question 19,7 and 21 from the questionnaire administered to the staffs of EFCC.

TABLE .20

Response from table 9,17 and 21

Responses	9	17	21	Total
Yes	42	53	57	152
No	18	7	3	28
Total	60	60	60	180

Source: Field Survey 2011

Computation of expected value of each row and column total

TABLE .21

Expected Frequency

Responses	9	17	21	Total
Yes	51	51	51	153
No	9	9	9	27
Total	60	60	60	180

TABLE .22

The calculated χ^2 value

O	Σ	$O-\Sigma$	$(O-\Sigma)^2$	$(O-\Sigma)^2/\Sigma$
42	51	-9	81	1.59
18	9	9	81	9
53	51	2	4	0.08
7	9	-2	4	0.44
57	51	6	36	0.71
3	9	-6	36	4

15.82

The χ^2 critical value (χ^2_{pv}) $v=(\text{Row-1}) (\text{column -1}) - (2-1) (3-1)$
 $V = 2 \times 1 = 2$ degrees of freedom
 $P = \text{Level of significance} = 5\% = 0.05$
 Thus, $\chi^2_{pv} \chi^2_{0.05, 2} = 5.991$

Decision

Since the calculating χ^2 value (15.82) is greater than the critical value (5.991) therefore the researcher rejects the null hypotheses (H_0) and accepts the alternative hypothesis (H_1) meaning that application of forensic accounting techniques in fraud investigation will help EFCC to the restriction of financial crime in the country.

Test of Hypothesis Two

H_0 : The expansion in the roles of auditors and public accountant will not make deterrence an detecting of fraudulent scheme possible and easier.

H_i : The expansion in the roles of auditors and public accountant will make deterrence an detecting of fraudulent scheme possible and easier.

With respect to testing hypothesis, two, the researcher will use question 10, 18 and 22 from the questionnaire administered to the staff of EFCC.

TABLE .23

Responses from table 10, 18 and 22

Responses	10	18	22	Total
Yes	45	52	25	128
No	15	2	35	52
Total	60	60	60	180

Analysis: Computation of expected value of each raw and column total.

TABLE .24

Expected Frequency (Σ)

Responses	10	18	22	Total
Yes	43	43	43	129
No	17	17	17	51
Total	60	60	60	180

TABLE .25

The calculated χ^2 value

O	Σ	$O-\Sigma$	$(O-\Sigma)^2$	$(O-\Sigma)^2/3$
45	43	2	4	0.093
15	17	-2	4	-9.235
52	43	9	81	1.884

2	17	-15	-225	13.235
25	43	-18	-324	7.535
35	17	18	324	19.059

142.041

The χ^2 critical value (χ^2_{pv}) $v = (Row - 1) (column - 1) = (2 - 1)(3-1)$

$V = 2 \times 1 = 2$ degrees of freedom

P = level of significance = 5% = 0.05

Thus, $\chi^2_{pv} \times 2 0.05, 2 = 5.991$

Decision

Since the calculation χ - value (42.041) is greater than the critical value (5.991) therefore the researcher rejects the null hypotheses (H_0) and accepts the alternative hypothesis (H_1), meaning that the expansion in the roles of auditors and public accountant will make deterrence and detecting of fraudulent scheme possible and easier.

Test of Hypothesis Three

H_0 : Enforcement and prosecution of public office holders by EFCC will not reduce the trend in the level of fraudulent activities in Nigeria.

H_1 : Enforcement and prosecution of public office holders by EFCC will reduce the trend in the level of fraudulent activities in Nigeria.

With respect to testing hypothesis three, the researcher will use question 12, and 19 from the questionnaire administered to the staffs of EFCC.

Responses from table 12, 16, and 19

TABLE .26

Responses	12	16	19	Total
Yes	52	35	58	145
No	8	25	2	35
Total	60	60	60	180

Analysis: Computation of expected value of each row and column total.

TABLE .27

Expected frequency (Σ) on top of the table

Responses	12	16	19	Total
Yes	48	48	48	144
No	12	12	12	36
Total	60	60	60	180

The calculated χ^2 value

TABLE .28

O	Σ	O-Σ	(O-Σ) ²	(O-Σ) ² /3
52	48	4	16	0.33
8	12	-4	-16	1.33
35	48	-13	169	3.52
25	12	13	169	14
58	48	10	100	2
2	12	-10	-100	8.3

29.48

The X² critical value (X² pv₂)

V = (Row - 1) (column - 1) = (2 - 1) (3 - 1)

V = 2x1 = 2 degrees of freedom

P = level of significance - 5% = 0.05

Thus x² Pv = X² 0.05, = 5.991

Decision

Since the calculated X² value (29.48) is greater than the critical value (5.991). Therefore the research hereby rejects the null hypothesis (H₀) and accepts the alternative hypothesis (H₁) meaning that the enforcement and prosecution of public office holders by EFCC will reduce the trend in level of fraudulent activities in Nigeria.

The paper made the following findings.

- Forensic accounting enhances the auditor's role in easy detecting of fraudulent scheme
- The effectiveness of EFCC techniques of forensic accounting can restrict financial crime in Nigeria
- The prosecution of public office holders by EFCC can reduce the level of fraudulent activities in Nigeria.
- Forensic accounting improves the quality and usefulness of accounting information
- Forensic accounting services are very relevant to financial reporting
- Forensic accounting is very capable of alleviating fraud in a country.

Conclusion

It is not an overstatement that forensic accounting is one of the most, if not the most important tool in the fight against corruption and other criminal wrongdoing, both in private and public sectors.

Forensic accounting should be seen as a multi- skill or multi-disciplinary area. Expertise in accounting alone will not suffice without the complementary expertise in other investigations skills and knowledge of the law. Similarly, expertise in other investigative skills and the law without knowledge of accounting will not as it's the investigating officers in uncovering the illegal activities. Thus, developing expertise in forensic accounting calls for an integrated approach. It is an opportunity for more job empowerment and a restoration of public confidence in the accounting profession.

Finally, forensic accounting, although relatively new, should not be considered as an option but an important and integral part of the training of both future and experienced accountants.

Recommendation

As a result of the findings and conclusions made out of this research work, the researcher wishes to make the following recommendations.

- i) Accounting graduates should receive instruction that improves their knowledge of publicized frauds and promotes increased awareness of the antecedents and indicators of fraud as well as the appropriate actions to take when faced with ethical dilemmas.
- ii) Forensic accounting should be put to practice across the world especially in third world countries, so as to aid transparency and fairness in financial dealings and this attracts foreign investor.
- iii) National libraries across the world should be stocked with books, magazines and journals on forensic accounting so as to educate people on the subject.

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